



**DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES**

January 17, 2024

Hon. Craig Hickman, Chair
Hon. Laura Supica, Chair
Maine Joint Committee on Veterans and Legal Affairs
100 State House Station
Augusta, ME 04333

Re: Statement on L.D. 2014 – An Act Regarding Spirits Price Regulation
Support

This testimony is submitted on behalf of the Distilled Spirits Council of the United States, a national trade association representing producers and marketers of distilled spirits and importers of wines sold in the United States with regard to L.D. 2014 entitled "An Act Regarding Spirits Price Regulation."

As a control state, the state of Maine is the wholesaler of distilled spirits products to private sector retail-tier licensees. As the wholesaler, BABLO has a responsibility to make sure that there is a large variety and supply of spirits products available for wholesale, that they are sold and served legally and responsibly, and that the state makes a profit as the wholesaler. As former Chairman of the Michigan Liquor Control Commission – another control state – I shared the same responsibilities and have deep appreciation for the work BABLO does.

One of the features of effective spirits pricing policy in a number of other control states is having the policy set in statute. Having the policy set in statute provides certainty and predictability, which are tremendously important to spirits suppliers and their brokers as they work to be competitive in those states. The other component is a relatively low mark-up that allows pricing to be set competitively and reasonably.

But the policy that has been in place at BABLO has been complex, uncertain, and unpredictable, and can be altered and amended by the agency administratively. When the control agency has the ability to administratively change pricing and the policy behind it at any time, that creates a difficult competitive environment for any supplier, and it makes pricing and strategy unpredictable and uncertain.

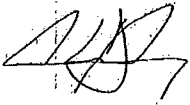
The introduction of L.D. 2014 gives us an opportunity to engage in discussion on this matter to create a better model that is predictable and certain for industry, while also ensuring that BABLO can turn a profit for the state, and that our retail customers can continue to thrive and profit through the sale and service of our products and satisfy the demands of legal drinking age Mainers and visitors.

We have been discussing the matter with other industry stakeholders. We are aware of broad amendment language that would broadly lay out the call for a flat mark-up based in statute while preserving discounting and allowing for further study and examination to determine what the mark-up rate should be. There appears to be an understanding that creating a clear, consistent, and predictable pricing policy in statute is an appropriate way forward, and we are appreciative of that.

But the other incredibly important component to this is what the actual mark-up rate would be. Obviously, the benefits of predictability and certainty would be negatively outweighed by an exceedingly high mark-up rate. We are hopeful that further conversation and study can be helpful on this question. If further study and examination of this produces an excessively high mark-up, we reserve the right to change our supportive position on the legislation and oppose it.

We appreciate your consideration of our views regarding L.D. 2014. Should you have any questions, please don't hesitate to contact me by telephone at (517) 204-2527 or by email at andy.deloney@distilledspirits.org, or our Maine counsel, Andy Hackman.

Sincerely,

A handwritten signature in black ink, appearing to be 'AD', written over a horizontal line.

Andy Deloney
Senior Vice President & Head State Public Policy

cc: Members of the Joint Committee on Veterans and Legal Affairs