



Partners for Oregon's Future

Testimony on HB 5019
Presented to the Ways and Means
Joint Subcommittee on Transportation and Economic Development
April 3, 2017

Good afternoon, I am Marshall Coba representing the Associated Liquor Stores of Oregon. ALSO is a membership organization representing privately owned stores that sell the vast majority of the \$1.12 billion in distilled liquor sales every two years. I appreciate this opportunity to comment on the OLCC budget for 2017-19.

First of all, thank you to the committee and the OLCC for working with us last session on two bills that will add some certainty and a very slight increase in compensation for stores across the state. The first bill allowed up to a 4% buyout when liquor stores turn over and the new owner comes on board. This was an increase from 2% and will be helpful to store owners at the end of their career. The second bill adjusted the formula for non-exclusive stores to allow the base pay to be equal to an exclusive store. Both of these were helpful to liquor store operations.

While these were helpful we want to share a few concerns.

Store expansion: Adding 60 new stores will negatively impact current stores. It has to. We don't think the due diligence has been done on the impact these new stores will have on existing stores who got into the liquor business in Oregon as a partner with the state to sell liquor. The benefit will accrue to the state's general fund through more access to consumers but will hurt existing stores by cannibalizing sales. To date there is no look back mechanism to make adjustments if needed as new stores come on line. We are concerned about adding so many new stores in such a short period of time. This will not be good for current stores.

Rising costs: The increase in the minimum wage last session is a major cost driver for stores. Without a corresponding increase in the compensation formula our stores will continue to struggle to pay fair wages, add minimal benefits or to offer the other modern progressive employment practices. The continual increase in rent, insurances, OLCC requirements and the costs continue to make it hard to get ahead.

Conveyor belt system: We acknowledge that the new system has made the warehouse operations more efficient but it has been a hassle for many stores, especially the larger stores. First the labeling system wasn't consistently matching the product in the box. This is working better now. Now, the main issue is that the hand sorting of the boxes for larger stores continues to cost time and money. The old system would stack twenty of the same boxes together to make counting and auditing of the delivery quick and the stacking of the product in the back room easy as well. Now each of the twenty boxes may be in a

different stack making each delivery similar to an Easter egg hunt costing time, hassle and money. A letter was sent to larger stores last fall suggesting that the efficiencies in the warehouse could lead to funding of the extra cost for the stores but so far nothing has been forthcoming. There is still work to be done on the delivery issues.

Two new OLCC members: Turnover at this dynamic time will be a major concern. Chair Patridge and Commissioner Rice have both been open and honest with us and we will miss their leadership.

Agent Compensation Task Force: HB 2671 would implement a legislatively supported task force to research and bring back much needed recommendations to properly invest in the system. This bill had a hearing in the House Business Committee a couple of weeks ago. Without investment this amazing sales organization will wither, weaken and die or be picked off by a special interest group similar to what happened in Washington state. Specifically we need a deeper look at the overall compensation system for liquor store owners that includes the commission on the percentage of sales; base compensation; and the overall formula that blends the commission and the base and results in the total return to store owners. Sales now exceed \$1 billion per biennium but the system labors under a system that hasn't been updated in some areas for more than 30 years. If we support the current system then we need to invest in the system. We encourage your assistance with HB 2671 or another vehicle to properly tee up the issue for the '18 or '19 session.

Thank you for this opportunity to comment on the 20-17-19 OLCC budget.