



**Testimony of Winn Atkins
VP Government Affairs, Sazerac**

Before the Joint Standing Committee on Veterans and Legal Affairs

In support of LD 2014, An Act Regarding Spirits Price Regulation

Senator Hickman, Representative Supica, and distinguished members of the Committee, my name is Winn Atkins, and I am the Vice President of Government Affairs at Sazerac Company.

Sazerac is one of America's oldest family owned, privately held distillers with operations throughout the United States. We have deep ties to Maine and are particularly proud of our 1820 Spirits division located in Lewiston, where we employ over 270 Mainers.

I am here to testify in support of LD 2014 that would allow the legislature to set in statute the markup for the retail price of spirits. A flat percentage rate mark-up, set in law, would create a fair, equitable and transparent structure that would provide regulatory certainty for all suppliers and vendors, and ultimately benefit Maine consumers. It would also bring Maine more in line with how other control states operate.

In contrast to other control state jurisdictions in the US, Maine is the only state that employs a "pricing calculator" in determining the price of spirits. No other state employs the factors BABLO does to determine price.

The "pricing calculator" created by BABLO and in use since 2016 is overly complex and involves multiple mark-ups across different types and sizes of spirits products. For example, the current pricing formula contains 75 different category mark-ups and imposes minimum state profit thresholds that have to be separately calculated for each item. Contrast that with the concept in LD 2014 for the legislature to set in statute a single mark-up to be applied uniformly and fairly to all products.

We believe the present pricing formula in Maine is NOT equitable because it penalizes low-income consumers and the retailers and distillers that service them by marking up lower priced products and value offerings at double the percentage of higher priced products. It also penalizes those consumers wishing to purchase smaller size offerings by marking those sizes up more than larger bottles.

A simpler and fairer pricing approach would be a single mark-up percentage across-the-board. This removes subjectivity from pricing decisions and avoids inadvertently picking winners and losers among industry participants. As an example, when the pricing calculator was amended in 2017 nearly 1,000 products were subjected to an increase, essentially a tax increase. Of these 1,000 items that saw an increase, 245 of them were Sazerac's. (66% of the Sazerac items sold in the state). Clearly this was not an equitable result.

Sazerac wants nothing more than fair treatment. We are invested in Maine and care about our future here. Despite the challenges the current pricing structure has caused, since 2018 we have invested over \$10M in our Lewiston facility and would like to continue that trend by investing more.

We support the concept put forth in LD 2014, whereby the legislature would set the spirits mark-up in statute in a fair and transparent manner. This would bring equity and fairness for all Maine consumers, retailers and distillers and ensure state profit goals are achieved. I thank you for the opportunity to speak and for the attention Chairman Hickman, Sen. Timberlake and this committee have given to this important issue. I'm happy to answer any questions.