



## **Malt Beverage Distributors** Association of Pennsylvania

Dear Chairman Stefano and members of the Senate Law and Justice Committee:

In 2016 the General Assembly made some serious changes to the alcohol beverage marketplace. In two legislative steps you expanded markets for distributors and family-based restaurants while providing great assistance to corporate-owned food merchants. The marketplace was forever altered in these changes and we ask that future changes be carefully considered with an inclusive process.

Beer distributors in 2016 received the ability to allow their customers to choose the package size and quantity of the malt or brewed beverages that they want –from a single to a keg.

Family restaurants and taverns, which could sell a single bottle of wine with the cork removed, were allowed to sell up to 6. The big winners, of course, were the food merchants, since they were now allowed to combine beer and wine at a single location for takeout sales. Most today, attempt to provide little, if any, serious food service and takes steps to discourage consumption of the premises.

As you move forward, we ask you to undertake further changes only with a significant negotiation involving all parties.

S.B. 548, has the effect of segregating distributors – whether by store size, proximity to existing state stores or other criteria. It is written to “invite in” the R-based holders of expanded wine permits and essentially imposes a death sentence on those distributors who, should they not make the discretionary board cut, are not able to participate. It picks winners and losers. Distributors who cannot compete on the same level playing field with other D licensees will face a devastating disadvantage. We oppose this bill.

The marketplace is king. It decides what inventory we carry, when we are open to the public, the look of our stores and even the prominence of any single product. Any legislation that attempts to ignore the realities of the market or the economics of operating a retail business will not be successful in carrying out its intended goals. These factors can only be incorporated with a negotiated process.

Sb 896, which would allow Zombie licenses to be transferred out of county, totally disrupts the market for all private enterprise-based liquor licenses. It picks winners and losers.

As to HB 1617, one must first remember that businesses with an “old” hotel license were offered the chance to convert their license in the past but declined to do so, or bought the license knowing that the conversion had not been made. We have no objection to it being offered once again, so long as the new license is not immediately sold and transferred to a grocery store where it would start to sell primarily for off premises consumption. We think a conversion with a five-year moratorium on future takeout sales at the new location would be a step in the right direction.

We would also suggest that conversions – which is what HB 1617 proposes – ought to be offered to those distributors, clobbered by food merchants selling beer and wine in their neighborhood, who are now seeking a market for their license. We have distributors surrounded by as many as ten grocery and convenience stores selling wine and beer – with none of them charging sales tax at the point of sale on the beer. Some of these impacted distributors may be able to sell a converted license. This way, the distributor, who does not sell and chooses to stay in the business, knows that the transfer of a converted license will at least have the effect of eliminating a D competitor.

The single register issue arose due to the fact that alcoholic beverages, like tobacco products and pharmaceutical items, are rightfully controlled. By putting the single register out of sight of the beer or wine, and you are asking for trouble. In the State of Washington such action turned out to be a disaster, requiring food merchants, suffering major losses due to shoplifting, to lock up alcoholic beverages. There is no compelling reason to make these changes that are not overruled by the needs of public safety. We ask you to be mindful of the fact that everything that those of us, who are not food merchants, have received, was a result of giving up some other advantage in the marketplace. Food merchants have given nothing, received the right to sell as a restaurant from the Supreme Court, and are here again today asking for something. It is something that makes the marketplace less safe and secure.

Finally, if you are going to make some changes, please do in a single bill, seriously negotiated by all the interested parties.