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Senate Federal and State Affairs Committee Testimony
Relating to SB298, Concerning Alcoholic Beverages and Retailer's Licenses

March 31, 2015

Chairman Ostmeyer and members of the Committee,

Thank you for the opportunity to submit written testimony from Associated Wholesale Grocers, Inc. ("AWG") relating to SB298 which would amend the Kansas Liquor Control Act ("Act").

AWG is an over 85 year old, member-owned grocery wholesaler headquartered in Kansas City, Kansas. With 575 independent members operating over 2,660 stores, AWG had over $8.3 billion in sales last year alone. AWG currently employs more than 1,000 employees in this State. Sixty-four of AWG's members, operating 160 grocery stores across the State, employ countless more. Many are small, family-owned businesses operating family-run stores. Indeed, over 35 are one- or two-store operators. All compete head-to-head with big box, national chain and other independents, alike.

Currently, the Act is one of the most antiquated liquor laws in the country, leaving Kansas as 1 of only 5 states that still retails 3.2% beer and 1 of only a handful granting the exclusive right to sell wine and liquor to state-licensed liquor stores. Not only does the Act currently restrict consumer choice and convenience but also the ability of countless small businesses, like AWG's independent members, to engage in full and fair competition. It essentially grants a monopoly to liquor stores to sell adult beverages (full strength beer, wine and liquor) and completely prohibits grocery stores from selling any such products except only 3.2% beer. The Act's current restriction on the free market significantly harms these small businesses, the consumers whom they serve and the economy as a whole.

As a "Beer Bill," SB298 (New Section 4, generally) is tailored to correct this situation by permitting grocery stores and c-stores to obtain a class A license to sell full strength beer (3.2% and otherwise). AWG strongly supports this provision because it is based squarely on free market principles and promotes fair, open and robust competition.

Notably, if enacted, independent grocery stores and others would finally have the opportunity to provide the full range of beer products that their customers want but which they are currently unable to offer. Eliminating the government-imposed restriction of selling only 3.2% beer would enable these small businesses to compete fairly and more fully in the marketplace by allowing them to expand their product offerings. Further, consumers, not the government, would freely decide where they would spend their money. Although consumers would still be free to make a special trip elsewhere to buy full strength beer and other items, they would not be forced to do so but would be free to choose whether or not to purchase a variety of beer products along with their groceries and other items, as they see fit. This is precisely how the free market is meant to work.

In addition to full strength beer, to the extent SB298's other provisions are consistent with the free market principles expressed above, AWG strongly supports them as well.

Thus, AWG supports the bill's provisions permitting grocery stores and liquor stores to hold a class B license to sell wine and liquor (New Sections 1, 2 and 8, generally), to allow the transfer of a class B license to another qualified person which is prohibited under current law and to allow liquor stores the ability to sell other products (New Section 3(b)-(d), generally) which is also prohibited under current law. Notably, these provisions all spur free and fair competition in offering and selling wine and liquor.

However, AWG must oppose SB298, New Section 3(a), which permanently limits the number of class B licenses to the total in existence on the date immediately preceding the date of the election where the proposition is submitted to voters. In short, this would effectively make the monopoly to sell wine and liquor as it exists in current law, permanent, regardless of any ability to transfer a class B license. In fact, transferring such license would simply be transferring monopoly power to sell wine and liquor to the highest bidder. Rather than spurring free and open competition in selling wine and liquor to consumers, it would thwart it because only a limited number of qualified entities would enjoy the right to hold a license to sell such products at any time. Moreover, rather than leveling the playing field for small businesses, it would effectively shut them out of the wine and liquor marketplace because none would have the assets, funds or financing to win a bidding war for a class B license. Assuming that the purpose of SB298 is to enhance free and fair competition in the sale of not only full strength beer but wine and alcohol as well, there should be no limit on the number of licenses available to those qualified to hold them.

We greatly appreciate the opportunity to provide this written testimony.

Sincerely,

ASSOCIATED WHOLESALE GROCERS, INC.

James C. Holland

James C. Holland
Senior Associate General Counsel