

MAINE STATE LEGISLATURE

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STATE OF MAINE
LEGISLATIVE RESEARCH COMMITTEE

Re: Liquor Commission

LOUIS JALBERT, Chairman

Hearing held in Room 228, State House,
Augusta, Maine on August 18, 1965 at
10:30 a.m., Eastern Daylight Savings
Time.

Stenographic Reporter
Sharon Shaw

COMMITTEE PRESENT:

Louis Jalbert, Chairman

William S. Beane
Joseph E. Binnette
Romeo T. Boisvert
Dwight A. Brown
Armand Duquette
Kenneth R. Gifford
Floyd L. Harding
David J. Kennedy
Raymond J. Letourneau
Emilien A. Levesque
Carlton Day Reed, Jr.
Rodney E. Ross, Jr.
Rodney W. Ross
Roger V. Snow, Jr.
Albert E. Cote

APPEARANCES:

Willard C. Ellis, Chairman of Liquor Commission
Clifford L. Stimpson, Commissioner
Andrew J. Fournier, Commissioner
Frank H. Robie, Administrative Assistant
Herman Stover, Business Manager

Eddie Rachins, Salesman - Paddington Co.
C. Stanton Carville, Salesman
Timothy Murphy, Liquor Inspector
Erwin B. Hock, Administrative Director - New Jersey

CHAIRMAN JALBERT: In opening this hearing, I would like to say in full confidence I submitted to the Chairman of the Liquor Commission a group of my apparent, basic questions that we would properly entertain. Some of them were submitted by members of the committee and others were made up by our own directorship. It states very very specifically in the conclusion of the correspondence to Chairman Ellis it might be well if the Commission could furnish the Committee with a complete list of companies and their salesmen presently listed with the Commission. And it states very specifically, this is a partial list of questions and is not intended to preclude further questions by other members of the Research Committee. As stated previously, the intention of this letter is to assist you in preparing for the meeting with the Committee and the Maine Liquor Commission.

Now this is to be noted by the Chair, it is not an investigating committee on anything that might be of a mistreat or maltreat or criminal offense. I have talked with the Attorney General and he has agreed that anything that would come out of this testimony that would indicate a looksee by them would be done by the Attorney General's Office, which is the proper agent.

2.

This is a fact finding committee based on the policies of the Maine State Liquor Commission. If the committee after hearing the various testimonies feels that they can come up with a certain deduction that will improve the general situation, so be it.

I speak this way from experience and I think I see some familiar faces here. I can remember back in 1951 as a member of this committee when one very minor word was dropped and we were plunged into an investigation that did nothing in our opinion but bring about the assaination of the characters and I think it gave Maine a tremendous amount of very, very powerful publicity.

Now, letters have been sent out to all people concerned. This is the day in court for the people concerned. I have had some telephone conversations with salesmen who have told me that they had to go on vacations or there were meetings or this that and the other, but let me tell you Louie, what I think might be wrong as far as I am concerned off the record. And I assure you that they were quickly told by me that the time they could tell it on the record, over that mike, today. And after the hearing today is over if you have got any testimony the lobby of any hotel or motel is no place to do it as far as I am concerned. This is the day. This is the time.

Now, I would like to open the hearing by asking the Chairman of the Liquor Commission how he would like to have this handled, whether he would like to go through the entire process or how would you want to handle it? I presume that you have something prepared Mr. Chairman, or some of your people in here to take part. If you have any comments to make at this time I'll entertain. Before Mr. Ellis, before Mr. Chairman says anything, if any member of the committee would like to make a comment at this time, why the Chair will entertain it. If not, Mr. Chairman.

I would like to ask that all who appear give their name, title or firm they represent.

CHAIRMAN ELLIS: Mr. Chairman and members of the committee, may I ask if smoking is permissible?

CHAIRMAN JALBERT: It will kill you but it is permissible.

CHAIRMAN ELLIS: Mr. Chairman, I will take your advice.

In the beginning, I wish to state that the Liquor Commission has nothing to hide. It is here to answer all questions and personally I don't believe we have any statement to make because we have a list of questions which Mr. Robie has worked out the answers to and we would be glad to answer any questions that we possibly can. And I want the committee to feel perfectly free to

ask any questions of us that we can answer and if we can't, we can find out the answers.

CHAIRMAN JALBERT: Mr. Chairman, after discussing it with the Senator Reed and Representative Kennedy, we thought that if it was alright with you that we would go and ask questions as this list indicates.

CHAIRMAN ELLIS: Surely.

CHAIRMAN JALBERT: Is there any suggestions from any member of the committee? And then after each question any member can ask questions on this and after they are through any member that wants to ask, anybody that wants to ask questions may ask questions. Then we will hear testimony from various people.

CHAIRMAN ELLIS: May we ask questions of the committee?

CHAIRMAN JALBERT: Yes.

CHAIRMAN ELLIS: Thank you. I haven't that list Mr. Chairman.

CHAIRMAN JALBERT: Have you submitted a list of questions that you are going to ask us?

CHAIRMAN ELLIS: No, we didn't. I am sorry Mr. Chairman. It didn't come up until just now.

CHAIRMAN JALBERT: I would like to ask, the first question we would like to go into is in regard to liquor. How many are presently listed with the Liquor Commission?

CHAIRMAN ELLIS: Mr. Robie, you have the information on that I am sure, because I asked you to ... I have to put on my glasses. The current list has 583 items. The current list has 583 items and to bring a point to the committee's attention, I would point out that the State of Vermont which sells all wines and champagnes and vermouths and everything in the twelve per cent line not through the state stores has 389 listings. I would also like to point out to the committee before we start on this, they had total sales of \$16,731,000 last year and this is something that I think the committee should bear in mind. They had a net profit of \$4,182,000. They have 28 stores. They have 23 agencies. Those being places where grocery stores handle the liquor in small towns that aren't large enough to support a state store.

I would also like to point out, and the reason I am doing this is because these are controlled states of which there are seventeen in the country. In New England, Maine, New Hampshire and Vermont, as most of you gentlemen know, are controlled states. Now in the State of New Hampshire, they have 547 listings. They have gross sales of \$37,191,000, but they have a net profit of \$10,295,000 for the last fiscal. They have 49 stores. In your own state, we have a total of 583 listings of which 58 are of the twelve per cent listings that aren't carried in some of the

states because they are sold in grocery stores and other places.

At the same time, the gross sales for your Liquor Commission in the past fiscal were \$30,049,000 plus. The net profit from your whole operation of your Liquor Commission in the State of Maine was \$11,557,000. That is for the year ending June 30, 1965.

Now to go back to your question. I have answered the first one. The current list has 583 items on it. Now, where do we go from there?

CHAIRMAN JALBERT: I think the other question, I think some of these questions might give thoughts to keep on. And I think they follow questions one right into another. The second question is how often and by what method are these listings changed?

CHAIRMAN ELLIS: Since I have been there, there has been no set policy and I don't know that there was before. In most of the controlled states they have no set policy. Whenever the Commission feels necessary to list something or delist they do it. We try to revise our list once a year, but that's not always possible. I think we have listed or delisted because of lack of popular demand and the delisting period requires reprinting of all the stock sheets, all the cards, everything that goes into our eighty stores that we maintain.

Sometimes you try a size and it goes and sometimes it

doesn't. And it more or less has to be on general information available to us from the other controlled states. The NABCA, the Association of controlled states, keeps all other states, controlled states, informed completely month by month of any item.

REPRESENTATIVE ROSS (of Bath): Mr. Chairman, if we have 583 items now how has that changed in the last year? Has it increased?

CHAIRMAN ELLIS: Yes it has, sir.

REPRESENTATIVE ROSS: By how many items?

CHAIRMAN ELLIS: I wouldn't be able to tell you that.

CHAIRMAN JALBERT: Well, this is what we want to find out. I mean, who can answer that question?

CHAIRMAN ELLIS: There were 103 of them according to Mr. Robie, that went on in the last year and a half.

CHAIRMAN JALBERT: Now pursuing that question, when you listed a 103 how many did you delist?

CHAIRMAN ELLIS: I couldn't tell you that, but some. Mr. Robie says six.

I might point out to this committee that we as a state and as an administrative bureau, in my opinion, we have a little responsibility to the people in Maine. Whether we like to call it or not a monopoly, we have a monopoly. They either buy it from us or they just don't buy it. So

I feel that the people of Maine and the amount of money they contribute in the net revenue shown to the state have a right to have a choice of quite a few items.

CHAIRMAN JALBERT: I would like to pursue this by making this, asking this inquiry and I have ... We wrote to all the various boards in other states and generally I found this to be so and I found this to be so generally over the previous two years, that if a certain amount of new numbers are put on generally a certain amount of numbers are taken off. I mean it is my observation from what information I can get a hold of that the listing of 103 numbers and the delisting of six numbers is way, way out of proportion. Now maybe Mr. Robie can answer me that, based over a period of past years.

CHAIRMAN ELLIS: Mr. Chairman, I might point out to you that it is a three board commission with each member having an equal vote. And I'll leave it there.

CHAIRMAN JALBERT: I am not taking issue with you. I am merely asking a question. And somebody here would have to have the answer to our presenting this in fairness ahead of time. This I know as some of the committee who aren't involved in the sale might. Then I will bring it right down to statistics. Isn't it a fact that generally if a certain amount of numbers are listed, then generally

about an equal amount is delisted. Now, in other words my question would be isn't it a fact that based over the last number of years that the listing of 103 numbers and delisting of only six numbers is way out, way out of proportion?

CHAIRMAN ELLIS: Mr. Chairman, of course I have only been there four years.

CHAIRMAN JALBERT: I didn't ask for that. I asked what the policy has been over the years. Perhaps Mr. Robie can answer that.

CHAIRMAN ELLIS: He would have to. He has been there longer than I have.

CHAIRMAN JALBERT: Well, let me ask you this then. I mean I am going to get the answer anyway. I can tell you that right now. Over the last number of years what's the greatest amount of numbers that have ever been put on or have you ever put on such a fabulous amount at one time, outside of when the commission first started back in the thirties, as 103?

MR. ROBIE: Not that much at one time, but the proportion of listing and delisting has never been fifty-fifty.

CHAIRMAN JALBERT: What's that?

MR. ROBIE: The proportion of listings and delisting has never been equal, I don't think.

CHAIRMAN JALBERT: Well, what percentage would you say it is in?

MR. ROBIE: Well, they vary from time to time. Sometimes there might be more added and less taken off and it might be the other way around.

CHAIRMAN JALBERT: Would you go along with my comment that, at the length of the last question, would you go along with the comment that the Liquor Commission in the history of the Commission the listing of 103 numbers and delisting of only 6 is out of the ordinary?

MR. ROBIE: It was unusual.

CHAIRMAN JALBERT: How?

MR. ROBIE: In respect to numbers.

CHAIRMAN JALBERT: What was that again?

MR. ROBIE: In respect to the number of items.

MR. BINNETTE: Mr. Chairman, a question I would like to inquire is what was the statement you made that the public has to be considered in regard to listing and delisting?

CHAIRMAN ELLIS: They should be considered in regards to what they are able to purchase. As long as we have, and I say we, as long as the State of Maine has a monopoly, which it has, I think that it behooves the State of Maine to give the people in Maine some service.

MR. BINNETTE: The question I am interested about, you say the public, do they pass their request to you that they would like to drink a certain brand, or ...?

CHAIRMAN ELLIS: We have many, many calls for things we don't list and they can buy them on special order, but they have to buy a whole case.

MR. BINNETTE: In other words, they can prescribe what they should drink?

CHAIRMAN ELLIS: No, I think the public, the general public does by sales, but we have many calls for items we don't list. I would point out to you that in open states, and I have spent a lot of time when I have been out of this state just visiting around and talking shop with people that run small stores. In the State of Connecticut, in the Town of Newark, I have gotten to know two or three of the fellows and that is an open state so-called. In a small store they have many more numbers than the State of Maine ever carries for sale. They have to. Competition forces them to.

We in the State of Maine, they either buy of us or they go to New Hampshire.

MR. COTE: I would like to ask a question if I might. How many numbers are there perpetually?

CHAIRMAN ELLIS: Pardon.

MR. COTE: How many numbers do we keep perpetually?

MR. ROSS (of Bath): If you stock them all how many numbers would there be?

CHAIRMAN ELLIS: Oh Lord, I wouldn't dare to guess, but I would say it would be atleast twelve hundred.

MR. COTE: At least twelve hundred?

CHAIRMAN ELLIS: Yes, if we stocked them all. Well, yes, somebody suggested ten thousand, but if we were an open state and I was running my own business I probably would have atleast twelve hundred numbers on the shelf. I would have to.

CHAIRMAN JALBERT: Mr. Chairman, I might suggest Mr. Chairman that the gentleman who submitted the ten thousand figure has a thousand of his own.

CHAIRMAN ELLIS: He would probably try to.

CHAIRMAN JALBERT: Being a neighbor of mine.

CHAIRMAN ELLIS: Mr. Chairman, Mr. Robie informs me that we considered almost two thousand listings last time that were filed by different companies.

CHAIRMAN JALBERT: I think question 3 has been answered. then on to question 4, when the listings are changed, either added or subtracted, are the various companies involved notified? And I would presume that is so.

CHAIRMAN ELLIS: Yes they are, sir. And arrangements

made for disposal of stock on hand. Though the Legislature gave us permission to discount items, it has only been done once. We haven't found it that necessary because if an item is slow we are not ordering it anyway, so we don't have much on hand and we just clean it up.

CHAIRMAN JALBERT: I would like to ask you question 6. What is the present inventory of liquor by brand? What is the total value of each brand and the total value of the present inventory?

CHAIRMAN ELLIS: Mr. Chairman, I would like to ask Mr. Robie to answer that. That is in his department.

MR. ROBIE: Of course the inventory changes from day to day. It runs in the neighborhood of 4,300,000-4,500,000 dollars. That is the total inventory. As far as the inventory by brands or classifications, we have a multi-page report that indicates all that and I have extra copies here if you'd like it.

CHAIRMAN JALBERT: Do you have enough for the committee?

MR. ROBIE: Yes.

This report is the report that we get monthly from the Bureau of Accounts and Control now produced on this new computer setup. As you can see, it tells the brands listed by classification with the code number sizes. The number of cases received during the month, the current

month sales and the to date sales of the twelve months and it shows the inventory broken down into warehouses and stores totaled, even giving cost price and inventory value on each item. This report for the end of June ...

CHAIRMAN JALBERT: I would like a little bit more current information.

MR. ROBIE: It isn't on yet. This report we use at the end of June, we use because the to date figures are twelve month figures, also representing the twelve month sales on all brands including the new ones. It shows an inventory of 4,031,000. It is more than that now. And generally it's, but that's as of one day.

CHAIRMAN JALBERT: I think to get right in the meat of this after we considered the extraordinary 100, 103 numbers put on, how much in dollars, could you tell us how much in dollars that amounted to?

MR. ROBIE: On the initial orders for the new numbers we probably invested \$300,000, but the inventory as we proceeded with brands that sold good and required larger inventory it probably ran over \$400,000.

CHAIRMAN JALBERT: Now, would you be able to tell us out of those numbers that were put on how many are taking?

MR. ROBIE: I could go through here and count them, but there are quite a few.

CHAIRMAN JALBERT: No, no, I don't want you to do that, but you must have a general idea.

MR. ROBIE: I would hesitate to quote a figure without checking it.

CHAIRMAN JALBERT: Now how does the general inventory now, how does your inventory stack up? Will you, you did go to the Council a short while ago and ask for half a million dollars. I presume this will be paid back when you go back again for your, shortly for your holiday, your Christmas holiday.

MR. ROBIE: Yes. Ten months out of the year we need four to four and a half million dollars working capital to keep adequate inventory. Maybe February and March we don't.

CHAIRMAN JALBERT: Are there any questions on this?

MR. ROSS (of Bath): If you had more money allocated to inventory would you be able to get substantial discounts by buying in quantity?

MR. ROBIE: No, not on regular day to day purchases. No. The only time that happens is when a liquor company offers us a special deal, so-called, for X number of dollars or cents a case during a certain period for all we buy during the period. If on occasion we had more working capital

we could have invested a good deal more. We have earned as much as twenty-five to thirty thousand dollars a year on these special deals with our limited working capital.

CHAIRMAN ELLIS: I might, I might tell Mr. Ross that our neighboring State of New Hampshire which has no limit on their working capital takes a great advantage of what the companies call post-offs, when they give us two dollars, a dollar and a half a case off and we can get our figures of what we need but we don't have the capital to take advantage the way New Hampshire does.

CHAIRMAN JALBERT: How many stores do we have in Maine?

CHAIRMAN ELLIS: Eighty.

CHAIRMAN JALBERT: I would like to submit that in Idaho the answer we got is that there are about 700,000 people there. They have about 200 liquors of all kinds and this might be interesting to you, there are 118 stores. So, you see there is hope. Believe it or not.

Are there any further questions against that?

MR. BINNETTE: What would be the amount of stock in each store?

CHAIRMAN ELLIS: I would have to ask Mr. Stover, who is in charge of the Store Division that question.

MR. STOVER: That would vary a great deal, sir, depending

upon the size of the town in which the store was located. In a small town we might have only a \$3,000 inventory. In the larger cities in the state where we do seventeen to eighteen thousand dollars worth of business per week we have as high as \$25,000 inventory. There is a great flux there.

MR. BINNETTE: Could we get from these stores the list of stock they have? Not right now, but later on.

CHAIRMAN JALBERT: I think so. Mr. Stover, could you submit this to the committee?

MR. STOVER: Very definitely.

CHAIRMAN JALBERT: If there are no further questions on that, I would like to turn to page 2. Regarding the inventory--from how many different salesmen was this inventory purchased? And I think there are a few questions here that might be pooled together. According to Commission records, how many salesmen are now employed by the various companies and what companies do they represent? I don't think we have to go into the last phase of the question.

CHAIRMAN ELLIS: No. I think that information has been supplied to your committee.

CHAIRMAN JALBERT: I would like to know how many, how many

salesmen are now employed by the various companies, how many licensed agents in the State of Maine?

CHAIRMAN ELLIS: According to my records fifty-eight licensed with us. In order to operate in the State of Maine they have to be licensed by the Commission.

CHAIRMAN JALBERT: I am not asking, how many, will you raise your hands? How many are here from the various distilleries?

I am happy to see that not too many of you, or that a great many of those of you are here, welcome here. I also want to tell you that several of your colleagues are either on vacation or conventions out of state.

CHAIRMAN ELLIS: And one gentleman went to the hospital this morning. He called me.

CHAIRMAN JALBERT: Now they, before I go into the other point there is a point here. In keeping with the previous question, how many companies are represented by these salesmen and how many listings do each of these companies, through these salesmen, have with the Maine Commission? I think that has been covered.

CHAIRMAN ELLIS: That has been. We supplied the information.

CHAIRMAN JALBERT: I'll ask you another question. If known by the Commission, can you advise by what method the various salesmen are employed and whether or not there

are any stipulated requirements, examinations, etc., to become a salesman representing a liquor company?

CHAIRMAN ELLIS: No, sir, there are not. The only thing that I have ever asked them when they have presented a list of names is give us a good, clean person. We have no, and we couldn't take ... I'll, to you members of the committee, I'll put it right straight to you. We couldn't influence the hiring. If we did, we're over the barrel on the listings and delistings and you realize that. So, all we ask for is a good, clean person who does business in an honorable way.

CHAIRMAN JALBERT: Are there any comments or questions from any member of the committee?

MR. HARDING: I assume that perhaps the Liquor Commission buys from each of the licensed salesmen?

CHAIRMAN ELLIS: No, sir. Even some of the salesmen, the newer ones didn't understand that. We don't buy from the salesmen. We buy strictly by formula. The salesmen get a notification of an order that has gone to their company and that is it. They get no orders. We buy from a formula based on past performance and the amount of time which we are buying for. We have a form. I am sorry I didn't bring one. Have you got one? (directed to Mr. Robie)

We have a form that shows that what we have on hand in

the warehouse, shows what we sold the previous year. We'll take, this is August. We take August, September and October. It shows what we sold a year ago, it shows, and by looking at the record we can see whether it is growing or falling off. And the buying is all based on that. The salesmen do no selling to us.

MR. ROSS (of Bath): It is a public relations job rather than a selling job?

CHAIRMAN ELLIS: Strictly. Their good to their company or their value to their company is just what you said, public relations plus the fact that they're allowed to call on our licensees, not our stores. But our cocktail lounges and clubs and places like that they're allowed to call on and endeavor to get their merchandise on the bar so to speak. But as far as selling, they never sell the Commission anything.

CHAIRMAN JALBERT: And your contact with them on this level is, as I understand it, you have a salesmen's day?

CHAIRMAN ELLIS: Twice a month.

CHAIRMAN JALBERT: Twice a month.

CHAIRMAN ELLIS: And they come and they just talk general problems. They don't, they can't talk orders because we don't order from them.

CHAIRMAN JALBERT: I would like to ask you question 12. Do distillers, either out of the State or in the State, have to have Maine representatives and, if so, have they been advised of this?

CHAIRMAN ELLIS: No, there's, question 12 sir, is the law requires only that each concern selling liquor to the State have a salesman. As some of you members, I am sure, realize that it isn't a bad idea for a Maine man to have a job. I have never, I have never insisted that that be done. Some states do of the controlled states. Vermont requires a Vermont representative to be from Vermont.

CHAIRMAN JALBERT: Well, I mean I am fully aware this is a three man commission. I think this is the point that has been brought to my attention and to the attention of the other members of the committee. I mean you may not have insisted on, or the commission may not have insisted, or any member of the commission may not have insisted, but has it been suggested?

CHAIRMAN ELLIS: No.

CHAIRMAN JALBERT: By any member at any time?

CHAIRMAN ELLIS: No, no sir. Not directly to anyone. It's been discussed among the Commission itself.

MR. ROSS (of Bath): Well, do we at the present time have any representatives that reside outside the State of Maine?

CHAIRMAN ELLIS: Yes, we do, Mr. Ross. But I might point out they are representatives of a small item, but it isn't anything of a large nature because the companies having the biggest sales all have Maine representatives.

CHAIRMAN JALBERT: Your answer then would be that no suggestion directly or indirectly has ever been made to any representative of any distillery or any representative of any distilleries that a Maine man should be --

CHAIRMAN ELLIS: No, it has just been discussed informally among ourselves.

CHAIRMAN JALBERT: This would complete the list of questions that we have with you. And I am sure that we would like to hear from the other members of the Commission. We have set no agenda. We would, however, like to hear from anybody who has anything at all to say. Senator Reed has a question.

MR. REED: In other words, in the case of supplies, this is in regard to formula in the amount you buy, now you have listed an additional hundred listings, now how would you determine this hundred additional listings if you had no

past record to go on?

CHAIRMAN ELLIS: We have. We have the record of the other 17, 16 controlled states. We have the record that they, their company officials come at a listing period. The gentleman, the Vice President of the company who is in charge of controlled states. Now, these are gentlemen that hold mighty important jobs with high salaries. They come, they make their presentation to us. They give us the facts and figures of the states they do business in and of course, all I have to do is turn around and look in the book and I have them myself. And then we put them on on a year's trial basis.

MR. REED: Do you have, do you have records that you could present to this committee or would you have prepared on this additional hundred listings?

CHAIRMAN ELLIS: I suppose we have most of them. I would have to go through them. I couldn't answer you truthfully standing here.

MR. ROSS (of Brownville): Chairman Ellis, one thing that sticks in the back of my head. You by your own admission increased your listings by 97 in a year and a half. Now, if that had been going on steadily you would be up around 2,000 listings. Why the big increase of, in round figures, let's forget the 97, in round figures of a

hundred in one month --, one year and a half.

CHAIRMAN ELLIS: Well, the main --

MR. ROSS (of Brownville): It seems to me this is a jump out of all proportion to the total amount of listings.

CHAIRMAN ELLIS: Well, I would point out to you, Mr. Ross, that the Maine Liquor Commission business in the four years I have been there has grown tremendously. We have to look forward to, and we should, the people that patronize our stores in the summer that ask for items that might not be so good in the winter. Now, that is all fresh, clean money and I would point out to you as an example the store in Boothbay Harbor. Probably in the winter we may do thirty-eight hundred a week. In July and August that store will hit \$16,000 a week. Now that is fresh money, not out of the pockets of the State of Maine people. And I feel that as long as we have an monopoly we owe it to the public of Maine.

CHAIRMAN JALBERT: Mr. Chairman, I think pursuant to Representative Ross of Brownville's remark that you would be ready to tell us that out of that \$16,000 in the Boothbay Harbor store, what percentage was increased, what percentage of sales was brought about by the 100 and some odd numbers that were put on this year?

CHAIRMAN ELLIS: I couldn't tell you unless you went right over their sales sheet everyday.

CHAIRMAN JALBERT: Is it or is it not a fact that a great many of the numbers out of the 103 are actually not selling? I wish you would be very careful how you answer that question.

CHAIRMAN ELLIS: Well, I would have to be because I haven't gone over the list. That would come at de-listing time.

CHAIRMAN JALBERT: Is it or is it not a fact that even now some of the numbers of the 103 are up on the bargain table next to the cash register?

CHAIRMAN ELLIS: Not to my knowledge. We don't do that, unless it has been done without my knowledge.

CHAIRMAN JALBERT: Answer these questions because these are points that have been brought out and ---

CHAIRMAN ELLIS: Yes, surely.

CHAIRMAN JALBERT: these are points that will clear the air.

CHAIRMAN ELLIS: But not to my knowledge. I didn't know we did that. If it is done, it is done without my knowledge.

CHAIRMAN JALBERT: Well what, you did know that we had certain numbers that are placed there that are on sale. I mean I am told.

CHAIRMAN ELLIS: Mr. Chairman, I might refer you to

Mr. Stover to answer that because he is in charge of store operations.

CHAIRMAN JALBERT: Now, let me ask this, if this is a question to be answered by Mr. Stover. I mean this is merely for information. These are points that have been brought out. Some of these numbers, I mean, I don't think I got an answer to that question. If you go into a liquor store there are some numbers there or one or more numbers there that obviously are not selling and they are up for bargain price. Isn't that so?

MR. STOVER: They are not at a bargain price. However, we do make special displays by the cash register or at a point on the counter that the customer couldn't miss very well and those are numbers not of the current, active listings. Those are inventory of items that were delisted of which we still have inventory on hand that we want to get rid of. It is not of current items at all. It would not be fair to any competitive items to make a special effort to move these if it was still in the active listing. If we were going to do that for one number, there is no reason why we shouldn't do it for one of the most popular numbers. It is not possible in controlled states. In an open state you can do anything you want to depending upon your working capital.

CHAIRMAN JALBERT: In other words, this very -- generally, the answer to the question is that these numbers are numbers that have been delisted and you want to get rid of the stock?

MR. STOVER: Well, for example -- Yes, that is correct. For example the election long since past, one company came out with a special election bottle. One bottle was in the shape of a donkey. One bottle was in the shape of an elephant. At election time there was quite a lot of interest in it. It is like selling a pair of skis in July to have that merchandise left once that particular election is over. So, naturally we are trying to move it off. We have World Fair bottles. The World's Fair is drawing to a close. We don't want to have those left. The time to move them is a time when your customer contact is at its peak.

CHAIRMAN JALBERT: Could you tell us what percentage of the donkey listing took the elephant walk?

CHAIRMAN ELLIS: Mr. Chairman, I think that is an unfair question.

CHAIRMAN JALBERT: You do huh? I don't, buddy. You had better believe me. After sitting around here for twenty years as low man on a few committees and you find yourself

in the majority, don't think I haven't intended to ask a few questions before. I think we have got to have a little levity in anything.

MR. ROSS (of Bath): Mr. Chairman, relative to this procedure that they carry out, now I think this is misleading to the average consumer because I am sure that he thinks that that is a bargain. And I think this practice ought to be discontinued or give him a discount, one or the other. Don't put them up there as if you are giving him something and really it's nothing except that if he doesn't buy it now it might get out of stock in awhile.

MR. STOVER: Actually in a sense he is getting a bargain, because he must recognize that it is not effected by the price increase of July 1.

MR. ROSS (of Bath): Well, he might be getting a bargain right now, but not back along.

MR. STOVER: And back along, on one occasion several items that were delisted, no further purchases being made, we wanted to move the inventory on hand and we exercised the prerogative given by Legislature whereby we were told we could discount that merchandise ten per cent. Therefore, we discounted it and sold it.

MR. ROSS (of Bath): I thought you said you didn't discount

it.

MR. STOVER: I say on one occasion we did. You may have noticed the items were identified with a little square green tag, price reduction ten percent. We discounted it and sold it. The best way to sell anything is to let the people know that you have it.

MR. ROSS (of Bath): That's good as long as you have a reduction.

MR. BINNETTE: Mr. Chairman, may I ask you another question following Representative Ross? Do you put those discount numbers in all stores or just certain stores?

MR. STOVER: We move them around wherever the sales period shows they move. In other words, we put an item into a store where there was a demand for it rather than into a store where it seemed proved there was no demand for it. And we will move it around. If a store has good sales experience, once the supply is gone we'll move some more into that store from a store that has not had good experience.

MR. BINNETTE: Do I understand you correctly then that the discount on that certain brand of liquor goes to each store?

MR. STOVER: Yes. The price would be the same in each

store that has the item.

MR. BINNETTE: Otherwise, a shopper can go to one store get a discount on a certain item, go to another store and recover that, would he?

MR. STOVER: Every price on every item is identical in every store, there's no difference.

MR. KENNEDY: Mr. Chairman, I have a question and observation I would like, your net profit, being a small businessman I am always interested in net profit. Now, perhaps you can tell me and this committee how Maine stands in relation to other controlled states on net profit.

CHAIRMAN ELLIS: We stand very well. I haven't the figures excepting for Vermont and New Hampshire which I--

CHAIRMAN JALBERT: Perhaps Mr. Robie can tell us.

CHAIRMAN ELLIS: I doubt if he would have them for all of the seventeen. I brought the figures for New Hampshire and Vermont being neighboring states and the only controlled states in this area except for Maine. And as you will notice from the figures I have quoted that the Maine net profit is very much ahead of either one of those two states. And of course, you must realize that Massachusetts probably, I mean New Hampshire probably does atleast twenty percent of their business out of Mass. And Vermont in turn does

a tremendous amount of their business out of New York State. They have stores right up to the border.

MR. KENNEDY: I am impressed by that Chairman Ellis and I have a suggestion that I would give you sometime in private where you can increase it even more.

CHAIRMAN ELLIS: I wish you would. The revenue, we are in a controlled business and this is what the Liquor Commission is set up for, but the revenue has grown over the years to be quite important.

MR. KENNEDY: What is your total investment now relative to four years ago?

CHAIRMAN ELLIS: Well, just a minute sir. Well, I haven't got that. I have got the gross sales and net profits starting in when I came in. The year I came in the gross sales were \$26,696,000.

MR. KENNEDY: Perhaps the other chairmen or somebody would know that was there four years ago.

CHAIRMAN ELLIS: Mr. Robie would know without any question.

MR. KENNEDY: What is the Liquor Commission's total investment?

CHAIRMAN ELLIS: We have operated on three million. Three million has been there for years. Three million dollars.

MR. KENNEDY: That answers my question.

CHAIRMAN ELLIS: And last year we did thirty million dollars and made \$11,557,000 in net profit on the operation.

MR. HARDING: Chairman Ellis, sir, I am informed that the total number of your listings now is 583. Is that correct?

CHAIRMAN ELLIS: Yes, sir. That is correct, sir.

MR. HARDING: I am also informed that you have had a net increase of listings in the past year of 97.

CHAIRMAN ELLIS: I am sorry, I can't hear you sir.

MR. HARDING: I am informed that in the last year past that you have had an increase in listings of 97. Is that correct?

CHAIRMAN ELLIS: That is correct.

MR. HARDING: Now, my question is this, does the Commission have any policy in mind at what point they will level off the number of listings? Do you plan to go to 750, 1,000?

CHAIRMAN ELLIS: No, we're in our top because I'll explain to you. One reason, first inventory wise financially, secondly is space in our stores. And if anything goes on something has got to come off. There just isn't anymore room. There isn't anymore money.

MR. HARDING: Do I understand correctly, Mr. Chairman, that you feel that 583 is probably as high as the total

listings are going to go?

CHAIRMAN ELLIS: I would say so. In fact, I would think that if certain numbers can't prove themselves they will come off. Unless there is a popular demand and a sales potential in the other seventeen controlled states and in the open states that we get figures from then there are very few things the State of Maine would consider listing.

MR. HARDING: Then, I could conclude that it would be the policy of the commission to reduce the number of listings in the next year?

CHAIRMAN ELLIS: I would say it would be down some. Yes, surely.

MR. HARDING: Then what figure do you think it might rest at?

CHAIRMAN ELLIS: Well, it would have to be off the top of my head without going over it. I would say that the State of Maine, the citizens of Maine should have at least 550 choices as long as we have a monopoly.

CHAIRMAN JALBERT: I would like to comment on that and I am going to ask if we could get Commission member Fournier's intents and comments on it. I mean I think there are two areas where the legislators raised an eyebrow on this.

I think the first area was that the word was going around the House that the salesmen were living out of state. I am not making accusations at anyone. I am merely making comments of what we heard. It was suggested to me that they might have a state representative. You have answered that.

But the other, the other point that must be sticking in anybody's mind is that, now I can tell you that I am correct in this observation, because I have picked it out, that the listing of 103 numbers all at once, the delisting of 6 is something that is hard to understand. That has never been done at all, absolutely unheard of since the time the Liquor Commission was put on. Now I would like to, at no time was there ever over 30 numbers put on give or take a few and generally, when numbers were put on, on the average a greater per cent of numbers were delisted. Now, this is not hearsay that I am talking about now. These are facts and I want to say that when we were courteous enough to submit questions to you and you can't answer these questions points one, two, three, it indicates to me that somewhere along the line somebody didn't do their homework or didn't want to do it.

CHAIRMAN ELLIS: Well, Mr. Chairman, as I pointed out to --

CHAIRMAN JALBERT: I would like to hear from you, but you mentioned there were three members on the board and I am going to ask the other two members to comment on this.

CHAIRMAN ELLIS: Would you please, sir. May I be excused?

CHAIRMAN JALBERT: You may be excused, but you cannot leave the ----

CHAIRMAN ELLIS: I mean sit here.

MR. HARDING: Mr. Chairman, this is perhaps a re-phrasing of a question that I previously asked. You may not be able to give me the answer to it now, but I would like you to get the answer if you would. I would like to know of these fifty-eight companies that these salesmen represent, from how many of those companies do you buy?

In other words, you have fifty-eight licensed salesmen ---

CHAIRMAN ELLIS: Well, we must buy from all of them or they wouldn't have a license.

MR. HARDING: All right, now I want to know however, from those companies the salesmen represent do you buy?

MR. ROBIE: Sixty-nine.

CHAIRMAN ELLIS: How many?

MR. ROBIE: Sixty-nine.

CHAIRMAN ELLIS: Sixty-nine.

MR. HARDING: Well, would I be correct in assuming then that every licensed salesman that there is in the state, that you do buy from the company that they represent?

CHAIRMAN ELLIS: That is why they are licensed here, sir. They have to be.

MR. HARDING: Well, I don't see that it necessarily follows that you have to buy from them because they are licensed.

CHAIRMAN ELLIS: Oh, no. But they wouldn't be licensed unless they were doing business in Maine.

MR. BINNETTE: Mr. Chairman, following Senator Harding's question, is it much of a job to get a license to sell liquor to the Liquor Commission?

CHAIRMAN ELLIS: No, sir. A person of good character, his company writes in and say they have appointed you salesman and send in their check for ten dollars. If you're a gentleman of good character you're issued a license.

MR. BINNETTE: And then in other words, you do not buying directly from the salesmen. You buy from the ---

CHAIRMAN ELLIS: No, sir, we don't. We buy from the companies.

MR. BINNETTE: I am trying to follow this. In other words these salesmen are nothing but good will ambassadors, are they not?

CHAIRMAN ELLIS: Plus the fact, as I explained to Representative Ross, they call on the licensees trade, not the state stores, at the licensee trade and try to promote their lines. And otherwise they are good will ambassadors and keep an eye out to see how their product is doing around the state. They have their place.

MR. DUQUETTE: Mr. Jalbert.

MR. JALBERT: What is it, Smokey?

MR. DUQUETTE: I understood that you asked Mr. Ellis to give us the Commission's experience of the 103 new listings and what they are and what their sales record has been. Did you ask that, sir? I gathered that the information would be provided.

MR. JALBERT: I mean, I hope it will be provided. The fact of the matter is this, that this is August 18th and August 10th the Commission had this information on a questionnaire basis. Now I, right now I know that it would be very difficult right now to get an inventory of what the 103 numbers have produced for us. The problem that I am now looking for, I am mostly now in pursuing the point of this last year 103 numbers being put on, six taken off when it has been my understanding that generally the percentage of listings and delistings were closer together, number one. Number two, by Mr. Robie's own

admittance with a vast amount of respect to experience that this was out of the ordinary. And I asked him this question in writing. I don't get an answer. I might like to ask if, and I don't want to keep you standing Mr. Chairman, I would like to ask if the other two Commissioners would care to comment on my query, either, both Mr. Fournier and Mr. Stimpson.

MR. FOURNIER: Mr. Chairman, I would like to say this. On these 103 numbers, you have got to realize twenty, at least I think it is twenty, I'm not too sure, it may be twenty-one or twenty-two of these numbers are ones that we already had on. In other words, half-gallons are put on or fifths, pints, quarts, but these half-gallons are of items that we have had on before. The only one that I can think of off hand, Cadillac Brothers is a seller. We only had it in quarts. We added the pints. When we added the pints it is still the same number, but everybody seems to think it is a new number but it isn't. There is at least twenty or twenty-five numbers on the list, already on, I mean either a quart added or a half-gallon.

CHAIRMAN JALBERT: In your opinion as a Commissioner, Andy, wouldn't you say that the salesman or distillery man, or distillery that is notified that they are going to

get either a pint put on, they get a fifth or a half-gallon, or they get a quart, that they consider that a new number?

MR. FOURNIER: They probably would, but I would ---

CHAIRMAN JALBERT: They would.

MR. FOURNIER: Yes.

CHAIRMAN JALBERT: All right. My point, getting away from that now, in your opinion as a Commissioner would you agree with me that the listing of 103 numbers all at once, since you have been on the Commission, now and I would think that you know the answer and I can answer it myself. What is the highest number you have seen put on all at once?

MR. FOURNIER: Well, fifteen, sixteen. Nevertheless, Louie, in the four year event I have had only two listings. There were a lot of new numbers that came in.

CHAIRMAN JALBERT: Isn't it a fact that since you have been on the Commission, that when a certain number of numbers have been put on about the same numbers, amounts, have been taken off? A good percentage.

MR. FOURNIER: I request, Mr. Chairman, that you ---

CHAIRMAN JALBERT: These are the things, Mr. Chairman, that people raise their eyebrows on. Mr. Stimpson, you might want to comment on this.

MR. STIMPSON: Well, I would just like to say that, in my opinion, you could just as well criticize the lack of action over the four years previous for not having listed maybe more numbers. When you have a thousand numbers or so to consider, how do you go ahead and do justice and take four, eight or ten numbers. I am defending the 100, 103 numbers that we listed. Many people over the state criticize me because they have to buy their supply on special order. They had no supply, no choice. It is my opinion, it has been a long time since we listed and I thought, we spent a lot of time on it, perhaps we wouldn't all agree, I thought we did a good job at it. I think it is the fault of the numbers. I mean many people still confuse the idea that a number represents a brand. Now, Mr. Chairman, I certainly won't want to criticize anybody, but 200 times 112 stores and out of these 583 listings, we probably don't have over 200 brands, if we have 200 brands. But that makes confusion. Every package, half pint, quart, fifth all require a number. I don't mean to criticize a person who believes it is and I have heard this all through Legislature.

Now, Mr. Ellis, not to disagree with him, but Senator Harding mentioned how many numbers did they wind up with.

I think that this state is big enough and deserves enough consideration to carry maybe 575, maybe 600. I do admit that we intended to delist, I believe we did, in my opinion we intended to delist earlier some of those numbers that didn't produce. In my opinion, about sixty or seventy percent of the numbers that we did list have produced a revenue two million dollars over the quarter past year and a lot of that has been from the new numbers. So, some of the confusion should be cleared up. I mean it should be better understood.

CHAIRMAN JALBERT: My comment is, Mr. Stimpson, this does not only reflect in the liquor industry, but this summer here alone has, we take segments of all other years where we get our revenue, the increase from January is between seventeen and twenty-five percent.

I might also, the reason I ask these questions is not as a criticism, but I think, Mr. Stimpson, you know these questions have been asked and discussed and these are the questions that have been distributed to be answered so that it will clear the air.

Now, another point that has been brought up is that as I understand it, if you list numbers, it is my understanding that if it doesn't sell by federal law you cannot return these. The liquor cannot be returned.

CHAIRMAN ELLIS: I didn't know that.

MR. ROBIE: The federal government does not permit consignment selling.

CHAIRMAN ELLIS: They don't permit consignment buying. I mean, we can't put anything in on consignment. But, that doesn't preclude ---

MR. ROSS (of Bath): What are the terms of payment?

CHAIRMAN ELLIS: Every company has a different term.

MR. ROBIE: Usually, two percent - fifteen days or net cash thirty days.

MR. ROSS (of Bath): How much credit do they extend to the State of Maine?

MR. ROBIE: Will they?

MR. ROSS (of Bath): Credit, yes.

MR. ROBIE: We have been told as high as ninety days, one hundred twenty.

CHAIRMAN ELLIS: Mr. Ross, I might point out to you, that when the vice-presidents, or the controlled states managers come, when any of the big companies come, before they understand our setup, which is when that merchandise hits the warehouse it is actually on our inventory, they come and say, you are running out, we will give you ninety days, one hundred twenty days. We don't use it because when it is in the warehouse it is on our inventory.

I would like to point out on the half gallons, that I as Chairman of the Maine Liquor Commission, introduced the half gallon into New England and the other two controlled states have checked our figures and joined into it, because it cost no more and has been a growing business in New Hampshire and Vermont.

CHAIRMAN JALBERT: I would like to ask if there is anyone who has any comments to make.

MR. BINNETTE: Would it be possible, concerning the 103 listings and 6 delistings, over the past five years to know how many numbers you have listed and how many you have delisted?

MR. ROBIE: That can be done in time.

CHAIRMAN JALBERT: I would like to, I asked questions of Commissioner Fournier and Commissioner Stimpson, would they have general statements they would like to make to this committee? Any comments they would like to make.

MR. STIMPSON: I think the committee should give it the consideration it deserves, because the gentleman mentioned going back six years. I think that they have made the state a lot of money. A half million dollars of this possibly due to new numbers. There are thirty-five that should come off. I think too much has been made

about numbers. I don't think it has had a good explanation.

CHAIRMAN JALBERT: The change has been about twenty listings, thirteen - fourteen delistings as an experience since 1935. It is only natural that when the list has jumped up one-fifth in a whole year that questions are going to be asked.

CHAIRMAN ELLIS: I don't think the number is as great as you think.

CHAIRMAN JALBERT: By the same token, I have been in the Liquor Commission, when I have heard, or overheard, that they are looking for a new number, an extra fifth, extra half gallon. It might be some members of the committee could agree with this.

It was our understanding that the price increase of July was nineteen cents on a quart and was restricted to five cents on a pint, ten cents on a fifth.

CHAIRMAN ELLIS: Ten cents on a quart. And, Mr. Chairman, I would be glad to explain that to you. As you know, we level off to the nearest nickel. In the last, under Mr. Muskie, Governor Muskie, there was a departmental increase at the time using the correct figures, a quart came out at twelve and a half cents, they got a fifteen cent raise. So, in order to compensate for that and make

it correct, they got ten cent raises and brought them back in line with the other items which would have been twelve and a half each time. And that was the reason for that. It was all in fairness for them.

MR. HARDING: Mr. Chairman, in relation to the remark that Mr. Stimpson made, I believe, Mr. Stimpson, that you suggested that the State of Maine had a half a million dollars or more by reason of the new listings.

MR. STIMPSON: There is no way to determine it. I only have a copy of the revenue that the Commission had this year. Two million dollars total and approximately four hundred thousand ---

MR. HARDING: I wonder, Mr. Chairman, Mr. Stimpson, if it might not be possible, you do have cost numbers, you do have a state auditor, and I think this would do much to belay the criticism if we do find that these new listings, as you say, are making the state more money. I don't think that this is something that is a mystery. I think that by analysing your sales and adding your cost accounting to this committee, do this and this would belay much of the criticism if in fact by having these new numbers the state is making more money on them. But, as it now is, we are all pretty much in a fog as to whether

or not we are making more money because of the new numbers, because most everybody in the state is making more money than they did last year. I would think it unusual if the State Liquor Commission didn't do better.

CHAIRMAN JALBERT: I think it might be found by the survey, I think Senator Harding's point is well taken, that in regards to percentage of numbers that aren't selling to the percentage of numbers that are selling well, of course the greater percentage, I think that you will find that the leap, the big increase is due to our very popular numbers. I think that would be only natural.

Now, if there are no further questions --- Excuse me, there are one or two more questions.

MR. RACHINS: Mr. Chairman, my name is Eddie Rachins. I represent J. B. Paddington Company. We sell J. & B. Scotch. I would just like to comment on the comment made before with reference to the State of Idaho. You mentioned the number of items they listed in the state there. I would like to say, sir, that the liquor business like any other consuming business is a regional business. It is not run on a set pattern. For example, I'm going to take the State of Idaho. That is what is known as a bourbon

drinking country. Most of the people drink bourbon liquor. Consequently, it is not necessary to have as many listings in that state. In the State of Maine, the East here, we are bourbon, we are rum, vodka, gin and we are scotch drinkers. And the scotch is growing and growing. And it is not, it is not out of line to have fifty brands of scotch. The State of Maine, Vermont, New Hampshire, and Massachusetts caters to a large spending audience of the metropolitan eastern cities, particularly Boston and New York with their captials and so forth. And they are scotch drinkers. In my opinion, fifty brands of scotch sir, and when I say fifty I mean including sizes, fifths, quarts, half gallons, it is not too many brands. So, the business is different.

And to give you an illustration outside the liquor industry, just visualize the sporting goods industry. Go in the State of Maine in a sportings good store and look at what you see for items. How many snowshoes do we see in Florida and how many sleds do we see there? They are regional businesses, sir. Thank you.

CHAIRMAN JALBERT: I would like to make a couple of observations when you mentioned snowshoes, my friend on my right here who is a good snowshoer, could tell you that if you go to a snowshoe convention you will see damn few

snowshoes. I would also like to make a further observation, --

MR. RACHINS: I would like to see somebody visit in Miami.

CHAIRMAN JALBERT: To make a further observation, you encumbered on what we good Maine people like in your line. You left out wine and gin. Perhaps a few of the boys would like to get the feeling of improvement.

MR. RACHINS: That's not my business, sir.

CHAIRMAN JALBERT: Thank you.

MR. HARDING: Mr. Chairman, in defense of the drys in my County of Aroostook, I would like to observe that it may be that we drink a greater variety in Maine, but I don't think we drink any more in Maine than any of the other states.

MR. RACHINS: Are you speaking morally, sir?

CHAIRMAN JALBERT: Now is there anyone else who would like to make some observation or comment?

MR. RACHINS: I couldn't hear very well, but I think there was one point that wasn't brought out. I know when these listings, these 103 listings, was made up I was one of the ones that was involved as a salesman and I was told they would be put on, given a six months trial and if they didn't go in six months, off they come. And if there was anything left in the warehouse that they couldn't sell, the company agreed to take it back.

I didn't hear that brought out, maybe it was. Am I right on that?

CHAIRMAN ELLIS: You're correct, sir.

MR. CARVILLE: That was what was given to me.

CHAIRMAN JALBERT: It is my understanding, isn't it against federal law for any liquor to be taken back?

CHAIRMAN ELLIS: I didn't realize that, Mr. Chairman. All I knew about the federal law, they couldn't sell us on consignment.

CHAIRMAN JALBERT: It has been my understanding, somebody can answer this question, that if State of Maine buys say four different numbers and they don't sell then you can't return that booze.

CHAIRMAN ELLIS: I don't think that's right.

MR. RACHINS: You can't return it, but I would like to quote the Maine letter in listing new items, quote the last paragraph. All items added to the list will be on a six month trial basis subject to consideration for delisting at the end of that time if public acceptance is not evident.

CHAIRMAN JALBERT: No, no, that has nothing to do with my question. My point is this, my understanding, and I think it was discussed here, it was the understanding

that there has been an agreement made somewhere along the line in the Commission that if a brand didn't sell it not only would be delisted but the brand or inventory would be sent back to the various distillery. Now, that was my understanding. This was commonly discussed all through the session, particularly in regard to the 103 and it was found out after that someone made an error and that this was not so because the federal government would not entertain such a procedure. And I know they won't.

MR. ROBIE: I might state that it has been done before, in the instance of the Christmas decanter business. They are listed much on the same basis of understanding that we have returned ---

CHAIRMAN JALBERT: Frank, it has been done before on an exchange basis?

MR. ROBIE: No, sir. When we ended up at the end of January with a lot of decanters left over, say they didn't sell, of a listed brand we just sent it back.

CHAIRMAN JALBERT: How long ago was that?

MR. ROBIE: The brand was Four Roses. It was about five years ago.

CHAIRMAN JALBERT: Is it now your understanding that this procedure cannot be done any more?

MR. ROBIE: I can't say whether it is legal or not, but maybe there is somebody here that can.

MR. RACHINS: Mr. Chairman, I sell through Maine, New Hampshire and Vermont. It has been done by these states. It is illegal as I understand it, but on their last two delisting periods, the State of Vermont. I can't quote how many numbers they delisted, but all merchandise was gathered at their warehouse and returned to the distiller. And the federal alcohol tax, they never said a thing about it.

CHAIRMAN JALBERT: For the sake of the record, the gentleman speaking, I am told is an authority. The fact of the matter is this, that it is an illegal procedure and if any commission goes into an agreement that if brands do not sell it not only will be delisted but that the inventory will be sent back to the distiller.

MR. RACHINS: It is to a point, although the State of Maine letter did not say merchandise ---

CHAIRMAN JALBERT: I understand it didn't. I'm merely saying ---

MR. RACHINS: The State of Vermont has a letter that states the merchandise would have to be taken back and evidently the State of Vermont like other states feel that

they have certain rights that the other open states do not have.

CHAIRMAN ELLIS: I have learned something, Mr. Chairman, I didn't know it was illegal.

CHAIRMAN JALBERT: Well, I'm, these points are brought out and I think it is good to bring them out merely because these are rumors that stem from conversations without sometimes people knowing facts. The accusation was that it was misdealing on the part of the Liquor Commission. It perhaps has been explained for the better understanding of everybody. Senator Reed?

MR. REED: I was just going to ask this gentleman here, I don't recall your name, but you are a salesman. Is that right?

MR. CARVILLE: That's right. Stan Carville.

MR. REED: Could you tell us anyway, if you are involved in the new numbers, so-called, did you contact the board or talk it over with the Commission? In other words, all of a sudden you received a letter that you have a new number that you know nothing about, or did you talk about

MR. CARVILLE: I don't believe that is ever done. That's our job to go before the Commission, present our products and give them a reason why we think it will sell and why

we think it should be put on the list. The only thing I believe that I had involved in this last listing was a half gallon of gin and that certainly has gone over very good.

CHAIRMAN JALBERT: I might state for the members of the committee and particularly for Senator Reed, the spokesman is Stan Carville, who is also a former legislator who has been around a few conventions. I am sure a few of you know who he is.

MR. CARVILLE: There is one point why I got up here that I wanted to bring out, which I am sure you fellows know and I know you are all trying to do something for the good of the State of Maine. We had thirty-one stores as I understand it when the amount was set up for the purchasing power of our Commission. Today we have got eighty stores and I am told it is about \$750,000 just to stock those additional stores. Now, if that is the truth, how do you expect them to operate on the money they are getting? Why doesn't the Legislature give them money enough to operate? And I wish the committee would study the New Hampshire regulations which gives them a free hand and they make money on it.

CHAIRMAN JALBERT: Would you multiply, Stan, \$750,000 by

80 and tell me where in tarnation, I have heard you over the years make a few economy speeches of your own, just where do we get the money form for this kind of listing?

MR. CARVILLE: You aren't giving the money. Here you send the State Treasurer clear to California to sell bonds, you pay him 800, a 1,000 to go, you get your vote from Governor and Council for one and a half percent. You can loan that same money to your Liquor Commission, get thirty-five percent on it. That don't make sense to me. You aren't giving them the money. You're just loaning it to them. It is money that is bring you back dividends.

CHAIRMAN JALBERT: I think that basically, let me ask this question here. As I understand it, two years ago, Mr. Chairman, the Legislature raised the inventory from three to three and a half million dollars.

CHAIRMAN ELLIS: That is correct, sir.

CHAIRMAN JALBERT: You still went seasonably, twice a year to get a half a million dollars before ---

CHAIRMAN ELLIS: It was necessary to.

CHAIRMAN JALBERT: That's right, I'll go along, but because, if, does it happen very often, does it happen that popular brands will run out because of the fact that you didn't have enough money to buy these brands?

MR. CARVILLE: That is the point I want to bring out.

CHAIRMAN ELLIS: That is true, sir. You see in the popular brands under our inventory setup, Mr. Robie would explain it better than I could, popular brands. in order to maintain and get a low freight rate we naturally buy carloads. Say Mr. Cote's distillery and yours and mine are in the same neighborhood and the State of Maine carries products from each of us, we pool the cars. If you get the larger order, Mr. Cote and I pool with you in order to take advantage of the freight rate. Now, Frank, how much did we show in profit on the amount that the State of Maine lists us purchasing wise for freight and the amount that we paid.

MR. ROBIE: Total \$500,000.

CHAIRMAN ELLIS: And that, the freight as you can see that our inventory is charged in that. And that is quite a chunk of money.

MR. CARVILLE: Mr. Chairman, I, why I'm talking is for my companies. I have found stores that are out. I have people call me, well, I couldn't get certain numbers in the stores. I go to the Commission. Well, they say we've got no funds, if we get so and so from the Governor well another month. But during that month, I am out in the warehouse. I am out in the stores. This has happened

to me four or five times in the last year or two. That is what I would like to see overcome so we don't do that. We're a small company. We don't have the chance that they have.

CHAIRMAN JALBERT: I might ask the, I might ask that the Commission through their experts on inventory submit to us as soon as they can, merely for the record, what numbers and when have not been available to the buying public and to their knowledge at what times this shortage can be directly contributed to lack of funds to buy enough such brands.

CHAIRMAN ELLIS: For your benefit and your committee's benefit, I might point out that we run so closely that if an order that is coming by freight from Illinois, Paramount Distilleries, is three or four days late, we have stores that only get every other week delivery, it can throw that store off anywhere from twelve to fifteen days.

CHAIRMAN JALBERT: That is not in regard to my point. That is not contributive, the shortage in the stores is not contributive to the fact that you didn't have any money to buy.

CHAIRMAN ELLIS: Yes, it is. That we run so close in the warehouses, Mr. Chairman. We are running so close all the

time ---

CHAIRMAN JALBERT: Alright, just let me, just let me go through this thing a little bit. If you are running so close in your warehouses, if you are running so close in your warehouses, you're talking now about the popular brands, is that right?

CHAIRMAN ELLIS: Yes.

CHAIRMAN JALBERT: Why did you go over and borrow for over one hundred numbers? I can't understand it.

CHAIRMAN ELLIS: Well, we have, as I explained to you, we have a monopoly and we are suppose to be a service organization to the people of Maine. They have to buy of us. If we haven't got the numbers ---

CHAIRMAN JALBERT: I would like to submit to you that Mr. Stimpson has made the statement that there might be thirty or thirty-five numbers that are not selling. Well, on that basis it might be a help to you to kind of rebarsh things and utilize that sum of money and the money you realize from the return of this inventory or the sale at a discount or the sale at a bargain or what have you, and utilize that and come up with a proper inventory for popular brands. Because I'll tell you this right now, I think you will go along with me that I have a fairly good memory and

I have sat on that committee, the Appropriations Committee for a number of years and never have I heard the argument used that you were running out of brands and I have never heard it used and right now it is being used.

CHAIRMAN ELLIS: I might point out ---

CHAIRMAN JALBERT: Excuse me. But frankly, I think that you should very definitely made certain before you put on such a vast amount of numbers that you had proper stock of your popular brands. And I don't think anyone in this room can deny that.

CHAIRMAN ELLIS: I might point out, Mr. Chairman, that the money tied up on these so-called brands is very small compared to the money it takes to service the real fast moving brands.

CHAIRMAN JALBERT: You said that that amount was between three hundred and four hundred thousand dollars. Would you call that a small amount of money?

CHAIRMAN ELLIS: I didn't make that statement. I am sorry Mr. Chairman, I ---

CHAIRMAN JALBERT: We asked you specifically a question. I asked you a question as to how much in money in inventory the addition of the 103 numbers amounted to. You answered in excess of \$400,000.

CHAIRMAN ELLIS: I have nothing in my notes. Oh, Mr. Robie answered. I didn't remember ---

CHAIRMAN JALBERT: Are there any other comment to be made?

MR. KENNEDY: Mr. Chairman, I would suggest that for the benefit of this committee, I have heard this not only today, but in the past, about stores being out of certain listed numbers as popular brands, that a survey be made from these stores so that the manager could tell how many times or on how many items they had to refuse a waiting customer that particular item so that the Appropriation Committee at the next session would know how much more they should have invested in these particular brands.

CHAIRMAN JALBERT: I might suggest, Mr. Kennedy, that I asked that it be done on the various brands in the different stores. It is a very good suggestion. Would you suggest, the main effect of your suggestion that this information would be submitted to our committee so that we could put it in our suggested report and have it approved at our next legislative session.

MR. KENNEDY: How many times have they refused a particular because they didn't have it on the shelves?

CHAIRMAN JALBERT: Would it be of any help, Mr. Stover to have Mr. Robie, who might help in this program?

MR. STOVER: We already have a record from each store each week as to the number of brands that they have run out of. The forms tell the day on which they ran out on and also the number of days that they remained out of it until they were able to replenish by their shipment. As far as the number of customers that came in and asked for that brand they were out of, we don't know that.

CHAIRMAN JALBERT: Knowing the efficiency of managing stores is your department, would you submit to us, Mr. Stover, all the references that you have on this so that we might be able to come up with a thought for what reason does this occur. I mean, is it just a delay in shipping, just because of the fact that we lack money. I mean the committee would like to know that and probably after the information is submitted to us and to the proper tribunal in the Legislature, we would better know just how we would come up with the proper figure on inventory.

MR. SNOW: Isn't this problem related also to the lack of funds to keep the stores adequately supplied, is it also related to having more money tied up in brands that are not moving than is necessary. I am wondering that if the answer to this question would at the same time answer the question as to how much money they have tied up in

slow moving items.

CHAIRMAN JALBERT: Would it be possible, Senator Snow, that the Commissioner Stimpson answered that question when he said about, give or take a few, but about thirty-five numbers are presently moving so slow that they could be delisted.

MR. SNOW: I would like to ask Mr. Robie that question. I think he would have the answer, atleast the approximate answer.

MR. ROBIE: At least thirty-five.

MR. SNOW: How much money would be involved whether thirty or thirty-five? Would it be a small amount?

MR. ROBIE: It would appear on the contemplated report we give.

CHAIRMAN JALBERT: But, I mean, would it be a substantial amount of money?

MR. ROBIE: I don't believe so. It would be moving slowly. The inventory would be smaller.

CHAIRMAN JALBERT: Are there times when, I would like to ask this question because this might clear the air for some of the members here that might not be aware of it, are there times when a number is put on because a very effective salesman, who is a licensed salesman or representative, has

put on quite a job and got a great many special orders, so that on that basis you put on this new number? Anyone can make an error in judgment. It could be that the sales of special orders that come in would indicate that possibly this would go and then all at once it is put on and it doesn't.

CHAIRMAN ELLIS: I might answer your question in this way, Mr. Chairman. In the case like that we would study the sales records in other states and if the sales records were good in other states we might purchase that item. Now, this Mr. Rachins that spoke here, we first had J. & B. Scotch. We were getting a lot of special orders for it. We didn't put it on the list but we bought fifty cases and put them in the warehouse so that people could have them available, calls that we were getting from all over the state. Immediately, they were sold and we bought fifty more and then we listed the item.

CHAIRMAN JALBERT: Are there any other comments?

MR. BINNETTE: I don't know as you can give me an exact, about how many requests do you get by mail for different brands of liquor? The basic amount of requests.

CHAIRMAN ELLIS: Those requests go into the stores for

special orders and they are mailed into the main office. For instance, you go into a store in your area and you wanted an item that wasn't on the list, the store manager would make out an order, you would have to buy a case, and send it into the office. We in turn would get it and it would go out when it came in with the next store order.

MR. BINNETTE: That would be a governing factor in listing a new number, would it?

CHAIRMAN ELLIS: Not necessarily, no. Records in other states and of course requests, if we get enough needed requests all at once.

MR. BINNETTE: That's what I wanted to find out, if you get many letters, personal letters requesting ---

CHAIRMAN ELLIS: No. All of ours come through the stores themselves. They all come through the stores.

MR. BINNETTE: Therefore, the general public itself, has to go to a store to make a certain request for a brand?

CHAIRMAN ELLIS: They do. I don't believe in the four and a half years that I have been there I have never had a letter. I might have had a letter inquiring if we had a brand from an out of state person who was coming into the State of Maine. As far as the other type of request, no.

MR. STOVER: Mr. Chairman, relative to Mr. Kennedy's

suggestion, the managers keep records in the stores concerning the number of times the customer asks for any specific item that is out of stock in that particular store. As many of you realize, we have a wall board on which there are tags for each item that we have listed. If a store runs out of a listed item, a little tag is inserted over the item covering the code number on which it says "out of stock" in which instance a customer wouldn't ask for it. I just wonder how much value you would get if you had an inconclusive survey. If a customer walked over to the board, saw an out of stock, then he would make another choice and chances are that when he went to the register to make a purchase, he wouldn't even comment on the fact that he was buying something other than that which he intended to buy.

MR. KENNEDY: If that is the method of operation, Mr. Chairman, it wouldn't be of any value. I didn't realize that your managers did this sort of thing. Now, how would you evaluate the items that you did not have sufficient stock to supply these stores?

MR. STOVER: Probably the best way would be through these so-called brand days out of stock reports which is sent in each week by each store.

MR. KENNEDY: Well, some evaluation. I thought that you

might be able to evaluate as per my suggestion, but apparently you can't.

MR. STOVER: We could determine whether that brand is out of stock because that store experienced an unusual sale in that particular item or because he was short-shipped on his requisition into the office. If he was short-shipped it would be only because we had insufficient stock of the item in the warehouse to fill this one. If we are running low in the warehouse, rather than give each store as their requisitions come in the entire amount that they ask for until it's gone and then give the other stores nothing, we try to spread it so that no store will be without any. On the other hand, a store requisition is based on sales. If it is there routine to sell, say half a dozen bottles a week of a particular item, so they order on that basis. If a customer comes in for a wedding or a party or one thing or another and they want a few cases. This would clean them out. Now, he would not reorder on the basis of that unusual sale. Instead, he would go back and take a sale period unaffected by that sale.

MR. KENNEDY: May I ask you this. I am sorry to interrupt. Isn't there a figure that you can give this committee relative to the demand of the fast moving items that you do not have?

MR. STOVER: I am sorry, I didn't hear the first part of your question.

MR. KENNEDY: Don't you have some type of evaluating just how many of these items that you are short on so that you can tell this committee or give it statistical data to the effect that the sales are so great on this item that we have lost X number of dollars on X number of bottles.

MR. STOVER: We could only assume how much we had lost. We have a daily inventory record which shows the inventory or lack of it on each and every item. If we are out of an item for a period of time we could only figure that had we not been out of it, we would have sold as much as we did in a comparable preceeding period.

MR. KENNEDY: There is only one way I can see that we can get at this and I am sorry that it is so late in the year. And that would be the change of the method of listings these by putting a sticker on it that you are out of the brand. With this in mind, I would suggest that you still have it listed but have issued a data sheet to the manager and clerks to the effect of how many sales that have been lost on that particular item. But, it is too late to be of value to this committee.

MR. STOVER: It is too late this year, but next July we could do this.

MR. KENNEDY: Next July wouldn't be of much help to us.

MR. ROSS (of Bath): That wouldn't be very handy though to the customer, if he went into a long line and he filled out his slip and he brought it over to the clerk, the clerk said, I'm sorry you will have to order something and he had to get back at the end of the line again, would it?

MR. STOVER: No, that is exactly why we put that little notice on the board that it is out of stock.

MR. KENNEDY: Have you some suggestion to this committee?

MR. STOVER: I have always been of the opinion in order to run a business that is doing thirty million dollars in sales, you have got to have inventory in order to make sales. A few years ago I made a survey about the seventeen controlled states and if memory serves me correctly, only two of those seventeen states other than the State of Maine have any limit on the amount of inventory they can have in their possession.

The State of Utah which has far less the business the State of Maine has, the State of Utah is permitted by statute an inventory of four million dollars. Again their

sales are probably about half of what ours are. We on the other hand, by statute have three and a half million dollars and double the sales. One other state, and I would hate this to be a matter of record but the figure of seven million dollars sticks in the back of my mind. That is their working capital. The working capital of three million dollars was for the State of Maine originated way back in 1946 at which time there were forty-eight stores and it remained three million until this last Legislature or the Legislature before this last one when it was increased to three and a half.

In the meantime, the cost of purchasing the merchandise, the cost of transporting the merchandise, all those costs have advanced and the way the statutes are written our inventory figure is based on our LCL delivered cost to the warehouse. So, it makes no difference if we save a half a million dollars a year on freight by pooling and making up full cars, when it comes to inventory values. The LCL delivered to our warehouses is the price of it. In order to stock the same number of cases of the same merchandise today that were stocked back in 1946 it would be somewhere in the vicinity of 4.6 million dollars as against three million dollars in 1946, and to service

nearly double the number of stores under the circumstances you can appreciate the difficulty.

CHAIRMAN JALBERT: I would like to comment, Herman, that you have an inventory of 4.6 million dollars. The Legislature gave you three and a half million and you go to the Council twice for a half a million dollars each year. That's four and a half million. Let me ask you this, are you consulted or is Mr. Stover consulted when you put on new listings?

MR. STIMPSON: I would like to say frankly, I would like to have said this before but I didn't want to keep you gentlemen here too long. When these listings are done how many legislators are around? Each and every member of the Commission was present when each number was selected. Mr. Robie was present on every occasion and Mr. Stover was consulted with many times.

CHAIRMAN JALBERT: I mean, is it, is it possible, I think that as far as Mr. Kennedy's suggestion is concerned I think that the observation made by Representative Ross of Bath is correct and I think that, Andy, you know what the answer to this is. I think that you can supply the answer to the committee. I have discussed it with you.

I do feel, I would like to make not a criticism, if it is a criticism it is based on suggestion only, that it could be possible that more of a looksee be given to the delistings of non-selling numbers, a little more be given to the delistings of non-selling numbers as against the listing of additional numbers. If by the admission of the Commission some thirty-five numbers are not selling, I think that no time should be lost. The inventory should be sent back and we could take advantage of that additional sum of money to further buy the more popular brands.

Any other comments by anybody else?

CHAIRMAN ELLIS: Yes, Mr. Chairman. Would you stand behind me when people arrive from all the distilleries with their battery of figures and so forth?

CHAIRMAN JALBERT: I don't follow you there.

CHAIRMAN ELLIS: Well, the Commission tries to the best of its knowledge to give the people of Maine a fair selection and as Mr. Robie pointed out, and I haven't the figures, but we would be glad to get them for you, any slow selling number, we are not piling it up in the warehouse, not at all. We don't have any intentions of it.

CHAIRMAN JALBERT: It was your own admission that there are

thirty-five numbers that can be delisted just fifteen minutes ago and you said the same thing about a half an hour ago. And I'll stand behind you if you all get together.

CHAIRMAN ELLIS: Thank you. What we would like to do is run out of these numbers, Mr. Chairman, and we are not ordering them. I will guarantee you that.

CHAIRMAN JALBERT: What's that?

CHAIRMAN ELLIS: We are not ordering them. We are running them out.

MR. SNOW: I would like to ask how long these thirty-five slow selling brands have been carried in this condition.

CHAIRMAN ELLIS: I would have to look to see when they came on.

MR. SNOW: I wonder, sir, how often slow selling numbers ---

CHAIRMAN ELLIS: Mr. Elliot informs me every now and then and then when we have a delisting period, we delist them.

But, if we see the brand isn't selling, for one reason or another, we don't buy any more. We just let it run out.

We have, as Mr. Robie stated, a report all the time on what is selling in each store. Now, we move stock around. As you heard somebody testify, we found out that in the summertime if we have any novelty numbers that we move

them off at that time.

MR. SNOW: How long before these particular thirty-five numbers will be put up for special distribution?

CHAIRMAN ELLIS: I don't think they will have to be the way they are right now. I think we will simply let them die out. We find out the area. Something will sell in one area and won't in another. You find out where it sells and you transfer your merchandise to that area. I don't think they will have to be put up for any special discount. It's just a question of moving them around.

CHAIRMAN JALBERT: Mr. Murphy, do you have something?

MR. MURPHY: Only one thing in the way of listings. Mr. Chairman, I heard the word illegality used here, perhaps there's no need of it. There is a Mr. Hock here. In 1947, '51, '50, he was director of alcoholic beverages in the State of New Jersey, an open state. He represents the Attorney General's Office here. It was my understanding, it was my understanding, I think he can back me up, that once goods are paid for, not on consignment, the state is not in violation of the federal alcoholic tax regulation of the law to have a vendor when it has been paid for take it back in return, once it has been paid for. We keep records on it. Mr. Hock, sir.

MR. HOCK: Well, this is a highly technical region.

CHAIRMAN JALBERT: Would you, sir, would you give us your name and title?

MR. HOCK: Erwin B. Hock, H-o-c-k. I was a sales representative in Washington. I spent seventeen years in liquor administration in the State of New Jersey. The federal ATD regulation statutes prohibit consignment sales as you pointed out earlier. Now, it is a question of interpretation of what is a consignment sale. The practice has been over the years that where there is an agreement on consignment it would be in direct violation of the statutes and therefore could not be done. But, there have been instances over the years in both the controlled states and open states where merchandise has been purchased and paid for and for one of several reasons was permitted to be returned to the producer and haven't been interfered with. But, I think that's why Mr. Robie referred to returning Four Roses five years ago. Instances like that, settled that way apparently aren't interfered with. But he may not go into an agreement on consignment sales.

CHAIRMAN JALBERT: If there are no other comments, the committee has a session this afternoon and we would like to thank you Mr. Chairman, the Commission and your personnel, and all those who attended this hearing. I think very many

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questions that were answered. We thank you and I will now
declare this hearing closed.
