



STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
LIQUOR CONTROL COMMISSION

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In the matter of the Spirit Price Reduction Program)
As it effects: Specially Designated Distributor)
Licensees)
_____)

At the September 11, 2012 meeting of the Michigan Liquor Control Commission
(Commission) in Lansing, Michigan.

PRESENT: Andrew J. Deloney, Chairman
Teri L. Quimby, Commissioner
Dennis Olshove, Commissioner

ADMINISTRATIVE ORDER NO. 2012-07
SPIRIT PRICE REDUCTION PROGRAM

Under Article IV, Section 40, of the Constitution of Michigan (1963), the Commission shall exercise complete control of the alcoholic beverage traffic within this state, including the retail sales thereof, subject to statutory limitations. MCL 436.1201(2) provides the Commission with the sole right, power, and duty to control the alcoholic beverage traffic and traffic in other alcoholic liquor within this state, including the manufacture, importation, possession, transportation and sale thereof. Further, In accordance with the provisions of MCL 436.1229(2), the Commission may, by rule or order, allow a specially designated distributor to sell alcoholic liquor at less than the

minimum retail selling price in order to dispose of inventory at a price and under conditions and procedures established through that rule or order.

In accordance with the provisions of MCL 436.1229(2), the Liquor Control Commission approved an Administrative Order on February 15, 2006 establishing the conditions and procedures for a spirit price reduction program for specially designated distributor (SDD) licensees. To improve the spirit price reduction program and to better serve the SDD licensees, the Commission finds that the previous order should be rescinded and a new order approved. New conditions and procedures will include; the removal of the top 30 statewide code condition, the removal of the six month purchase condition, a change in the maximum allowable price reduction percentage, and the creation of a minimum retail shelf price below which price reduction requests will not be approved.

After review and discussion of these issues at the meeting, the Commission finds that a new Administrative Order should be approved.

THEREFORE, IT IS ORDERED THAT:

- A. The Administrative Order of the Commission dated February 15, 2006 is hereby RESCINDED.
- B. New conditions and procedures are APPROVED as follows:
 1. The SDD licensee may request price reductions for any spirit product sold by the Commission, regardless of its current status, on the form approved by the Commission. Products no longer offered for sale by the Commission or currently listed are eligible for Commission consideration.
 2. The SDD licensee is prohibited from reordering a product in the same bottle size for which a price reduction has been granted by

the Commission for a period of one (1) year after the approval was granted by the Commission.

3. The SDD licensee may request price reductions for value added packages. However, if approved for a price reduction, the SDD licensee is prohibited from reordering that product in its regular or any other packaging in the same bottle size for a period of one (1) year after the approval was granted.
4. The SDD licensee shall not request a maximum price reduction of more than 50% of the minimum retail shelf price that is currently in effect for the requested product or that was in effect for that product when last offered for sale by the Commission. If the request for approval is granted, the approval for the reduced retail price for the SDD licensee shall be indicated on the "Approval for Price Reduction on Liquor" form.
5. The SDD licensee shall not request a reduction of the retail shelf price below \$2.00 per bottle for any spirit product regardless of the bottle's size, subject to:
 - a. For products with a minimum retail shelf price above \$2.00 a bottle, the SDD licensee may request consideration for approval for a price reduction to a price not lower than \$2.00 a bottle.
 - b. For products with a minimum retail shelf price at or below \$2.00 a bottle, the SDD licensee shall not request approval for a price reduction.
6. The SDD licensee shall not offer the approved reduced price for more than a three month period. The three (3) month period shall begin with the date of approval indicated on the "Approval for Price Reduction on Liquor" form issued by the Commission. An SDD

licensee may apply for an additional price reduction period for other products, at any time.

7. The SDD licensee shall submit a "Request for Price Reduction on Liquor" on the Commission form, to the Commission, to request all spirit price reductions. The SDD licensee shall specifically list on the form those products, sizes, quantities, and percentage of reduction for the products that the licensee is requesting a reduced price.
 8. The SDD licensee shall display the Commission Order, the "Approval for Price Reduction on Liquor" form, in a prominent place where the reduced liquor is being displayed during the period when price reductions are in effect.
 9. The SDD licensee shall not give away alcoholic liquor, in accordance with the provisions of MCL 436.2025(1).
 10. The Commission shall consider all requests meeting these conditions and procedures. The Commission shall approve or deny each request after discussion at a Commission meeting. Requests may be tabled for further information or discussion.
- C. The Rescission and the Approval will be effective beginning on January 1, 2013.

MICHIGAN LIQUOR CONTROL COMMISSION

Andrew J. Deloney, Chairman

Teri L. Quimby, Commissioner

Dennis Olshove, Commissioner

Date: September 11, 2012

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