

STATE OF MICHIGAN  
LIQUOR CONTROL COMMISSION  
SEMI-ANNUAL PUBLIC HEARING

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Proceedings had in the above-entitled case before Chairman Patrick Gagliardi and Commissioners Edward Clemente, Brad Jacobsen, Geralyn Lasher and Dennis Olshove, held at Michigan Liquor Control Commission, 525 W. Allegan Street, Constitution Hall, Jacquelyn A. Stewart Hearing Room, Lansing, Michigan, on December 4, 2019.

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IN ATTENDANCE:

Tony Antonelli, Southern Glazers Wine and Spirits
Auday Arabo, Midwest Independent Retailers Assoc
Sam Awdish, Michigan Spirits Assoc.
Michael Brown, Carlin Edwards Brown
Brian Bulles, Director of Nat'l Accts, SGWS
Sarah Cambensy, 109th District State Rep
Joe Cekola, President, Imperial Beverage
Larry Cekola, CFO, Imperial Beverage
John Chirkun, 22nd District State Rep
Bud Dunn, VP, Atlas Sales, Inc.
Lou Grech-Cumbo, Executive VP Operations
Joe Gigliotti, Region President, RNDC
Steve Grobbel, Carlin Edwards Brown
Conrad Haremza, Proximo Spirits
Patrick Hindman, Alcohol Epidemiologist, MDHHS
Patrick Howe, JPHowe, PLLC
Thomas Ireland, Ireland Management Corp
Nora Jones, Admin Ass't Gov Affairs/MI Retailer Assoc
William Kalin, MSA
Janine Kravetz

1           IN ATTENDANCE (Continuing):

2           James Loughmiller, III, Imperial Beverage  
3           Richard Michanowicz, Michigan Spirits Assoc.  
4           Mike Mitchell, VP, Markham Enterprises/MIRA  
5           James Moran, Luxco  
6           Spencer Nevins, MB & WWA  
7           Kelly Oginsky, Project Coordinator, Genesee County  
8                            Prevention Coalition  
9           Brian Pizzuti, RNDC of Michigan  
10          Tad Reed, Ludington Beverage Company  
11          Brendan Ringlever, MI Spirits Association  
12          Steve Rochow, RNDC of Michigan  
13          Timothy Suprise  
14          Kevin Sullivan, VP, Alliance Beverage Distributing  
15          Mike Tobias, MICRUD Coordinator  
16          Marc VanderVelde  
17          Cooper Wanty, O&W, Inc.  
18          Isabel Wanty, O&W, Inc.

19  
20           STAFF IN ATTENDANCE:

21           Terri Chase, Commission Aide, Executive Services Division  
22           Patty Curns, Admin Analyst, Licensing Division  
23           Wendy Dannemiller, Admin Analyst, Licensing Division  
24           Lori DeClercq, Court Reporter, Executive Services Division  
25           Anita Fawcett, Commission Secretary  
26           Andrew Gilliland, Admin Analyst, Licensing Division  
27           Pamela Hamilton, Director, Financial Management  
28           Casey Haapapuro, Investigator, Enforcement Division  
29           Kelly Hunt, FOIA Coordinator, Licensing Division  
30           Lee Kane, Admin Analyst, Licensing Division  
31           Kerry Krone, MLCC Business Manager  
32           Don McGehee, Division, Chief, Attorney General Division  
33           David Marvin, Manager, Licensing Division  
34           Shelly Mazurek, Admin Analyst, Licensing Division  
35           Megan Minnick, Manager, Licensing Division  
36           Carol Shepard, Desk Officer, Enforcement Division  
37           Barb Subastian, Regional Manager, Enforcement Division  
38           Jeannie Vogel, Public Information Officer  
39           Sara Weber, Director, Licensing Division  
40           Julie Wendt, Director, Executive Services Division

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E X H I B I T S

M O R

None.

1                   Lansing, Michigan

2                   Wednesday, December 4, 2019 - 10:10 a.m.

3                   CHAIRMAN GAGLIARDI: If I could get everybody's  
4 attention. It's the first time I have used the gavel. I am  
5 pretty impressed with myself. I can use the gavel. Welcome  
6 everybody to our semi-annual meeting. As you know, there is  
7 a lot of issues going on in Liquor Control and we have a  
8 couple of legislators with us and as being a former  
9 legislator, along with three of my other colleagues, here, we  
10 are going to have them speak first so that they can go on  
11 back to the Legislature and do their business.

12                   Let me introduce our panel for you. I am Chairman  
13 and my name is Pat Gagliardi. To my right, here, is  
14 Commissioner Geralyn Lasher; next to her is Commissioner Brad  
15 Jacobsen. This way, we have Commissioner Dennis Olshove and  
16 next to him we have Commissioner -- what is your name? Ed  
17 Clemente.

18                   Just so you know, of the five of us, four of us are  
19 former legislators so we have to let legislators speak first.  
20 It is just protocol in our business. So with that, do we  
21 have a mic set up at the stand?

22                   I would invite -- first of all, thank you for  
23 coming -- Representative Sara Cambensy from Marquette and  
24 Representative John Chirkun from Roseville, Warren area. We  
25 welcome you to be with us. I know you think it's important

1 to say a few words. He is your rep? I would seek a  
2 different district.

3 REPRESENTATIVE CHIRKUN: He used to be my senator.

4 CHAIRMAN GAGLIARDI: He used to be your senator?  
5 He used to be a house member and then he went over to the  
6 Senate --

7 COMMISSIONER OLSHOVE: That is enough; that is  
8 enough.

9 CHAIRMAN GAGLIARDI: Okay. Anyway, we would like  
10 to -- either one or both -- if you would like to say a few  
11 words. Representative Cambensy? Thank you for being here  
12 and taking the time to come across the street and be with us.

13 REPRESENTATIVE CAMBENSY: Yes. Thank you for  
14 having us -- for the invite. Basically, I am not here to go  
15 into depth on this, but just give you a little bit of  
16 feedback; what is coming back from my smallest party stores,  
17 convenience stores that are having a real problem getting  
18 their supply. And when I sat down and talked to them, the  
19 first thing they said was when we go to fill out our sheet  
20 and order, you know, we see the list. It is kind of like a  
21 blank order form. They go through. They add up what they  
22 want. But when they are done -- so they can see when they  
23 are filling this out what is missing and over the last two  
24 months, one again, was 53 percent out of stock; 35 percent  
25 out of stock and then back up to 53 percent out of stock;

1 just within the matter of the last couple of months.

2 What they are frustrated with is when they call and  
3 they say we have these issues; we can't get stuff; what they  
4 think you are seeing is just what they have ordered. So you  
5 aren't actually allowed to, kind of, see what they are  
6 working through as they complete these orders.

7 And you know, questions they are bringing up are:  
8 Do certain distributors have too much of a monopoly on this  
9 if they can't get it out? We understand we are on the last  
10 receiving end up in the U.P., but most of you know when we  
11 don't have our beer or liquor, people tend to get a little  
12 ornery and this has become a bigger and bigger issue. And as  
13 we look at how do we resolve it, I think the three-tier  
14 system works great. I don't want to disrupt that, but  
15 something has to give and that is why I am here in front of  
16 you to say that this can't go on any longer. Already the  
17 small stores in my district are taking a big hit over the  
18 holidays. This is their biggest time to sell liquor; have  
19 people come in and support them. So they feel like if this  
20 does not get resolved, some of them may close themselves just  
21 because it is such a problem. So thank you for looking at  
22 this.

23 CHAIRMAN GAGLIARDI: Thank you for being here. I  
24 know you called me yesterday and I invited you to come over  
25 and tell us your frustrations on behalf of your constituents

1 and just to let you know, we are greatly frustrated. I think  
2 you can see that from what has been coming out. Last year,  
3 RNDC sold 6.6 -- or handled 6.6 million cases for us. We  
4 paid them -- the taxpayers of the State -- 54 and-a-half  
5 million dollars to do that for us and we have not got our  
6 money's worth. So we are trying to rectify this situation.  
7 Violations have been served on behalf of the Attorney General  
8 of the State.

9 Most of all, we are trying to figure out how we can  
10 get this fixed for our partners in the retail section. But I  
11 think it is real important that people know that the  
12 taxpayers of the State are paying these businesses, since  
13 1997, so much a case to warehouse and distribute and we don't  
14 have -- we know we haven't gotten our money's worth this last  
15 year and we are trying to work to make it better. I know  
16 that is of no help to a small businessman or woman trying to  
17 make a living, but please stick with us. You are welcome at  
18 any time to come over and share your continued frustration.  
19 Let us know what you are hearing from your part of the state  
20 and that goes to the next speaker, Representative Chirkun,  
21 too. We need to know from you because we figure that you are  
22 probably getting -- you are on the front line. You are  
23 getting the phone calls and when you stop by the businesses  
24 and you go to your town halls, you are hearing this.

25 REPRESENTATIVE CAMBENSY: And you know, I think



1 their perspective is: Who should we be mad at? And at this  
2 point, I think several of them are talking, do we take it up  
3 with the State of Michigan? Do we file, you know, something  
4 with the State or how do they do this? And so I am hoping we  
5 can get to a resolution sooner than --

6 CHAIRMAN GAGLIARDI: We are the wholesaler. We  
7 certify the ADA so the buck does stop with us. I am not  
8 afraid to say that. Commissioner Lasher and I are new to  
9 this but we hopped right on it and we are not accepting what  
10 is going on and we are trying with all due deliberate speed  
11 to get this thing changed. We are going to hear from RNDC.  
12 We are going to hear from the Attorney General. We are going  
13 to hear from our business people that are here today if you  
14 care to stay and listen, but I know you are busy. But thank  
15 you for taking the time.

16 Representative Chirkun, would you like to say a few  
17 words?

18 REPRESENTATIVE CHIRKUN: Yes, sir.

19 CHAIRMAN GAGLIARDI: Thank you for being here,  
20 Representative.

21 REPRESENTATIVE CHIRKUN: Thank you this morning for  
22 allowing me to address this honorable body. I served with  
23 Brad when he was in the Legislature, too. And I have known  
24 Dennis and the other gentleman down there forever and a day.

25 CHAIRMAN GAGLIARDI: Can I ask you a question?

1 COMMISSIONER LASHER: Oh, no.

2 CHAIRMAN GAGLIARDI: Did Brad stay awake when he  
3 was in session?

4 REPRESENTATIVE CHIRKUN: Oh, yeah. He looks like  
5 Santa Clause.

6 COMMISSIONER JACOBSEN: I can take the abuse from  
7 you, but do I have to take it from him, too?

8 REPRESENTATIVE CHIRKUN: Thank you for letting me  
9 address you this morning. I will be as brief as I can be.  
10 The reason that I am here is because there is some  
11 consternation by phone calls coming from a bunch of people  
12 that are affected by the RNDC getting out their liquor to the  
13 customers and so forth. And where the frustration lies is  
14 that you are the LCC. You own all the liquor in the State of  
15 Michigan. They are your representative and if I am not  
16 mistaken, there is three distributors that distribute  
17 throughout the State of Michigan and they have had a problem.  
18 I don't know whether it is growing pains or what. I am sure  
19 they will address it later on this morning what they are  
20 trying to do, but I guess -- and I forgot to say -- I am the  
21 minority chair of regulatory reform, also. But I don't think  
22 it is necessary that we have to do a bill to try to fix this.  
23 I think it is within your purview to fix it yourselves and  
24 have -- make everybody happy and that is what I am here for.  
25 What I am trying to say is if they need to hire more

1 manpower, more trucks or whatever, that is fine. If you need  
2 to go to a fourth distributor, that's fine, too. The statute  
3 isn't limited by three distributors. You can go to as many  
4 as you want, but if there is a problem, you know, now and in  
5 the foreseeable future, I just think you should look at it in  
6 the totality to come up with a plan that you can get the  
7 liquor to all the people in the State of Michigan, especially  
8 during this holiday time and Brad can dress up like Santa  
9 Clause for all the young kids.

10 CHAIRMAN GAGLIARDI: He has a beautiful picture of  
11 himself with his two grandchildren on his lap.

12 REPRESENTATIVE CHIRKUN: He is great. But anyway,  
13 that is all I really have. I know it is in your purview. I  
14 think you can fix it. This is not a legislative problem and  
15 I really -- as I met with the Chair right before -- I don't  
16 want to deal with it. I think you have the capability to do  
17 it and take care of the problem.

18 CHAIRMAN GAGLIARDI: Thank you for your confidence,  
19 representative. Just to that point, we were going to make an  
20 announcement later, but I think this would be as good a time  
21 as ever. We are forming a work group that will be chaired by  
22 Commissioner Olshove to deal with the ADA issue and one of  
23 our two hearings commissioners, either Commissioner Jacobsen  
24 or Commissioner Clemente, will serve on that committee, too,  
25 because they are on the ground floor of working with these

1 issues within the violations situation. So we are on top of  
2 it. We are going to get this thing fixed somehow and we have  
3 had complete cooperation from the Governor's office; from the  
4 Attorney General's office; from everybody. Everybody  
5 understands that this is a big fix that needs to happen.

6 REPRESENTATIVE CHIRKUN: Thank you for your time.

7 CHAIRMAN GAGLIARDI: Thanks, Representative. We  
8 appreciate it.

9 I want to ask any of the Commissioners if they have  
10 any comments to what we just heard? If not, why don't we  
11 move along to our program; let the folks in the audience  
12 speak. I note some of you may be here for other issues and  
13 we will get to them, but our first and main issue this  
14 morning, I think, is an issue that is what we just talked  
15 about with these representatives, deals with our ADA, RNDC,  
16 National Wine & Spirits. So I think, first, we will hear a  
17 report from our business manager, Kerry Krone, as to what has  
18 been going on since we last met. What was that, Kerry, about  
19 two weeks ago? So Kerry, why don't you, from your end as the  
20 business manager's position of the Commission, let us know  
21 what you have seen in the last couple of weeks.

22 MS. KRONE: Sure. Thank you, Mr. Chair. I am  
23 actually also reporting on behalf of Pam Hamilton, our  
24 Director of Finance, who is unable to be here today. So some  
25 of this information is reported from her and her staff, as

1 well.

2 On the accounting side of things, we have now  
3 balanced the week ending 11/9. Prior to that week, we saw  
4 some invoices come in that kind of went in the right  
5 direction. However, at the end of balancing this week, our  
6 state inventory with RNDC is now approximately \$41.5 million  
7 more than normal. So that means that \$68 million in gross  
8 sales and \$8 million in spirit taxes remain unreported to us.  
9 Those equal a total of \$76 million. There are hundreds of  
10 out of balance kick outs during this week of 11/9. These are  
11 due to the number of invoices sent to us late. Deliveries  
12 were made in one pricing quarter and the invoices were sent  
13 to us in the next quarter, so after the 11/3 price change  
14 when the prices were different. And just to give you a  
15 visual example of how many, this is how many kickbacks from  
16 the invoices from that week due to those invoices coming in  
17 in a different time frame from when the cost change took  
18 place.

19 CHAIRMAN GAGLIARDI: How would you define a  
20 kickback, Kerry?

21 MS. KRONE: The delivery should have taken place;  
22 the invoice should have taken place, along with the delivery,  
23 prior to that cost change going into effect and then this  
24 would not have come through. What happened, it could have  
25 been delivered prior to the price change going into effect,

1 but we did not actually receive the invoice to process until  
2 after that quarterly price change and so then it does a  
3 kickback of this nature and our staff has to go through --

4 COMMISSIONER LASHER: Kick out; is that what you  
5 said?

6 MS. KRONE: Kick out; kickback; kicks it out of the  
7 system. But just so you know how many and this is how many  
8 our staff actually needs to review and make corrections to.

9 In regards to deliveries and shortages to our  
10 licensees, calls have still been steady and possibly worse  
11 since the last meeting. Callers are complaining about late  
12 deliveries and several of them still are having complaints  
13 about out of stocks. Customer service calls, most of the  
14 calls have been in reference to the robo calls. We have  
15 brought this up before. People that are receiving those robo  
16 calls say that they are too vague. For example, the caller  
17 says their delivery has been delayed to a certain date, but  
18 it does not give any explanation as to why. And when the  
19 licensees call RNDC to determine why, they can't reach anyone  
20 to actually speak to.

21 We are also getting complaints from licensees who  
22 want to return all their liquor inventory to the State  
23 because they are seasonal or they are cancelling their  
24 license. Licensees have been approved by the State to return  
25 this inventory. RNDC will not pick up their inventory and

1           until they pick up the inventory and report that to the MLCC,  
2           the licensees can't get paid for that inventory and in some  
3           cases, they can't cancel their license when they want to  
4           because they still have active inventory. They can't reach  
5           anyone at RNDC to ask them to pick up the inventory and they  
6           have been very frustrated with that.

7                        I do have two things, if it is okay, I will read --  
8           I won't mention any individuals' names -- but just to give  
9           you some examples. So this particular licensee said they  
10          have been trying for two months now to return their inventory  
11          to ADA 321 with no luck. The licensee states they have been  
12          in contact with an individual and sent a list of inventory  
13          that needs to be picked up several times. The licensee  
14          states that individual told them someone will be coming soon  
15          to pick up the inventory; that was a month ago and no one has  
16          come yet to pick up the items and they are trying to get  
17          assistance.

18                       We have another licensee that provided a copy of  
19          their order, which we do have the ability to pull up. Just  
20          to give you reference, the order starts here, continues for  
21          one full page and slightly on the next page. They indicate  
22          they called ADA 321 for customer service and they were told  
23          they would only be receiving half of this order listed  
24          because only half the items were in Brownstown. The licensee  
25          states that it is not fair and they should receive everything

1 listed in this confirmation. The licensee stated it has been  
2 going on for months and they have been shorted on half of  
3 their orders from ADA 321. This total invoice for this  
4 particular order for this licensee was just almost \$2,600 so  
5 they are only receiving half of that. I do have an update to  
6 indicate this was sent by our staff to RNDC customer service.  
7 They did respond to us. They called and spoke to the  
8 licensee. We have continued to be getting those responses so  
9 we do appreciate that from them. They spoke with this  
10 individual and the person requested a will call and that was  
11 granted so the licensee is actually going to have to go pick  
12 the rest of the order up.

13 Lastly, just to give you an update on the  
14 complaints, we have the complaint form that we put out on our  
15 website starting on November 8th. To date, we have a total,  
16 as of this morning, of 1,004 complaints filed. That is 242  
17 additional since our last meeting. We also have a list that  
18 Finance keeps on specific order questions, such as the one I  
19 was just referencing, and we have had 82 of those since our  
20 last meeting total, a total of 512.

21 CHAIRMAN GAGLIARDI: So it has not improved from  
22 that aspect?

23 MS. KRONE: We would indicate not necessarily, at  
24 this point.

25 CHAIRMAN GAGLIARDI: Any questions by Commissioners



1 for our business manager, Ms. Krone?

2 I think what we will do next, I would like to -- at  
3 the table with Ms. Krone is Mr. McGehee from the Attorney  
4 General's office, who has been following this on behalf of  
5 the Attorney General. I think we will go to Mr. Gigliotti  
6 from RNDC NWS and have him give a response to all of this.  
7 Joe, if you would like to come up?

8 MR. GIGLIOTTI: Sure.

9 CHAIRMAN GAGLIARDI: And then we will go to  
10 questions from there.

11 MR. GIGLIOTTI: Good morning.

12 COMMISSIONER LASHER: We have a couple of seats up  
13 here.

14 CHAIRMAN GAGLIARDI: Yes. We have a couple seats up  
15 here if anyone would like to sit down.

16 MR. GIGLIOTTI: So good morning. I suppose I  
17 should repeat my name, for the record, Joe Gigliotti, Region  
18 President of the control states for RNDC.

19 So I had planned on -- given the last two meetings  
20 -- doing a very short, concise recap of where we are. And  
21 judging by the amount of new people in the room, I think  
22 maybe, at the risk of being redundant for those who have been  
23 to the meetings before, I will state a couple of things.

24 So as you know, the -- this is a result of building  
25 a new building -- about an \$85 million building -- that we

1       made an investment in on behalf of the state. I don't want  
2       that to get lost in this. In that transition, there have  
3       been -- I'm kind of doing the short version. In that  
4       transition, there have been some software issues. When we  
5       talked and I first came in -- it would be three weeks ago  
6       today, as a matter of fact -- and I believe Chairman  
7       Gagliardi and I talked the week prior to that because a  
8       couple members from my team had been in that week. So it was  
9       three weeks ago when we first talked. There were a number of  
10      issues. We made a number of commitments on communication,  
11      but obviously, the main issue was deliveries -- getting the  
12      product to the customers. As I had stated last week, and I  
13      want to reiterate, we are seeing some progress.  
14      Unfortunately, maybe progress being measured in less  
15      complaints or less problems, but nonetheless progress. And I  
16      will talk about that in a moment. But I understand and I  
17      want to reinforce, especially for our customers, here -- our  
18      mutual customers, here, that my understanding is that until  
19      you see your order delivered correctly; with the right  
20      products; at the right time; at the right price, that is the  
21      definition of success and it is a pretty simple definition,  
22      quite frankly. And I understand that is your expectation and  
23      that's quite frankly, the standard we hold ourselves to in  
24      Michigan, as well as multiple states. Behind the scenes to  
25      get there, there is a lot more that goes on which is why we

1 built the state of the art building, given the amount -- and  
2 purposely geared towards Michigan, given the amount of  
3 bottles that we do deliver. I shared with a gentleman in the  
4 audience this morning that of our 23 states, we deliver more  
5 bottles in Michigan than we do in the other 22 states  
6 combined. But that is the challenge. I mean, that is the  
7 reality of what the challenge is in the marketplace and we  
8 signed up for that.

9 So in terms of communication, I am -- I think the  
10 group Kerry was alluding to, the emails that come through  
11 with the LARA heading, I am also copied on all of those and  
12 just, anecdotally, over the last couple days, post  
13 Thanksgiving, as we geared up through Thanksgiving and  
14 through yesterday, they dropped precipitously. Yesterday it  
15 was a handful -- six, seven or eight and it is a measurement.  
16 It is not the only measurement, but it gave me some  
17 encouragement.

18 I understand that there are issues to still be  
19 handled so let me talk about that for a moment. From a  
20 delivery -- probably, is first and foremost on everybody's  
21 minds. From a delivery perspective, yes, we did move part of  
22 the inventory back to Brownstown and we are delivering there  
23 and that was to put relief on the new system until the  
24 software company got it totally straightened out to our  
25 satisfaction. That has worked well on one side. On the

1 other side, it has pushed us to get geared up with inventory  
2 down there asap, which is what we are doing. We are  
3 delivering approximately 13 tractor trailer loads of  
4 inventory per day to get down there to get up to speed on the  
5 inventory. There is over -- what did we determine? Over  
6 500,000 cases of inventory there. Does not mean it is the  
7 right mix, but it is not like it is bare bones. So we  
8 continue to manage that.

9 We brought in a person from one of our other  
10 companies -- by the way, I did fail to mention we brought in  
11 numerous people from other markets. We have had, at any  
12 given time, 110 to 150 temporary staff to put people against  
13 it. That does not always work with technology; sometimes the  
14 technology just has to go through the process it does. At  
15 least in our mind, we have done the things that we have tried  
16 to address as the issues come up. We have two people totally  
17 dedicated to transferring inventory, managing the transfer of  
18 inventory, that is not the physical transfer but making sure  
19 the inventory is correct between the two buildings. In many  
20 cases, the suppliers -- our suppliers -- want one point to  
21 ship to and then we are burdened to split it between the two  
22 buildings; that is our doing so we take that responsibility.  
23 So that is where we are from that standpoint. We are caught  
24 up. Three weeks ago when I was here, we were three to four  
25 days behind, depending on the geography and our fear was that

1 was about to go to five. Some of that was our doing. Some  
2 of it we had a fiber optic cable cut in Livonia that probably  
3 not only affected us, but Amazon; that added a day because we  
4 couldn't pull all night. We did the reset that we talked  
5 about and posted about; that, in my mind -- and again, for  
6 those that are new, I promised the Commission that I would be  
7 extremely transparent for good or for bad and that, in our  
8 mind, served the purpose that we expected. It reset the 18th  
9 of November with the move back to Brownstown to start anew so  
10 that the goal was everybody would get an order by  
11 Thanksgiving. As we sit this morning, we are not two, three,  
12 four and five days behind. We are 35 routes behind; that is  
13 about a third of a day. So in those routes, if they are held  
14 today or a day, are prioritized to go out the following day  
15 and I see that every day. And if that does not happen, I  
16 question it if it's a particular route. For example, there  
17 are some stores that don't take deliveries on Wednesdays. So  
18 if it was postponed on a Tuesday, they won't take it on a  
19 Wednesday, we call and try to effect that. So there --  
20 again, there is a lot going on behind the scenes. Again, let  
21 me reiterate. I understand your concern is not that. Your  
22 concern is getting your order and that will be the  
23 measurement of success. So in terms of the deliveries, that  
24 is where we stand today.

25 It is our thought that through Saturday, we have

1           been setting ourselves up that it is a Monday through Friday  
2           delivery; to use Saturday as an outlet.  If anything gets  
3           behind, we will be caught up again through Saturday and we  
4           will start off the morning of the 9th caught up.  And that  
5           was, in large part, due to the reset and the move to go to  
6           Brownstown.  And I recognize that the move to Brownstown,  
7           while was the right move from a delivery perspective, it did  
8           create an out of stock situation, which we have already  
9           started addressing.

10                         In terms of the calls, my understanding is the way  
11           it works -- I have never worked a call center -- but my  
12           understanding is there should not be an issue with anybody  
13           getting a call.  We set up a call center to make sure  
14           everybody got a human being at first blush; not that they  
15           were RNDC employees, but a third party.  But the purpose was  
16           that they would contact the RNDC folks.  Now I see the  
17           exchange -- granted, probably not every one -- but I see the  
18           exchange on the emails going back in terms of follow-up and  
19           where we stand.  And I will come back to that in a moment.

20                         In terms of communication, I would say, again, I  
21           think our communication has upped dramatically.  I think even  
22           Pam Hamilton pointed that out in the last meeting, a week ago  
23           Friday.  I can tell you it wasn't -- the lack of  
24           communication going back a month, two months, maybe even  
25           three months, was not of malicious intent.  I can assure you

1 everybody in that building was focussed on one thing and that  
2 was getting deliveries out and getting cases stocked; getting  
3 cases in so the cases could go out. But the lesson learned  
4 is you've got to make sure everybody understands that; knows  
5 that and is involved in the communication so they know what  
6 is going on.

7 The invoicing aspect is -- I just received  
8 yesterday, a confirmation. Pam had -- it wasn't part of the  
9 meeting but it was on a call that we had last week -- had  
10 informed myself and our CEO that we were -- that the fiscal  
11 year closing on the 30th needed to be reconciled over and  
12 above the invoicing so they could approve funds if need be.  
13 That information was sent in, I believe, yesterday and she is  
14 currently going through that now to see what we sent her will  
15 work for that.

16 The invoicing in terms of the touch at the  
17 warehouse, is through the 22nd. It does have an impact and  
18 it's mutually exclusive. So the inventory which I think what  
19 Kerry was alluding to -- I don't think it was the AR -- I  
20 think it was the inventory -- is higher than it should be and  
21 that is a function that as the credits have come back, while  
22 they have served to appropriately credit the customers, the  
23 inventory goes back as your inventory. So while one is taken  
24 care of, the other one shoots up disproportionately. What,  
25 in essence, happened is that that inventory is now withdrawn

1 as we -- as it -- electronically as we make deliveries in the  
2 future and thus that should drive that number -- continue to  
3 drive that number down through December, at least that is my  
4 expectation.

5 In terms of reaching out to the customers, I can  
6 tell you, I had a -- again, under the auspices of  
7 understanding what the expectation is, I had a conversation  
8 with a gentleman Sunday. I knew I had seen his emails go  
9 back and forth. I knew they were one of the more upset  
10 emails. He was wondering where his order was and I called  
11 him personally; said I will check on your order, which I did  
12 on Monday when I got to Michigan. He had received his order  
13 and it was a good conversation for the moment. But it just  
14 reaffirms that until we get to the point where everybody is  
15 getting the order they expect, they are not going to be  
16 satisfied. And again, I understand that and quite frankly, I  
17 understand that is just the one time; that is not over a  
18 period of time and we have stated -- again, at the risk of  
19 being redundant, we have stated that we understand that we  
20 need to earn that trust back. We made an investment in the  
21 marketplace on behalf of the State; on behalf of ourselves  
22 and we are, obviously, not enjoying the benefits of making  
23 that investment, but nonetheless, we feel very strongly about  
24 our presence in Michigan and we will continue to invest.

25 And I guess lastly, I would leave it with so that



1 you know one of the gentlemen in the audience we were talking  
2 prior to, was talking about into the new year and frankly, my  
3 focus has been let's get us through Christmas and the  
4 holidays first, but we are already in the stages of plans for  
5 things that were scheduled to happen in 2024, '25 and '26.  
6 The physical changes to the physical plant to handle the  
7 additional volume, we are already planning on putting those  
8 into place for 2020. So we have not backed off that  
9 investment by any stretch of the imagination.

10 So that is where we are as of today. Do I think --  
11 Mr. Chair, you asked me in the first meeting: When will it  
12 be fixed? And it's not the type of thing, and I think I said  
13 to Commissioner Lasher, it is a very fluid operation on the  
14 best of days; things running normally, you are making  
15 decisions based on daily volumes. If this is where we were  
16 three weeks ago, and this is where we might call fixed, a  
17 regular cadence of ongoing months of good service at our high  
18 expected levels, we are not here and we are not here, but we  
19 have seen improvement and we are somewhere in that continuum  
20 and we look to improve on that each and every day. So I am  
21 saddened that that is not seen by everybody in the  
22 marketplace, but it has been seen by some. Clearly,  
23 two-thirds of the state are getting their deliveries. We now  
24 need to tackle the out of stock issue in Brownstown with that  
25 loop there and that's where we are.

1                   CHAIRMAN GAGLIARDI: Thank you, Mr. Gigliotti. Do  
2 we have questions from Commissioners? Commissioner Lasher?

3                   COMMISSIONER LASHER: Thank you, Joe.

4                   MR. GIGLIOTTI: You are welcome.

5                   COMMISSIONER LASHER: When you note that you are  
6 now 35 routes behind, I guess I am curious. Are we talking  
7 those are complete orders or are you 35 routes behind and  
8 those are still partial orders that are going out to people?

9                   MR. GIGLIOTTI: They are -- they are not 35 orders.  
10 They are 35 -- that would be trucks.

11                   COMMISSIONER LASHER: Right.

12                   MR. GIGLIOTTI: So the orders could be full or,  
13 candidly, they could be, if they are coming out of Brownstown  
14 and all the inventory has not been moved over yet, yes, some  
15 could be partial.

16                   COMMISSIONER LASHER: Okay. So we have narrowed  
17 the amount of days that were delayed on trucks getting out  
18 and getting out to customers, but we are not certain if  
19 customers are getting their full orders yet.

20                   MR. GIGLIOTTI: We have solved one issue that has  
21 created a different challenge -- not to the same magnitude as  
22 before, but is much more controllable because we can move the  
23 inventory from the current Livonia building over to  
24 Brownstown. So provided we have the inventory in the State,  
25 that is a controllable aspect for us. We can move that

1 inventory over, which is what we are doing; those are the 13,  
2 14 tractor trailers I alluded to each day.

3 COMMISSIONER LASHER: Sure. And then our meeting  
4 on the 22nd, Pam Hamilton had discussed that we were \$35  
5 million more in inventory than we would normally be. Now  
6 what I heard Kerry say is that today we are at \$41 and-a-half  
7 million over inventory. So why are we not moving in the  
8 right direction on that?

9 MR. GIGLIOTTI: I think it is two-fold. I think it  
10 is, one, because of the credits coming in and getting the  
11 invoice correct; that was the inverse I was referring to.  
12 While the credit is taken care of, it puts -- it puts it, in  
13 essence, back in inventory. In an open state, non-controlled  
14 like we are in now, that would just go back into our building  
15 as inventory. In the environment within Michigan that you  
16 have that inventory, not physically, but electronically  
17 because we are not selling it to you. You are, in essence,  
18 buying it to ship to the retailers and then once the  
19 retailer's invoice is reconciled, then it comes off your  
20 inventory.

21 COMMISSIONER LASHER: Right, but that is not new.  
22 I mean --

23 MR. GIGLIOTTI: I understand that. So with all the  
24 credits coming back, it has driven up your inventory because  
25 the credits have now come back which means as we are sending

1 out goods -- say for example, it was 10 cases of -- I won't  
2 even pick a product -- I'll say it was ten cases of Product Y  
3 and those 10 cases came back and now it is showing 10 cases  
4 with a value of \$10,000 in your inventory. And tomorrow, we  
5 deliver two cases of Product Y. The expectation is you don't  
6 buy two more cases electronically. Those two cases come off  
7 the 10 and now you have 8 cases of Product Y. I am going to  
8 surmise -- and I will check into this -- that the reason why  
9 it has jumped is the size of the orders as we have gotten  
10 into the holidays. They are much bigger as you get into  
11 November and December and that is part of the issue. But I  
12 will check to make sure that is a fact.

13 COMMISSIONER LASHER: One more, Mr. Chair, if I  
14 may. When you provided the plan earlier -- I am not sure  
15 which week it was, but it detailed some of the technology;  
16 the additional staff that were coming in working on the  
17 technology at the Livonia site that was really detailing  
18 around the week of November 13th, 14th, in that ball park. I  
19 have not seen anything else in anything that has come from  
20 you. Could you give us a sense of what is the status of the  
21 software fixes? I think, obviously, you want to go back to  
22 Livonia. Where are we fixing that from a technology  
23 perspective? You indicated that you were having daily  
24 software issues before you were able to move out of  
25 Brownstown. So what is the status on that side?

1                   MR. GIGLIOTTI:  If we had had this conversation  
2                   Friday, I would have said we finally have seen some stability  
3                   in that aspect of it and that is what you look for.  You look  
4                   for not just one night, but you look for multiple nights of  
5                   stability.  And there was a glitch over the weekend -- the  
6                   software -- and that is about as technical as I can get.  It  
7                   was a glitch.  So their teams, who are either on site or on  
8                   call for us, they fixed it, but it is -- you almost feel like  
9                   you are starting the cadence, the clock, all over again.  
10                  Okay.  It is fixed; that's great.  Now we are back to one day  
11                  where it works; back to two days.  So it is software, and I  
12                  want to be clear about this, but it is -- and this is where  
13                  if it looks and goes well, it should be simple in pulling  
14                  cases.  It is people learning new systems.  And we have a  
15                  warehouse management system which helps.  There was a  
16                  question at one of the meetings I was in on on theft.  It  
17                  cuts down on theft.  It creates, in essence, a license plate  
18                  for every case that goes into that building.  It has a  
19                  location and somebody should know where it is at every given  
20                  point.  It is scanned -- every single case; that is a brand  
21                  new system.  The system for the glitch, that is a brand new  
22                  robotic system for the amount of bottles we carry.  So it is  
23                  all of that coming together.  We haven't seen any glitches  
24                  since that one this weekend; that is a good thing.  But I  
25                  mean, I am speaking selfishly for myself being satisfied, it

1 will be -- it is going to have a cadence over time, not just  
2 a couple of weeks or a few weeks. It has got to be that it  
3 is consistently performing at the level we expect it to; as  
4 are the people who are learning new jobs and new locations.  
5 They have to be consistently performing at the level we  
6 expect them to. So it is fixed; at least with what that  
7 issue was. It is repaired and it has worked well the last  
8 three nights from there.

9 Brownstown is a different system. It is not as  
10 complicated. And I realize then why switch? But you know,  
11 it -- this -- the sad part about this whole experience, among  
12 many things, is this was a great investment to give better  
13 service; reduce the timeline for the customers in terms of  
14 when they had to order; have more accuracy and all the things  
15 you expect when you make investments and none of us have  
16 enjoyed that to this point. So it is doing right now what I  
17 expect it to, but I expect it to do that over the long haul,  
18 not just the next few days.

19 COMMISSIONER LASHER: Thank you.

20 CHAIRMAN GAGLIARDI: Thank you, Commissioner.  
21 Commissioner Jacobsen, do you have any questions?

22 COMMISSIONER JACOBSEN: I would like to address the  
23 shortage issue. Ms. Krone mentioned that an invoice from a  
24 customer -- our customers who are out there who have got,  
25 roughly, 50 percent of their order from Brownstown. And

1           apparently, when they put the order in, it looks like it was  
2           all going to be filled. Is there a way to track where these  
3           orders are coming from from the customer's point of view?  
4           If, you know, I am a retailer -- I have been in retail 35  
5           years. And if I knew that my materials were coming out of  
6           Brownstown, and I knew what inventory might be in Brownstown  
7           by maybe a little B next to the order number, the number of  
8           the SKU, and I knew it was going to come out of there, I  
9           would order 45 extra cases of that vodka knowing that I might  
10          not get this vodka.

11                       MR. GIGLIOTTI: Understood.

12                       COMMISSIONER JACOBSEN: Is there anyway to enhance  
13          that movement so they are ordering more reliably; that they  
14          are going to have inventory on their shelves? Maybe not the  
15          inventory they would like, but they would skill have X amount  
16          of bottles of a particular liquor?

17                       MR. GIGLIOTTI: That one I cannot tell you because  
18          I believe the order front is the MLCC's order page; am I  
19          correct? Is that correct?

20                       MR. PIZZUTI: Yes.

21                       MR. GIGLIOTTI: So that is what they are seeing on  
22          the front end and I will look -- and Brian, if you would make  
23          a note to see if there is a temporary way to somehow note  
24          that, we will. I do believe the account -- it is my  
25          understanding because there is a difference in timeline and

1           how soon they have to order, I do believe they know whether  
2           it is coming out of Brownstown or Livonia; is that a fair  
3           statement or not?

4                   UNIDENTIFIED SPEAKER: Right.

5                   MR. GIGLIOTTI: So they do know where the order is  
6           coming from. I think the true answer to what you are  
7           suggesting is we just need to get the inventory right and get  
8           it into Brownstown so there is a non-issue. And from my  
9           perspective, anything else is covering the symptoms, but not  
10          covering the problem and I think that is where we are headed  
11          as we move. Again, 13 trucks a day is not an insignificant  
12          amount of cases moving over there. It is roughly, 12, 84 --  
13          somewhere in the neighborhood of 60,000 cases to 70,000 cases  
14          a week. So it is not an insignificant amount that is going  
15          over there.

16                   COMMISSIONER JACOBSEN: Do you mind if I ask  
17          another question?

18                   CHAIRMAN GAGLIARDI: Yes, certainly.

19                   COMMISSIONER JACOBSEN: Commissioner Lasher  
20          mentioned about the --

21                   COMMISSIONER LASHER: It was very important  
22          whatever it was -- profound, interesting --

23                   COMMISSIONER JACOBSEN: I went totally blank on  
24          that.

25                   COMMISSIONER LASHER: Software or --



1                   COMMISSIONER JACOBSEN: Oh, the invoicing. Thank  
2 you. Inventory. I got through about 80 pages of the  
3 transcript from the last meeting on the 22nd and I didn't  
4 finish all of it, but as part of that, it had to do with the  
5 invoicing being quite delayed. We are months -- I think at  
6 one point, we were several months behind on invoicing.

7                   MR. GIGLIOTTI: Yes, sir.

8                   COMMISSIONER JACOBSEN: So it sounds like invoicing  
9 is up to date as of November 9 or something to that effect.  
10 Having those invoices in the system now and updated, that  
11 would have added to part of that inventory increase?

12                  MR. GIGLIOTTI: It could, yes, sir, if it was a  
13 credit. If it was a credit, yes, it would have added because  
14 it would have put back cases, and you know, the put and take  
15 of --

16                  COMMISSIONER JACOBSEN: So getting up to speed on  
17 that invoicing could have added to that inventory problem?

18                  MR. GIGLIOTTI: Right. So I failed to mention  
19 something that we committed to and the date still holds true;  
20 that invoicing will be reconciled by the third week of  
21 December so that it is happening within the 48 hours that we  
22 expect it to as normal. We are now touching -- internal term  
23 -- the invoices from this past weekend, but that is setting  
24 them up for -- to be reconciled. I mean, one is an  
25 organizational process; one is a reconciliation process.

1 Again, in the spirit of transparency, any problem invoices  
2 are being set aside so they don't delay the process so there  
3 could be a lagging invoice and Grand Rapids tended -- because  
4 we moved out of Grand Rapids -- to be lagging more so than  
5 the rest of the state. We just sent a task force up there  
6 yesterday through those processes, because that will continue  
7 as a depot in Grand Rapids. And so they are getting that  
8 also caught up to the same level as the rest of the state.

9 COMMISSIONER JACOBSEN: Thank you.

10 MR. GIGLIOTTI: You are welcome.

11 CHAIRMAN GAGLIARDI: Thank you, Commissioner.

12 Commissioner Olshove?

13 COMMISSIONER OLSHOVE: Thank you. This is the  
14 first I have heard of plans you have going into '21, '22,  
15 '24, '26. What kind of plans are those? And what have you  
16 learned or what are you learning that will assure we are not  
17 here next year or the year after with some computer glitch;  
18 something went wrong? What is going on in the future?

19 MR. GIGLIOTTI: Well --

20 COMMISSIONER OLSHOVE: In other words, we haven't  
21 been able to handle this. Are you going to be able to handle  
22 other updates in the future?

23 MR. GIGLIOTTI: So Commissioner Olshove, the answer  
24 is -- the short answer is yes. The confluence of the timing  
25 certainly did not help. So by virtue of the original shuttle

1 issues, which means it wasn't ready. This building -- and I  
2 don't think I have ever brought this up. This building was  
3 ready to be occupied in February of this year. The go live  
4 date was March of this year. We do not, within reason, ever  
5 try to open something up going into OND; that's not the plan.  
6 You don't just don't do that. Having said that, it was  
7 pushed back by the vendor close to four months. We didn't  
8 expect the system to have -- you are going to have glitches.  
9 It is like buying a new house. You have a punch list. You  
10 are going to have things that are going to be wrong. You  
11 hope they are minor, but they are going to be things that you  
12 are going to work through. I think the combination of that,  
13 the shortages in Brownstown when we were transitioning  
14 everything to Livonia was an issue, quite frankly, because we  
15 were moving all the inventory the other way to go into the  
16 new building. And if -- I think I mentioned this a couple  
17 weeks ago -- we had taken all our people to learn the new  
18 system in Livonia. So we were using 120 to 150 temps in  
19 Brownstown. So a learning would be that, clearly, you need  
20 talent in both places and stagger the learning of the new  
21 people in the new building. That created out of stock so  
22 somebody said to me today that out of stocks have been going  
23 on since June or July out of Brownstown. They were and that  
24 is fair. In the move back to relieve the system, the plan  
25 was to get as many goods back over there as much as possible

1 and I think that will be caught up by the end of this week  
2 from an inventory perspective. But the learnings -- there is  
3 probably plenty of learnings from that standpoint. I have  
4 chosen, quite frankly, and we have had a lot of conversation  
5 internally, where folks want to do the post-mortem now. I  
6 have cautioned internally our folks that we need to be  
7 focused on one thing and that is getting the deliveries  
8 delivered and getting the invoices corrected and then we will  
9 look to do and say, okay, what did you learn and what would  
10 you do differently? From your question about things in '22,  
11 '23, '24, they are mechanical things. They are additional  
12 lines --

13 COMMISSIONER OLSHOVE: You are having mechanical  
14 problems now.

15 MR. GIGLIOTTI: They are additional lines. The big  
16 issue -- the big issue was the shuttle for the bottles.  
17 Again, I think, compared to where that was four months ago,  
18 it is operating much better. It is not at perfection yet. I  
19 can't give you a good reason why it is not at perfection.  
20 Things frustrate me as much as they frustrate everybody else.  
21 Do I expect that we will go through, once we get to the point  
22 that all of us expect and the service that we expect, that we  
23 will never ever have a glitch? Of course not; that is just  
24 not a reality to think you will never have issues. But from  
25 the standpoint of moving forward, I think, we will continue

1 to add things that will help the volume as eventually we move  
2 back from Brownstown to Livonia and those are the type of  
3 things that are expected in '20, '21, '22, '23.

4 COMMISSIONER OLSHOVE: Again, I wouldn't expect to  
5 be here a year from now hearing the same story.

6 MR. GIGLIOTTI: Nor would I. Frankly, I have a  
7 timeline that is much shorter than it were if we had enjoyed  
8 success for a number of months and it's much shorter than a  
9 year from now.

10 CHAIRMAN GAGLIARDI: Thank you, Commissioner.  
11 Commissioner Clemente?

12 COMMISSIONER CLEMENTE: Mine is a little more  
13 macro. So I have a lot of background with supply chains.  
14 But was this sort of alpha tested prior? Like, is this  
15 something that is standard around the globe? Is this  
16 something that you didn't have a chance to beta test it  
17 really well or is it just totally a customized program for  
18 you guys that even historically, before we were still analog,  
19 I presume you still had computers at Brownstown, as well.  
20 But it was more analog than human retention warehousing? Was  
21 this the kind of system that made sense or is this something  
22 everyone is going to that hadn't been tested well?

23 MR. GIGLIOTTI: Well, it's a couple of things.  
24 One, it is not something that everyone is going to. There  
25 are robotics that do this more on the pallets and the case

1 levels -- full case levels and more on the supplier inventory  
2 side. Was it tested? Yes, it was after the initial push  
3 back of three to four months by the vendor into June, July --  
4 July? Into July.

5 COMMISSIONER CLEMENTE: Is that of the software?

6 MR. GIGLIOTTI: Of the software, yes. Where was I  
7 going? Oh, it was tested in Livonia. So it was -- you know,  
8 it was as simple as a couple hundred case tests; 1,000 case  
9 tests. There were various metrics that it had to meet to go  
10 live and it did. And they pushed it and they pushed.  
11 Believe me, we pushed and pushed and pushed because I was  
12 very concerned about the OND. So from that standpoint, it is  
13 -- I guess, I would call it customized for us, but I don't  
14 think that it is brand new. It might be leading edge within  
15 the industry. I don't think it is bleeding edge. I will put  
16 it that way and I would be surprised if there is not other  
17 consumer goods companies utilizing something similar.

18 COMMISSIONER CLEMENTE: That was my question is,  
19 you know, the nature of the way the cases work versus, say,  
20 Amazon does things or RFID works. If you go to Walmarts,  
21 they have RFIDs on the shelves. So I don't think it is like  
22 a unique -- I mean, we have been in this industry, I think,  
23 for a little while now with supply chain and how does it  
24 work. So was it just more, you think, the issue of  
25 customization to a different -- like you said, not everyone

1 doing it, but it is just the nature of the beast? Like the  
2 way the liquor spirits industry works?

3 MR. GIGLIOTTI: I think it is a couple things. I  
4 think the answer to your question is, yes, it was unique and  
5 there is a learning there, but there is a point where it  
6 transitions from mechanical, logistical issues to it becomes  
7 people issues learning the new systems. If maybe three weeks  
8 ago we were here, and it was all mechanical, I think that  
9 leveled that out to it continues to be: Are the people using  
10 the system properly. I think there is -- part of the reason  
11 for the move to Brownstown, I think the numbers that we are  
12 seeing from a logistics standpoint in terms of bottles per  
13 minute and things of that nature, the system can do more than  
14 it's doing now and that's what you measure against. And I've  
15 been through that before and you see those things over time,  
16 unfortunately. The one thing I think we probably all would  
17 agree on is that in the middle of November, we don't feel  
18 like we have a lot of time and I would understand that. But  
19 so I do see the fixes coming to fruition and the problem  
20 areas being minimized over the last three to four to five  
21 weeks.

22 COMMISSIONER CLEMENTE: Last question.

23 MR. GIGLIOTTI: Yes, sir.

24 COMMISSIONER CLEMENTE: Is the last mile like most  
25 supply chains, is that the hardest part of your industry, do

1           you think? Or is it -- seems like it more might be in the  
2           warehouse and the retail side or you don't know for sure.

3           MR. GIGLIOTTI: Hardest part in the industry?

4           CHAIRMAN GAGLIARDI: It's darkest before the dawn.

5           MR. GIGLIOTTI: It is -- it probably is the  
6           operational side. It is -- again, it is more complex than it  
7           is perceived on the front end, but that's our issue; that is  
8           not anybody else's issue; that is our issue. And it is in a  
9           complex -- candidly, it's in a complex environment. As I  
10          shared, we do more bottles than 22 other states combined;  
11          that creates a complexity that does not exist anywhere that  
12          we had to address and we continue to address.

13          COMMISSIONER CLEMENTE: That is fine; that is good.  
14          I just wanted to make sure. Thank you.

15          MR. GIGLIOTTI: You are welcome. Thank you.

16          CHAIRMAN GAGLIARDI: I would like to, Joe, move to  
17          some public comments.

18          MR. GIGLIOTTI: Sure.

19          CHAIRMAN GAGLIARDI: But before you sit down, just  
20          to remind everybody, I walked into this job at the end of  
21          August and the next week, you were having a ground breaking  
22          or a ribbon cutting at a new warehouse. It was somewhere in  
23          the 80 to 85 thousand -- or excuse me -- million dollar range  
24          and it was a real exciting time. But I am hearing all this  
25          coming at me about problems, problems, problems and it wasn't



1           until I found out when I got here that the business manager  
2           and the finance manager have been keeping track of problems  
3           for months. And we were told this is going to get better.  
4           It's going to get better. And finally, as the group said, we  
5           are all hearing from all over the state from people that it  
6           is getting worse and I think the problem we had, and I said  
7           this at the meeting, is we couldn't get anybody at your shop  
8           to understand how important this was. For you folks out  
9           there, we have three ADAs in the system -- authorized  
10          distribution agents -- that have to be able to deliver a case  
11          of distilled spirits a week to any licensee anywhere in the  
12          state. And this company has two-thirds of the business, so  
13          they have got the bulk of the product and going into the  
14          holiday season, we saw a problem. I do think, in my personal  
15          opinion, that it has helped to have you come from corporate  
16          and be here, but I think it was way, way late considering  
17          what the taxpayers of this state pay for the service. I  
18          mean, yes, \$85 million new warehouse is nice. In 2018, we  
19          paid you \$54 and-a-half million -- not we as a group; not me  
20          as a person; not the former chairman; not the former  
21          governor; not this governor. It was paid for by the people  
22          of the State of Michigan. We have got this fiduciary  
23          responsibility and we are going to be all over this. We are  
24          not giving up. I mean, the \$75 million dollars in inventory  
25          that is not accounted for, the law says you have to account

1 for those cases within two days.

2 MR. GIGLIOTTI: I know.

3 CHAIRMAN GAGLIARDI: You guys have been behind  
4 forever when I walked through the door. It is unacceptable.  
5 It's the people's money. It's not my money. But the  
6 Governor has put us here to make sure we stick by the law and  
7 get done what is right for the people. So we have got an  
8 awful long way to go yet. We do. You know it and I know it.  
9 The service has been unacceptable. You have to step up to  
10 the plate. We have to step up to the plate and say you as  
11 our partner, we are going to get this fixed together. We  
12 have to get it fixed for other partners and retailers and we  
13 will do that. But I want everybody to know, here, that we  
14 are not taking our foot off the gas pedal, as a Commission,  
15 to see that this gets solved and it is totally unacceptable  
16 what has happened in the last six to eight months and it is  
17 unacceptable going into the future until we get this  
18 absolutely, positively fixed and that includes the inventory  
19 issue; that includes putting up with the state law -- with  
20 what the state law says. And I want to make that perfectly  
21 clear to everybody and I am sure that is what the Governor  
22 and every legislator over in that building across the street  
23 believes because we are hearing more from them, too.

24 MR. GIGLIOTTI: Understood.

25 CHAIRMAN GAGLIARDI: And they will be demanding

1 more. So I wanted to make sure you had, once again, a  
2 powerful statement from all of us that what has gone on is  
3 unacceptable. We need to be with all deliberate speed in  
4 fixing it. So with that, is there anybody else that would  
5 like to make a comment? I think we will go to public  
6 comments and I know some of you -- we don't want to hear from  
7 the AG, do we? Mr. McGehee, do you have any comments?

8 MR. McGEHEE: No, other than what I have made at  
9 previous hearings. I wouldn't have anything else to say. We  
10 did mail out a complaint a week ago. They have 20 days to  
11 respond to that so that is in the works and that is all I  
12 will say about that.

13 I was interested in a software question, a  
14 follow-up to Commissioner Clemente's question. I thought  
15 they had used the software at some of their other -- in other  
16 states before and they had tested it out there and I wasn't  
17 sure; because at a previous hearing, I thought  
18 Mr. Gigliotti --

19 CHAIRMAN GAGLIARDI: Gigliotti.

20 MR. McGEHEE: Gigliotti or one of the other  
21 representatives had made comments that they had used it in  
22 another state and I was wondering if that was accurate or  
23 not.

24 CHAIRMAN GAGLIARDI: The software, did you use it  
25 in other states before you tried it here?

1                   MR. GIGLIOTTI: I don't believe we used this  
2 particular software. We have used this software company and  
3 material handling, but the whole internal guts of the  
4 warehouse has been the same company we have used over and  
5 over. So the vendor who did the software, we have used from  
6 time to time. It is just a different aspect of it.

7                   COMMISSIONER LASHER: I think if I am recalling,  
8 Brian, we talked a little bit about this before when I asked  
9 that prior; that to this extent, you had not had this type --  
10 we were really the pilot for this level of technology in one  
11 facility for you is that what -- am I recalling that  
12 correctly?

13                  MR. PIZZUTI: The material handling system has been  
14 used in other markets. The shuttle system was a direct  
15 result of the high amount of skus in Michigan which is more  
16 so than any state in the country and the incredible amount of  
17 bottles that are sometimes a 300,000 bottle night.

18                  COMMISSIONER LASHER: That had not been used  
19 anywhere else?

20                  MR. PIZZUTI: Because that is not needed in any  
21 other state of the country; that was a result of the market  
22 demanding this level of technology.

23                  MR. GIGLIOTTI: On bottles. It has been used by  
24 our suppliers on cases and pallets. I don't know if the same  
25 vendor created it, but conceptually, it looks the same; just

1 with bigger sizes.

2 MR. McGEHEE: Would you define that as a  
3 significant modification of the existing software?

4 MR. GIGLIOTTI: I think it is apples and oranges  
5 because it is not a modification of the system that we used  
6 before. The shuttle is completely different than what we  
7 used anywhere else. So it is not like there is shuttles in  
8 other markets and we modified the software. That aspect of  
9 it is new, again, as it pertains to bottles. As it pertains  
10 to robotics with cases and pallets, that is not new. So it  
11 wasn't really -- I wouldn't classify it as a modification,  
12 no. I would say it was -- I guess, I am not a tech guy, but  
13 I would say it was relatively new to the industry.

14 COMMISSIONER LASHER: Did you hear all that, Lori?

15 COURT REPORTER: Yes, thank you.

16 CHAIRMAN GAGLIARDI: Thank you, Mr. McGehee. We  
17 will go on from here. I have a list of people that would  
18 like to speak. We know some of you may be here to speak on  
19 other issues. This is the first issue of the day so if I  
20 come to your name and call you out, if you would speak to  
21 this issue, we would like to do that first and then we will  
22 come back to public comment and other issues that we deal  
23 with. So if we could deal with the ADA issue first.

24 On my list I have Auday Arabo from the Midwest  
25 Independent Retailers Association.

1 MR. ARABO: Good morning, Mr. Chairman --

2 CHAIRMAN GAGLIARDI: Good morning.

3 MR. ARABO: -- and members of the Commission. My  
4 name is Aday Arabo. For those that don't know, our  
5 organization is called the Midwest Independent Retailers  
6 Association. It has been in Michigan since 1910; will be 110  
7 years old next year. We represent over 3,000 retailers,  
8 mostly independents. We've had a great relationship with NWS  
9 and RNDC for years, as well as Great Lakes. Those are our  
10 two ADA members of the association. We started to work with  
11 Imperial recently.

12 The biggest issue I want to, kind of, bring up is  
13 this is an issue, obviously. I think Joe is doing the best  
14 he can to solve it. We have talked to our partners since  
15 June on issues. I think now they are more than serious about  
16 the issue, but I am concerned about the system. Because if  
17 you look at the media and you look at the general public, I  
18 am hearing that -- we're hearing, well, maybe there's an  
19 attack on the three-tier system; maybe Michigan should get  
20 out of the control state system which gives \$500 million to  
21 the general fund every year. And I got to tell you, we have  
22 offices in three states. We have members in 14 states. I  
23 come from an open system in California. I think I am a  
24 Michigander now, 11 years after the fact. This is the best  
25 system --

1                   CHAIRMAN GAGLIARDI: You are not a Michigander; your  
2 wife made you say that.

3                   MR. ARABO: This is the best system for independent  
4 retailers in the entire country. I want to make that clear  
5 because I do think RNDC is going to be part of the solution.  
6 It hurts right now, especially since they are drinking  
7 through a fire hose because of the volume aspects. There is  
8 a lot of things that Joe is doing. I think he is going to do  
9 more.

10                   We would like to be more candid in terms of what  
11 we've seen. Our retailers are irate. They are frustrated.  
12 They have come at me at all different angles, saying let's do  
13 a class action against the state. They know we are not shy  
14 about suing the state; class actions RNDC and we are trying  
15 to get -- talk to people about let's just fix the problem,  
16 but the problem is not short-term. The one thing that Joe  
17 said that I really loved was: This is a learning aspect. I  
18 think the entire state and the MLCC, specifically, needs to  
19 learn how and make sure this never happens again; whether it  
20 is ADA rules and regs; whether it is supply rules and regs, I  
21 think MLCC needs to have a better control of the system.  
22 Independents, all we have is the state. You look at other  
23 states, and this is why Michigan is so unique. I have heard  
24 people talk about split bottles a number of times; that is  
25 why we are competitive. That is why 85 percent of the

1 marketplace in Michigan -- licensees -- if not more, are  
2 independently owned small business owners. You can go to  
3 other states like California and others and you have the big  
4 chains who dominate -- volume buying, split cases. This  
5 system was set for independents, for the small business owner  
6 and that is why they are frustrated.

7 Communication is getting better, but like Joe said,  
8 there is a long way to go and we want to make sure we are  
9 part of that solution going forward. But I really want to  
10 make sure that the Commission understands the gravity of the  
11 situation -- not just RNDC today, but it is the overall  
12 system that is being attacked. If you look at some of the  
13 media comments; if you look at people trying to solicit us  
14 for comments, throwing people under the bus, we are just here  
15 to help and we want a partner; that is first and foremost.  
16 We want to make sure the product gets to the store, whether  
17 on the supplier side, the ADA side, but take a look at the  
18 system. Maybe you need more than three ADAs; maybe you need  
19 to look at different things. The system is more important  
20 than any one company and I've always said it's a three-tier  
21 system. Every tier has to be healthy for a strong three-tier  
22 system and that is what independents really enjoy. I would  
23 like to come back and talk about other issues, too, later,  
24 but I just want to offer our support to RNDC.

25 CHAIRMAN GAGLIARDI: We will open up to other



1 public comments on other issues later.

2 MR. ARABO: Okay. That is all I have to say. I  
3 would love to answer any questions if you have any. From a  
4 retailer standpoint, this is the first time we have actually  
5 gone on record from the association standpoint to talk about  
6 these issues. Michigan is the number one control state in  
7 the country in terms of volume. A lot of people don't know  
8 that; don't realize that. A lot of that volume is single  
9 bottles. So the system, to me, like I said, is more  
10 important than any one individual. I definitely think RNDC  
11 is going to pull through it, but I think it is a good time to  
12 learn how to keep a system going for another 20, 30, 50  
13 years.

14 CHAIRMAN GAGLIARDI: Thank you, Mr. Arabo. To your  
15 point, I served with two governors who were going to  
16 privatize the whole system. Both of them, once they looked  
17 at it, backed off -- Governor Engler and Governor Snyder;  
18 both of them thought exactly like you did. This system had  
19 more benefits than it had deterrents. So I think a lot of  
20 people are on board with that.

21 Next we have Mike Tobias. Did you want to speak on  
22 that?

23 MR. TOBIAS: No.

24 CHAIRMAN GAGLIARDI: Good; didn't want to hear you  
25 anyway. I am just being transparent.

1                   Thomas Ireland? Mike, we will come back to you if  
2 you would like to speak on another issue.

3                   MR. IRELAND: My name is Thomas Ireland on behalf  
4 of Ireland Management Company, d/b/a Ireland's Pub in Clinton  
5 Township, Michigan. I think most of my questions and  
6 concerns have been answered. I think one of the biggest  
7 hurdles that a lot of people aren't talking about is the  
8 communication. When I call RNDC, I get an answering service.  
9 They transfer me to somebody else or give my message to  
10 somebody else. I left a message at 1:00 yesterday; still  
11 have not gotten a return phone call. But it is also with the  
12 MLCC, too, especially at this point with all these frustrated  
13 and angry bar owners and party store owners and whatnot not  
14 getting their liquor or not getting their full orders. This  
15 has been going on with me since June and I voiced my concern  
16 with my reps and whoever I can talk to at RNDC. It is  
17 frustrating, too, because I understand that the front line  
18 girls at RNDC who answer the phones, they are probably not  
19 trained in conflict resolution, but that might be a good idea  
20 because --

21                   MR. GIGLIOTTI: That's fair.

22                   MR. IRELAND: -- I'll be the first one to tell you I  
23 might be a little bit short tempered and I get a little  
24 excited and maybe some F bombs started flying, but at the end  
25 of the day, getting hung up on or disrespected when I'm the

1 customer and I'm buying from you? You are just escalating  
2 the situation ten-fold. And the same goes with the MLCC. I  
3 called and left a message three weeks ago; never got a call  
4 back. I called about 10 days ago; never got a call back. I  
5 called yesterday and explicitly said on her voice mail, this  
6 is the third message I am leaving you and I had still not  
7 received a call back. And she did call me back within -- I  
8 don't know -- hour-and-a-half, two hours. With all the  
9 issues we are having with RNDC and you guys with the upgrades  
10 and stuff you say you are doing with your system, I think  
11 there should also be something put in play where an e-mail  
12 goes out that morning to whoever is getting routes or whoever  
13 is getting or expecting a delivery that morning, saying you  
14 are the fifth stop; expect your delivery between 11 and one.  
15 I mean, at the end of the day, next year -- we are a month  
16 away from 2020. With the technology out there, we should  
17 know when to expect our delivery orders. I am a business  
18 owner. I am there every morning. I am there from eight  
19 until I get my stuff done, which is usually 6:00 p.m. and  
20 there's times I am waiting, you know, from 3 p.m. to 6 p.m.  
21 or 7 p.m. until RNDC gets there. And this goes with Great  
22 Lakes, too. It is not just an RNDC problem. Great Lakes,  
23 however, is very good at communicating if I am not going to  
24 get an order that day and they let me know, hey, your order  
25 is not coming today. You will get it tomorrow or you will

1 get it Saturday, which is great. The robo calls from RNDC  
2 don't help because they are calling the bar phone before we  
3 open for business and I don't answer the bar phone before we  
4 are open for business because I have way more stuff to do  
5 than field the phone calls. So a lot of those robo calls --  
6 I happened to get one from RNDC, but again, it just says you  
7 are not getting your delivery today. Well, okay, but when am  
8 I getting it? And I don't care why I am not getting it. I  
9 don't care about any of that. I just need to know when to  
10 expect that delivery because I also have a supply chain  
11 background and I am JIC, just in case. It's frustrating when  
12 you plan on selling -- we sell a case-and-a-half of Tito's a  
13 week. So I know if I have eight bottles in there, I gotta  
14 order a case. I know if I have two cases, I don't have to  
15 order any, but now if my order doesn't come on Tuesday and I  
16 have no idea when I'm getting it, I have to take other means  
17 to get that product. And at that point, too, like where does  
18 it end? What if MLCC comes in a year from now and starts  
19 scanning bottles and saying you got too many bottles that you  
20 bought at a party store. Well, I bought that during the  
21 chaos. So it is just a big huge snow ball effect and I think  
22 communication, basically, is where I am going with it.

23 CHAIRMAN GAGLIARDI: I think that is an excellent  
24 point. I couldn't agree with you more. And we will try and  
25 buck up on our end, understanding that we don't have the

1 resources that RNDC has, but we will try and -- we are trying  
2 to field as many calls and emails as we can, understanding we  
3 have got a couple people doing that. We are 140 people  
4 strong between Detroit, Grand Rapids, Escanaba. And we are  
5 running -- as a wholesaler, we are running a  
6 billion-and-a-half dollar business just there. Let alone,  
7 investigating all the licenses and enforcement situations and  
8 I don't mean to -- I think our people do a great job, but I  
9 do agree, there ought to be a way for our partners to be able  
10 to communicate with us and get a response. We are going to  
11 work on that. Like I said earlier -- I think you were  
12 here -- we are going to have a work force put together.  
13 Commissioner Olshove is going to be on one, I think, with  
14 Commissioner Clemente. And then we are going to have another  
15 work force on a different issue, but these two Commissioners  
16 have been working on it. But we need to concentrate on some  
17 of these issues, big time, laser focussed from our end also.  
18 So we are going to try and up our game also. It is not just  
19 you. It is not just our ADAs. MLCC is going to try and up  
20 our game, too.

21 MR IRELAND: Thank you.

22 CHAIRMAN GAGLIARDI: Thank you for your time and  
23 thank you for coming all the way in.

24 MR. IRELAND: Yep.

25 CHAIRMAN GAGLIARDI: Mike Mitchell from -- what is

1 the name of your market?

2 MR. MITCHELL: Markham Enterprises.

3 CHAIRMAN GAGLIARDI: Yes. Come on up.

4 MR. MITCHELL: My name is Mike Mitchell. I am with  
5 Markham Enterprises. And I'm also the retail vice chair for  
6 the Midwest Independent Retailers. I would like to start by  
7 thanking the Commission during this process. It has been a  
8 real good tool for us to communicate back and forth and I  
9 would like to thank you very much for allowing us to do that.

10 I actually have no sympathy for RNDC and where they  
11 are at all today, but I have a great deal of empathy. I  
12 think Joe and his team have tried real hard since he has been  
13 here. And I think he is working through the problems they  
14 have. Does not mean much to the people behind us. For me,  
15 personally - not for MIRA -- three of our stores, this week,  
16 we did get one order. One of the salesman dropped off a  
17 small order and that helped us out a ton. Out of three  
18 stores, I had one store that had a perfect invoice; delivery  
19 was on time. It was the right day. Two stores, they were  
20 supposed to get on Friday; they were delivered on Monday.  
21 They were missing one or two items. The phone call that I  
22 got did say that they would be there Monday. That for me,  
23 personally, that -- well, there is 20, 25 people where I work  
24 around. I call every week and ask them if this is getting  
25 any better and out of that 25 this week, over half of them

1 had out of stock issues and worked late deliveries. I would  
2 offer my help any way we can to work our way through this and  
3 once again, thank you so much. I think what Auday said about  
4 the control state and what we'd do as far as -- even us -- we  
5 are small, independent people. We love what we do and a lot  
6 of these smaller towns wouldn't be served well competing  
7 against big chains. They mean a lot to the community.  
8 Everybody knows their own favorite person in the small town  
9 where they go and I thank you all very much. Thank you.

10 CHAIRMAN GAGLIARDI: You are so right, Mike. We  
11 feel so bad. There is no way to make up to our business  
12 people the loss of revenue they have experienced. Thank you  
13 for your comments.

14 MR. MITCHELL: Thank you, sir.

15 CHAIRMAN GAGLIARDI: And thank you for being here  
16 regularly. I know you have been a very vocal person on  
17 behalf of the retail side of this issue.

18 John Lauve?

19 MR. LAUVE: I will pass.

20 CHAIRMAN GAGLIARDI: Pass? Okay. Would you like  
21 to speak on something else, Mr. Lauve?

22 MR. LAUVE: Yes, sir.

23 CHAIRMAN GAGLIARDI: Okay. I will call you up  
24 later. Jeff Griffith?

25 MR. GRIFFITH: No comments on this issue,

1 Mr. Chairman, but I would like the opportunity to speak  
2 later.

3 CHAIRMAN GAGLIARDI: You betcha.

4 MR. GRIFFITH: Thank you.

5 CHAIRMAN GAGLIARDI: Mark VanderVelde?

6 MR. VANDERVELDE: Hi.

7 CHAIRMAN GAGLIARDI: Hi, Mark.

8 MR. VANDERVELDE: I think most everything has been  
9 said. I am a retailer on the west side of the state.

10 CHAIRMAN GAGLIARDI: Where you from?

11 MR. VANDERVELDE: Grand Rapids. I guess one  
12 question I would have for the Commission is: Why can I only  
13 buy Captain Morgan from one person?

14 CHAIRMAN GAGLIARDI: You mean one ADA?

15 MR. VANDERVELDE: One ADA.

16 CHAIRMAN GAGLIARDI: Well, that is a situation  
17 where the suppliers pick an ADA and the Commission let's them  
18 pick an ADA.

19 MR. VANDERVELDE: And I hear you, but it's  
20 unfortunate I don't have choice. You know, I have choice in  
21 every other aspect of my life and as a retailer, I have  
22 choice. I can buy cigarettes from anybody I want to.  
23 Captain Morgan, just you. Fireball, same thing. Tito's,  
24 same thing. Svedka, same thing. So it is our livelihood,  
25 you know? And I appreciate what you are doing. It is hard.



1 I get it. But there is no compensation for us.

2 Secondly, I would just add: Get a user group. Get  
3 the licensees together to help you out. If we saw this  
4 coming, a lot of us are connected in the industry. We can  
5 help spread the word that it is going to get better. But  
6 because we are not involved, we have no idea. So you know,  
7 there is a lot of us that want to help get this solution  
8 fixed. But get us together. You know, you are talking about  
9 working groups. Let us be part of that solution.

10 The interface for the website, the ordering, is  
11 terrible. Nobody is going to disagree with that. Let us  
12 help you with that. Those are my comments. And again, I  
13 understand all the complexities that they are dealing with --  
14 rather, I don't understand it, but I can only imagine. But  
15 on the front lines, you know, we don't have product.

16 CHAIRMAN GAGLIARDI: Very frustrating.

17 MR. VANDERVELDE: Yeah.

18 CHAIRMAN GAGLIARDI: Our new work groups -- the two  
19 that we will be announcing today -- one, we have already  
20 announced, chaired by these two gentlemen over here; chaired  
21 by Commissioner Olshove will be open. All the meetings will  
22 be open. Anybody can participate. They will be open  
23 meetings and I think a lot of input from our partners in the  
24 retail area is important. I mean, that is how we knew there  
25 was a problem, as Commissioners. It was the independent

1 small retailers. It wasn't the Costcos or Walmarts that were  
2 contacting us. It was mostly small businessmen and women who  
3 are saying, hey, we have a problem here.

4 MR. VANDERVELDE: Yeah, I think one thing some  
5 people may not realize is on the front lines, I am  
6 communicating with my liquor drivers today. These are your  
7 employees. They are telling me when I am getting my  
8 delivery. On their mobile phone, they are texting me, hey, I  
9 am going to be a day late. Hey, I'm going to be at 6:00. Is  
10 that okay? I can't deliver on Sunday. We don't work on  
11 Sundays. It's like, you don't work on Sundays? I don't have  
12 product, you know. Some of those things, again, if you  
13 involve the retailers, we can help, but we can't help if  
14 there is no communication and that's been really frustrating.

15 Lastly, I will reiterate. The idea that I can only  
16 buy it from one person is, I mean --

17 MR. McGEHEE: I would like to make a comment, if I  
18 might, Mr. Chair, on that. That is the way the law was set  
19 up in '97, under Governor Engler and the Legislature when  
20 they amended the Liquor Code. So the Commission really does  
21 not have any power to make decisions in that regard. The ADA  
22 selects the contracts with the supplier. The supplier  
23 selects the ADA and that is why one ADA can only give you one  
24 particular product. It is based on their contracts. So the  
25 Commission can't really do anything about that.

1                   MR. VANDERVELDE: I understand they might not be  
2                   able to do anything today, but could they recommend something  
3                   different?

4                   MR. McGEHEE: Change in the law.

5                   MR. VANDERVELDE: Exactly right. Right? So we  
6                   live in a world today where choices -- I mean, that's really  
7                   what it comes down to is choice. And again, I will go back  
8                   to: Anything I want to buy in my store, except liquor, beer  
9                   and wine, I can choose. Okay.

10                  And on a positive note, my friends from Alliance  
11                  are here. I have never had a delivery issue with them. And  
12                  I understand it is a similar situation. Those guys know what  
13                  they are doing. So any help you could give us, we would  
14                  appreciate it.

15                  CHAIRMAN GAGLIARDI: We appreciate it. And to that  
16                  point, the discussion you just had with Mr. McGehee, you  
17                  know, one of the recommendations that may come out of this  
18                  work group is to go to the Legislature. Hey, we think you  
19                  ought to make a statutory change. So I think these work  
20                  groups are going to be real important to laser down on these  
21                  issues and we want everybody to be part of it. That is the  
22                  beauty of our system. We have a lot of input. There is  
23                  transparency, more than people realize. So thank you for  
24                  coming all the way over at this time.

25                  MR. VANDERVELDE: Thank you.

1                   CHAIRMAN GAGLIARDI: Thank you, Mark. I have got  
2 Marie Hansen. I am guessing you want to speak on something  
3 else, don't you, Marie? Maybe you could speak for Mike  
4 Tobias. You are a lot nicer than he is. We've all known  
5 Mike a long time. He is notorious around these parts.  
6 Janine?

7                   MS. KRAVETZ: Not now, but later.

8                   CHAIRMAN GAGLIARDI: Okay. Thank you. And  
9 Reverend Bill?

10                  REVEREND AMUNDSEN: Not now, but later.

11                  CHAIRMAN GAGLIARDI: Okay. Will do. There you  
12 are. Okay. Does anybody else wish to make a comment or ask  
13 any questions on the RNDC issue?

14                  I would like to go to Kerry Krone, our business  
15 manager, first. But if you would just raise your hand, we  
16 will certainly take it up.

17                  Kerry, are there any comments you would like to  
18 make before we close this part of our agenda?

19                  MS. KRONE: Just maybe a slight clarification.  
20 When we talked about the inventory, the State knows at any  
21 given time of year what is holidays, peek season, etc.; what  
22 our normal inventory would run with the ADAs. So when we say  
23 we are \$41.5 million more, that is more than normal. So we  
24 know what that should be based on past history and it is  
25 possible part of the increase is due to some of the

1 adjustments that they were referring to, but that would be an  
2 awful lot of liquor that actually did not get, you know,  
3 accepted by that licensee. In other words, so it would be an  
4 adjustment made. We still have a strong concern that a big  
5 part of that is due to the fact that we are not getting  
6 invoices and we are not getting the invoices timely.

7 CHAIRMAN GAGLIARDI: Thank you, Kerry.  
8 Commissioner Olshove?

9 COMMISSIONER OLSHOVE: We received a handout, here.  
10 Can anybody explain the handout?

11 CHAIRMAN GAGLIARDI: We will call them up, I'm  
12 sure. Do any of the Commissioners have any final comments?  
13 Or have questions? Mr. Gigliotti, seems to me we need to  
14 have another meeting. We are not quite where we need to be.

15 MR. GIGLIOTTI: I failed to mention that for good  
16 or for bad, I am here for the foreseeable future, living in  
17 Michigan. So I am at your disposal, Mr. Chair.

18 CHAIRMAN GAGLIARDI: Well, I'll tell you I'd think  
19 a lot more of you if you'd make my Lions a better football  
20 team while you are in town.

21 MR. GIGLIOTTI: I'm going to get spirits delivered.  
22 I can't work miracles.

23 CHAIRMAN GAGLIARDI: That would be helpful. I am  
24 thinking, in all seriousness, that we probably ought to get  
25 together in the next week to 10 days; have an update from you

1 for the Commissioners and for the people out in the public.  
2 And so if we could take a look at, maybe -- what do you think  
3 you need? A week? Ten days to give us a new accurate  
4 assessment?

5 MR. GIGLIOTTI: The only issues I have are next  
6 Wednesday and the following Wednesday morning. So what is  
7 that? The 18th? 16th, 17th would be the only thing I  
8 couldn't change. I cleared my schedule on everything. This  
9 is the only thing I couldn't change. If we looked at  
10 anywhere from -- next week, I am here Monday to Friday.  
11 Maybe Thursday or Friday of the week of the 16th?

12 COMMISSIONER LASHER: So you are saying the week of  
13 the ninth is more flexible?

14 MR. GIGLIOTTI: Week of the ninth, with the  
15 exception of Wednesday morning. I would suggest later in the  
16 week just so we get some history behind us.

17 CHAIRMAN GAGLIARDI: I would say, probably, at this  
18 time of the year, with as busy as it is, would a two-week  
19 update -- two weeks from today? That would put us at -- that  
20 is the 18th?

21 MR. GIGLIOTTI: 18th at?

22 COMMISSIONER LASHER: That would be the 19th or  
23 20th.

24 MR. GIGLIOTTI: Actually, what time would we be  
25 doing it on the 18th?

1                   CHAIRMAN GAGLIARDI: We could do it morning or  
2                   afternoon.

3                   MR. GIGLIOTTI: Morning would be preferred.

4                   CHAIRMAN GAGLIARDI: We will take a look at doing  
5                   it at 10:30 on the 18th.

6                   MR. GIGLIOTTI: Okay.

7                   CHAIRMAN GAGLIARDI: We will come back. That will  
8                   give two weeks. I think that makes a little bit of sense, in  
9                   my mind, because of the busy time of the year it is for all  
10                  of your people, as well as all of our licensees and we know  
11                  that it is hard for our thousands -- somewhere between 11 and  
12                  13,000 licensees -- to get to these type of meetings because  
13                  they are all working. And this time of year is a very busy  
14                  time of year.

15                  MR. GIGLIOTTI: I will continue to update on  
16                  changes or updates on the invoicing prior to that time  
17                  because I expect a major change in where we are on the  
18                  invoicing prior to.

19                  COMMISSIONER LASHER: Joe, if I could just ask: So  
20                  the first plan you provided really detailed how you were  
21                  going to do the reset and how that period of time -- and I  
22                  think we asked for that and that was more in early November.  
23                  And then the second plan, really, was more of the details of  
24                  production and deliveries through the end of the year and  
25                  into January. What I haven't seen is, kind of, that

1 comprehensive plan telling us how you are detailing the  
2 inventory, the invoicing, the customer service issues; the  
3 software; the ordering; the deliveries; a more comprehensive  
4 corrective action plan. We have seen the two different  
5 versions of things. I am just curious if we are going to  
6 see, from your perspective, more of the overall comprehensive  
7 detail, category by category?

8 MR. GIGLIOTTI: We can supply that. I mean, it is  
9 -- I have avoided getting real deep into the weeds, as you  
10 saw from the thing I sent you last week.

11 COMMISSIONER LASHER: Sure.

12 MR. GIGLIOTTI: It can be an (inaudible) even for  
13 myself.

14 COMMISSIONER LASHER: Well, I think just for the  
15 sense of, again, it is not just on delivery. I mean,  
16 obviously, delivery is impacting people greatly but there are  
17 so many other pieces to it.

18 MR. GIGLIOTTI: Understood.

19 COMMISSIONER LASHER: Again, on the customer  
20 service side; on the technology side. I mean, just to give  
21 us the sense that you have that kind of operating plan that  
22 you are working from, I think --

23 MR. GIGLIOTTI: Yes, I do and --

24 COMMISSIONER LASHER: -- that would be helpful.

25 MR. GIGLIOTTI: -- I will forward that to you and



1 the dedicated personnel because each of those channels, if  
2 you will, have dedicated personnel overseeing it to make sure  
3 it is executed.

4 COMMISSIONER LASHER: I appreciate that.

5 MR. GIGLIOTTI: You are welcome.

6 COMMISSIONER LASHER: Thank you, Joe.

7 CHAIRMAN GAGLIARDI: Thank you, Commissioner. I  
8 think it is important that we get that material as quickly as  
9 possible. So we will come back and revisit this issue with a  
10 meeting with RNDC at 10:30 on December 18th. That will give  
11 us two weeks to give us enough information and certainly,  
12 even though it is not an annual meeting, I would want to  
13 invite both you and -- both of our hearings commissioners to  
14 be here. It has been a pleasure having you both here today.  
15 With that, we are all on board on the 18th.

16 We can move to more public comment. I guess as we  
17 move to more public comment, we talked a little bit about  
18 putting the task force together on the ADA issues. The idea  
19 being that by the time we get to our -- six months to our  
20 next semi-annual meeting, we will have some sort of update  
21 report from them on the issues they see and the  
22 recommendations they would like us to work on.

23 The other issue to be chaired by Commissioner  
24 Lasher and Commissioner Jacobsen will be the issue of our  
25 special licenses. We issue about 9,000 24-hour licenses a

1 year and we have been running into an explosion of growth and  
2 an explosion of issues that come with that. That is like  
3 opening up a new on-premise license for 24 hours all over the  
4 state and with 9,000 of them, it is getting really, really  
5 tough to keep up with and a lot of issues going along with  
6 that that you may have heard of. So Commissioner Lasher,  
7 with the help of Commissioner Jacobsen, they are going to  
8 start on that issue right now. They will be putting together  
9 groups of people to have meetings to focus on these issues  
10 and come back with a report in six months and all the  
11 meetings will be public meetings, publicly posted and  
12 everybody is welcome to come. We want to make sure that is  
13 understandable. So we will be moving to that phase.

14 Now other comments on public -- by the public? How  
15 about we start out with the person that brought us the  
16 exhibit?

17 MS. PHAM: She stepped out.

18 COMMISSIONER LASHER: She stepped out.

19 CHAIRMAN GAGLIARDI: She brought us a little map.  
20 Reverend Bill? If you wouldn't mind stepping up to the  
21 podium?

22 REVEREND AMUNDSEN: I am Bill Amundsen and I am  
23 Treasurer of the Michigan Council on Alcohol Problems, MICAP,  
24 we call it. We are not a prohibition group. We are a  
25 temperance group and we send out our newsletter four times a

1 year and we publish a peer-reviewed journal, the Journal of  
2 Alcohol and Drug Education, three times a year and we are  
3 proud of that. That goes all over the world.

4 I want to say thank you to -- excuse me -- the MLCC  
5 for all the work you do. I had only partial concern,  
6 interest, understanding of what we have just been through  
7 here the last hour or so and it is really good to hear that  
8 and that you are on that wavelength, as well. So I want to  
9 thank you for the time and energy that you devote on behalf  
10 of a healthy society in Michigan.

11 We are proud, also, that we are a control state,  
12 here, in Michigan and we encourage that, as well. So I just  
13 want you to know that. I think I told you already that we  
14 are a temperance group and not a prohibition group, but we  
15 are concerned about the high cost of the abuse of alcohol and  
16 drugs in society and in the marketplace. I want to hold that  
17 to your attention.

18 We feel -- I feel that previously, the MLCC has  
19 been primarily working for the liquor and the hospitality  
20 industries. I think that is not true now and I appreciate  
21 that. It just seemed like any time a bill came by -- and I  
22 understand that a whole lot of our concerns need to go also  
23 to the Legislature and not here and we are working with them,  
24 as well.

25 As I went through some data for this, I am

1 understanding that beer and liquor are cheaper and more  
2 readily available today than in the '50s and '60s and there  
3 is a huge cost -- over \$900 per person in the State of  
4 Michigan -- for the abuse of that. So we are nudging for  
5 more taxes and even small incremental changes in taxes that  
6 cuts consumption; that is all understood by juried folks and  
7 persons who do that kind of work at universities across the  
8 country and in Canada; in England and Europe, all over.

9 I will be putting out -- we will be putting out --  
10 not myself, but we will be putting out some position papers  
11 to our senators and representatives with concerns to the  
12 bills in the hopper now and other things that come up and  
13 with your permission, we would like to forward them to you,  
14 as well, so you know our position on this.

15 And again, I thank you for your time and your  
16 effort and all the hard work you do. I didn't realize it was  
17 this hard. So thank you very much.

18 CHAIRMAN GAGLIARDI: Thank you, Reverend Bill. It  
19 is always nice to have a pat on the back. But to your point,  
20 I don't think people realize that we oversee this big  
21 business end, the billion and-a-half dollars as a wholesaler  
22 of distilled spirits and yet we still have the whole  
23 regulatory responsibility of the public health and safety.  
24 We expect licensees to stay within the law and they are not  
25 selling to minors and to intoxicated people and driving drunk

1 and all that stuff. So we do that 140 people strong and I  
2 think I am joined with my fellow Commissioners saying we are  
3 very proud of our staff and what we do here and we are always  
4 looking to take ourselves to the next level. But thank you  
5 for the compliments.

6 Marie Hansen?

7 MS. HANSEN: Hello. I am Marie Hansen and I am  
8 from Michigan Alcohol Policy Promoting Health and Safety and,  
9 really, I just have a short comment. As we look to the year  
10 ahead, we are very much looking forward to working with you.  
11 We are -- we do believe that you have a commitment not only  
12 to the industry, here, in Michigan -- the alcohol industry --  
13 which I think is really doing very well, especially with what  
14 we have done with craft beer and so much innovation, but also  
15 we believe that you are concerned about alcohol-related harm  
16 and minimizing that and using whatever knowledge we have  
17 about public policy to do that and so we are hopeful as we  
18 look to the future.

19 I am excited to learn about the attention that may  
20 be given to the one-day licenses; that has been a nagging  
21 little concern in the back of my head just as I live my life  
22 and, kind of, see what is going on and so I think that is  
23 good. I am not saying that I know answers and even the  
24 problem, how it manifests itself. I know some examples from  
25 what I see, but I do believe it is good to look at that.

1                   There are some other areas, too, but I think you  
2                   have got a lot on your plate and I support you doing what you  
3                   can as you can do it. Thank you.

4                   CHAIRMAN GAGLIARDI: Thank you very much, Marie.  
5                   Just to remind people, Michigan is one of five states that  
6                   has an alcohol epidemiologist in our Department of Health.  
7                   His name is Pat --

8                   MR. HINDMAN: Hindman.

9                   CHAIRMAN GAGLIARDI: Oh, there he is. Introduce  
10                  yourself.

11                  MR HINDMAN: My name is Patrick Hindman. I am a  
12                  Department of Health team member. I work for the Michigan  
13                  Department of Health under the CDC and I am one of five  
14                  alcohol epidemiologists.

15                  CHAIRMAN GAGLIARDI: Well, we are pretty lucky in  
16                  this state to have that. I think the funding is provided by  
17                  CDC. And we are going to have Pat to one of our Commission  
18                  meetings just to speak on behalf of himself on the research  
19                  that they are doing. They are doing fascinating research  
20                  around the country and isn't it interesting that alcohol has  
21                  been a part of our society since the beginning of humans and  
22                  we are still doing research on it. Makes we wonder how long  
23                  we will have to do research on marijuana.

24                  Jeff Griffith? Jeff, would you like to join us?

25                  MR. GRIFFITH: Thank you for your time, Chairman

1 and Commissioners. I appreciate it. My name is Jeff  
2 Griffith. I am the co-chair of the Michigan Prevention  
3 Association; a network of prevention professionals throughout  
4 the State of Michigan, primarily working on youth access to  
5 substances and how it can help prevent that. And I also work  
6 for the Youth Connection. We are a small 501(c)(3)  
7 non-profit agency on the east side of Detroit. We service  
8 about 5,000 youth per year. This year, in partnership with  
9 the State, we did about 250 paid summer jobs.

10 CHAIRMAN GAGLIARDI: Congratulations, Jeff.

11 MR. GRIFFITH: Yes, thank you. It is a lot of  
12 teenagers at one point. I don't recommend it. But why I am  
13 here today is one, we always talk to our youth about the  
14 problems they are facing, specifically, on the east side of  
15 Detroit and we ask them what they want to do to combat it.  
16 We've had kids focus on marijuana dispensaries. And the  
17 youth in our committee asked me to come here, along with Mike  
18 Tobias, and talk about what they see as the biggest problem  
19 in their eastside neighborhood and that is -- what we have  
20 talked about is outlet density in Detroit; just the sheer  
21 number of licensees that you govern in an area with a lot of  
22 children. Eastside Detroit has a number of liquor stores.  
23 There seems to be one all the time and our youth say, listen,  
24 it becomes a numbers game for them and they go to other  
25 communities. Through the DNR, we take our kids out to

1 various recreational opportunities, in addition to giving  
2 them summer jobs and they always see that, you know what, you  
3 go to these other places in Macomb County, Oakland County --  
4 I'm from St. Claire County in Columbus -- and there is not a  
5 liquor store every 100, 250 feet or so and they see that as a  
6 big problem. We tell them in regards to issues that affect  
7 them, like, we say nothing about us without us; meaning, if  
8 it is an issue that affects them, they want to be involved.  
9 They want to be able to tell you, hey, here is what is  
10 happening. Here is where I see it from my perspective. And  
11 I told them today I would come here and do that on their  
12 behalf, but perhaps, an annual meeting not held during school  
13 hours is one thing they would say, listen, we can't go.

14           Again, look at the number of licenses in the city;  
15 compare the population. I know from your website and you are  
16 over quota, I believe, on licenses. And then the  
17 off-premises licenses, too, really, it is nearing 200. We  
18 have a huge opportunity in the state and in the country in  
19 2020 with the census to find out who is living where and I  
20 think, perhaps, upon receiving those numbers, take a look at  
21 the number of licensees in the City of Detroit and decide  
22 that, you know what, when I lived in St. Clair Shores, it was  
23 right near a Tim Horton's and I used to get Tim Horton's all  
24 the time and I moved. And you know what? My Tim Horton's  
25 consumption has gone down like 90 percent. Think about that



1 in terms of these kids walking to and from school; in their  
2 neighborhoods and going up and down 8 Mile to try to get to  
3 their jobs that we provide them. There's an awful lot of  
4 liquor stores in the city and it's not like that anywhere  
5 else in the state. That is what the kids see as the biggest  
6 problem is access and I can say that I agree, as well.

7 CHAIRMAN GAGLIARDI: Thank you very much, Jeff.  
8 There has been a lot written lately, in the last few years,  
9 on alcohol and the number of crime statistics from the areas  
10 where there is heavy alcohol density and the number of crime  
11 statistics from the area where there is heavy alcohol  
12 density. The property values in those areas being low and in  
13 fact, if I remember correctly, it was in Baltimore County,  
14 they actually closed some licensees in certain areas because  
15 they felt that with the proof that they had and the anecdotal  
16 data that they had, that they could help the area -- the  
17 individual communities -- by closing down some liquor  
18 licenses and cutting down on the number of police calls and  
19 hopefully, helping the real estate in that area rise in  
20 value. So I think it is a big issue nationally and it seems  
21 to be in our urban areas there are pockets where it needs to  
22 be discussed and we are down there regularly at Southfield.  
23 We have an office, the MLCC does, at 8 Mile and Beech Daly  
24 and we would be happy to get together with your group and  
25 with your young people. It is always good to encourage young

1 people to get involved in our system. We have a great system  
2 of governing ourselves and we would like to encourage it.

3 MR. GRIFFITH: Yep. And our youth see the value of  
4 having small businesses in their community. It is funny  
5 because they came up with a great solution saying, listen, to  
6 get rid of some of the licensees, you have the power of --  
7 they do checks with Lieutenant Pride Henry of the Detroit  
8 Police Department. So they do both tobacco compliance checks  
9 and our 19 and 20-year olds do alcohol compliance checks.  
10 And they see it as a great way to start snatching licenses  
11 and saying, listen, if there is a business that is playing by  
12 the rules, I've got no issue with it. But if you want to get  
13 rid of some, let's start with the high offenders and say,  
14 listen, one more time and you get rid of licensees that way.  
15 I think it is a fair and just way of saying, listen, if you  
16 break the law, eventually you are going to lose your license  
17 and maybe a little bit quicker than the process goes down.

18 CHAIRMAN GAGLIARDI: I think this Commission has a  
19 longstanding history of trying to weed out bad offenders. So  
20 we are always open to do that. Thank you.

21 MR. GRIFFITH: Thank you, Mr. Chairman.

22 CHAIRMAN GAGLIARDI: And please feel free to come  
23 visit us at our office down there. We will arrange some  
24 meetings with your folks and be happy to do that.

25 Lara Girdwood? And you brought a little map for

1 us.

2 MS. GIRDWOOD: Thank you. Yes, it is actually Lara  
3 and it is not an acronym for anything. It's L-a-r-a.

4 CHAIRMAN GAGLIARDI: I apologize. I have a  
5 daughter Laura so --

6 MS. GIRDWOOD: No, that's okay. I respond to  
7 Laura, Larry, Lara, anything.

8 CHAIRMAN GAGLIARDI: We work for the Department of  
9 LARA.

10 MS. GIRDWOOD: Yes. Yes. Well, thank you so much  
11 for your time. Thanks for allowing the public to speak and  
12 kind of share our opinions and concerns. My name is Lara and  
13 my colleague, Megan, and I are here representing --

14 CHAIRMAN GAGLIARDI: Hi, Megan. You get to speak  
15 next.

16 MS. PHAM: Oh, gosh.

17 CHAIRMAN GAGLIARDI: Megan, do you know how to  
18 sing?

19 MS. PHAM: Do I know how to sing?

20 MS. GIRDWOOD: She does know how to sing.

21 CHAIRMAN GAGLIARDI: I'm just seeing if we can get  
22 her and embarrass her a little bit. Sorry.

23 MS. GIRDWOOD: Well, we are here representing the  
24 Hamtramck Drug Free Community Coalition. And first of all,  
25 we did have an opportunity to meet with Wayne County

1 Commissioner Martha G. Scott last week and she sends her  
2 greetings. I know she knows a couple of you personally so  
3 she sends her greetings. And we had the opportunity to share  
4 with her and some other community members in Detroit and  
5 Highland Park and Hamtramck that we planned to come to  
6 today's meeting and I guess we just wanted to start out  
7 saying that those people present, along with Commissioner  
8 Scott, did have similar sentiments as us and similar  
9 concerns. So there are more voices behind me that weren't  
10 able to make it, but wanted to support things that we wanted  
11 to share today.

12 So basically, I wanted to piggy back on some of the  
13 concerns that were expressed at the last meeting in June by  
14 Mr. Mike Tobias. And he expresses concerns about the density  
15 of liquor licenses in Michigan and asks that you, maybe,  
16 consider forming work groups to, maybe, help determine why  
17 the numbers are so far beyond what the quotas are and maybe  
18 how to reconcile those numbers. Obviously, we don't have any  
19 answers on how to do that, but we are just here today to  
20 express our support of that recommendation and offer to you  
21 an example of a community -- how dense that is getting in  
22 certain communities. So we come to you from Hamtramck and  
23 from what we understand, that quota should be about one  
24 license per 1,500. And a neighboring community to us,  
25 Highland Park, has close to that for one license to about

1 1,300 people. Detroit, however, has one for about 623 people  
2 and Hamtramck has triple the quota, at about one per 500  
3 people. So that is quite concerning to us, especially  
4 because we have a unique population. We have a large young  
5 population. About 37 percent of our population is 20 years  
6 and younger so that is 37 percent of the population where  
7 alcohol is illegal for them. So we have included the map  
8 there of Hamtramck for you to view not only -- -

9 CHAIRMAN GAGLIARDI: Is this the geographic  
10 boundary of Hamtramck?

11 MS. GIRDWOOD: Yes. Yep. So there you can view --  
12 I don't know if the rest -- maybe it is too small for you  
13 anyway -- but that is not -- I wanted you to be able to see  
14 not just how many there are; that's a lot of dots, but also  
15 how dense that is. We have a two-square mile community and  
16 with 44 liquor outlets that are there, that means we average  
17 about 22 liquor outlets per square mile and as Jeff had been  
18 speaking about, that area of the state, Highland Park  
19 averages, just based on square mileage, Highland Park  
20 averages about 13 per square mile and Detroit averages about  
21 eight per square mile. So let's see. According -- that is a  
22 large concern for us because Hamtramck is considered a  
23 walking community and so as you imagine routes on the map, I  
24 have highlighted also where the eight schools are in our  
25 community. So as you imagine children, close to 8,000 --

1           about 8,000 is where that 20 and younger, I guess, age group  
2           puts us -- so if you imagine thousands of kids walking to  
3           school, what route they are going to take, they are going to  
4           not only pass maybe one or two routes on the way to and from  
5           school, but several -- several signs; several bright lights;  
6           several advertisements for liquor and so it becomes something  
7           that is just normal for them to see. They are going to --  
8           and that is not just to school. They walk to the markets for  
9           their families. They walk to the library after school. They  
10          walk to the community center. So it's anywhere they go that  
11          they see that. We are finding that it is not just normal for  
12          the kids, it is normal for the retailers, as well.

13                        And according to the Michigan Profile for Healthy  
14          Youth survey that we have done in our area, 20 percent of the  
15          kids who have reported drinking in the last 30 days, they  
16          reported getting their alcohol themselves, buying it  
17          themselves at a store or a gas station. About seven percent  
18          bought it themselves at a restaurant, bar or club and about  
19          13 bought it themselves at a public event like a festival,  
20          concert or sporting event. So to us, that kind of indicates  
21          that it has become so normal that they don't even try and go  
22          to the older sibling or the older friend to get it for them.  
23          They are so comfortable and in the community it is so  
24          comfortable that they just go in themselves. They know that  
25          they can do that.

1           So Mr. Tobias did refer at the last meeting to the  
2           Community Preventative Services Task Force who has said that  
3           there is a positive association between outlet density. We  
4           are seeing quite dense here and excessive alcohol consumption  
5           and related harms. So speaking on related harms in  
6           Hamtramck, that survey that I referenced earlier, 20 percent  
7           of students in our school have reported riding in a car or  
8           vehicle driven by someone who had been drinking alcohol just  
9           within the last 30 days and then 8 percent reported being the  
10          driver who had drunk alcohol and then drove. So that is just  
11          one of the concerns of the harms.

12                 We do understand that there are multiple facets to  
13          this issue so we are doing what we can to kind of educate not  
14          only the youth, but also retailers. But we do know that  
15          there are multiple approaches that you can take to issues  
16          such as this and one, we feel, would be an environmental  
17          change. So that is something that you can help with and the  
18          reason that we are here today. So thank you for your time  
19          and for listening to our concerns. We appreciate it.

20                 CHAIRMAN GAGLIARDI: Thank you, Lara. Megan, do  
21          you have anything to add to that?

22                 MS. PHAM: I am not sure. I think Lara covered  
23          most of it. I am 19 myself and I have to say that we visited  
24          a couple of the shops and I have gone in --

25                 CHAIRMAN GAGLIARDI: Would you mind coming up to

1 the microphone?

2 MS. PHAM: Sure. I'm sorry. And just my own  
3 experience --

4 CHAIRMAN GAGLIARDI: You are 19 years old?

5 MS. PHAM: I am 19 so I cannot legally consume  
6 alcohol and I have to say, you know, you kind of go into  
7 places around Hamtramck -- I am not originally from the area.  
8 I am from Canton, so a little bit in the suburbs. I don't  
9 know. It is really different when you walk into these places  
10 and they don't even bat an eye. We've gone to -- this is a  
11 little off topic, but like hookah shops, vaping shops and  
12 we've seen kids. They stop in after school. They stop in,  
13 you know, with their backpacks and they are clearly students.  
14 And that's just -- I looked into a little bit the bill itself  
15 of why you are able to go over the quota and I think some of  
16 it has to do with kind of like being grandfathered in so it  
17 is based on population density. But Hamtramck -- I don't  
18 know if you know, but the population is super dense still. I  
19 think the census said about 20,000 there in those two square  
20 miles, but we think that it is also undercounted so we are  
21 really pushing for that 2020 census that we will get the  
22 right numbers. But I think it's -- gosh, I don't know how  
23 good my history is -- the '30s or the '50s was the highest  
24 population where it was in, like, the fifty thousands because  
25 of the car manufacturers and everybody came. So that really



1 influenced the number of liquor licenses and liquor and  
2 alcohol had a big cultural impact during those times, too.  
3 And we looked into a couple of licenses and some of them are  
4 from -- I think we saw, was it the 30s? 50s? Dating back  
5 then and we were just wondering, you know, how much is this  
6 density -- like, how much of it is caused by these licenses  
7 that have continued to stay in the community even though the  
8 population is going down. Even though the population is  
9 getting so much younger and over 30 percent of them can't  
10 even consume this liquor that's all around them and  
11 influencing, you know, what they will learn to like. And it  
12 is just -- I don't know -- it is interesting how much our  
13 society revolves around alcohol and influences our culture.  
14 But that is kind of a personal view, too, but that is it.  
15 Thank you.

16 CHAIRMAN GAGLIARDI: Well spoken. Thank you.

17 COMMISSIONER LASHER: This is very helpful. Thank  
18 you very much.

19 CHAIRMAN GAGLIARDI: It is pretty interesting. All  
20 the dark dots are alcohol availability, public sales on and  
21 off premises in a community of two square miles and it is  
22 interesting to see it.

23 MS. PHAM: And I feel like we should encourage all  
24 of our communities to do this mapping just to see what it  
25 looks like in different communities; kind of spot the

1 problems; where should we be focusing our efforts to reduce  
2 this density because it is different in each community.

3 CHAIRMAN GAGLIARDI: Certainly, work with -- your  
4 groups, your different groups, work with local law  
5 enforcement and our enforcement agents because we do hope to  
6 weed out the bad actors out there that are selling to minors.  
7 We don't like to hear somebody go to our public meeting and  
8 say we know places where kids can walk in with their  
9 backpacks on from school and purchase alcohol. I don't know  
10 that you were saying that. I didn't hear those exact words  
11 but it sounded like you were close to it. Nobody -- none of  
12 us in this room, even all the people in the industry, don't  
13 want that. They are all parents and grandparents, too, so  
14 everybody understands that issue right at their heart. So  
15 however you can help us to find bad actors and law  
16 enforcement and our enforcement people will help weed them  
17 out of the community. Thank you.

18 MS. PHAM: Thank you.

19 CHAIRMAN GAGLIARDI: John Lauve?

20 MR. LAUVE: John Lauve. The problem is that this  
21 liquor situation is out of control and it used to be  
22 restricted sales they had party stores where you could go get  
23 liquor and it would be controlled and it wouldn't be all over  
24 the place, but that didn't work too well. So let's put it in  
25 grocery stores. Let's make sure you can get gassed at a gas

1 station. This is ridiculous. And it is clear that the  
2 lobbyists are running the show. That is the reason this  
3 density situation has gone to the extent it has and as a  
4 great example, the beer tax -- the lobbyists run Michigan and  
5 that is -- I gave you my free ride examples here. The beer  
6 tax is a classic -- 1.9 cents a bottle, fixed. It's fixed --  
7 it is frozen for over 50 years; no inflation factor. So  
8 they've been getting a free ride off the back of everybody  
9 else. We don't have any money for school. We don't have any  
10 money for anything. If they raised it to 10 cents a bottle  
11 and put an inflation index on it, like it should be, like  
12 your houses are, then they would get \$130 million more. But  
13 we are going to tax everybody else, not the liquor lobbyists,  
14 not the beer tax people; that is the problem and the problem  
15 is the beer -- these lobbyists run the whole state. I put  
16 other examples down -- the trailer park tax -- frozen also.  
17 The truck tax, the highest truck weights in the United  
18 States. And the stadium tax, if they put a 10 percent tax on  
19 sports tickets, then the three-quarters of a billion dollars  
20 that was given to Ilitch for the hockey rink, would get some  
21 revenue back for the taxpayers. So that is it in a nutshell.

22 Now it's gas stations, grocery stores, there is one  
23 on every corner now. You can drive in and get gas. So it is  
24 beyond any kind of fairness to the taxpayer in this  
25 situation. It is beyond that. And it is offensive to know

1 the -- I have talked to the people in the Legislature. Oh,  
2 we don't want to touch the beer. We want to tax everybody  
3 else. That is what is going on and it is an insult to the  
4 people of the State of Michigan. Thank you.

5 CHAIRMAN GAGLIARDI: Thank you for your comments on  
6 taxation, Mr. Lauve. These are really right. You are right.  
7 These are situations that have to be handled by the  
8 Legislature.

9 MR. LAUVE: Talk to them, please.

10 CHAIRMAN GAGLIARDI: And it's always good to be  
11 reminded of some of our inequities in the tax system. Thank  
12 you, sir.

13 Next we have Auday Arabo. Did you want to speak to  
14 a different issue than you spoke to before?

15 MR. ARABO: Yes, please. Thank you for allowing me  
16 to speak again.

17 CHAIRMAN GAGLIARDI: I really didn't want to, but  
18 she told me I had to let you.

19 MR. ARABO: Thank you, Commissioner. The biggest  
20 issue -- I mean, I don't think many people have seen so many  
21 people attend a Semi-Annual public meeting like this in a  
22 long time for those that have been doing this for awhile. So  
23 I commend you for that. This new Commission, I think, really  
24 shows a lot more openness to work and listen to everybody.  
25 And the one thing I have heard over and over again has been

1           that density issue.  Going back to what I said earlier, the  
2           system -- the overall system -- is really important.  We did  
3           have a density solution since 1979.  It was called the  
4           half-mile rule for off-premise licensees.  The old  
5           Commission, for whatever reason, decided to move that away.  
6           Prior to '79, it was a one-mile rule.  So those are some of  
7           the things we hope this Commission might take a look at and  
8           hopefully, create a task force to deal with density and maybe  
9           look at that issue, as well.  It's not often that a retail  
10          organization goes out there talking about there is too many  
11          licensees nationally, but it is a serious issue; that is why  
12          we did end up suing the state twice over the issue last year.  
13          Two years ago, we had a bill that got through the Senate; got  
14          stopped, unfortunately, in the House because of one major big  
15          box operator and their lobbyists.  But it is a serious issue.  
16          If you really do care about density, which I believe this  
17          Commission does, that is something that you could just bring  
18          back that was in place for longer than the current system has  
19          been in place since 1987 on the ADAs.

20                   CHAIRMAN GAGLIARDI:  To your point, if you just  
21                   look at what Lara just gave us, here, in Hamtramck, one of  
22                   our oldest cities with a great heritage and tradition, I  
23                   don't know how this happened.  There is a school sitting in  
24                   between two liquor stores.  And as you all know, one of the  
25                   great aspects of our laws is no liquor license within 500

1 feet of a school. So I think you are on to something there.  
2 I mean, it is right there in black and white.

3 MR. ARABO: As I mentioned before, that we love --  
4 as independent retailers, we love the control system but it  
5 is controlled at the top and people talk about free market at  
6 the bottom. I mean, inside this room, we talk about inside  
7 baseball -- a lot of terms and a lot of things that we know  
8 about that the general public does not know about and like I  
9 said, when they hear about the state is involved in alcohol  
10 and they get the taxes and why don't we open up the system,  
11 they don't understand the history of the system since 1933 in  
12 Michigan. They don't understand that you can't have the  
13 state as the wholesaler but you expect all the retailers to  
14 sell it at a set price, for the most part. And those are the  
15 kind of things that we don't believe make sense from a  
16 retailer standpoint.

17 The other thing on semi-annual meetings, there is  
18 only two or three retailers here. There is a reason for  
19 that. Retailers aren't going to leave their stores in  
20 December, when it is one of the busiest times of the year to  
21 address you on a lot of issues. I recommend taking a look at  
22 maybe moving the timing of the two semi-annual meetings and  
23 even more so, maybe sending out a survey to all the licensees  
24 in the state that can't make it -- maybe they live in the  
25 U.P.; maybe they live in other parts of the state -- they

1 can't make it to this meeting and they could address the  
2 concerns that they see in the system just from a better  
3 customer service standpoint. And just thank you.

4 CHAIRMAN GAGLIARDI: Well, the law does say we have  
5 to do semi-annual meetings, but it does not say we have to do  
6 them at these times. One of the things we have been kicking  
7 around is maybe talking about spring and fall and switching  
8 things around. We have had some earlier discussions on that.  
9 So to your point, I don't know that we will change it, but we  
10 have had those discussions.

11 MR. ARABO: We appreciate the openness and the  
12 forum.

13 CHAIRMAN GAGLIARDI: Thank you. Appreciate your  
14 comments. Janine? Kravetz?

15 MS. KRAVETZ: Kravetz; no relationship to Lenny.

16 CHAIRMAN GAGLIARDI: Lenny?

17 COMMISSIONER LASHER: He can sing. You could have  
18 him sing.

19 CHAIRMAN GAGLIARDI: We could have him come and  
20 sing.

21 MS. KRAVETZ: Hi. My name is Janine Kravetz. I am  
22 representing myself as a citizen of this wonderful great lake  
23 state and thank you all for hearing me today. I appreciate  
24 it. To also piggy back on other people's comments, I have  
25 six outlets within one mile of my home and those six outlets

1 include two parties stores; two bars; one pharmacy; one gas  
2 station; in a city that used to have a population of about  
3 48,000 and is now down to, probably, about maybe 35 and I  
4 live in Bay City. So we have less people, but it seems like  
5 there are more outlets and, you know, the gas stations, you  
6 know, I am 63 years old. I went to a gas station where I  
7 grew up at in Ironwood, Michigan and everybody knew  
8 Mr. Pachmeyer and he had a Shell gas station and pretty much  
9 the only thing that he probably sold besides gas was, maybe,  
10 motor oil and some soda pop and now those types of gas  
11 stations are gone and now they have turned into mini marts  
12 that always sell wine and beer.

13 Another concern, too, that has to do also with the  
14 price is recently I was watching a documentary that was made  
15 in '08 and in the documentary, it showed that you could buy a  
16 24-ounce can of beer for 99 cents and today you can still buy  
17 a 24-ounce can of beer for 99 cents. So why is it that my  
18 can of favorite Bush's baked beans that I like to buy was  
19 \$1.89 last year and now it has been marked up to \$2.19? But  
20 in one decade, the price of beer has not gone up. If anybody  
21 can explain that to me, I would like to really hear it.

22 CHAIRMAN GAGLIARDI: I can explain it.

23 MS. KRAVETZ: Pardon me?

24 CHAIRMAN GAGLIARDI: I can explain it.

25 MS. KRAVETZ: Wonderful.



1                   CHAIRMAN GAGLIARDI: Beans are more popular than  
2 the beer.

3                   MS. KRAVETZ: Yeah.

4                   CHAIRMAN GAGLIARDI: No. I don't think you believe  
5 me.

6                   MS. KRAVETZ: All right. And also in terms of  
7 public health policy, in October, we always care about breast  
8 cancer awareness month. We have all the pink stuff -- pink  
9 ribbons, pink whatever else and we are inundated with that  
10 and we talk about how do we find a cure? But we not in our  
11 public policy talk about preventing breast cancer or  
12 educating people about what causes breast cancer. So if a  
13 woman drinks one alcoholic beverage a day, she increases her  
14 risk of breast cancer by 7 percent. If she is post  
15 menopausal, it is 13 percent. Is there anybody here who  
16 would advocate that their wife, daughter, mom, sister, best  
17 friend or whoever, drink an alcoholic beverage every day,  
18 knowing this information? And yet we might say, well,  
19 drinking alcohol on a daily basis is good for your heart and  
20 we hear that, but where does that information come from? So  
21 there was a study done with 10,000 people over a period of 17  
22 years and it was found that having an alcoholic beverage a  
23 day, did not do anything for your heart if you were probably  
24 a person who, maybe, walked or did some form of exercise, ate  
25 fruits and vegetables. But if you were a bona fide couch

1 potato who didn't do any exercise or didn't eat any fruits or  
2 vegetables, then it was shown to be beneficial. So the  
3 bottom line of this is: Johnny Walker is no substitute for  
4 actual walking and drinking a peach moscato is no substitute  
5 for actually consuming a piece of fruit. So we need to be  
6 more educated about public health and the relationship  
7 between alcohol and those types of things.

8 And on a personal level, alcohol has affected me in  
9 a personal way because my father and I witnessed a drunk  
10 driving car crash where we watched a 17-year old and a  
11 19-year old die. And even though my father and I, over the  
12 years until his death, talked about that experience on  
13 several occasions, I am sure it was -- even though it was not  
14 a -- it wasn't spoken between us, we both know that we were  
15 looking at, in my case, my two brothers and my father was  
16 looking at his two sons and probably saying, you know, how  
17 would we feel if that happened to us.

18 I also have a neighbor who comes home with 30 packs  
19 of beer and three years ago, he was diagnosed with fatty  
20 liver disease and he frequently comes over -- I think about  
21 four or five times this year already -- asking me for money  
22 -- to borrow money. So that is pretty tough to see him  
23 spending money on the beer and having all kinds of health  
24 problems because of it and then he needs money to help him  
25 deal with some of those issues that he is having. So let's

1 make sure that we keep public health policy and also costs of  
2 alcohol and outlet density in mind when we are looking at  
3 moving forward. Thank you.

4 CHAIRMAN GAGLIARDI: Janine, thank you very much.

5 MS. KRAVETZ: By the way, one more thing. I forgot  
6 to show this. My state is advertised as overflowing with  
7 nature, beauty and beer. I find it pathetic that my state is  
8 advertised in such a manner. I would like to see the word  
9 beer turned into the word fun. It is a fun state.

10 CHAIRMAN GAGLIARDI: It is.

11 MS. KRAVETZ: But not a beer state.

12 CHAIRMAN GAGLIARDI: And obviously, you are very  
13 motivated to come from Bay City and give us those words of  
14 wisdom. Thank you.

15 The last one I have on our list is Mike Tobias.

16 MR. TOBIAS: Good afternoon, Chairman Gagliardi,  
17 Commissioners Clemente, Jacobsen, Lasher and Olshove.

18 On behalf of the Michigan Coalition to Reduce  
19 Underage Drinking, I want to thank you for serving the  
20 citizens of Michigan. To Chairman Gagliardi and Commissioner  
21 Lasher, specifically, I am very glad that Governor Whitmer  
22 appointed both of you to the Commission. Some of my  
23 colleagues had written the Governor asking her to appoint a  
24 more pro-public health Commission -- more pro-public health  
25 Commissioners -- and I feel that the appointment of the two

1 of you has helped to do this. I am hopeful that this  
2 Commission will have an emphasize on public health and  
3 safety.

4 Last fiscal year, the Michigan Coalition to Reduce  
5 Underage Drinking helped the State of Michigan revise their  
6 strategic plan to reduce underage drinking. I thank Barb  
7 Subastian and Chairman Gagliardi for serving on the work  
8 group to help create the new plan. And just to clarify, for  
9 the record, Chairman Gagliardi was not serving in his  
10 capacity as Chairman of the Commission. That was before he  
11 was appointed, but we do appreciate your service to that work  
12 group.

13 CHAIRMAN GAGLIARDI: Thank you.

14 MR. TOBIAS: Although the State's new strategic  
15 plan to reduce underage drinking has not been finalized and  
16 therefore, not publicly available, I am anticipating that  
17 there may be pieces in the plan that MCRUD and MLCC will be  
18 able to work together on. There was a lot of discussion  
19 around strengthening the reporting that goes on between law  
20 enforcement and MLCC, as well as discussion on community  
21 coalitions working with their local law enforcement on a  
22 compliance check plan for their county.

23 MCRUD is in support of stakeholder meetings to  
24 discuss current alcohol issues like outlet density and other  
25 topics. So I am very pleased to hear that there is a couple

1 of these work groups starting. Again, I do encourage you to  
2 look at outlet density. As you have seen this morning, there  
3 has been a lot of talk about that. Certainly, if these  
4 meetings are set up, MCRUD would like to be part of them.

5 Furthermore, we welcome any Commissioner to be a  
6 regular participant of our MCRUD meetings. Our next MCRUD  
7 meeting is Tuesday, January 28th in Lansing at Prevention  
8 Network. Chairman Gagliardi and perhaps others, may recall  
9 that previous Commissioners Ena Weathers and Judy Allen were  
10 actively involved with MCRUD and we hope to have another  
11 Commissioner be a part of us, as well.

12 I will make this brief comment about the ADA  
13 issues. Kind of went on, in general, to say that the  
14 three-tier system works well in Michigan. It's a protective  
15 factor for the community. I'm concerned that people might  
16 take this as an opportunity to attack the three-tier system  
17 which I think somebody had mentioned before. I'm confident  
18 that the State of Michigan and RNDC will get these problems  
19 worked out and can move on.

20 But thank you for your service. I do see a  
21 different Commission already, I feel like in the short few  
22 months that you have been on and I appreciate it. If you  
23 have any questions, I will try to answer them, but thank you.

24 CHAIRMAN GAGLIARDI: Thank you, Mike, for your kind  
25 words. I believe Commissioner Lasher has agreed to be our

1 liaison with MCRUD. We -- all five of us believe that the  
2 work you are doing in trying to curb underage drinking and  
3 driving is a noble and good cause.

4 Anyone else wish to speak while we are all gathered  
5 together? Commissioner Olshove?

6 COMMISSIONER OLSHOVE: Yes. Thank you,  
7 Mr. Chairman. I would just like to acknowledge some people  
8 sitting in the back row there. Those are a lot of our staff  
9 and they are part of the 140 people that work here. I am not  
10 going to ask them to stand up.

11 CHAIRMAN GAGLIARDI: You going to ask them up to  
12 sing?

13 COMMISSIONER OLSHOVE: I am not going to ask them  
14 up to sing; that is the whole point.

15 CHAIRMAN GAGLIARDI: Are you going to sing?

16 COMMISSIONER OLSHOVE: No, I am not going to sing.  
17 But I would like everybody in the audience to know we have a  
18 great staff and they work hard every day and they help us do  
19 what they can to make our jobs easier and I can't say  
20 anything better about them. Thank you.

21 CHAIRMAN GAGLIARDI: Words well spoken,  
22 Commissioner. Any further comments? Commissioner Jacobsen?

23 COMMISSIONER JACOBSEN: Thank you. Commissioner  
24 Clemente, down at the other end and I are the hearing  
25 Commissioners that actually adjudicate cases for those places

1           that sell to minors and violate any number of thousands of  
2           other ordinances. When you get your liquor license, you not  
3           only agree to uphold liquor law, but state and local  
4           ordinances, also -- cigarettes or they may not a have a local  
5           license to sell food -- hot food -- in a restaurant, for  
6           example, or a party store, maybe. So if you know of any --  
7           you organizations that have been here speaking in the last  
8           few minutes, if you have got information or know of  
9           facilities that are not following the state laws, please get  
10          in touch with the MLCC; contact Ed or I; contact our people  
11          and we will have investigations. You mentioned Lieutenant  
12          Pride from the Detroit Police Department. He comes in front  
13          of us with his crew on a regular basis when they come in and  
14          do operations. But there is a lot of licensees out there and  
15          if anybody is aware of those unscrupulous people who are  
16          selling to kids, we need to know. So please share that  
17          information. Thank you.

18                         CHAIRMAN GAGLIARDI: Well spoken. Anybody else?

19                         COMMISSIONER CLEMENTE: One other person in Detroit  
20          we work with is Sergeant Roberson. She is the head of Vice  
21          for Detroit. They do most of the decoy buys. So I think  
22          they coordinate a lot of that through the precincts, but she  
23          is the one that usually shows up for our hearings just for  
24          the Vice issues. That is it. Thank you.

25                         CHAIRMAN GAGLIARDI: Thank you, Commissioner. My

1 last words will be that it is a pleasure serving with these  
2 men and women and we are going to work real hard to make you  
3 all prouder of us next year than you are right now and wish  
4 everybody a great holiday season. It is the best time of the  
5 year, as the song says.

6 I hear a motion from Commissioner Olshove that we  
7 adjourn; supported by Commissioner Lasher. Is there any  
8 discussion? Hearing none, all those in favor say aye.  
9 Opposed nay.

10 COMMISSIONER LASHER: Aye.

11 COMMISSIONER JACOBSEN: Aye.

12 COMMISSIONER CLEMENTE: Aye.

13 COMMISSIONER OLSHOVE: Aye.

14 CHAIRMAN GAGLIARDI: Aye. The ayes have it. We  
15 stand adjourned.

16 (Hearing concluded at about 12:37 p.m.)

17 \* \* \*

18 I HEREBY CERTIFY that I reported stenographically,  
19 the foregoing testimony and proceedings on the date and place  
20 hereinbefore set forth; that the same was later reduced to  
21 typewritten form, and that the foregoing is a true, full and  
22 correct transcript of my stenographic notes so taken.

23

\_\_\_\_\_  
Lori K. DeClercq, CSR-3053

24

Dated: December 16, 2019

25