



Pennsylvania Licensed Beverage Association

Licensed Taverns, Restaurants, Bars & Alcohol Retailers

Thank you Chairmen McIlhinney, Ferlo and members of the Senate Law & Justice Committee for permitting the Pennsylvania Licensed Beverage Association (PA Taverns Association) to testify today. Accompanying me is our President, Tom Boock, and I am Amy Christie, the Executive Director of the Association. Our statewide association represents retail licensed establishments in the Commonwealth. Our membership consists of corner taverns, restaurants, bottle shops just to name a few. Our retail licensees purchase 30-35% of all products sold by the PLCB on an annual basis.

Our Association's top priorities moving forward in any liquor privatization debate:

- Preserve the integrity and our small business's investment in our licenses. Therefore, we support utilizing the licenses available in the state and oppose the creation of any new licenses or license categories.
- We support equilateral package reform concept. Our association would like to fairly increase the ounces of malt/brewed beverages we can sell for off-premise consumption. At the same time, we expect that Distributors will be able to sell a lower amount of ounces, such as a manufactured 6-pack. But we would oppose Distributors selling below a manufactured 6-pack, i.e., Growler. Our Board supports an exchange of 6-packs for 30-packs.
- We support the creation of a Liquor-to-go permit (the ability to sell a set number of bottles of spirits to go) rather than a "cap-and-carry" liquor provision.
- We support adequate supply, competitive prices, choice and selection of product. A common complaint from our membership with the current system of liquor purchase and distribution is the unavailability of product and the lack of a reliable distribution system.

We will briefly address the most recent proposals:

GOVERNOR'S PROPOSAL

Earlier this year, the Administration released its PLCB privatization proposal. Our association met with the Administration several times to discuss the proposal and the ramifications on our members if it were to move forward.

There is no question that this proposal created thousands of new licenses that would only serve to de-value our members' licenses they purchased to be retail licensees. The creation of the new licenses contradicted our hallmark position to protect the integrity of our current retail licenses.

SENATE BILL 800 (MODERNIZATION)

As all of our members' know, Chairman Ferlo has been a constant friend and advocate of our businesses and has never failed to recognize our contribution to Pennsylvania's economy.

We have no issue with items in SB 800 when it comes to procurement, store hours and wine professionals or direct shipment, we do have a couple issues that we would like to continue to discuss with Senator Ferlo regarding his legislation.

The first is the flexible pricing component. At the end of the day, this will only raise our members' prices on most of our basic inventory, wine and spirits. This fact was illustrated in a House hearing last year when PLCB officials explained that they would be able to increase revenue by \$50-\$70 million dollars by simply having the ability to raise their prices on some products above the 30% mark-up. The description of this was that the PLCB would be able to raise the 30% mark-up on high-volume lower priced items while decreasing the mark-up on lower-volume more expensive products. As most of our members rely on the lower-priced, higher volume products for "well" or "rail" drinks and the fact that they collectively buy more of these products than the general public, the money raised from this venture would be raised from our members' bottom lines which are very thin. Although we appreciate Chairman Ferlo's re-instatement of the 16% discount in his bill, it will not offset the extra expenditure to our members.

The second issue we have with SB 800 is package reform included that allows Distributors to sell down to 42 ounces of malt or brewed beverages for off-premise consumption. Our Association has been facing the package reform issue for over 10 years. All that we continue to ask is that if there is package reform that affects one tier of licenses, is to equally alter the other tiers as well. We will continue to address this issue shortly in this testimony.

HOUSE BILL 790

Our association was pleased to see some items of importance addressed in this bill.

Our Association favors the following items that are included in House Bill 790:

- Allows “E” licenses to convert to “R” license for \$30,000.00. This is crucial due to package reform.
- Creates a wine-to-go permit.
- Makes it legal for our members to pay for malt/brewed beverage purchases with a credit card.

However we cannot support the Package Reform measure in House Bill 790 as it does not allow for an equal distribution among the tiers creating an unbalanced and uncertain future for many of our members. In protecting the integrity of our licenses we all have to acknowledge that 6-pack sales are a crucial part to the majority of retail licensees and for many include 30-80% of their total business sales. Our members purchased their licenses knowing what each tier in our industry was able to do. Our members chose to make the investment in an R, H, or E license to utilize the on-premise capability and the off-premise capability of their licenses for current or re-sale value. A perfect example of this is my President’s establishment, The Cottage in Chambersburg. It is a local favorite and incorporates a lovely dining room, every neighbor’s favorite tavern, and a small but always busy six-pack shop with its’ own entrance. Again, pointing to our Association’s priorities, we cannot support anything less than a fair swap on package reform.

SENATE BILL 100

Chairman McIlhinney’s bill is the shortest and simplest proposal so far that addresses many issues that have spurred this debate. It allows our R and H licensees to expand their businesses by allowing them to invest in a wine and spirits license to sell for off-premise consumption. This license is priced at a one-time fee of \$10,000.00. To permit us to be competitive and convenient for consumers, the bill allows us to purchase product from the PLCB stores at 10% above cost. It would also allow Distributors to purchase a retail dispenser license (E license) to adjoin to their existing establishments that would allow them to sell down to a single bottle of malt or brewed beverage to go. This license is priced at one-time fee of \$10,000.00.

While we favor this proposal above the others as it satisfies us with no new licenses and ability to purchase product at a good price, we would ask that the Package Reform be addressed further to be an equal trade among the tiers. Namely, if you already have an E license, you are making 80% of your sales on malt or brewed beverages sold from a single bottle to a 12-pack. If a Distributor can now add that to their license value for \$10,000.00, it would de-value all of the E licenses in the Commonwealth.

In closing we would like to address the un-spoken issue, grocery stores and convenience stores. The fact of the matter is that these chains stores that want to be in the beer-sales business in Pennsylvania have been doing just that. Our Association has long held the position that if they want to buy our licenses and play by the same rules as we do, we have no opposition. In fact over the last couple years, grocery stores with licenses to sell beer have flourished and convenient store chains like Sheetz now own multiple licenses. There are 802 licenses in safekeeping that could be purchased right now thereby satisfying the need for additional licenses.

Thank you for permitting us to testify on this most important issue. We are happy to answer any questions you may have.