

License Consolidation

Conceptual Design Review

May 29, 2019



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The conceptual design is being submitted to the Legislature this week

This has been a collaborative process between Virginia ABC and stakeholders over six months

- In November 2018, a subcommittee of the Senate Committee on Rehabilitation and Social Services asked Virginia ABC to pursue opportunities for license consolidation, evaluate a marketplace license, analyze costs and fees, and consult with stakeholders to make a recommendation
- Since then, we have held feedback sessions, one-on-one conversations, in depth breakouts, and consolidation review sessions with external stakeholders, as well as created an email address and online survey specifically for feedback, and a webpage to allow stakeholders to review and leverage shared information at any time
- We also identified internal stakeholders to create a Working Group that was tasked with combining feedback with internal process knowledge to develop the consolidation approach, and a Steering Committee to direct the effort
- The combined internal and external efforts have resulted in the Conceptual Design that we're reviewing today, and is being submitted to the Legislature this week



The Conceptual Design envisions five categories of licenses

Retail: Comprises the majority of licenses that deliver alcoholic beverages to consumers, both On Premises and Off Premises

Specialty: Unique businesses that do not fit well into the other categories, such as passenger carriers, bed and breakfasts, motor sports facilities, etc.

Banquet: Licenses for specific events held by citizens of the Commonwealth, not-for-profits, certain business types, and manufacturers

Marketplace: Businesses that qualify to provide complimentary alcoholic beverages in limited quantities to customers for On Premises consumption

Industry: Businesses that manufacture, wholesale, or transport alcoholic beverages

The Conceptual Design includes 6 Retail licenses

This consolidates ~34 licenses down to 6, focused on product provided and on or off premises

Beer & Wine On Premises

- Qualifying businesses such as restaurants, hotels, etc.
- Food sales continues to be a requirement
- Single license, no volume or capacity tiers

Beer & Wine Off Premises

- Qualifying businesses such as convenience or grocery stores
- Non-alcoholic products should be predominant source of sales
- Single license, no volume or capacity tiers

Beer & Wine On & Off Premises

- Qualifying businesses such as restaurants, hotels, etc.
- Food sales continues to be a requirement
- Single license, no volume or capacity tiers

Mixed Beverage On Premises

- Qualifying businesses such as restaurants, hotels, etc.
- Food sales continues to be a requirement
- Three licenses, continues to be based on seating capacity

Tiers for all Retail licenses were discussed, but not endorsed

Most of the focus was on using volume of alcohol purchased by the licensee from wholesalers

- Stakeholder concerns were repeatedly raised that small businesses in the Commonwealth perceive an inequity in a flat rate fee where they pay the same fee as larger businesses with materially higher alcohol derived revenues
- Tiers were evaluated for implementation across all of Retail
 - Volume tiers based on the amount of alcohol a licensee purchases from wholesalers, including Virginia ABC for spirits; rejected at this time because data would have required changes to volume reporting that wholesalers currently submit to include licensee level data, and smaller wholesalers may lack the necessary technology for this level of tracking
 - Flat rate across Retail, rejected because it's inconsistent with stakeholder feedback noted above
 - Consumption of services from Virginia ABC, rejected due to complexity of data
- Based on the significant concerns for implementing these tiers, the Conceptual Design does not include any additional tiering beyond maintaining the seating capacity model for mixed beverage on premises licenses

The Conceptual Design includes changes to keg and delivery permits

To simplify licensing process, all Retail Off Premises licenses would include these privileges

- Including these privileges automatically in the license simplifies the process for both the licensee and for Virginia ABC
- Additionally, the Conceptual Design includes a change in how Keg privilege is charged, shifting to the actual cost of producing keg registration sticker books instead of the flat \$65 fee
- Currently, any licensee with a Keg permit pays \$65 for the privilege, regardless of how many keg registration sticker books they require
- Shifting to the actual cost of the books would ensure that those licensees that use the books more frequently pay for the production of those books
- On an annual basis, Virginia ABC would publish the actual cost per book, and that amount would be used to charge licensees for ordering new books
- This change would apply to Manufacturer licenses as well

The Conceptual Design collapses Manufacturer and Internet licenses

This consolidates 78 Industry licenses down to 30, primarily by making privileges consistent

Manufacturers

- Breweries
- Wineries
- Distilleries

} 54 licenses consolidates to 10

Wholesalers

- Distribute and transport products from manufacturers to retailers
- No changes to wholesalers licenses
- Seven licenses in total

Transporters

- Shipping and importing companies
- No changes to transporters licenses
- Seven licenses in total

Specialty Industry

- Various niche businesses, such as Internet Retailers, Gourmet Brewing, etc.
- Internet Retailers consolidated down from six licenses to two
- Total change of ten licenses consolidates to six

The Conceptual Design includes 10 Manufacturer licenses

This consolidates 54 licenses down to 10, primarily by making privileges consistent

Breweries

- All licenses include shipping, delivery, and keg privileges
- Limited Breweries continue to have additional privilege as designed in Code
- 35 licenses consolidates down to 3, based on existing volume tiers

Wineries

- All licenses include shipping, delivery, and keg privileges
- Farm Wineries continue to have additional privilege as designed in Code
- 15 licenses consolidates down to 4, based on existing volume tiers

Distilleries

- Only change for Distillery licenses is to remove the Fruit Distilling license that is not in use because the other licenses allow for distilling from fruit
- Four licenses consolidates down to three, based on existing volume tiers

The Conceptual Design defines and recommends Marketplace requirements

The Conceptual Design seeks to set strong parameters around this license type

Definition

A business which is eligible to provide complimentary wine or beer to a customer in accordance within the code and/or regulations and 1) provides goods and/or services in personalized experience for a bona fide customer, 2) is staffed with personnel with expertise in the goods and/or services provided, 3) the goods and/or services offered must fall into a single category or classification, 4) the business or establishment does not otherwise qualify for any other license type. (ex. restaurant, convenience store etc.).

Criteria to be Considered for Approval

- Duration customers spend at establishment, based on primary product or services offered
- Hours of operation of the establishment
- Minimum 2 years in business, unless otherwise patently qualified
- All employees have participated in required RSVP/MART or ABC-approved training
- ABC manager is on premises at all times
- Alcohol purchases are only made through a licensed wholesaler or Virginia ABC
- Limit on amount provided to each customer: two 5-ounce servings of wine or 12-ounce servings of beer allowed for each customer
- License Fee cost recommended to be \$2,000
- Purchase records to be kept pursuant to Virginia Code and Regulation for the purposes of this type of permit
- This license would not be granted to businesses providing automobile services



The Conceptual Design collapses certain Specialty licenses

This consolidates 19 Industry licenses down to 9, primarily by simplification

Annual Banquet

- Licenses for special events and performing arts
- Allow for a certain number of uses per year
- Seven licenses consolidates down to one

Motor Sports

- Licenses for motor sports facilities
- Specific facilities currently defined in Code
- Three licenses consolidates down to one

Passenger Carriers

- Licenses for trains, planes, and cruise ships
- Pricing dependent on mode and capacity
- Three licenses consolidates down to one

Other Specialty

- Commercial Lifestyle Centers, Confectionaries, Equine Sporting Events, Museums, Fire/Rescue Banquets, Amphitheaters
- Six licenses remain unchanged

The Conceptual Design collapses Banquet licenses to 5 types

Manufacturers: Allows existing licensees up to 8 banquet days annually for the product type they manufacture

Non-Profits: Privilege to serve beer/wine/spirits for a single day to nonprofit corporations

Citizens: Privilege to serve beer/wine/spirits for a single day private event

Clubs: Allows existing licensee up to 12 banquet days annually for beer/wine/spirits

Tasting: Privilege to serve samples of 2oz per person for a certain number of products up to 4 times annually