## SUBSTITUTE FOR HOUSE BILL NO. 5343

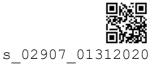
A bill to amend 1998 PA 58, entitled "Michigan liquor control code of 1998,"

(MCL 436.1101 to 436.2303) by adding section 203a.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- Sec. 203a. (1) The legislature finds that the 3-tier system is necessary to protect public health and safety of Michigan residents and to promote competition and access to market for all alcoholic beverage suppliers.
- 5 (2) The legislature further finds that vertical integration of 6 the alcoholic beverage industry is contrary to this state's 7 interest in protecting public health and safety of Michigan 8 residents and leads to anti-competitive behavior by beverage
- 8 residents and leads to anti-competitive behavior by beverage 9 alcohol suppliers.





- (3) The legislature further finds that the 3-tier system and the prohibitions under section 603 achieve the following public policy goals:
- 4 (a) Promote consumer choice and product variety by providing a
  5 platform that provides all suppliers access to Michigan's beverage
  6 alcohol market.
  - (b) Encourage wholesalers to invest in their businesses and all the brands they distribute, free from undue interference from the suppliers of the brands they distribute.
- 10 (c) Create a transparent and accountable alcohol distribution 11 system that allows the commission to prevent the manufacture, 12 distribution, or sale of counterfeit, adulterated, unregistered, 13 recalled, or prohibited alcoholic beverages.
- 14 (4) This state has an interest in creating market access for 15 all sizes of suppliers and finds that micro brewers create 16 competition and variety in Michigan's beer market.
  - (5) For the purposes of creating access to Michigan's beer market while also preserving the 3-tier system and limiting vertical integration, a micro brewer or an out-of-state entity that is the substantial equivalent of a micro brewer may sell and deliver beer to a retailer in this state only if all of the following conditions are met:
  - (a) The retailer is not located in a sales territory for which the micro brewer or out-of-state entity that is the substantial equivalent of a micro brewer has granted exclusive sales rights to a wholesaler under sections 401 and 403 for the sale of any brand or brands of beer produced by the micro brewer or out-of-state entity that is the substantial equivalent of a micro brewer.
    - (b) The beer is sold and delivered by an employee of the micro



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- 1 brewer or out-of-state entity that is the substantial equivalent of
- 2 a micro brewer, not an agent, and is transported and delivered
- 3 using a vehicle owned by the micro brewer or out-of-state entity
- 4 that is the substantial equivalent of a micro brewer.
- 5 (c) The micro brewer or out-of-state entity that is the
- 6 substantial equivalent of a micro brewer is in compliance with
- 7 applicable state and federal law and applicable regulatory
- 8 provisions of this act and rules promulgated by the commission
- 9 under this act, including, but not limited to, those requirements
- 10 related to each of the following:
- 11 (i) Employees that sell and deliver beer to retailers.
- 12 (ii) Vehicles used to deliver beer to retailers.
- 13 (iii) Price schedules and temporary price reductions.
- 14 (iv) 1976 IL 1, MCL 445.571 to 445.576.
- 15 (d) The micro brewer or out-of-state entity that is the
- 16 substantial equivalent of a micro brewer sells not more than 2,000
- 17 barrels of beer total per year. In determining the 2,000-barrel
- 18 threshold under this subdivision, all brands and labels of a micro
- 19 brewer or out-of-state equivalent of a micro brewer, whether sold
- 20 to a wholesaler or a retailer in this state or outside of this
- 21 state, must be combined. Sales to consumers on the licensed
- 22 premises of the micro brewer or out-of-state entity that is the
- 23 substantial equivalent of a micro brewer are not included in
- 24 determining the 2,000-barrel threshold under this subdivision.
- 25 Enacting section 1. This amendatory act does not take effect
- 26 unless all of the following bills of the 100th Legislature are
- 27 enacted into law:
- 28 (a) House Bill No. 5341.
- **29** (b) House Bill No. 5342.

(c) House Bill No. 5344. 1 (d) House Bill No. 5345. 2 3 (e) House Bill No. 5346. (f) House Bill No. 5347. 4 (g) House Bill No. 5348. 5 (h) House Bill No. 5349. 6 7 (i) House Bill No. 5350. (j) House Bill No. 5351. 8 9 (k) House Bill No. 5352. (l) House Bill No. 5353. 10 (m) House Bill No. 5354. 11 12 (n) House Bill No. 5355. (o) House Bill No. 5400. 13