

# **EPISODE # 11 TESTIMONY at Joint Hearing of the California State Senate & Assembly on the future of Direct Shipping of Wine to the Consumer.**

Fred Reno

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Well, hi folks. Welcome back to the Fine Wine Confidential Book Podcast. I am excited to share this next episode in Book Podcast #11, which tells the story of my testimony I gave to the California State Senate Committee on my thoughts about the emerging debate over whether to allow direct shipping of wine to consumers online. This was back in 1997, and the argument has still been going on, even though the Supreme Court and its limited ruling in May of 2005 cited the Commerce Clause of the Constitution, which permits it. If I look back to that time in 1997 two states, very enlightened states of course, Florida and Kentucky had passed laws making it a felony for a winery to ship directly to consumers in their state, effectively putting that producer out of business, as they would lose their federal basic permit to operate if convicted of a felony. And the fight continues on different levels even today. Take a listen

In the fall of 1997 as the President and CEO of Henry Wine Group, the only distributor in the country that openly supported the right of wine producers to ship directly to consumers then and to this day, and as a board member of the Coalition for Free Trade, I was asked to testify at a joint hearing of the Senate Select Committee on the California Wine industry, chaired by state senator at that time, Mike Thompson and the assembly Select Committee on California Wine chaired by Assembly Member Valerie Brown at Meadowood resort in Napa, California. The subject was the future of direct shipments of wine. I jumped at the

chance, agreeing immediately to lend my voice to this issue. The hearing took place on Monday, November 10, 1997. The people who attended that day were from all aspects of the wine industry, besides the handful of California vintners, there were representatives from the Wine Institute, ATF, the California Department of Alcoholic Beverage Control, California Retailers Association, Coalition for Free Trade, of course, and Wine and Spirits, Wholesalers of America. WSWA, enemy number one against any change that would threaten their monopoly on handling the sale of wine from producers in this country through the legally mandated three tier system. As the hearing moved through the morning, I was not at all aware that I was going to be called up to testify alongside Doug Metz, who was the attorney, spokesman for the WSWA interest that day. I was surprised when Senator Thompson introduced me along with Metz as representing the distributor side. Metz was the first to testify. His testimony was somewhere between WSWA is trying hard to find a solution to these issues that small vintners have, and we cannot let underage children buy alcoholic beverages on the internet or anywhere else. Here is a direct quote from Metz in relationship to the WSWA position on internet sales of wine. Quote, "it's different. It's not LL Bean, it's a different product. Do the American people really want to make access available? Do they really believe in free trade? I don't think they do. The polling I've seen says up to 82% of the American people think it's a bad idea to have alcohol advertised and delivered via the internet". That is just one example of the backward thinking that was employed in the early days to try and attempt to keep the internet from becoming a tool for the sale of wine. And of course, there was more of the same old crap the WSWA had been spouting for some time to frighten and scare both the consumer and the regulators of alcoholic beverages. Their position was that we currently have the best of all worlds with this regulated system. So why change it? They insist that the three-tier system not only protects the consumer but also delivers to them their choices for alcohol at a cost advantage. Such nonsense, I thought to myself, as I got ready to respond with my testimony. Then it was my turn to speak. After introducing myself and identifying that I was a fine wine

wholesaler in the state of California, and because I did not have a prepared script, I chose to give them my unique perspective on the issue and why it was necessary for mid to small size wine producers to be able to sell directly to consumers. The best way to explain my position, I said, was to contrast the way I was received when I was vice president of sales at William Hill winery in the mid to late 80s, and then later as Vice President of Sales and Marketing at Sonoma-Cutrer. I used my experience with one unnamed distributor in Florida who was the same in both of the instances. It was amazing. I said, between having a push brand like William Hill and a pull brand like Sonoma-Cutrer, I was the same person with the same set of skills, and it was the same distributor. I went on to say a lot about how I was treated and the obstacles I ran into. I also wanted to bring to the committee's attention how difficult it could be for a small wine producer to break into the three-tier distribution network. In fact, there were many wineries who approached me at Henry Wine Group that I had to turn down. So, if I wouldn't represent them, who would. That was the backbone of my arguments at the hearing. At the conclusion of my testimony, one of the legislators asked me to explain what I meant by a push versus a pull brand. My response was simple; a push brand is one the distributor has to work hard to sell and establish. A pull brand is one they just go take orders for like liquor, beer, example, Jim Beam Bourbon or Budweiser; the legislators appeared to understand my point. I finished my testimony by posing a question and a statement. 50 years from now, are we going to sell wine in America the way we are forced to by the current system that we have today? I believe the answer is obvious, NO. So, if you look at the time continuum and begin to walk it back at yourself, 50,40,30,20, years, at which point does a change begin? Well, that change can begin right now. You are all in a position to decide what that change looks like and do it now. I then pounded on the table in front of me, with emphasis. At that point, Senator Thompson thanked me as I got up to return to my seat, the vintners in the room gave me a standing ovation. Little did I realize that I would hear about my testimony from the unnamed distributor in Florida at a different venue less than three months later.