



House Liquor Control Committee Hearing  
Franchise Legislation  
Thursday, August 29, 2013

Dear Chairman Taylor, Chairman Costa, members of the committee, and committee staff:

Anheuser-Busch appreciates the opportunity to provide comments on the important issue of distribution agreement requirements.

This issue has great bearing on the continued success and viability of Pennsylvania's three tier system for the delivery and sale of fresh malt brewed products to Pennsylvania consumers. Anheuser-Busch, as an out of state manufacturer, has had distribution agreements with its Pennsylvania importing distributors for almost 40 years. The current legal and contractual requirements incorporated into our Equity Agreement with our importing distributors have evolved over those decades, and have been upheld by the courts.

Anheuser-Busch's agreements with importing distributors are mutually agreed to and designed to allow our importing distributors to grow their business, grow our brands, and provide the best possible business structure to assure mutual success.

We recognize the need to modify some of the existing laws to harmonize Pennsylvania law with the United States Supreme Court decision in Granholm, removing the distinctions between in-state and out-of-state manufacturers, and do not oppose that effort.

Anheuser-Busch and other stakeholders were provided draft language for review in advance of the hearing. Focusing on the amendments incorporated into the draft language, we have some specific concerns and observations we would like to bring to your attention.

We support requiring all manufacturers to grant distribution rights; it's just good business. Quite frankly we cannot imagine a situation in which a manufacturer and an importing distributor would enter into a business relationship without an agreement that spells out what is expected of each party. The laws that govern distribution agreements should apply equally to all manufacturers.

A particular concern is the proposal to require contracts to be renegotiated every five years. We recognize the long-term nature of growing a brand and implementation of successful business plans. Anheuser-Busch wants importing distributors - our business partners - to know that they can reinvest in their business and their communities with confidence. Requiring contracts to be renegotiated every five years, or at any specified point in time, will create uncertainty for both importing distributors and manufactures, and disrupt our business. In addition, since our agreements with importing distributors are perpetual, it will unconstitutionally interfere with our existing contractual relationships.

Anheuser-Busch also objects to limiting the definition of "good cause" to a felony conviction that is "related to the business". Manufacturers need the ability to preserve the integrity of their brands. If an importing distributor owner is convicted of a felony, regardless of if it is related to the business, the

business reputation of the importing distributor, as well as the brands it sells, is clearly impacted. At a minimum the definition should include any felony conviction.

Another concern with the draft legislation pertains to the issue of ownership transfers. Manufacturers must have the ability to approve ownership changes to insure that the importing distributorship has the leadership, business experience, and skill set necessary to succeed and remain a viable business enterprise.

Anheuser-Busch has significant concerns with a number other aspects of the draft bill that are inconsistent with our wholesaler equity agreement, and would drastically change some well-accepted legal standards. However, rather than detail every concern, we expect that there will be opportunity to further discuss the bill with the appropriate stakeholders.

Changing the long-standing laws that govern distribution arrangements requires careful and thoughtful consideration. All stakeholders should be involved in these discussions as the changes will have material impact on all three tiers of Pennsylvania's malt beverage industry. We believe the fair and balanced requirements imposed upon out of state manufacturers should be embraced by all manufacturers.

Thank you for your attention to these concerns and comments. Anheuser-Busch looks forward to working with you should this issue receive further consideration.

Chris Ternet  
Anheuser-Busch Companies  
Region Director, State Affairs