

Testimony of Kevin Joyce  
The Carlton Restaurant, Pittsburgh Pennsylvania  
On behalf of the Pennsylvania Restaurant &  
Lodging Association

Chairman Harris, Chairman Costa and members of the House Liquor Control Committee, I would like to thank you for affording the Pennsylvania Restaurant & Lodging Association the opportunity to address Act 39. First of all, let me thank Senator McIlhinney and the members of the Senate Law & Justice Committee as well as all of you - the members of the House Liquor Control Committee for finally passing a bill that allows wine – one of the healthiest beverages ever known to man (according to Louis Pasteur) – to be more readily available in the Commonwealth.

My name is Kevin Joyce and I am here today as the Government Affairs Chair of the Pennsylvania Restaurant & Lodging Association. I am the owner of The Carlton Restaurant, a fine dining restaurant in the heart of the business and hotel district of downtown Pittsburgh. We have been pleasing discriminating guests for over 32 years. We have always had a serious commitment to wine. I have 804 wines on my list from every region of the world. We have received the Wine Spectator Award of Excellence for over 20 years and the last two years have been awarded the coveted "Best of" Award of Excellence from that publication. The Carlton is well known for our many wine dinners and strolling "mini" wine festivals.

Because of the new expanded license that allows me to sell wine to go – our guests can now leave our wine events with the products that they tasted and enjoyed! What a novel concept – allowing guests to purchase our products for home consumption! Recently, we had our first strolling wine tasting since receiving the license, we sold over 90 bottles of wine that added an additional \$3300 to our daily sales! Our guests really loved the opportunity to taste a wine before they purchased it!

As you consider improvements to Act 39 and the future bills to bring Pennsylvania into the 21<sup>st</sup> Century these are some things we would like you to consider:

1. Eliminate the 4 bottle requirement. If a customer wants to buy 6, 8 or a case of a wine that they like – that is only available where SLO's are sold – why should they be limited?
2. Straighten out the tax mess! It is ludicrous for us to pay a sales tax on the product and then have to charge an additional tax on the retail customer. It should be one or the other. We believe that the smartest solution to this problem is a tax shift and charging the sales tax on wine at the final point of sale. This would be a revenue enhancement for the Commonwealth and it would eliminate the reimbursement mess that has been created.
3. Put a cap on the variable pricing that was instituted in Act 39. We think 32% would be more than enough to produce a considerable amount of revenue without giving the LCB the unfettered power to print money at the consumer's expense.
4. Eliminate the policy that does not permit "on premise" pricing to be different than "off premise." Because the liquor code only allows a different price for a product during happy hour, we are unable to offer a discount on wine that a customer may want to bring home. We are not asking to sell the product for less than the cost we pay for it, but to allow a different price for wine consumed on premise and wine intended to be consumed at home.

5. Restore the discount that was taken away on SLO products. We need to enjoy a true wholesale relationship with the Commonwealth. Right now we are treated as retail customers. Paying an upwards of a 31% markup, and 18% Johnstown Flood Tax and LTMF fee that could be as high as 15%, round up components and then a 6,7 or 8% sales tax makes wine in Pennsylvania the highest taxed beverage in America! We pay too much for this basic raw material needed to operate our businesses.
6. Finally, with the completion of the first auction of R licenses—we would like to leave you with a few things to consider for the future:
  - a. The licenses went for a higher amount than anticipated, which is good news in terms of revenue, but not good news for a true restaurateur who wants to enter the market. In many counties, these potential licensees are unable to financially participate in the auction.
  - b. Because licenses are kept in the counties they originated, the counties that truly need more licenses will run out, and other counties will run the risk of being saturated with licenses. For example, Allegheny County has well over 100 licenses that *could* auctioned off—we do not need 100 licenses in Allegheny County and there is a risk of flooding the market and devaluing existing licenses if those licenses are auctioned.
  - c. Eventually, we believe the legislature will need to consider the creation of a new license. Over 90 % of the licenses auctioned off last month went to grocery or convenience stores. These entities are not restaurants, nor do they want to be. For the true independent restaurateurs to be able to enter the market and thrive—there will likely need to be separation between grocery stores that want to offer convenience and restaurants that want to offer a dining experience.

Again, I thank you for the opportunity to address this distinguished committee. I am happy to answer any questions that you may have.