



Kansas Beer Wholesalers Association
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Jason Watkins
Executive Director

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Mr. Chairman and Members of the Committee,

On behalf of the Kansas Beer Wholesalers Association (KBWA), thank you for the opportunity to provide testimony in opposition to H.B. 2141.

The KBWA opposes H.B. 2141 because it represents a major departure from the three-tier system. The separation of the tiers in the manufacturing, distribution and selling of beer, wine and spirits along with the prohibition of tied houses are major pillars of this country and this state's alcohol regulatory system.

As America exited prohibition it sought a state based alcohol regulatory system that would promote temperance, protect consumers from tainted alcohol, ensure the collection of taxes and promote fair competition. Our three tier system has delivered. America is fortunate in that it does not face the alcohol related perils of other nations. The United States has lower alcoholism and underage drinking rates than many other nations that either have de-regulated or abandoned three-tier principles all together.

However, one of the most important benefits of our state based regulatory system may also be one of its biggest threats. The promotion of competition and consumer choice has led to record numbers of small breweries and distilleries that without the benefits promoted and guaranteed by the three tier system would not exist. It is some of these various benefactors that come today seeking to dismantle the very system that has allowed for their creation and success.

The requirement that distributors be independent of manufactures and that bars, restaurants and liquor retailers be independent of manufacturers and distributors has ensured that small micro-breweries and micro-distilleries receive a fighting chance. By virtue of the three tiers they are ensured a path to market where consumers of their own will free from inducement may choose these products. Vertical integration of the alcohol market place would erase the opportunity described above and only ensure that the biggest and wealthiest producers of alcohol would persist.

One needs to look no farther than *Granholm v. Heald* to see the danger in legislation like H.B. 2141. *Granholm* holds that state laws cannot violate the

commerce clause by favoring in-state licensees at the expense of out-of-state licensees. In short, if Kansas allows an in-state brewer or distiller to also hold a drinking establishment license then it must also allow AB Inbev or Miller Coors or Jack Daniels, etc. to also come into Kansas and open bars and taverns selling their brands.

Such an allowance would be devastating to thousands of family owned and operated Kansas businesses. Mom and pop bars would be unable to compete with corporate owned bars selling products at rates lower than others because they made the product(s). The Kansas craft industry would suffer because international beer brewers would have a distinct advantage by mere virtue of economies of scale through vertical integration.

The proponents of this bill represent this is just a home state business that wants to grow. However, Granholm proves that the state of Kansas cannot limit it to just in-state businesses. And actions by large brewers and distillers show they will seize the opportunity to vertically integrate in every instance.

Mr. Chairman and Members of the Committee, H.B. 2141 is extremely misguided legislation fraught with severe unintended consequences. The Kansas Beer Wholesalers Association strongly urges you protect Kansas businesses and the three tier system by rejecting this legislation.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jason P. Watkins". The signature is written in a cursive, flowing style.

Jason Watkins