STATE OF INDIANA
ALCOHOL AND TOBACCO COMMISSION

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Cost-Benefit Analysis

RE: LSA

Statement of Need

I. This rule is intended to resolve differences in the industry practice and the current administrative rule governing group purchase agreements, 905 IAC 1-32.1.

II. The purpose of this rule is to:

   a. Allow small retailers and dealers to pool purchasing power resources to take advantage of large quantity discount offers through group purchasing;
   b. Allow commonly owned retailer and dealers to pool purchasing power across all commonly owned locations to take advantage of large quantity discount offers through group purchasing and store and distribute from a centralized location; and
   c. Establish procedures for the orderly purchase and distribution of group purchased products.

III. Regular industry practices evolved beyond the current version of 905 IAC 1-32.1. The current version of Rule 32.1 allows for delivery to and distribution from a designated agent's licensed premises. Licensed premises, as defined by IC 7.1-1-3-20, is a building or part of a building, and does not include the parking lot. Regular industry practices now include the delivery to and distribution from outside areas adjacent to the designated agent's licensed premises.

IV. This amendment to Rule 32.1 is intended to permit current industry practice. Enforcement of the current version of Rule 32.1 will cost small retailers and dealers that will either have to end group purchasing and forego quantity discounts or invest in expansions to current licensed premises to create space for the delivery and storage of group purchased products.

V. There is no fee for group purchase agreements.

Evaluation of Costs and Benefits

The amended rule will have little to no fiscal impact on the Alcohol and Tobacco Commission (Commission). As written, 905 IAC 1-32.1 restricts group purchase agreement delivery and distribution to a licensed premises and regular industry practices evolved beyond the licensed premises. The Commission may see a decrease in enforcement expenses with the amended rule. There will be no additional cost to the group purchase agreement participants beyond regular industry practices with this rule amendment. The benefit to group purchase agreement participants is that they will be able to continue regular industry practices that allow participants to pool purchasing power across multiple individually owned or commonly owned retailers and dealers to take advantage of large quantity discount offers on alcoholic beverage products while also establishing procedures for the orderly purchase and distribution of group purchased products.

Examination of Alternatives

This rulemaking endeavor is clearly within the agency's statutory discretion and responsibility. 905 IAC 1-32.1 must be readopted in 2019 or it will sunset at the end of the year. Alternatives to this rule amendment are to readopt rule and not amend or to allow the rule to sunset.

Readopting 905 IAC 1-32.1 without amending would force small retailer and dealer businesses in Indiana to either:

a. end group purchasing and forego quantity discounts creating additional expenses for the small businesses and increased pricing for the consumers; or
b. invest in expansions of current licensed premises to create a space for the delivery and storage of group purchased products at an expense to the small business.

Allowing 905 IAC 1-32.1 to sunset will eliminate group purchasing agreements for both individually owned and commonly owned retailers and dealers. All or almost all retailers and dealers would be forced to forego quantity discounts creating additional expenses for businesses and increased pricing for consumers. It would also eliminate storage at a single location for commonly owned retailers and dealers for distribution to other commonly owned locations as product is needed.