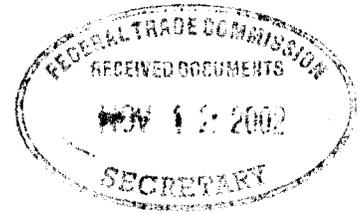


Don Lineback
Inventor of the "WineRackSystems"



Public workshop
Possible Anticompetitive Efforts to restrict Competition on the Internet
Federal Trade Commission

Personal comments and my conclusion:

I would first like to thank the FTC for allowing me the latitude for my personal expressions.

Members of the workshop:

I have read all the comments of those placed on the Web. Many were very thorough and well arranged. Some were very presumptuous. A few more things need to be on record.

Awhile back I thought I lived in the "United States"- the "Land of the Free" until I tried to start a winery in Florida. In many books this state is not even listed as a wine state, yet this state is the number one wine consumption state of all. I will soon show that Florida and other states are just as much a victim as are the wineries in this issue.

Who are to blame?

Consumers: A few have not set the proper example, failed to educate and police young ones.

Wineries: Waited too long to unite and stand up to the distributors.

States: Your job is to work for the people. In 69 years when has the 3 tier system ever been on a ballot for citizens to vote on. The lobbyists have walked all over you and made you their "hired gun."

Distributors: Greed and shameless gain at any price - what else can be said?

Federal Government: You have let this situation get out of hand.

Every one is so worried about what they will lose out on in this climax. Where are the positive comments about what will be gained? Note: Even Distributors can benefit. Their market is only 11% of the population. There is another 40% that would love to find a wine that taste good to them. That is why people keep going to wineries. Let the wineries educate and fascinate people. They are not an enemy but an ally for recruiting new customers.

Solution!

Wineries: When state requirements are reasonable - wineries are happy and willing to support laws.

State: Sever your slavery to the lobbyist and serve the people.

Distributors: Any effort to distribute every wine style made would be more profitable than the present methods. Those 11% bottles could become 40% bottles.

Federal Government: You can soon tend to more important problems-after you clean up this mess.

The amendment 21

This is not complicated: "The transportation or importation into any state, Territory or possession of the United States for delivery or use therein of intoxicating liquors, in violation of the laws thereof, is prohibited." If it is illegal for wineries, then it should be illegal for distributors. If there are exceptions made to distributors, then the same can be afforded to wineries. The distributors have made great brags as to what they can offer. But whenever there is a failure they always blame the state. Do they not? What have they ever done for that enormous 33 % that wineries could not do? The consumer pays that fee for what? And just how much of that 33% does the sates get? Are they really helping the states as they claim? Let's do the math!

In Florida alcohol is a 4 billion dollar per year consumer. Let's say just for conversation that the wine part is 1 billion dollars. The distributors took in 33% which comes to \$330,000,000. How much did the state get? At about 3% they get close to \$9,900,000 while the distributor walks with \$320,100,000. How much does ABT receive? They only get 2% of the excise tax to run that division which comes to a mere \$198,000. Consumers pay out all this money and still cannot order the wines they want! Did the state really benefit? You might say Florida did win. Why?

In order to answer that question let's follow the money. This is a quote from the Wall Street Journal, Oct 4, 1999:

"Southern unleashed a lobbying torrent in Tallahassee. Within two years, their forces had succeeded in pushing through legislation making direct shipment of wine and liquor a third-degree felony in Florida after the first offence. "

"Southern is accustomed to getting what it wants. Privately held and secretive, it has an eight-state operation that brings in about \$2.8 billion in annual revenue, making it bigger than such industry giants as the E&J Gallo winery and the Adolph Coors Brewery." If you are one of those eight states, where did your money go? Does it help your states when all that money leaves and goes to Florida? What did you get for your losses? Let's look at those losses.

Going through the distributor was supposed to keep minors alcohol free. If that was true, why are there groups like MADD forming to combat drunk driving? Why is Florida the number one state for teenage alcohol abuse? It certainly can not be the cause of it's 13 wineries! The last 69 years has been a failure in keeping the streets safe from abuse. In many countries there are no laws pertaining to minors. And they have no distributors! Let's take a closer look at the age.

If you were reading an article that told about a minor stealing a car, evading police, and then caused a serious accident, what age for that person came to your mind? When advocates use the term minor do you think of a 20 year old? If you have to check a persons age, is it easier to spot a 20 year old than a 17 year old? A 17 year old is much easier. Does any one know how old you have to be to have a credit card, drive a car, vote, die for a country in war, or at what age the United States of America's Federal government say you have to be to purchase alcohol as an adult?

When states pass unreasonable laws, how can they expect young ones to act responsibly? What was the age of those used in the sting operations in Michigan? Why was As. Gen. Irene H. Mead too embarrassed to even tell us what the legal age limit is in her state? If the age would have been 18 as it should *then* what would the results have been?

POINTS:

1. If the nation wide legal age is 18 and you have to be 18 to have a valid credit card to make a Web purchase. Doesn't that solve most of the problems of illegal sales to minors?
2. Most states don't charge sales tax on out of state sales so when it comes to wine, why worry about what is beyond your control? Help start more wineries in your state to make up the difference.

Supply and Demand

I thought freedom of choice was guaranteed by the constitution. If a distributor gains *total* control of a market or product which prevents choice by denying a person access to another, isn't that a civil rights violation even if they get state laws through? If a distributor takes such a roll would they not be required to supply even one bottle if such was in demand? If the FTC cannot regulate the states, you can certainly regulate the interstate control of the distributors if it violates basic human rights. After all - prohibition is over! There are countries that do tell consumers what they can and cannot choose from. Is that what we want? Supply and demand are not dictators of freedom of choice. If the distributors don't want the job of supplying - give it to the wineries.

Point: State regulating is the job of the Fed's - not distributors.

1. The least that could be done is to release the grip of the distributors on the states. Stop the money trail going out of those states when there is no return. Protect citizens from the "border bandits."
2. Simply make the 3-tier system illegal or leave it in place as *optional* for wineries or states to use.
3. Use the Postal system. It is controlled by Federal laws. Offer rates lower than any shipping company out there for wine only. These shipments would be legal in every state as long as credits cards are used, the age being 18, and a photo ID required for pick up. No collection for any out of state or in state taxes - all these would be cared for within the borders of each state by the state.

This is a 1 2 3 solution!

This country was built on small businesses and today "big business" is tearing them down. People who make wine take pride in their work just as in any trade. Give these wine crafters their just opportunity to help the economy.

I think the solution can be as simple as 1 2 3. If you do this for the good of everyone, then we can all go home and finally enjoy that one of a kind wine we've all been looking for.

Respectfully,
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2001 SUMMARY OF STATISTICS:

2001 Preliminary Statistics: Traffic death statistics for 2001 show virtually no change in the number of alcohol-related fatalities from the year 2000. For 2001, the total number of people killed in highway crashes was estimated to be 42,116, compared to 41,945 in 2000. The percentage of alcohol-related deaths in 2001 remained unchanged at 41 percent with 17,448 deaths. (New Fatality Analysis Reporting System, FARS, NHTSA 2002)

Many studies have found that beer is the preferred beverage of drinking drivers. (NHTSA, 2001)

Beer is the most common drink consumed by people stopped for alcohol-impaired driving or involved in alcohol-related crashes. (IIHS, November 2001)

Please take note of these numbers when looking at the legal age.

The highest intoxication rates in fatal crashes in 2000 were recorded for drivers 21-24 years old (27 percent) followed by ages 25-34 (24 percent) and 35-44 (22 percent). (NHTSA, 2000)

The highest prevalence of both binge and heavy drinking in 2000 was for young adults aged 18 to 25, with the peak rate occurring at age 21. (SAMHSA, 2000)

Alcohol-related fatalities are caused primarily by the consumption of beer (80 percent) followed by liquor/wine at 20 percent. (Runge, 2002)

Findings from a 1994 study suggest that alcohol advertising may predispose young people to drinking. As a result, efforts to prevent drinking and driving problems among young people should give attention to countering the potential effects of alcohol advertising. (Grube, et al, 1994)

An early age of drinking onset is associated with alcohol-related violence not only among persons under age 21 but among adults as well. (Hingson et al, October 2001)

Among those that were primarily legislative in nature, laws establishing administrative license revocation (ALR) have been found to reduce alcohol-related crashes by up to 40 percent. This adds support for prior research showing the effectiveness of driver license sanctions in general. (NHTSA, 2001)

Of the general driving age public, 98 percent see drinking and driving as a threat to their personal safety, and 86 percent feel it is very important to do something to reduce the problem. (Gallup Organization, 2000)

Underage drinkers consume about 10 percent of all the alcohol purchased in the United States, or 3.6 billion drinks annually. (OJJDP, November 2001)

A College Alcohol Survey of four colleges indicated that binge-drinking levels are associated with ease of access to alcohol, price, special promotions, and outlet density in college communities. (Weschler et al, 2002)(**not the web**)

Each year, college students spend approximately \$5.5 billion on alcohol- more than they spend on soft drinks, milk, juice, tea, coffee and books combined. (Drug Strategies, 1999)

Note: There is certainly a problem with abuse. We cannot blame the distributors solely for this problem. This problem is getting worse so that means that what is in place is not working. I only have 2 questions unanswered: How much of those Billions that were collected, were ever spent to remedy this growing abuse problem spanning 69 years? And what was all that money for?