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To: New Jersey Assembly Oversight, Reform and Federal Relations Committee

From: Sal Risalvato, Executive Director, NJ Gasoline, Convenience Store, Automotive Association

Re: Invited Stakeholder Questions.

The New Jersey Gasoline, Convenience Store, Automotive Association (NJGCA), an over 80-year-old non-profit trade association representing independent business owners, including hundreds of the state's convenience stores.

1. How can New Jersey best address the issue of pocket licenses and grow our economic base, especially in depressed areas with a disproportionate number of pocket licenses? Should municipalities looking for economic redevelopment and enhancements have the opportunity to secure licenses from other towns that are holding pocket licenses? If so, how does your organization envision this working?

NJGCA is neutral on the question of pocket licenses because our proposal for changes allowing C-stores the ability to sell beer/wine would not be affected by this model. The vast majority of pocket licenses are consumption licenses rather than distribution licenses, and the existence of pocket distribution licenses plays little role in the issue of convenience stores being effectively unable to sell any alcoholic products.

2. Should New Jersey abolish or change the current formula for the granting of alcoholic beverage licenses based on population per municipality by reducing population amount required or changing it to one based on population per region, county or some other demographic? Should municipalities or regions determine themselves the number of licenses it should permit? Please address the issue of implementing these potential changes on an incremental or pilot basis.

NJGCA is also neutral on the connection between population caps and current licenses, again because our proposal for changes allowing C-stores the ability to sell beer/wine does not adhere to this model. We believe using municipal population caps is an arbitrary and outdated model that bears little resemblance to what life is like in one of the densest yet also the most subdivided states in the nation.

Take Bergen County, which has a population of nearly 1 million (more numerous than 6 states) and yet the largest single municipality has a population under 45,000 and almost all of the rest are under 30,000. Using population figures is also an issue given that the population of most municipalities has stalled, and New Jersey's rate of population growth has been one of the smallest in the nation, leaving the marketplace stagnated. This is why our reform leaves it to each municipal government to decide the proper number. Municipal governments already have the authority to determine if they are to be a "dry town" or not, it stands to reason they can also determine the correct number of establishments selling alcoholic beverages.

3. Does your organization recognize the benefit for consumers in allowing convenience stores to sell local and other wine and beer? Please highlight the benefits as well as any concrete negative impact. Please detail thoughts of this on a pilot basis or best ways to implement.

NJGCA is a strong proponent of giving New Jersey convenience stores the ability to sell beer and wine. Over the years and across the country, convenience stores have proven to be an entryway to the American dream for thousands of small business owners, including many immigrants. They require—and also reward—hard work. Allowing New Jersey's independent convenience stores to compete on the same terms as C-stores in almost every other state will help them stay afloat in a world of high costs and high pressure from big corporations.

The basic reforms we are requesting will bring freedom to the marketplace in New Jersey and allow millions of New Jerseyans to have greater choice in where, when, and how they spend their hard-earned money. Most of our members have stories of potential customers from out-of-state walking into their business and being shocked to learn that they do not sell beer in any form. All the Legislature needs to do is let small businesses compete in a free market and then let consumers determine what is best for them and their life.

This is not a marginal issue for our industry, this is a fundamental cornerstone of the business model that has been effectively eliminated by state government mandate. According to data from the National Association of Convenience Stores, 79% of the nation's C-stores offer beer for sale, and 65% offer some selection of wine as well. At those stores, on average, over 12% of their total sales are beer, making it the third largest category.

Imagine if a legislator in any of those states announced they wanted to adopt New Jersey's system of liquor licensing; and all those convenience owners were told that one eighth of their sales were going to be taken away from them, for no reason other than that the State wanted those sales flow to a different, more favored, type of business. No one would stand for it. Yet that is the status quo in the state of New Jersey. It does not serve any benefit of any kind to the public good, it actively hurts the consumer, and it only helps some businesses at the expense of hurting other ones. Over

the last decade, multiple states have taken action to open up the market for alcoholic beverages, and none have moved in the opposite direction.

All we are asking for is the ability to offer a small selection of beer and wine as a matter of convenience. Consumers looking to pick up a bottle of spirits along with their beer will continue to patronize full blown liquor stores. One of the defining traits of a convenience store is its small size. They need to make every inch count, even more so than other retailers do. Beer enthusiasts and wine connoisseurs will continue to make their purchases at a liquor store, where the selection will always be wider and fuller than what a C-store can offer.

We do not expect that once C-stores enter the market, they will be driving prices excessively downward because part of what they will be selling is the ‘convenience’ aspect, easily available for when a consumer is on the way to a destination. They may already be making another purchase at the location, like gas. Perhaps they are making a quick stop to grab something to bring to a BYOB restaurant.

As for some type of pilot program, this issue does not lend itself to only being implemented in certain geographical areas, as is arguably the case with new permits for restaurants targeting redevelopment areas and downtowns. However, one suggestion as a way to phase-in these new permits would be to limit the number which a single person or business could possess anywhere in the state. For example, once the law would go into effect it could be capped at 2 statewide. A year later it would increase to 5, a year later to 10, and then a year after that the cap would sunset—unless the Legislature were to take some action to freeze the cap in place at 10. That would allow us all to see the effects of these changes and gauge their impact.

4. What impact would occur to your organization if there were an expansion to the number of licenses supermarket chains are eligible to have from two to 10 if the increases were implemented over a five to ten year period?

NJGCA is neutral on the issue of what the cap should be for grocery chains, other than we would not support allowing a limit of 10 for grocery stores but only 2 for c-stores.

5. What are, from your organizational viewpoint, the benefits and negatives of permitting craft breweries to operate more in alignment with our neighboring states of New York and Pennsylvania; how is New Jersey fundamentally different that craft breweries are viewed differently here?

NJGCA is neutral on craft brewery regulations, although if C-stores were required to have a portion

of their stock be craft beers, any changes that make it easier for NJ breweries to ensure they are producing and distributing sufficient supply would be welcome.

6. Provided a blank slate to develop legislation regarding liquor licenses what would be your organization's top criteria for its success.

Fundamentally, what we want to see are changes to the law which will result in a specialized permit for convenience stores being able to offer a selection of beer and wine to their customers.

Rather than try to graft this change onto the antiquated licensing system we currently use, we believe instead the Legislature should design a fair and reasonable policy to fix the challenges faced by C-stores. We recommend following the outlines of a bill which has already passed this Committee, Asm. Burzichelli's A-3494, which dealt with restaurants.

Rather than a license which allows the sale of all alcoholic products, we instead propose a "restricted convenience store permit" for the sale of beer and wine. It would be a non-transferable permit, preventing it from becoming a financial asset in and of itself. There would be no artificial cap on the total number in the state, but individual municipalities would be able to restrict the number available within their borders. The holder of the license would have to pay a reasonable annual fee to the State and the municipality.

We would suggest as a definition for convenience store: "A retail establishment whose primary business is the sale of items including groceries and other foodstuffs for primarily off-premises consumption, household items, tobacco products, motor fuel, and lottery tickets; and which is between 800 and 4,500 square feet in size. A business is not a convenience store if it is a licensed pharmacy."

In order to promote New Jersey's growing craft beer and wineries, we would accept a mandate that a certain portion (10% for example) of the alcoholic products being offered for sale be products made in New Jersey. However, it is possible that a state law which favors products made in this state over products made in other states is a violation of the US Constitution's interstate commerce rules. The spirit of this provision may yet be able to be accomplished if instead the mandate were to say that a certain amount of shelf space be occupied by products certified by the State to have been produced at a facility which matches the definitions of a craft brewery or winery in New Jersey. While C-stores would technically be able to fill their quota with out of state craft beers, in practice virtually all of them would be using products from nearby providers.

Allowing New Jersey's independent convenience stores to compete on the same terms as C-stores in almost every other state will help them stay afloat in a world of high costs and high pressure

from big corporations. Finally, the permission for convenience stores to fulfill their mission of providing “Convenience” to the motoring public will be achieved. I am happy to discuss this issue in further detail at your convenience anytime, and am open to further changes in what we have proposed here in order to address any concerns. Thank you.

