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Written Testimony submitted to the House Committee on Commerce, Labor and Economic Development

Dear Chairman Kleeb and Members of the Committee:

I am an attorney who works as a prosecutor and I own my own firm as well. As a small business owner in Kansas, I understand how the acts of the Legislature can completely change the lives of the Kansans. When you consider whether to support the Uncork Kansas legislation I ask that you consider the following.

As a conservative, I value free market principles, and at first glance, free market ideals might support Uncork Kansas. However, once a government does impose regulation in an area, as Kansas did years ago with liquor, the government has to be very careful of what happens to lives and the market as a result of sweeping changes to the regulation. Kansas has a history of being morally conservative which has traditionally meant laws setting a high standard for the sale of alcohol. We used to have the so-called "Blue laws" preventing liquor sales on Sundays. Additionally, Kansas has imposed strict regulations to ensure that alcohol is properly and safely sold throughout the state. These rules include a minimum hiring age of 21, background checks on employees, regulation on times of sale, and loss of liquor license if the owner has certain alcohol offenses. Some of these safeguards would obviously have to go out the window if the Uncork legislation is to pass and high school kids are selling liquor at the checkout line. Is this something we're okay with?

I suppose the libertarian streak in me is less concerned with those issues and I more so fear the impact on our small businesses and families if we tear out the current structure. Kent Eckles, vice president of the Kansas Chamber of Commerce, says that under existing law the state "is picking winners and losers by saying who can and can't sell liquor. It is protecting an illegal monopoly."

His position is inaccurate. The one liquor license per person rule effectively eliminates any monopoly. As discussed, existing laws are the product of our history and safety concerns with alcohol and not designed to protect a monopoly. In fact, liquor store owners have battled anti-business laws for years and now all of the sudden at the backing of huge corporations virtually all these restrictions are about to be given an overhaul. The effect of the proposed legislations would be to suddenly allow businesses that previously could sell thousands of products at an unlimited number of locations to sell one additional product in those locations. The imbalance between those businesses and the single store liquor store owner is huge, and the result will be the loss of small business. Individuals building equity in their business to pass to their children will have the value wiped out by this change. The big businesses are in a better

position to compete in the proposed new environment, and therefore, it's not a free market proposal. It's just a form of regulation that helps big business.

With Uncork, are we really supporting genuine free market principles or are we bending to political pressure of a handful of power companies? You have probably heard the phrase "big business loves big government." Large companies will always push for regulation that strangles small competitors but they oppose regulation that hurts them in the name of free markets. What this leads to is an oligarchy of industry. There is a reason we only have three American car companies. These companies embrace regulation that they already have the research, development, and capital to comply with. That prevents smaller companies from entering the market place. If you want to build and sell a car in your garage that gets 100 mpg, perhaps besting the big three, be prepared to install multiple air bags and a stability/traction control system. Thus, even if you have a novel idea that could sell cars at a profit, it is tough to gain market entry if you cannot build a traction control system that takes years and a multi-billion dollar facility to test. I point to the irony of "green" car maker Fisker Karma's battle with the EPA, which has prevented meaningful production. They now have to look overseas for production solutions. You can go back to 1948, when Preston Tucker had waiting lists a mile long to sell his car but the SEC destroyed his company. Sadly, to gain meaningful entry into the American car market, you have to come from overseas. Hence, there are three car companies in America. Big business is not a bad thing. In fact, it can be very good. But my warning in these situations where there are well funded pushes from big business interests is that we have to make sure we are embracing genuine free market long term principles as opposed to promoting the particular free market aspects that benefit existing big business.

It's interesting how Uncork wants to eliminate the regulation that prevents mega-retailers from selling alcohol but they want to preserve and reassert the regulation that fixes pricing at the wholesale level. This virtually guarantees businesses with economy of scale have a built in advantage since the wholesale price is set. This is another example of big business being picky and choosy on regulation in the name of free markets, but not surprisingly resulting in an advantage to big business and fewer competitors in the market place. I also encourage you to look at the Uncork website. While they may boast thousands of supporters, their "Supporters" page under the "About Us" link on the homepage reveals thirteen businesses. Three of those businesses are Kroger, Kwik Shop, and Dillons. These are all owned by Kroger.

Also consider the impact to lawyers, accountants, and other businesses and professions that serve the liquor stores. Will Walmart get general legal advice from a local attorney like me, or use a local accountant? Or, will that business go to Bentonville, Arkansas?

We have to make sure that on a particular issue, everyone is at the table and not just huge companies. I shop at Dillons and Walmart just like everyone else, and I don't want to see regulation introduced that hurts them. I just don't want to see regulation that helps them marginally but destroys hundreds of small businesses. I do not oppose a gradual shift to a total free market, but it has to be done slow enough so that families that have taken out loans and hired

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numerous employees do not suddenly have the rug pulled out from under them. This kind of change should take place over 30 to 40 years not 4.

Will Uncork really level the playing field, or virtually ensure that Walmart, Kroger, and a handful of other huge companies control liquor sales in our state? Do we really believe that allowing these companies to sell liquor will grow the economy enough to absorb the job loss of the small liquor stores? Do we believe that by driving down the number of retailers we will help competition and do service to the free market? Are we okay knowing that families that have built their lives around the current regulatory structure will suffer from the change? Please consider the impact on our small business owners and vote against Uncork's legislation.

Sincerely,

A handwritten signature in blue ink, appearing to read 'T. Liesmann', with a long horizontal flourish extending to the right.

Tim Liesmann