Oppose HB 5768, to Impose a 24-Hour Holding Period on Products

- Because California wineries are responsible for 90% of all domestic wine production, Wine Institute members deliver or have delivered into Michigan the majority of the wine that Michiganders consume. In doing so, our member wineries work closely with wholesalers to expeditiously move wine to Michigan retail establishments. To ensure this continues, we are opposed to HB 5768 which would statutorily impose a 24-hour time period in which our products are held on a wholesaler's premises prior to being distributed to retailers and sold in the state.

- We support the three-tier system and the purposes for which it was instituted. Our wholesaler partners provide a valuable service in moving large quantities of product efficiently and cost effectively. However, imposing a 24-hour "at rest" period, which in practice would result in having cases of wine being physically removed from delivery trucks to rest in the wholesaler's warehouse for 24 hours and then being reloaded back onto the truck, is unnecessary, time-consuming, and labor intensive. We believe it would significantly hinder a more expeditious and efficient delivery system even with HB 5768's limited exception from this requirement dealing with out of stock products.

- At a time when all industries are working diligently to streamline their supply chain efficiencies and expenses, imposing a time-specific "at rest" requirement would accomplish just the opposite. It is counterproductive to reducing distribution costs and ensuring the timely delivery of product to retailers. It would create needless delays, increase costs to consumers and impose complex challenges to the current distribution system.

- The state's current rule on this matter, Rule 19(4) of the Michigan Administrative Code, requires all shipments of bottled wine from a manufacturer or an outstate seller of wine be made only to a licensed wholesaler at the address of the licensed premises. It has not been shown to diminish the ability for wholesalers to accurately account for all products coming into the state and thereby remit the appropriate taxes. New technology has made and continues to make this process easier, but we believe this legislation would return delivery to a more archaic method.

- Furthermore, we believe no hard evidence has been shown that tax collection, product integrity or enforcement inspections of records have been compromised under the current rule. In addition to on-site inspections that are currently conducted without need for imposing a statutory "at rest" period, the MLCC has a variety of other tools to enforce the alcohol beverage requirements that include:

    - Licensed wholesalers retaining on their premises all sales invoices or credit/debit memos for 4 years;
    - Licensed wholesalers and outstate wine sellers being required to submit such info to the MLCC monthly and any other information that the Commission requests and being subject to audits;
    - Severe penalties for violations of the laws and rules including suspension or revocation of licenses.

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- There is no reason that the law should be changed to essentially require licensed wholesalers, once they are lawfully in possession of product from a licensed manufacturer, to unload their trucks, store the products in a warehouse for 24 hours, and then reload the trucks for delivery to licensed retailers. Some wholesalers may prefer to conduct their business in that manner, others may not. As long as all parties have fully complied with current law, there is no reason that the state should have any interest in compelling inefficiencies such as imposing a 24 hour "at rest" period for product.

- Wine Institute urges you to oppose HB 5768 and we stand ready to work with our wholesaler partners and the Legislature in considering any changes to the Liquor Code and rules to address unlawful activities governing our products.

April 20, 2018