

Protect and Uphold Existing Tied House Laws

- o **What do we want:**
 - **The VBA supports** the interpretation of Vermont law that allows a manufacturer to be granted a first-class license or a first- and a third-class license permitting the manufacturer to sell alcoholic beverages to the public **ONLY** at an establishment located on the premises of the licensed manufacturing facility or on or land contiguous to the licensed manufacturing facility.
 - **The VBA opposes** any proposal to allow a manufacturer to receive a first-class license or a first- and a third-class license permitting the manufacturer to sell alcoholic beverages to the public at **one** or more locations that are **not** located at the licensed manufacturing facility or on or land contiguous to the **licensed manufacturing facility**.
- o **What is a “tied house?”** A tied-house is any retail outlet (store, bar or restaurant) that is owned by (or otherwise beholden to) an alcohol manufacturer. Prior to Prohibition large alcohol manufacturers often would provide retailers with low-interest loans, free draft systems, and even direct payments in exchange for favorable or monopolistic treatment from that retailer. In some cases, a manufacturer might own a number of retail outlets in a town and those outlets would sell only that manufacturer’s product. The result of tied houses is a decrease in competition and consumer choice. After Congress repealed Prohibition in 1933 through the Twenty-First Amendment, every state enacted some version of laws designed to prohibit and minimize tied-houses. The most fundamental purpose of tied house laws was and remains the **preservation of the three-tier system**. This system is the marketing structure in which alcoholic beverages are sold by manufacturers to wholesalers, and by wholesalers to retailers. Supplier, wholesaler, and retailer are the three tiers.
- o **Why does the VBA care?** The craft beverage industry is thriving in Vermont – creating jobs, generating tax revenue, supporting rural economic development and bringing tourist into the state. The industry has been able to grow and thrive with the support of the legislature and nimble and targeted changes to alcohol laws, including deliberate adjustments to tied-house laws. Over the years, the legislature has intentionally created opportunities for manufacturers to establish their own distribution companies, open tasting rooms, open tap rooms on their premises, sell at farmers’ markets, etc. Vermont’s three-tier and tied house statutes have evolved, but holding the line between the three tiers and the prohibition on tied houses has remained constant and has served our industry well.
- o **Why does the VBA oppose allowing manufacturers to open bars that are not located at their manufacturing facility?**
 - Vermont’s craft beverage industry has emerged, grown and thrived under the current legal framework – one that prohibits manufacturers from owning bars and restaurants unless they are located at their manufacturing facility.
 - If every alcohol manufacturer was allowed to open a bar or restaurant that is OFF the premises of the manufacturing facility, the demographics of craft beverage industry would change dramatically.

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- Instead of drawing tourists and visitors to rural communities to tour and sample craft beverages, manufacturers would be pressured to open establishments in population centers.
- Competition in the population centers would be fierce, and many small manufacturers would not be able to survive. **This would undermine the current robust craft beverage industry and would be a disincentive to rural economic development.**