



Economic Impact Analysis Virginia Department of Planning and Budget

3 VAC 5-60 – Manufacturers and Wholesalers Operations Alcoholic Beverage Control Board January 4, 2001

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Alcoholic Beverage Control Board (board) proposes to 1) increase from \$5 to \$10 the maximum wholesale value of novelty and specialty items bearing spirits advertising that manufacturer representatives may give to retailers, and to 2) allow spirits manufacturer representatives to provide "routine business entertainment" to retailers.

Estimated Economic Impact

Under the current regulations, distributors of spirits may give retailers (mixed alcoholic beverage licensees) novelty and specialty items bearing spirits advertising not in excess of \$5 in wholesale value. The novelty and specialty items may not be displayed on the retailer's premises. The board proposes to raise the wholesale value ceiling for the novelty and specialty items to \$10.

Under the current regulations, beer and wine wholesalers may provide “routine business entertainment” to retailers, but spirits manufacturer representatives may not. Routine business entertainment is defined as: meals and beverages; concerts, theatre arts entertainment; sports participation and entertainment; entertainment at charitable events; and private parties. Beer and wine wholesalers sell their product directly to retailers. Distilleries sell their product to the board. Retailers may only purchase spirits directly from the board. The board proposes to allow spirits manufacturer representatives to provide routine business entertainment.

Both the proposed increase in the wholesale value ceiling for the novelty and specialty items and the proposal to allow the provision of routine business entertainment pertain to the relationship between spirits manufacturers and retailers. Allowing spirits manufacturers to promote their products to mixed alcoholic beverage licensees (retailers) somewhat more may affect which spirits retailers purchase from ABC, but will not likely affect the amount of alcohol consumption by the public. Spirits manufacturers and retailers will not be worse off and may be better off since the proposed new permitted activities will be optional. To the extent that spirits manufacturer representatives choose to provide routine business entertainment, businesses that provide entertainment may benefit.

There is no apparent cost to eliminating all restrictions on the promotion of spirit brands to mixed alcoholic beverage licensees. If spirits manufacturers and retailers found it to be their benefit to interact further with such promotions, they would do so, creating even more business and value for the entertainment-related industries. This change may be worth considering.

Businesses and Entities Affected

The proposed amendments will affect the approximately 3,000 mixed beverage licenses (retailers) and less than 100 solicitor permittees (spirits manufacturers and their representatives).

Localities Particularly Affected

The proposed change to the regulation affects localities throughout the Commonwealth.

Projected Impact on Employment

The proposal to allow spirits manufacturer representatives to provide routine business entertainment may moderately increase business for providers of entertainment such as restaurants, concert and theatre performers and promoters, sports teams, etc. This may create a small number of new jobs in these industries.

Effects on the Use and Value of Private Property

Entertainment providers may see a moderate increase in their business. Thus, the value of their businesses may increase slightly.