

TESTIMONY OF JAY WIEDERHOLD
PRESIDENT OF THE PA BEER ALLIANCE
BEFORE THE
SENATE LAW & JUSTICE COMMITTEE

June 4, 2013, Harrisburg

Good morning Chairman McIlhinney, Chairman Ferlo and distinguished members of the Senate Law & Justice Committee. I thank you for allowing us the opportunity to share our thoughts with you today about House Bill 790, Senate Bill 100 and Senate Bill 800. I am Jay Wiederhold, President of the Pennsylvania Beer Alliance. The Pennsylvania Beer Alliance is the trade group representing the independent wholesale distributors of all beer in Pennsylvania. The members of our organization represent over 4,700 direct employment jobs across the Commonwealth, reflecting \$387,269,440 of pay and benefits in the Commonwealth. The jobs provided by our members are family-sustaining jobs, most of which are paid union scale. I have with me today two of our members, John McGinley from Wilson McGinley in Pittsburgh and Matt Funchion from Penn Distributors in Philadelphia.

We do not intend to address the Governor's original privatization initiative today as that proposal was effectively killed in the House on March 21st with the passage of House Bill 790. With that I would like to state for the record that the Pennsylvania Beer Alliance is in complete opposition to House Bill 790, as we call it, the anti-beer bill. Contrary to what you are being told, all House Bill 790 would have done was provide the citizens of the Commonwealth with

less choice in more locations. That legislation, if adopted, would have squeezed out the independent beer distributors in exchange for large multinational chain stores and put serious limits on the number of small craft brews available in addition to putting a serious strain on an already private beer industry in Pennsylvania.

The discussion about House Bill 790 has most often been referred to as a debate about “privatization” but it is really more than that. It is really a debate about liquor modernization in Pennsylvania. As I’ve already said, the beer industry in Pennsylvania has always been a private business, but, like other aspects of the Liquor Code, is in need of modernization. In that regard, we believe modernization in our segment should come in the form of package reform for sellers of beer.

Consistent with our principles of working within the existing license structure, we believe package reform should occur by giving additional privileges to the standard retail R & E licensees selling for off premise consumption, and to the distributors. PBA’s wholesale distributor members sell to both the home-trade distributors and the taverns, and PBA is reluctant to get between these two parties who have not been able to agree on a balanced package reform proposal. We do however, believe a fair and balanced proposal is obtainable that would be supported by most if not all the industry members.

While we believe beer package reform is a win for consumer convenience and everyone else, some of the other proposals for change in beer create great risk. Who is at risk with some of the pending proposals for change? Small brewers, beer distributors and consumers. In those states that permit the sale of beer in the aisles of grocery or convenience stores, the

average number of SKUs is 250, with many fewer in convenience stores. Contrast that with the selection at a typical Wegman's R license, which I would estimate is over 1000 SKUs. If grocery stores were to sell beer in the aisles, the small brewers would be the first to be cut and would have much less exposure for their new products. The distributors would be hurt because the business model the law permitted them to develop does not enable them to compete against large supermarkets and specialty retail stores selling beer. Throughout their history the law permitted them to own only one business, and sell a very narrow range of ancillary products. To now open the competition flood gates to permit the super charged new business models to compete against the distributors would certainly put many of them out of business with no opportunity to recoup their investments.

If the intent of the legislature and the administration is in fact to provide the consumers with the convenience and choice they have been asking for, then clearly Senate Bills 100 and 800 are the direction in which this debate should be headed. It is our opinion, that either, or a combination of both, of those pieces of legislation represents the proper starting point to offer the Pennsylvania alcohol consumer better choice, value and convenience while at the same time, maintaining the basis of a system that, while admittedly needing repair, does not need to be completely blown up after 80 years of existence. As recent polls have shown, we believe the picture painted by the public is clear. It is consumer convenience that is demanded and not privatization.

Again, I thank you for having us today and I will now turn it over to John McGinley.