



# SCHNEIDER PUBLIC STRATEGIES

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**House Commerce and Economic Development Committee  
Scott J. Schneider Testimony  
On Behalf of Uncork Kansas  
Senate Bill 7  
February 11, 2013**

Mr. Chairman and Members of the Committee, I am Scott Schneider and I am here today representing Uncork Kansas; a coalition of like minded businesses that would like to offer its customers full strength, beer, wine, and spirits. We are opposed to SB 7 because it treats similarly situated economic interests in a disparate manner. If a liquor store is now allowed to provide food and mixers why can't a grocery or convenience store provide liquor?

As background, last year the Legislature passed Senate Substitute for House bill 2689, which generally contained the following provisions:<sup>1</sup>

- Created two entire new classes of License,
- Allowed Retailers to conduct product samplings,
- Allowed Manufactures to give free samples,
- Allowed the Distributors to sell and deliver their products more efficiently,
- Allowed Farm Wineries to sell and serve their products on premises,
- Required Microbreweries to report their tax differently,
- Allowed On-Premise licensees to drink in railcars
- Allowed On-Premise licensees to charge different prices throughout the day,
- Allowed On-Premise licensees to not sell products based on "proportionality",
- Allowed On-Premise licensees and permit holders to serve pitchers not containing more than 64 ounces,
- Created temporary for special events,
- Eliminated salesperson permit requirements.

Liquor stores are trying to become more like restaurants; restaurants are trying to become more adaptable to the marketplace, niche products are attempting to take on the beer establishment, and the distribution channels are attempting to expand their services to an additional temporary customer.

What do all these concepts have in common? Quite simply, the industry is trying to respond to their customers' demands. Uncork did not oppose these reforms last year because we sympathize with their struggle. Government is also standing between our business and our customers and we are asking for it to stop.

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<sup>1</sup> 2012 Amendments to Kansas Liquor Laws, Doug Jorgenson, ABC Director,  
<http://www.ksrevenue.org/pdf/abcIndustryNotice6-4-12.pdf>

Senate Bill 7 allows a liquor store to temporarily operate like a bar or a restaurant. Retail license holders are allowed to interact with their customers as if they were an on-premise licensee, all while not being subject to the on-premise licensing restrictions. If increased competition is good in one instance is it arbitrary to deny it in the next?

I live in west Wichita where a gentleman has retail liquor store, a restaurant and bar with an on-premise license and a cigar shop with a tobacco license. They are all located in the same strip mall. He has created a successful business model using three different types of ABC issued licenses and offers his customers a convenient and unique service. For that I say thank you!

Lets look at regulatory arbitrage used in blending his three licenses.

1. He can offer liquor by the drink at his restaurant but he can't give samples for free.
2. At his cigar bar his customers can smoke, but not purchase alcohol. Customers can consume their own alcohol and can conveniently purchase it from the liquor store.
3. At his liquor store he can sample beverages, but not with any mixers or food because he can't sell them.

Through rules and regulations, of which SB 7 is attempting to "deem duly adopted," he will be able to use his adjacent facility to sample his liquor products for free and use mixers and food he could not otherwise possess. He essentially gets around restrictions placed in each licensing structure, all while preventing additional entrants into the marketplace. This regulatory arbitrage is absurd; Kansas needs to modernize their laws.

These measures are reactions to the customer's demands. Customers no longer see the government purpose in the arbitrary legal restrictions between the different license categories.

It's time to allow liquor stores to *engage in competition like every other industry.*

Uncork Kansas would support this measure if we were allowed to compete. We oppose SB 7 because it allows the expansion of one licensee into the food business while the overall regulatory scheme prohibits grocers and convenience stores from competing with others. Kansas law allows a corporation to hold every type of alcohol license except for a retail license. Senate Substitute for House Bill 2689 and Senate Bill 7 blurs the lines between a liquor store, convenience store, grocery store, and a restaurant and bar. If a liquor store is now allowed to provide food and mixers why can't a grocery or convenience store provide liquor?