



DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

**Testimony of David Wojnar, Vice President of State Government Relations
Distilled Spirits Council of the U.S.**

**SB 548 - Franchise Stores, SB 880 - Expansion of Spirits Outlets, and SB 916 - Spirits Expanded
Permits
Senate Law and Justice Committee
October 29, 2019**

I would like to thank the committee for this opportunity to speak before you today. My name is David Wojnar, Vice President of State Government Relations for the Distilled Spirits Council of the United States, and I am here in support of SB 548, SB 880 and SB 916, legislation to expand the number of distilled spirits outlets in Pennsylvania.

Over the past ten years, Pennsylvania has done much to expand the sale of beer and wine. The House Liquor Control Committee and the Senate Law and Justice Committee are now considering a number of bills to expand spirit sales in Pennsylvania. The goal is to give spirits consumers improved access and convenience, similar to what is already in place for wine and beer, and bring Pennsylvania closer to the national average for retail availability for spirits.

Providing consumers with greater convenience and one-stop shopping for all beverage alcohol will increase sales and generate increased revenue for the Commonwealth. New sales can help improve the PLCB's long term financial health, while providing new tax revenue for the Commonwealth.

This legislation is a way to improve consumer convenience and financial sustainability for the Pennsylvania Liquor Control Board (PLCB).

Key Considerations on Expanding Spirits Sales in Pennsylvania

Consumer Convenience

Pennsylvania is significantly "under retailed" for spirits, especially when you compare Pennsylvania with neighboring states and even when you compare Pennsylvania with other "control states." If Pennsylvania had the same number of spirit stores as the average Mid-Atlantic state per population, Pennsylvania would have closer to 3,000 stores, not the roughly 600 it has now. The average control state has 2.59 retail outlets per 10,000 people. In comparison, Pennsylvania has only 0.65 retail outlets per 10,000 people.

The legislative proposals under consideration would create new retail outlets for the sale of spirits by allowing spirits sales at home distributors, expanded restaurant licensees that presently sell wine and beer, or experienced retailers selected by the PLCB to sell spirits and wine through a franchise store system.

No state stores will close under any of these proposals.

Strong Positive Fiscal Impact

Expanding the sale of spirits through new stores, whether they are home distributors, expanded restaurant licenses or franchise stores, will provide the Commonwealth significant new revenue because more retail stores will lead to more spirits sales. Pennsylvania will receive 24% of each new sale, plus the PLCB markup, without the increased costs of opening new state stores. (See DISCUS report on Fiscal Impact of Franchise Stores).

The PLCB testified on September 10 before the Senate Law and Justice Committee that wine sales and revenue are up after Act 39, but spirits sales are not strong. This is because consumers are choosing convenience by purchasing wine and beer at a one location and forgoing a separate trip to the state store.

Improved Wholesale System

Any expansion of spirits retail outlets must be done in the framework of keeping the PLCB in control of the wholesale system. The wholesale system needs to be improved so it can provide full delivery to all off-premise retail outlets.

Pricing Transparency

The PLCB is a public agency and a monopoly that needs to be transparent like other government bodies. Transparency means that the PLCB should be legally required to publish its pricing system for all products.

State Stores Remain Viable Even with Expanded Spirits Retail

PLCB Executive Director Charlie Mooney stated in his September testimony that “when we initially started up all the grocery stores and all the convenience stores our sales transactions took a dip, that has all recovered, we are less than 1 percent sales transactions lost to the over a thousand different locations now selling wine to go.”

This is true because even with the expanded wine outlets, Pennsylvania is still under retailed compared to neighboring states and even the control state average. Expanded wine sales under Act 39 have not cannibalized PLCB store sales. Adding spirits to the expanded wine retail stores and/or home distributors will not cannibalize state stores sales either.