

Testimony of Matt English
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Chairman McIlhinney, Chairman Ferlo and members of the Senate Law & Justice Committee, thank you for the opportunity to provide testimony today regarding the privatization of wine and spirits sales in Pennsylvania. My name is Matt English. I am Chairman of the Board for the Pennsylvania Restaurant & Lodging Association (PRLA) and vice-president of operations for Milestone Hospitality Management, which operates three hotels and restaurants in central Pennsylvania.

PRLA represents 7,500 businesses in the Commonwealth. I speak to you today on behalf of our member restaurants and hotels that make up the hospitality industry.

Despite accounting for almost 30 percent of all the PLCB's product sales, licensees are not treated as the wholesale partners they truly are. When a licensee purchases a product in the state's current system, the product goes through five different taxes and mark-ups, piled one on top of another, that can increase its base price by as much as 65 percent. These dramatically higher costs for basic raw materials rob our businesses of dollars that could be spent on employee incentives and increases as well as capital improvements. In addition, the PLCB charges its 30 percent mark-up on special liquor orders that it does not even handle—a mark-up that PRLA does not believe is appropriate or necessary. Finally, there is no delivery of product in the current system—every licensee from a small restaurant to a large hotel must go to a PLCB store to pick-up, load and transport their own product.

PRLA supports full privatization of the retail and wholesale functions of the PLCB. Licensees should be able to shop for products at the best prices. The current system does not work; it is a monopoly that does not recognize licensees as wholesale partners.

The priorities of the association remain clear—any system must provide lower prices and ensure that the value of current licenses is preserved. If, in the end, the wholesale system is not privatized, PRLA believes that the current licensee discount of 10 percent should be increased to 18 percent and the current 30 percent SLO mark-up should be reduced or eliminated completely.

As your committee analyzes the possibilities for the future of the retail system of wine and spirits, our members ask to be included in the discussion. Many of our members would take advantage of the opportunity to sell wine, spirits and larger quantities of malt and brewed beverages to consumers-to-go. It makes sense to provide greater convenience and product differentiation to our valued guests by expanding what current licensees are already doing safely and responsibly. Each licensee fulfills a niche and should be provided the opportunity to grow their business.

PRLA did support the passage of HB 790 because it was a positive first step and achieves many of our goals including increasing the wholesale discount, allowing bottles of wine-to-go and preserving important de novo rights for licensees. However, we had several concerns with it, such as the monopoly-by-brand set-up of the wholesale system and the unreasonably large increases in fees and

finer. We would hope that any Senate proposal would be cognizant of the needs and concerns listed previously.

Now is the time and opportunity for comprehensive change to be made to the sale of wine and spirits in the Commonwealth. PRLA's position remains clear—we need the cost of our product to be lowered and the value of our licenses to be preserved. Our members are frustrated with the current system, we need change more than we need the status quo and we look forward to working with you—the members of the Senate—in developing a plan that not only allows for increased consumer convenience but also helps and protects current licensees.

Thank you for allowing me to speak with you today, and I will be happy to answer any questions.