



Maryland Alcohol Task Force Meeting

October 16, 2018

***Upper Marlboro,
Maryland***

Bob Hall, LLC

Role of the Maryland Distributor

Regulatory, Fair Competition, Safety

Eric Best: GM/Equity Partner Bob Hall, LLC

Agenda

- I. Video On Beverage Alcohol Regulation
 - The Three Tier System: The Story Behind and Effective Approach
- II. Importance of Tier Independence to Effective Regulation and Fair Trade
- III. Regulatory Role of Distributors
 - Maintain Orderly Markets
 - Insure Fair and Robust Competition: Level Playing Field for Participants
 - Provide Unprecedented Consumer Choice: Access to Market for New Entrants
- IV. State Tax Laws and Chain of Custody Requirements
 - Compliance
 - Enforcement
- V. Product Quality and Safety
- VI. Public Safety



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Importance of Tier Independence to Effective Regulation and Fair Trade

1. Alcohol Industry “Speed Limits” – Why the Honor System Does Not Work

- Participants Must Know Alcohol Laws and Regulatory Limits
- Moral Imperative to Follow the Law
- Clear Consequences for Violating the Law

2. Critical System of Checks and Balances

- Same Principle as Executive, Legislative and Judicial Separation of Responsibilities
- Each Tier Must Operate Without Threat of Intimidation, Undue Influence or Retribution from Other Tiers



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Regulatory Role of Distributors

1. Examples of Significant Regulatory Roles
 - Maintain Orderly Markets
 - Insure Fair and Robust Competition: Level Playing Field for Participants
 - Provide Unprecedented Consumer Choice: Access to Market for New Entrants
2. Distributors Play a Vital Role in Regulation of Retailers and Supplier Partners
3. Enforcement Division of Comptroller's Office Has Long Valued Enforcement Role of Distributor – J
4. Greater Institutional Knowledge of the law Among Distrib Employees Vs Suppliers and Retailers
5. Comptrollers Office Relies Upon Distributors to Be Both Educators and Enforcers
 - “Ignorance of the Law Is No Excuse!” ---Lou Berman, Enforcement Division, Comptroller's Of
 - Thousands of Retailers and Suppliers



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Regulatory Role of Distributors

Maintenance of Orderly Markets

1. Alcohol Permits From Freight Companies
2. Come to Rest Laws
3. Inventory Control
4. Sales Only to Licensed Retailers
5. Bootlegging
6. Transshipping – Retail and Wholesale
7. Black Market Sales to Retailers and/or Consumers
8. Stolen Goods



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Regulatory Role of Distributors

Insure Fair and Robust Competition: Level Playing Field for Participants

1. Equal Access To Pricing
 - Supplier to Distributor
 - Distributor to Retailer
 - Retailer to Consumer

2. No Inducements
 - Cash
 - Physical Assets
 - Excessive Services to Retailers

3. Compliance/Enforcement of Trade Practices

4. No Pay to Play – TTB National Examples In Indiana, Massachusetts and Illinois

5. Maryland Is a Declining Beer Market – As financial pressures increase, the need for vigilance increases
“When people are desperate, they will do desperate things.” – Maryland Craft Brewer



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Regulatory Role of Distributors

Provide Unprecedented Consumer Choice: Access to Market for New Entrants

1. Independence Insures Distributors Can Broaden Portfolios Without Fear of Negative Consequences from Existing
 - Expansion of Distributor Portfolios Has Resulted in Unprecedented Choice for Consumers
2. Maryland Laws Are Equal Parts Appropriately Enabling and Appropriately Limiting



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State Tax Collection

Compliance with State Tax Laws and Chain of Custody Requirements

1. Come to Rest Laws Insure Accountability of Product and That Taxes Have Been Paid Suppliers
 - Very Important: Suppliers Pay Taxes on Beer As It Is Shipped
 - In Many States, Distributors Are Responsible for Paying the Alcohol Taxes
2. Monthly State Reporting Verifies and Archives All Sales
3. Documentation of All Sales to Retailers
 - Verify Collections of Sales Tax
 - Distribs are Routinely Asked to Provide the State with Documentation of Their Sales to Retailers
 - Distribs Participate in Depositions and Court Cases related to Collections of Sales Tax, Illegal Transfers and Other Questionable Alcohol Related Practices Under Investigation By the State of Maryland



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Product Quality and Safety

1. Temperature Controlled Product Storage Requirements
2. Draught Line Cleaning for Retailers According to Brewer's Association (BA) Guidelines
3. Product Safety Recalls
 - Distributors Able to Quickly Locate and Remove Tainted Products from the Market
 - In Recent Years Both Samuel Adams and Corona Initiated Recalls Due To Shards of Glass Potent



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Role of the Maryland Distributor Public Safety

1. Alcohol Education

- Server Training
- Delivery only to current licensees
- Underage Drinking
 - High School Speakers , Strict enforcement of company policies
- Special Event Underage Bracelets – Thousands given away

2. Support for Law Enforcement and Firefighters

- Fund Police Depts from Multiple municipalities for officers to attend the DWI conference in VA
- Contribution to Calvert County Sheriffs for annual DWI Training
- Support Prince Georges County Canine Corps
- President on Public Safety Council for years
- Currently Prince Georges County Police Foundation as a result of ongoing support
- Accepted invitation to participate on PG Chiefs Business Council re Community Outreach
- Annual contributors to Crime Solver's Program



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3. Leader with Designated Driver Programs

- Annually recognized by NFL for Redskins FedEx Designated Driver Program
- Annual Tiki Bar event almost cancelled due to alcohol concerns – Worked with sheriff's department to put alcohol controls and DD programs in place
- DD Incentive is standard operating procedure at all major special events

4. 100% Compliance with Comptroller's Office

- Caffeine infused alcohol
- Powdered alcohol

5. Annual fundraisers to buy car seats and bike helmets



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6. Internal Safety Programs

- Safety Culture – Priority over Profit
- Just Say No Orientation
- Kick off New FY – PG Police Chief Kicking Off 2019 Pride in Safety
- Driver Safety Bonuses for all company vehicles
 - CDL \$500 per month - \$6000 per Year
 - All others \$300 Per month

7. DOT, OSHA and MOSHA Compliance