

LICENSED BEVERAGE DISTRIBUTORS OF MARYLAND, INC.

Leadership in Industry Cooperation
446 Park Creek Road
Pasadena, Maryland 21122

Members

**BREAKTHRU BEVERAGE DISTRIBUTORS
REPUBLIC NATIONAL DISTRIBUTING
COMPANY, LLC**

March 3, 2021

SB 821 Favorable with Amendment

Senate Education, Health and Environmental Affairs Committee:

Mr. Chairman, Vice Chair and Members:

The Licensed Beverage Distributors of Maryland support SB 821 if amended. We ask that you set a sunset in 2022 for the parts of the bill allowing manufacturers to deliver their products to residents, Manufacturer delivery guts the 3-tier system which has made Maryland a national regulatory model for the controlled dangerous product known as alcoholic beverage.

We supported relaxation of regulations to help small business weather the pandemic. Some of these changes should cease when the effects of the emergency end. Allowing manufacturers of a controlled dangerous product to deliver their product is no longer necessary once business returns to normal.

The regulatory system is known as the 3-tier system because three different stages of alcohol sales act as check and balance which has assured (1) safe production, (2) tax collection and (3) legal sales. The 3-tier system has been applauded by the Supreme Court, lower federal courts and Maryland courts as "unquestionably legitimate" ... "[b]ecause it serves valid health, safety and regulatory interests." This bill eliminates the checks and balances for a controlled dangerous product and allows the supplier to police itself.

In short, this bill eliminates safeguarding of alcoholic products by two tiers - wholesalers and retailers - and instead authorizes direct sales to consumers. The bill removes the checks and balances of tiers 2 and 3 which (1) catch tampered products, (2) bootleg whisky and (3) tax cheats. What does the State receive in return? A higher likelihood of tampered goods, just like the tainted bottles of alcohol you regularly read about elsewhere. Also, there is an increased opportunity for bootleg operations due to

elimination of the chain of custody protocols in the 3-tier system and introduction of questionable tax collection procedures. In the current system, there are (1) many people employed in the wholesale and retail operations to inspect the bottles and boxes, (2) account for the required taxes, (3) track on paper the flow of every drop of alcohol in the state to our citizens and (4) certified people who graduate from mandatory alcohol awareness programs to prevent sales to drunk people.

It is not worth abandoning Maryland's model regulatory system so that some businesses can increase profits after the pandemic. In fact, what they seek could harm their business. The Supreme Court has said that states must treat out-of-state alcohol suppliers the same as in-state suppliers. Under this bill, Guinness in Baltimore County could deliver to homes. We can expect Anheiser Busch, Gallo, Coors and others to sue for the same access. I doubt Maryland producers would want such competition.

We ask that the committee amend the bill by imposing a 2022 sunset provision on delivery by manufacturers so that Maryland's praised 3-tier system is maintained to protect the health, safety and welfare of all Marylanders.

Very truly yours,

Joel Polichene, Republic National Distributing Company

Jeff Scarry, Breakthru Beverage Distributors (formerly Reliable Churchill LLP)

Jimmy Smith , Breakthru Beverage Distributors

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