

February 3, 1977
11:00 a.m.

MINUTES OF THE MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

The meeting of the Business and Industry Committee was called to order by Chairman Frank Hazelbaker on the above date in the Governor's Reception Room of the State Capitol Building at 11:00 a.m.

ROLL CALL: All members were present.

Chairman Hazelbaker introduced Ross Cannon, Attorney, Coordinator for the proponents and Bob Durkee, Tavern Owner, Coordinator for the opponents.

Chairman Hazelbaker then introduced Senator Pat Goodover, District 22, Great Falls and Senator Joe Roberts, District 11, Libby, chief sponsors of the bill.

Senator Pat Goodover reviewed the history of drafting the bill. His testimony is attached. (Exhibit #1)

Senator Goodover referred to two books and they are also attached. Exhibit #2 - "Wine and Liquor Marketing Alternatives for Montana." Exhibit #3 - "Fiscal Impacts of Altering Montana's Liquor Distribution System."

Senator Roberts stated they should make wine available to the consumer in grocery stores. They could have convenience and more selection and keep the revenue from going out of state. He stated we should not lose sight of the consumer. They are asking for cheaper wine and convenience and availability. At the end of the testimony he would turn over to the Committee all the petitions that were signed. He then handed out a resume of the testimony that he would be giving. This testimony is attached. (Exhibit #4).

PROPOSERS:

Senator Roberts introduced Leonard Eckel who stated he represented 185 people who are Montanan's who like wine. He feels this is a good bill. He thinks private retailers can dictate to the state

what they would like to put on their shelf. He felt the State can get the wine cheaper than a private wholesaler can.

Senator Roberts then introduced Barbara Bush, a Home Economist. She stated she uses wine with their meals. She represents 32 people who came over by bus who are in favor of wine in the grocery stores.

Senator Roberts then introduced Mrs. Ted McFall. She endorses this heartily because she is involved in entertaining bridge groups. As she travels with her children, she finds wine is available in stores such as Washington and others.

Senator Roberts then introduced Jim Sewell, Lobbyist, for Mide Mart. He brought with him 2500 signatures collected in support of this bill. He requested that this bill Do Pass.

Senator Roberts then introduced Frank Capps, Manager of Super Save Market in Helena. He stated many people have signed the petition that they had in their store. He supported the bill.

Senator Roberts then introduced Mary Beth Linder. She stated when she shops she has to take her children with her. The thing that bothers her is she has to leave the children in the car when she goes to the liquor store. She would like to see wine sold in the grocery stores.

Senator Roberts then introduced Bob Petek, Associated Food Stores, Helena. He stated his area of distribution covers almost the entire state. They service 275 independent retailers and drugstores in Montana. He thinks wine belongs in the food stores. He thought he had one of the best distributor centers in the world.

Senator Roberts presented to the Committee petitions from the various retail stores throughout the state. He stated there were 40,000 signatures. (Exhibit #5)

Chairman Hazelbaker stated that anyone who wanted to speak neither supporting nor opposing the bill could speak at this time.

Bill Groff, Department of Revenue, appeared neither in favor nor opposition of the bill. He would like to have a subcommittee appointed.

Carson Veers is in the restaurant business. He stated the excise tax is going to displace the tax on fine wines. He would like to see wines taxed on age rather than the other method. Chairman Hazelbaker stated there had been a graduated tax prepared by the Fiscal Analyst and Senator Roberts would give him a copy of it.

OPPONENTS:

Mr. Bob Durkee, Montana Tavern Association appeared in opposition to SB 85, as amended. It strikes him as odd that after a two-year study such an imperfect bill could be offered. His testimony is attached. (Exhibit #6).

Mr. Durkee then introduced Don Larson, Manager, Jorgensons Holiday Inn and Registered Lobbyist, Montana Tavern Association. His testimony is attached. (Exhibit #7)

Mr. Durkee then introduced Leo Pocha, Executive Director of the Helena Indian Alliance. His testimony is attached. (Exhibit #8)

Mr. Durkee then introduced Don Coburn. His testimony is attached. (Exhibit #9)

Mr. Tom O'Brien, Cascade County Tavern Association stated he is in opposition to SB 85.

Mr. Durkee then introduced Mr. Jim Burnes, Cascade County Sheriff Department. He is Chief Deputy. He stated the impact of this bill on law enforcement has to be considered. There will be more responsibilities and effort put on the law enforcement. He thinks the law enforcement is going to need budgeting before this bill is passed.

Mr. Durkee then introduced Neil Curtniss, Billings. President of Montana Tavern Association. He stated he opposed SB 85. He requested the Committee give this bill a Do Not Pass.

Mr. Durkee then introduced Tony Cullum who operates a liquor store in Helena. He spoke in opposition to SB 85.

Mr. Durkee then introduced Philip Strobe, Attorney, representing Montana Tavern Association. His testimony is attached. (Exhibit #10)

Mr. Durkee then introduced Curtis Lees. His testimony is attached. (Exhibit #11)

Senator Roberts then closed with rebuttal to some of the things the opponents had mentioned.

Two additional testimonies were left with the Secretary to be put into the minutes. Exhibit-#12 Statement in support of SB 85 from Montana Beer Wholesalers' Association. Exhibit #13 - Statement in opposition to SB 85 from Charles Spillum.

ADJOURN: There being no further business, Chairman Hazelbaker adjourned the meeting at 12:30.



FRANK HAZELBAKER, CHAIRMAN

DATE

COMMITTEE ON

BILL NO.

VISITOR'S REGISTER

| NAME | REPRESENTING | Check One | |
|-----------------------|-------------------------------|-----------|--------|
| | | Support | Oppose |
| Bert Durbin | MTA | | 50X |
| Charles Miller | Yreka Stone Tower Assoc. | | X |
| Wm. M. Fadden | Spent Shop B. 16 | | X |
| Bob Thompson | Therry - Co - Round Cr. Falls | | X |
| Don Brown | Beals Lumber Bldg. | | X |
| Frank G. Baker | Cascade Co. Lumber Assn. | | X |
| John R. Brown | Missoula County Lumber Assn. | | X |
| Phil Storge | Cascade Co. Sheriff Dept | | X |
| Tony Culham | MTA | | X |
| Edna Carver | Tony Lunge Hilda | | X |
| William Carter | Barrows | | X |
| Donald E. Parker | City Sec | | X |
| James R. Beyster | Yreka Ldg. W. Yellowstone | | X |
| Ben Watson | More More | | X |
| Harry Clawson | Student | | X |
| Paul Langham | Yreka Ldg. W. Yellowstone | | X |
| Bill J. Williams | Man. M | | X |
| Pat Blair | Duncan Mt | | X |
| Chuck R. Rode | Belling | | X |
| Johnny Wright | Belling | | X |
| Charles L. Fockley | Horseshoe Club Ldg. | | X |
| Tom Heister | Beck's Bar & Hotel Hardin | | X |
| Katherine Chamberlain | Great Falls, Mont | | X |
| Betty Lou Nelson | Missoula | X | |
| Don Baker | Missoula | X | |
| | BASIN | | X |

Business & Industry COMMITTEE

Date 5/27

[illegible]

SB-85

Pat Goodover
Testimony.

Exhibit 1.

Mr. Chairman - members of the Committee -

For the record, I am Pat Goodover - Senate Dist #22

Great Falls - And I'll introduce Senator Joe
Roberts of Senate Dist #11, from Libby - you'll hear
from him in a few minutes, Senator Roberts and

I are equal Sponsors of this bi-partisan bill. ^{SB-85}

For the benefit of those in this room, I'll
review the history that resulted in the
drafting of SB 85. In the 1975 Legislature
SJR 6 was adopted, which called for an interim
Joint Committee to review the operation of the
Montana Liquor Monopoly. Of the study

Exhibit #

INTERIM STUDY
BY THE
SUBCOMMITTEE ON WINE AND LIQUOR RETAILING

***Wine and Liquor Marketing
Alternatives for Montana***

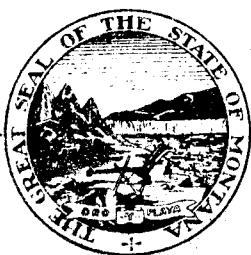
December 1976

Distributed By

MONTANA LEGISLATIVE COUNCIL
State Capitol
Helena, Montana 59601

Exhibit #3

FISCAL IMPACTS OF ALTERING MONTANA'S LIQUOR DISTRIBUTION SYSTEM



OFFICE OF THE LEGISLATIVE FISCAL ANALYST

Helena, Montana
July 26, 1976

2000 4

SENATE BILL NO. 85

Hearing before Senate Committee

on

Business and Industry

February 3, 1977

Prepared by:

ROSS W. CANNON
1721 Eleventh Avenue
Helena, Montana 59601

on behalf of

THE MONTANA FOOD DISTRIBUTORS
ASSOCIATION

MONTANA



Tavern Association

~~Alignment and Affiliation with the MTA and the IIT~~

STATE HEADQUARTERS - 9 EDWARDS - HELENA, MONTANA 59601

P.O. BOX 851 - PHONE 442-5040

STATEMENT BY ROBERT A. DURKEE, REGISTERED LOBBYIST FOR THE MONTANA TAVERN ASSOCIATION, BEFORE THE SENATE BUSINESS & INDUSTRY COMMITTEE, FEBRUARY 3, 1977, IN OPPOSITION TO SB85:

My presentation in opposition to SB85 will deal, first, with the dollars and then the sense of the Montana wine operation.

There is reason to fear that sponsors of SB85 have underestimated the impact such a change would make on Montana taxpayers, and it is by no means certain either that they have been fully informed as to the current status of Montana, vis-a-vis other states in this region, insofar as wine sales and consumption are concerned.

Figure #1 contains data supplied by the Wine Institute and the Wine Marketing Handbook (Gavin-Jobson Associates), wine industry recognized sources:

Figure #1 - Per Capita Wine Consumption

| <u>State</u> | <u>Gallons</u> <u>1975</u> | <u>Gallons</u> <u>1971</u> | <u>Gallon</u> <u>Increase</u> | <u>% Gain</u> |
|--------------|-------------------------------|-------------------------------|----------------------------------|---------------|
| Idaho | 1.36 | 1.18 | .18 | 15.25 |
| Wyoming | 1.13 | .83 | .30 | 36.14 |
| MONTANA | .97 | .67 | .30 | 44.78 |
| South Dakota | .88 | .73 | .15 | 20.55 |
| Nebraska | .84 | .75 | .09 | 12.00 |
| North Dakota | .80 | .57 | .23 | 40.35 |
| Utah | .72 | .65 | .07 | 10.77 |
| Total U.S.A. | <u>1.73</u> | <u>1.43</u> | <u>.30</u> | <u>20.98</u> |

You will see that wine consumption is far from noteworthy in the 7-state region of which Montana is a part. Although Montana is far below the national average, it is 3rd among the states in its



Tavern Association

STATE HEADQUARTERS / 9 EDWARDS / HELENA, MONTANA 59001

P.O. BOX 851 PHONE 442-5040

STATEMENT BY DONALD W. LARSON, CHAIRMAN OF THE BOARD AND REGISTERED LOBBYIST FOR THE MONTANA TAVERN ASSOCIATION. BEFORE THE SENATE BUSINESS & INDUSTRY COMMITTEE, FEBRUARY 3, 1977, IN OPPOSITION TO SB85.

The fiscal note attached to SB85 assumes that 670 off-premise wine licenses would be issued.

A survey taken by the Department of Revenue in December 1976 was sent to 664 off-premise beer licensees. On January 19, 1977, the results of that survey were published. Out of 664 inquiries, they received 337 responses and of those, 294 said they would carry wine. We submit that those are the licenses we should be talking about...not 670.

The survey also revealed that the majority of those would order once a week and the inventory they intend to carry -- both shelf and storage -- would be 25 cases or less. I do not have a package store. The wine I sell is basically for on-premise consumption. But, even I carry more than 25 cases in my inventory. Yet, the ones who propose to serve the public and provide this great variety they speak of, indicate that they will carry less in stock and on their shelves than I do for serving in conjunction with our food operation.

The fiscal note says that we can expect a range of a deficit of \$1.7 million in FY 78 to a PROFIT of slightly over 1.2 million, which is a spread of \$2.2 million, depending on four scenarios they propose.

Scenarios III and IV, which show increases over present revenue,

Exhibit 8



February 3, 1977

The Helena Indian Alliance is a Social Service Agency. One of our greatest social problems is Alcoholism. We are confronted everyday by people with this dreadful problem and see the results of this disease.

It is my feeling that if alcohol in any form is made more accessible and cheaper to the alcoholic and the youth it will only compound this grave social problem.

I, therefore, as the Executive Director of the Helena Indian Alliance urge you to disapprove SB 85.

Leo Pocha
Executive Director

I OPPOSE THIS BILL FOR A DEEP SEATED MORALISTIC REASON. WE IN MONTANA ARE BASICALLY FAMILY AND SMALL BUSINESS ORIENTED. I BELIEVE THIS MAKES FOR BETTER AND CLOSER KNIT COMMUNITIES. I BELIEVE IN THE "MA AND PA" GROCERY; THE NEIGHBORHOOD STORE; THE "FATHER AND SON" REPAIR SHOP AND CLOTHING STORE. I BELIEVE IN FAMILY FARMS AND RANCHES.

RATHER THAN MAKE BIG BUSINESS BIGGER I WOULD LIKE TO SEE LAWS PASSED THAT WOULD HELP THE "LITTLE" GUY.

A BILL SUCH AS THIS ONE WILL BE A BIG BLOW TO SMALL TAVERN OWNERS. HOW MANY SMALL BARS AND TAVERNS WILL HAVE TO CLOSE BECAUSE OF LOSS OF REVENUE? DO YOU THINK BIG BUSINESS WILL STOP WITH JUST WINE IN THE GROCERY STORES? DO YOU THINK THE INCREASED REVENUE IN THE CHAIN STORES WILL STAY IN MONTANA?

I URGE YOU TO KILL THIS BILL, NOT SMALL BUSINESS.



DONALD L. COBURN

EAST HELENA, MONTANA

MTA # 1

MONTANA



Tavern Association

~~Admitted and Registered with the NIA Association~~

STATE HEADQUARTERS / 9 EDWARDS / HELENA, MONTANA 59601

P.O. BOX 851 / PHONE 442-5040

STATEMENT BY PHILIP W. STROPE, REGISTERED LOBBYIST
FOR THE MONTANA TAVERN ASSOCIATION, BEFORE THE
SENATE BUSINESS & INDUSTRY COMMITTEE, FEBRUARY 3,
1977, IN OPPOSITION TO SB85:

Mont. Leg.
Yellowstone County Tavern License

I hardly recognize this bill with all its amendments as the one that was introduced a few weeks ago. When I first read this piece of legislation, I found so many things wrong with it that I strongly voiced my objections. This was a mistake because it gave those people a chance to correct the errors. In an effort to make this proposal more palatable, the authors have now made many changes but they haven't done a thing about my main objection. They still want to sell wine in the grocery stores.

The concept of wine in the grocery stores has been sold to the housewives of Montana on the basis of availability and convenience. Just how available and convenient remains to be seen as it is not spelled out in this bill but I am fearful that the very idea that makes it sound attractive will be the very thing we will regret most if S.B. 85 passes.

Underage drinkers and over-imbibers would have a hay-day under this kind of set-up. The kids and drunks that have plagued the poor friendly tavern owner for so many years will not find it nearly so difficult to outwit the checkout girl as they did the bartender. It doesn't take much imagination to see all the loop holes.

In this regard, I would like to see it spelled out in this bill just what the penalties will be for violations. When the friendly tavern owner was convicted of selling after hours or to minors his entire operation, regardless of how extensive, was completely shut down and the front door locked. If a supermarket violates, and it is bound to happen, do they shut down the groceries, the meats, the produce, the drugs, the food counters and the whole works and lock the front door. If that's the jeopardy the friendly

Montana Beer Wholesalers Association

P.O. Box 593

HELENA, MONTANA

ALFRED E. DOUGHERTY
EXECUTIVE SECRETARY AND COUNSEL

STATEMENT IN SUPPORT OF S.B. 35 as introduced

Alfred E. Dougherty

The Montana Beer Wholesalers Association endorses the principle of private distribution of Wine and its sale in various retail outlets. This Bill, as we view it, would in effect place the sale of wine on approximately the same footing as beer. Hopefully, the bill can be amended in such fashion as to also place the distribution of wine in a similar category.

The Board of Directors and members of the Association have already gone on record in this matter in testimony presented to the Montana Legislative Subcommittee on Wine and Liquor Retailing. This testimony was given at the hearing held by the Subcommittee September 25, 1976.

As pointed out in that testimony, the beer distributors are already licensed and regulated to deal in alcoholic beverages. It would be very simple for this Legislature to adapt legislation on wine in the same pattern.

We submit to this Committee a copy of the testimony given to the Subcommittee and ask that it be carefully considered with the view of implementing the suggestions made in it. A copy is attached and is before each member of the Committee.

* * * * *

I am Charles Spillum, operator of the Spirit Shop in Butte. We hold an all beverage license (which costs \$300) and do a large package liquor business. We have had this for 2 years.

Ex. 13

We hire, both full and part time 5 people besides my wife and myself. I am here to help preserve the present Montana wine marketing setup.

If the "Super market relief bill" to put wine in grocery stores is passed a large presentage of the profits now being made directly by the State of Montana, and a lot of the profit made by Montana People, who pay Montana taxes, will be sent to headquarters of large market chains in places like California and New York - never to appear again in Montana. Many of these large chains do not even own property in Montana.

Over the state of Montana many people are hired by people with operations similar to mine will be out of work if a large part of our volume is taken away --- and will not be picked ~~up~~ up by large stores who can add a new department to existing facilities ~~with~~ with no increase in employees. And in my town every job counts right now.

The states cost of ~~the~~ operations in the liquor business will very likely not decrease if the wine is eliminated from their stores. It will take the same stores and the same people to do a lot smaller volume -

The claim of cheaper wine to the public if sold in grocery stores can only come about by someone (in this case the State of Montana) makes less money on the sale of wine. Don't be misled by the statement that the markets will not take a fair profit on what they sell. I can not see where the ~~State~~ State of Montana with their huge buying volume are ~~paying~~ paying more than these people will be paying. And that loss of profit to the state must be made up by a tax on something - and who likes ~~more~~ more taxes?

The argument that grocery stores will increase the volume of wine ~~sales~~ sales is based on the experience of Washington and Idaho. But if you look at their market setup before the groceries got wine ~~you~~ you will find that wine was sold in State stores only - on a 9 to 5 basis - 5 days a week less all holidays. In Montana there are many outlets such as mine that are open 8am till 2am 7 days a week and 365 days a year. These stores offer better shopping facilities, usually better parking - and we chill out wines and accept checks. ~~There is no more~~ ~~There is no more~~

There isn't much more markets can offer - except that ~~the~~ the state will sell them wholesale. With the same offer we can do a better job --and not increase the policing of so many more places -- which will cost the enforcement offices of the state, county, and local governments.

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED
We have held a ~~big~~ beverage licence for 7 years at \$300.00 a year.
I know about the fact that stores would have to check IN'S. This is ANASSER, you expect it.