Presentation to the House Committee on Business and Labor

May 6, 2015

Chair Holvey, members of the committee. My name is Saleem Noorani and I am a liquor store owner with stores in Corvallis and Springfield. The bill before you today fixes the system which is unfair to the store owners. The current regulations provide no protection for our investment in the business.

To give a little background on the issue; A newly appointed liquor store owner is required by OLCC rules to pay a goodwill or buyout equal to 4% of the average annual gross sales to the retiring store owner whose outstanding liquor store is being purchased. This goodwill payment for an average annual sale of $ 2 million store amounts to $80,000. This payment is just the start. The fixtures, computer system, security system and other essentials required for the operation of the business could add another $25,000 to $30,000. The new store agent is also required to present a plan for updating and modernizing the store upon takeover. The remodel can be as high as $50,000 to $80,000.

The total investment for a new agent can range from a low of $130K to as high as $190K to start. This does not include non-liquor inventory to stock the store. Most of us do not have that kind of capital lying around. We have to invest all of our savings, take out a second mortgage on our homes, a bank loan and borrow from family and friends to start the business. We are still very excited to get into the business because we feel that we are building a secure future. Once the loans are paid off, which may take up to 10 years; we can slowly start saving for our children's college tuition and an eventual retirement.

It is quite normal to pay goodwill to acquire an existing business. The business has a value that you can sell down the road and recoup your original investment and hopefully more by building the business and increasing sales. Unfortunately for a liquor store in Oregon we are required to pay a good-will but have no guarantees whatsoever that the value of our investment is protected for the future.

Let me give you a couple of examples:

1. OAR 845-015-0190 section 12 states verbatim "No Contract Rights in Buy-Out. No agent shall have any entitlement to, or expectation of receiving, any buy-out. The institution and continuation or termination of the buy-out program constitutes unilateral regulatory action by the Commission, and gives no agent any contractual right or expectation in any buy-out payment. The Commission reserves the right to repeal or modify this rule, or otherwise terminate the buy-out program at any time."
2. If the commission or the legislature decides tomorrow to change the current model of retailing distilled spirits in Oregon and privatizes the system, most grocery stores would qualify for a license to sell distilled spirits. There are over 750 grocery stores with a footprint of 10,000 sq. that would qualify for a distilled retail license.

3. The Grocery industry tried to mount a liquor privatization measure unsuccessfully last year. We are well aware of their keen interest in bringing about such a change and the revenue involved. We believe that they will continue working towards privatizing liquor sales in Oregon.

If any of the above scenarios plays out, the number of liquor outlets would quadruple in Oregon. What would happen to our current liquor store sales and the value of our business investment? Who would be willing to buy our business and pay anything even close to what we were required to pay?

I ask you to put yourself in our shoes and see the dilemma we are in. Where is the fairness in this equation? The liquor store owners work hard and diligently; providing good customer service, monitor closely that no minors are allowed access to alcohol and generate a lot of revenue for the state. Are we being unreasonable in asking that our investments be protected? Even the executive Director of OLCC Steven Marks is aware of the potential dampening effect this has on agent's investment decisions and concerns about recouping their investments as well as the diminishing pool of new applicants for liquor stores.

This bill clearly defines the condition under which the state would protect our investment. It will not cost the state any additional sum to support this bill. If a privatization scenario comes about in the future, there will be no need for the assets the liquor commission owns for retailing distilled spirits. The monies from the sale of those assets would be more than enough to compensate the liquor store owners and have a tidy sum left over for the general fund.

We have a great working relationship with OLCC and fully support the current model of retailing distilled spirts in Oregon. It provides a safe and controlled environment for liquor sales while keeping it out of the hands of minors and generate a great deal of revenue for the state. Passing the bill would incentivize agents to re-invest in their stores which would lead to increased sales and ultimately more revenue for the state.

I urge you to see the merit of the bill. We are only asking what is fair and not to be penalized by losing not only our livelihood but all we have worked for.

Thank you for your time. Please do what is RIGHT!!! Champion this bill and help it pass.