

Decrease required gas station inventory from \$250,000 to \$50,000

Currently, Michigan law allows some gas stations in rural areas that have lower populations to also sell alcohol for consumption off of the premises (herein referred to as the rural exemption). This was and continues to be done because some less populated areas of the state have limited retail outlets to service them and this allows those retail outlets that are gas stations to provide additional service to customers.

In addition, in areas where a gas station can't qualify under the rural exemption, an exemption was created that allowed only those gas stations with a minimum inventory of \$250,000 – those resembling true convenience and grocery stores – to obtain a Specially Designated Merchant (SDM) license, which licenses the retailer to sell beer and wine and/or allows the retailer to receive a Specially Designated Distributor (SDD) license, which allows the retailer to sell spirits. The LCARC and the ORR have recommended that the current inventory level of \$250,000 be lowered to \$50,000 in order to allow more gas stations to receive SDM licenses. This will lead to negative consequences.

First, there are no caps on the number of SDM licenses that can be issued. Second, the recommendation does not define what can be considered “inventory.” Some have suggested that inventory includes gas, tobacco and lottery products, which virtually ensures that every gas station will qualify for an SDM. Under this definition, that's approximately 3,200 additional SDM licenses in Michigan. To put this in perspective, Michigan currently has approximately 16,000 licensed retail outlets. Approximately 1,820 of these are gas stations¹. Currently Michigan has over 5,000 gas stations. This proposed change could add around 3,200 more licensed retail outlets, a 20-percent increase in the total number of Michigan licensees.

In addition to the over-saturation that could undercut the success and profitability of existing convenience stores (including those that sell gas under the current inventory levels), the members of LCARC and the ORR failed to consider recently passed legislation that allows holders of SDM and SDD licenses to receive permits allowing them to provide consumers with samples of beer, wine and spirits – samples that will be consumed on the premises of the SDM and SDD licensee.² Gas stations with SDM and/or SDD licenses qualify to engage in this activity. Creating 3,200 more gas station licensees where alcohol can be given away to consumers for immediate consumption as they get back behind the wheel and drive away is simply irresponsible, bad for motorists, local communities and public health and safety.

This proposal, the oversaturation of licenses that it will create and the increased access to immediately consumable alcoholic beverages at gas stations will be harmful to the health and welfare of the community and will further devalue licenses that already exist.

¹ Michigan Liquor Control Commission

² Public Act 213 of 2010 and PA 175 of 2010