

H

B

5

5

6

TESTIMONY OF GRACE PLEASANTS
IN RE HOUSE BILL 556

My name is Grace Pleasants and I am President of GL International Trade, Inc. GL International Trade, Inc. is an Alaska-owned and Alaska-based importer and distributor of distilled beverages, wines and beers into Alaska. We operate in competition with three large Seattle-based, exclusive distributors who distribute distilled beverages, wine and beer into Alaska. GL purchases from brokers on the parallel market in Europe. There are no exclusive distributorships in Europe because the common market does not allow it.

This is different from the system in the United States where there are exclusive dealerships. These exclusive dealerships are just what the name implies - an exclusive monopoly arrangement which precludes competitors from purchasing the brand and reselling it. This allows each of the middle-men a far higher markup than the European system. By purchasing our product in the competitive European system, we are thus able to realize a major savings which we pass on to our retailers, who in turn pass it on to Alaskan consumers. (Incidentally, competition with us has forced one of the big three exclusive Seattle dealers to lower its rate to Alaska retailers.)

What the legislation before us does by its definition of primary source is to establish what is known as a sole source distributorship. That is, it would freeze into law the franchise type system which has been used in Alaska for the benefit of the middle-men importing the product from Seattle to Alaska.

While we agree with the tax philosophy espoused by Representative Ringstad (that all parties pay their taxes), we believe it entirely inappropriate for sole source legislation to slip in through the back door as part of such tax legislation - particularly because the issues that this law would resolve are presently before the courts.

GL has defeated an attempt by the big three Seattle exclusive distributors to preclude it from purchasing on the parallel market in Europe. These issues still need to be resolved by the court. It is safe to say that it will take at least the remainder of this year for this to occur. We would urge that the Alaska Legislature not involve itself in the process until the courts have completed their work.

The issues before the Court have nationwide significance. Washington State, which is a controlled State, also purchases in Europe. The exclusive dealers threatened to sue that State, which in turn threatened to pull all the dealers' products from Washington's controlled beverage stores. Naturally, the exclusive dealers chose not to take on the State of Washington but focused instead on GL. GL can hold its own in court. Apparently, that is why the big three Seattle distributors are seeking sole source legislation. We believe it unfair for the Legislature to intervene for one party or the other in the lawsuit.

If the Legislature does wish to intervene, we urge that it first fully understand the implications of such legislation upon the Alaska consumer, the Alaska small business people and the system of distribution of distilled beverages, wine and beer into Alaska. Further, we think it is necessary for the Legislature to understand the federal structure of regulating this industry before any State action is taken.

I would be glad to answer any questions you may have.

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : HB556
 Title : Reporting sales or shipment of alcoholic beverages and an effective date
 Sponsor : Rep. Ringstad
 Requestor : House Labor & Commerce Comm.
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Department of Revenue
 BRU : Alcoholic Beverage Control Board
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		54.0	54.0	54.0	54.0	54.0
TRAVEL						
CONTRACTUAL		.2	.2	.2	.2	.2
SUPPLIES		.6	.6	.6	.6	.6
EQUIPMENT		5.5				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	60.	8	54.8	54.8	54.8

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND	-0-	60.3	54.8	54.8	54.8	54.8
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Patrick L. Sharrock, Director Phone : 277-8638
 Division : Alcoholic Beverage Control Board Date : 3/17/86

Approved by Commissioner : Mary A. Nordmark Date : 3/17/86
 Agency : Department of Revenue

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB556

Department of Revenue
Alcoholic Beverage Control Board

March 17, 1986

Assumptions:

1. Invoices are required from 1) primary sources of supply, and 2) wholesalers within the state to whom alcoholic beverages were shipped by primary sources of supply, (3000 invoices per month).
2. Invoices in No. 1 are to be matched and compared.
3. Two Document Processor II positions and related costs.

INTRODUCTION OF BILLS (House)

SSHB 458, (cont'd)

The substitute would also require agencies to include in the summaries of proposed regulations a summary of the initial justification of need, and expand the criteria governing the information to be included in the justification. It also would require an agency to provide in writing the reasons for denying a petition seeking the adoption, amendment or repeal of a regulation.

Introduced February 10 and referred to State Affairs and Judiciary.

Fish or Game
Farming
(license fee)

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 510 by Reps. Larson and Jenkins. A biennial license for fish farming would cost \$200, as would a biennial license for game farming. Differentiates game bird farming - that category is \$20 for a biennial license. Game farming includes game mammals or game reptiles.

Introduced Feb. 14 and referred to Resources and Finance.

State Toll
Facilities
(Whittier
toll road)

HOUSE BILL NO. 555 by Reps. Cato and Szymanski. Identical to SB 374, see page 87).

Introduced February 10 and referred to Transportation, then Finance.

Alcoholic
Beverages
(sales and
shipping)

HOUSE BILL NO. 556, by Rep. Ringstad. Amends AS 04.11 (Alcoholic Beverages, Licensing) by adding a new subsection which would prohibit a primary source of supply from selling or shipping alcoholic beverages into the state without an invoice from the primary source to a wholesaler licensed under this title.

Defines "primary source of supply" as the distiller, producer or owner of the alcoholic beverage at the time it becomes a marketable product and the party identified as the primary source's agent.

Also provides that the license of a licensee who violates this section shall be suspended for a period of not more than one year. Would take effect 7/1/86.

Introduced February 10 and referred to Labor and Commerce, Finance.

Attorney
Trust
Account
(authorizes)

HOUSE BILL NO. 557, by Reps. Duncan, Clocksin, Gruenberg and Wallis. Would authorize an attorney or law firm to establish and maintain an interest bearing insured demand trust account in a depository institution and deposit in that account all client funds that are nominal in amount or are held for a short time. Also would authorize the interest to be remitted to a foundation designated by the Alaska Bar Assn. to be expended to provide civil legal services to indigent persons. The act would take effect upon the adoption of a resolution by the bar association's board of governors designating a foundation to receive funds under the act.



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproduction have been made.


Signature of Camera Operator


Date