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COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
LIQUOR CONTROL COMMITTEE

ADDISON FIRE HALL
7214 NATIONAL PIKE
ADDISON, PENNSYLVANIA 15411

PUBLIC HEARING
HOUSE BILL 1644

TUESDAY, AUGUST 27, 2019
10:00: A.M.

BEFORE:

- HONORABLE JEFF PYLE, MAJORITY CHAIRMAN
- HONORABLE MATTHEW DOWLING
- HONORABLE BARRY JOZWIAK
- HONORABLE ANDREW LEWIS
- HONORABLE TIM O'NEAL
- HONORABLE JEFF WHEELAND
- HONORABLE DANIEL J. DEASY, MINORITY CHAIRMAN
- HONORABLE DAVID M. DELLOSO
- HONORABLE MARYLOUISE ISAACSON
- HONORABLE ANITA KULIK
- HONORABLE STEVEN RICHARD MALAGARI

BRENDA J. PARDUN, RPR
REPORTER - NOTARY PUBLIC

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P R O C E E D I N G S

1
2 MAJORITY CHAIRMAN PYLE: The hour of
3 a little past 10 o'clock having arrived, I'd
4 call this meeting to order. By way of
5 introduction, my name is Jeffrey Pyle. I
6 serve as the majority chairman of the House
7 Liquor Control Committee.

8 We've got an important bill to talk
9 about today offered up by the representative
10 where we sit, Mr. Dowling, but, first, I'd
11 like all the members present, please introduce
12 yourself and where you're from.

13 Take it away, Dave.

14 REPRESENTATIVE DELLOSO:

15 Representative Dave Delloso, from Delaware
16 County, Pennsylvania.

17 REPRESENTATIVE ISAACSON:

18 Representative Mary Isaacson, Philadelphia
19 County.

20 REPRESENTATIVE MALAGARI:

21 Representative Steve Malagari, Montgomery
22 County, 53rd District.

23 REPRESENTATIVE KULIK: Representative
24 Anita Kulik, Allegheny County.

25 REPRESENTATIVE WHEELAND:

1 Representative Jeff Wheeland, Lycoming County,
2 home of Little League Baseball.

3 MINORITY CHAIRMAN DEASY: Good
4 morning. Dan Deasy, from Allegheny County.

5 REPRESENTATIVE DOWLING:
6 Representative Matt Dowling. And it's a
7 pleasure to have you all here in my district,
8 the 51st Legislative District, Fayette and
9 Somerset.

10 REPRESENTATIVE LEWIS: Andrew Lewis,
11 Dauphin County. Great to be in this community
12 here in the 51st.

13 REPRESENTATIVE JOZWIAK: Barry
14 Jozwiak, Berks County.

15 REPRESENTATIVE O'NEAL: Tim O'Neal,
16 Washington County.

17 MAJORITY CHAIRMAN PYLE: One of the
18 best parts being the chairman of this
19 committee is I get to say the thank-yous.
20 We've been here for two days, touring Fayette
21 and Somerset. Yesterday we got to go look at
22 a micro-winery for the very first time. So,
23 thanks to our friends at Christian Klay, who
24 were very, very accommodating.

25 We got to tour Ridge Run, a

1 microdistillery, which is also a product of
2 Act 39.

3 Earlier in the day, we toured through
4 the first Walmart in Pennsylvania that is
5 preparing to deploy beer sales.

6 If you are unaware, Walmart is now on
7 the field. They have purchased two liquor
8 licenses, one of them in York County and one
9 right here in Fayette. Yesterday we toured
10 their facility to take a look at what exactly
11 they intended. That was requested by members
12 of the committee who really couldn't visualize
13 what they were doing.

14 Before we get rolling, I'm going to
15 turn it over to Representative Dowling and let
16 him give a description of his bill, House Bill
17 1644.

18 I'd like to point out, before we
19 start, no votes will be made at this meeting.
20 This is an informational hearing for the
21 members to gather more information.

22 After Matt presents, we're going to
23 go straight to our first testifiers with the
24 LCB and let the members ask questions of
25 them and then ask questions of us.

1 At the end of the meeting, I'm going
2 to open up Representative Dowling to answer
3 questions from whoever.

4 Take it away, Rep. Dowling.

5 REPRESENTATIVE DOWLING: Thank you,
6 Mr. Chairman. And thank you for allowing us
7 to begin this discussion on what I think is an
8 important piece of convenience legislation for
9 the people of the Commonwealth of
10 Pennsylvania.

11 So, the gist of House Bill 1644 is
12 that it will create a convenience permit that
13 holders of the R license will be able to
14 purchase for a one-time fee of 25,000 dollars
15 and then 25,000 dollars again payable at the
16 time of the renewal of the application or
17 validation application is filed.

18 In paying for this convenience
19 permit, they would be exempt or would be able
20 to remove the 30-seat requirement for a
21 restaurant license, the ability to purchase
22 beer and wine at additional registers, the
23 ability to sell wine and beer for off-premises
24 consumption only, individual sales of beer
25 containing more than 192 ounces, individual

1 sale of wine containing more than 3,000
2 milliliters, and permission to place wine and
3 beer products anywhere within the store.

4 Additionally, it would provide them
5 permission to hold educational or cooking
6 classes featuring alcoholic products for sale.

7 Those who know me know that I'm
8 passionate about the bill we're discussing
9 today because I really believe that it takes
10 steps to modernize what many would call an
11 archaic Pennsylvania system of liquor laws,
12 bringing us in line with most other states and
13 into the 21st century.

14 Now, I've never been one to do things
15 a certain way just because it's always been
16 done that way. I do, however, realize that
17 there are economic impacts that come with
18 changes of this size in a Commonwealth this
19 old.

20 When I try to legislate, I try to
21 take special interests and set them aside and
22 think about the impact to the constituents of
23 Pennsylvania, the 11 and a half million
24 residents of the Commonwealth. And this
25 proposed legislation we're discussing here

1 today I believe creates a permit which creates
2 additional convenience. It makes retail
3 purchases easier for your average taxpayer by
4 giving them wider selection of retailers to
5 possibly choose from.

6 That gives my description of the
7 bill, Mr. Chairman. And I would turn it back
8 over to you.

9 Thank you.

10 MAJORITY CHAIRMAN PYLE: Thank you,
11 Representative Dowling.

12 The first people that asked to offer
13 input are our friends at the Pennsylvania
14 Liquor Control Board, Tisha Albert and Rod
15 Diaz.

16 Am I saying that right? It is Diaz
17 or Diaz?

18 MR. DIAZ: Diaz.

19 MAJORITY CHAIRMAN PYLE: You want me
20 to do that again?

21 MR. DIAZ: Sure.

22 MAJORITY CHAIRMAN PYLE: Rod Diaz.

23 MR. DIAZ: All right.

24 MAJORITY CHAIRMAN PYLE: Good to see
25 you guys. Take it away.

1 MR. DIAZ: As long as you don't call
2 me Mike Pagoda.

3 MAJORITY CHAIRMAN PYLE: No. Did
4 I -- I did that in Philly, didn't I?

5 MR. DIAZ: No, not Philly.

6 MAJORITY CHAIRMAN PYLE: Oops.

7 MR. DIAZ: That's okay.

8 Good morning.

9 MAJORITY CHAIRMAN PYLE: Good
10 morning.

11 MR. DIAZ: My name is Rod Diaz. I'm
12 the chief counsel for the Pennsylvania Liquor
13 Control Board. With me is Tisha Albert, who
14 couldn't make it to Philadelphia, but she is
15 the director of the board's Office of
16 Regulatory Affairs.

17 We are here to provide the committee
18 with some background information on how the
19 Liquor Code and the board have historically
20 dealt with requests from licensees to have
21 interior connections between the licensed
22 business and another unlicensed business.

23 We will also raise some points you
24 may want to consider when considering House
25 Bill 1644.

1 When prohibition ended in 1933, the
2 legislature created licenses in order to
3 regulate the sale of alcohol in Pennsylvania.
4 It decided that only certain types of
5 businesses would be allowed to sell alcohol
6 for on-premises consumption. The main type of
7 business that would be eligible were
8 restaurants.

9 The legislature created a definition
10 for restaurants. The Liquor Control Act
11 defined a restaurant as a business with at
12 least 400 square feet that could sell and
13 serve food for 30 people at any one time.

14 Beyond saying what a restaurant must
15 be, the legislature at the time did not really
16 address the issue of what a restaurant could
17 not be. Could a restaurant, for example, sell
18 food and groceries? Could a restaurant sell
19 food and cars? Could a restaurant sell food
20 and offer haircuts? The one exception was
21 that the legislature did say that a restaurant
22 could not principally sell gasoline and still
23 be licensed as a restaurant.

24 Ultimately, the board adopted a
25 policy, through regulation, which can be

1 summarized into three statements.

2 A restaurant cannot allow a third
3 party to operate on its premises unless the
4 legislature has specifically allowed it.
5 Casinos, for example.

6 A restaurant cannot have an interior
7 connection to another business unless the
8 board specifically approved it.

9 And a restaurant cannot conduct
10 another business on the licensed premises
11 unless the board has specifically approved it.

12 While it has received increased
13 interest in the last ten years or so, the
14 board's policy of allowing interior
15 connections to other businesses stretches for
16 decades. The existing regulation was adopted
17 in 1970. That regulation was actually an
18 reenactment of an earlier regulation which
19 became effective in 1952. And prior to that,
20 we have a regulation that started in 1937,
21 which specifically authorized the board to
22 approve interior connections between an eating
23 place, retail dispensary, which is a beer-only
24 license, and another business.

25 MS. ALBERT: At no time did any of

1 the regulations mention supermarkets, grocery
2 stores, department stores or delis.
3 Nonetheless, retail licensees have operated
4 with board-approved interior connections to
5 the grocery stores, supermarkets, delis,
6 bakeries, and convenience stores for over half
7 of a century.

8 For example, in 1959, the board
9 issued an eating place retail license,
10 beer-only, to a location selling grocery store
11 items and gasoline. In 1987, the board issued
12 a retail license to a location with an
13 interior connection to a bakery and a
14 gift/antique shop. And in 1995, the board
15 approved a transfer of an eating place retail
16 dispenser license to what was described in the
17 Commonwealth's Court opinion as a deli/
18 grocery store, at -- in Longshore -- on
19 Longshore Avenue.

20 The board has also approved interior
21 connections between restaurants and other
22 businesses such as Boscov's and Wanamaker's.

23 Nonetheless, the issue of whether the
24 board ought to be approving these interior
25 connections was challenged by the Malt

1 Beverage Distributors Association, also MBDA,
2 as more and more grocery stores and
3 convenience stores have applied for liquor
4 licenses.

5 The Pennsylvania Supreme Court
6 affirmed the board's -- that the board could
7 approve the restaurant liquor applications
8 from businesses such as grocery stores, even
9 if there was a connection between a restaurant
10 and a grocery store.

11 MR. DIAZ: Subsequent to the Supreme
12 Court decision, the legislature has made
13 changes to the Liquor Code that presumes the
14 board will allow interior connections between
15 a licensed restaurant and another business.

16 So, for example, you all amended
17 Section 404, to articulate how those interior
18 connections should be governed when the other
19 business is a gas station; 415, which is the
20 wine-expanded permits, talks about the fact
21 that you can pay for some of the stuff you buy
22 from the grocery store on the licensed
23 premises if you want to; and then 468 talks
24 about the interior connections and how wide
25 they can be between the two businesses. And

1 there's another provision in 468 that talks
2 about -- we used to have a policy that said
3 you had to have a separate exterior entrance
4 to both the licensed and unlicensed business.
5 You all decided that's not necessary under
6 certain circumstance.

7 So, from that, the board assumes you
8 understand we will approve interior
9 connections under certain circumstances,
10 you're fine with it. And when you're not fine
11 with it, you give us some guidance.

12 The committee is meeting today to
13 consider House Bill 1644. It's not our
14 intention to comment on the underlying
15 policies in support of or in opposition of the
16 bill. I presume you'll be hearing about that
17 later from the next set of speakers. As an
18 agency, all we ever ask for is clear guidance
19 on what we're supposed to do.

20 That being said, there's a couple
21 things you might want to consider. The
22 language in the bill, as written right now,
23 grants additional privileges to the holder of
24 the permit by allowing the holder to engage in
25 a series of activities outside of the licensed

1 premises. That's always worrisome for us,
2 because -- and for the state police --
3 because, under the Liquor Code, a licensee
4 must provide access to us or to the BLCE if
5 it's a licensed premises. If it's unlicensed
6 premises, they can go tell the BLCE, Go get a
7 warrant.

8 So, there might be some oversight
9 problems if you allow licensees to engage in
10 too many activities off of the licensed
11 premises.

12 So, our suggestion would be, whatever
13 it is you want them to do, just say, Hey, they
14 can have licensed premises that specifically
15 allow them to this, this, and this. And
16 we'll -- you know, we'll follow whatever rules
17 you give us.

18 MAJORITY CHAIRMAN PYLE: Mr. Diaz,
19 can I ask a question at that point?

20 MR. DIAZ: Sure. Sure.

21 MAJORITY CHAIRMAN PYLE: When you say
22 "sales outside of premises," does this affect,
23 like, attached outdoor seating areas? Like
24 under an awning, you know, a nice little --

25 MR. DIAZ: We -- we will -- if

1 someone wants to have outside sales, our
2 regulations allow you to extend the license to
3 include outside areas. So, we --

4 MAJORITY CHAIRMAN PYLE: Sidewalk
5 cafe type --

6 MR. DIAZ: We have specific
7 regulations that tell you exactly when it's a
8 sidewalk. You know, one of the things you
9 have to do is make -- you have to show us that
10 the municipality has given the approval.

11 MAJORITY CHAIRMAN PYLE: Okay.

12 MR. DIAZ: There's a minimum amount
13 of seating we require. There's a minimum
14 amount of clearance we require. So, yeah, we
15 will extend the license out.

16 MAJORITY CHAIRMAN PYLE: Thank you.

17 MR. DIAZ: Sure.

18 One of the other things is, this bill
19 has taken some of the requirements for a
20 restaurant -- the tables and chairs -- out of
21 it. You all have done that before. Public
22 venues, performing arts facilities, retirement
23 communities do not have to follow the
24 requirements in the Liquor Code for
25 restaurants. But you've taken them out all.

1 So, here you've only take some of
2 them out. You might want to consider just
3 simply saying, You don't need to meet the
4 definition of a restaurant. Because what you
5 left in was they still have to provide food.
6 So, now they're in this awkward situation
7 where they have to provide food for
8 on-premises consumption but they don't actual
9 have to give you a place to sit.

10 So -- and, again, we don't care. We
11 just -- that just might be a little clearer.
12 And there are sections, like I said, 412 and
13 413, you can see how you've done it before.

14 The bill specifically allows
15 licensees to hold educational classes. It
16 would -- we think you might mean off of the
17 licensed premises, because you could do 99
18 percent of that on the licensed premises
19 already. But you might want to articulate
20 that, if you're going to do that. Or, again,
21 if you're going to expand it by expanding the
22 licensed premises, you can put that in there
23 as well.

24 And then kind of the last one is, are
25 you going to let third parties protest these

1 applications? When a license is applied for,
2 by statute, people within a certain -- within
3 500 feet have the right to file a protest;
4 restricted institutions within 300 feet, other
5 licensees within 200 feet. So, all these
6 licenses, assuming that these places are
7 already licensed, have gone through that once.

8 You're changing -- you know,
9 depending on how much -- how many additional
10 privileges you give them, those neighbors may
11 say, Hey, we ought to be given another bite at
12 the apple. You know, this is so different
13 than what we didn't protest the first time, we
14 want an opportunity to be heard.

15 You do that -- there's a provision in
16 the code right now that allows a conversion
17 from an E to an R, and that section allows for
18 a protest. You don't have to. I mean, you
19 know, there's lots of permits that you don't
20 allow protests. You don't allow a protest for
21 amusement permit or just getting the
22 wine-expanded permit. But it would just be
23 nice if you either say you can protest or you
24 cannot, or we'll be litigating it through the
25 courts.

1 We appreciate this opportunity to
2 speak with you, and we are happy to answer any
3 questions you may have.

4 MAJORITY CHAIRMAN PYLE: Much
5 appreciated, Rod Diaz. Said that right this
6 time.

7 Does the panel have any questions?

8 The panel does not. We thank you for
9 your time.

10 MR. DIAZ: Sure. Thank you.

11 MAJORITY CHAIRMAN PYLE: Next up, we
12 have somebody well known to many of us, an old
13 friend from the United Food and Commercial
14 Workers, Mr. Wendell Young, who may have the
15 man-mile award today, coming from Philly.
16 That's a haul, man.

17 MR. YOUNG: No. I think we have a
18 representative here from Philly who actually
19 logged a few more miles than me.

20 MAJORITY CHAIRMAN PYLE: We actually
21 checked into that. I think the gentleman from
22 Delaware County may have her by a couple.

23 REPRESENTATIVE ISAACSON: I'm further
24 away than Delaware County.

25 MAJORITY CHAIRMAN PYLE: Thank you.

1 Thank you for that.

2 And before you get started,
3 Mr. Young, I'd be remiss if I did not thank
4 the Somerset County Sheriff's Office, who
5 joined us today.

6 Thanks for being here and keeping us
7 safe, fellows. Much appreciated.

8 Whenever you're ready, Mr. Young, you
9 just go right ahead.

10 MR. YOUNG: Thank you, Chairman Pyle,
11 Chairman Deasy, members of the House Liquor
12 Control Committee. I want to thank the
13 committee for allowing me to testify on behalf
14 of the 35,000 members of the UFCW Local 1776.

15 MAJORITY CHAIRMAN PYLE: Turn your
16 mic on, sir.

17 MR. YOUNG: Sorry. You want me to
18 start over?

19 Chairman Pyle, Chairman Deasy,
20 members of the House Liquor Control Committee,
21 I want to thank the committee for allowing me
22 to testify on behalf of the 35,000 members of
23 UFCW Local 1776, Keystone State.

24 Our union has spent a significant
25 amount of time over the past few years

1 advocating for public hearings when
2 legislation is being introduced that greatly
3 alters the liquor system.

4 I want to commend the committee for
5 taking this approach to help bring all
6 stakeholders to the table to discuss potential
7 legislation. Our union, as you know, has
8 spent decades fighting for liquor
9 privatization and advocating for our state
10 wine and spirit shops.

11 And to be clear, our union does not
12 hide from why we oppose measures that weaken
13 our state's wine and spirit stores. We do
14 everything in our power to save the jobs of
15 every single one of the 3,500 members we
16 represent at the PLCB.

17 I'm proud to represent them and proud
18 of the work they do for the Commonwealth. We
19 are proud of the record our members have --
20 I'm proud of the record our members have in
21 serving the Commonwealth. Our members help
22 contribute over 750 million back to the
23 taxpayers of Pennsylvania, including
24 contributions for our state police, to the
25 Department of Health, and for drug and alcohol

1 programs, to colleges, universities, for
2 alcohol education, grants, and to our state
3 treasury so that we can deal with the real
4 budgetary challenges you all face on a yearly
5 basis of funding our public schools and
6 essential state services.

7 Our members have a tremendous record
8 of keeping alcohol out of the hands of minors
9 and inebriated persons.

10 Our stores, every single one of them,
11 stock thousands of items that have competitive
12 pricing for consumers and are remodeling their
13 appearance in a way that states in the private
14 sector should be jealous of. And, of course,
15 we are proud of the fact that these are
16 family-sustaining jobs in retail, where most
17 private sector retailers have created a race
18 to the bottom in terms of wages, benefits, and
19 retirement security.

20 Because of that mission, UFCW 1776 is
21 opposed to House Bill 1644. I know some may
22 say that this isn't a privatization bill
23 specifically, but we do view it as that.
24 Legislation like HB 1644 is part of a broader
25 package of legislation designed to chip away

1 at the PLCB and the wine and spirit stores
2 with an end result of full privatization,
3 whether it's spirits expansion, new wine and
4 spirits licenses, increasing the amount of
5 alcohol that can be sold by licensees, the
6 "Free the Wine" bill, repealing the PLCB's
7 flexible pricing policy, or legislation like
8 HB 1644, which eliminates at basic provisions
9 a restaurant license, R license as they're
10 called, must operate under. All these bills
11 are all designed to move sales away from our
12 publicly owned wine and spirit stores. These
13 bills will result in losses of revenue, lost
14 sales, shuttered wine and spirit stores and
15 eventual privatization.

16 House Bill 1644 would eliminate most
17 of the requirements an R license must abide
18 by. First, this is a logistical nightmare for
19 enforcement. The Bureau of Liquor Control
20 Enforcement would now be responsible for
21 policing an entire big box store that can
22 stock and sell alcohol anywhere on the
23 premises. This will allow minors to have
24 easier access to the product and create a
25 simpler way to shoplift or consume alcohol

1 products in the store or outside the store.

2 I advise the committee to please
3 review the data and research from Washington
4 state after they privatized and allowed aisle
5 sales for liquor in grocery stores and big box
6 stores. The results included significant
7 increases in shoplifting, especially by
8 minors, minors in possession of alcohol, and
9 even caused some grocery stores to have to
10 keep alcohol behind locked gates due to the
11 dramatic spike in those two categories.

12 House Bill 1644 raises serious
13 concerns in regards to the public health and
14 safety and those who deal in the alcohol
15 prevention field and should be brought in to
16 testify on their thoughts about the changes
17 this legislation calls for.

18 Further, HB 1644 causes real strain
19 on retail grocery employees who will now have
20 an added level of responsibility with the
21 product that is not eggs or bread. Our union
22 goes well beyond representing the employees of
23 the wine and spirit stores. We represent over
24 10,000 employees here in Pennsylvania who work
25 in retail grocery, nearly a million

1 nationwide, including employees at Giant
2 Eagle, Acme Markets, and Shoprite.

3 Our members can tell you about the
4 late-night problem shoppers and the rowdy
5 group of teenagers that come out late on
6 Friday and other weekend nights. They can
7 tell you what it's like trying to close up
8 their store, juggling a few last-minute
9 ordeals. Now, imagine allowing alcohol sales
10 on top of that with product placed all over
11 the store that has, you know, many -- 20
12 aisles or more. Most grocery stores have a
13 limited staff late at night, so the idea of
14 policing an entire grocery store with a group
15 of young adults walk into the store late at
16 night is not practical. This is an unfair
17 situation for the grocery store clerks
18 throughout the state.

19 Finally, HB 1644 is another case of
20 giving advantages to large multi-state,
21 wealthy retailers over small, mom-and-pop
22 businesses throughout our Commonwealth. For
23 our members in the wine and spirit stores, I
24 reviewed the potential consequences of this
25 legislation along with other bills that exist.

1 But for beer distributors and other
2 family-owned businesses in Pennsylvania's
3 alcohol market, HB 1644 is another piece of
4 legislation that leaves them behind and puts
5 them at a competitive disadvantage.

6 Act 39 of 2016 did some nice things
7 in terms of modernization for the PLCB, but
8 one of the unintended consequences of that
9 legislation that occurred was the tremendous
10 competitive disadvantage beer distributors and
11 true restaurants now suffer from. R licenses
12 used to be for restaurants, but now we are
13 incentivizing grocery chains, Sheetz,
14 convenience stores and others to purchase R
15 licenses away from entrepreneurs and allow for
16 the auctioning of zombie licenses in an arena
17 that only the chain retailers can compete. We
18 are effectively pushing true restaurant and
19 beer distributors out of Pennsylvania's
20 alcohol retail market.

21 We should be looking to reserve that
22 trend, but, unfortunately, HB 1644 will only
23 speed up the decline of those small
24 mom-and-pop businesses.

25 For all these reasons, we oppose

1 House Bill 1644. We appreciate the
2 opportunity to testify today. And, again, the
3 public vetting of legislation is an important
4 piece of what makes our government work for
5 the people of Pennsylvania.

6 Before I conclude, a few other
7 comments I want to make, and I'll be happy to
8 answer any questions.

9 You know, on the bill itself, you
10 know, I've touched on some of these points,
11 but I don't know how many of you have actually
12 worked in retail. I understand you toured a
13 Walmart Supercenter, some of you did,
14 yesterday not far from here. I don't know
15 that particular store, but, you know, most
16 Walmart Supercenters are about 175,000 to
17 200-something, 225,000 square feet. Think
18 about that. A regular Walmart is usually
19 about 75, 90,000 square feet, up to about 150,
20 175,000. Compare that to the grocery stores
21 that most of us grew up shopping at or in our
22 adult life, up until a few years ago, shopped
23 at that were 20, 25, 30,000 square feet.
24 Walmart is not a grocery store, not even a
25 regular store. Their supercenters are huge.

1 The 400-plus employees that work
2 there are bigger in size than some of the
3 populations of some of the small towns in
4 rural parts of Pennsylvania like this.

5 The idea that you would let retailers
6 like Walmart put product all throughout the
7 store and allow it to be rung up at any
8 register or even designated registers is
9 ridiculous. You don't have to take my word
10 for it.

11 I grew up in retail. I went to work
12 in a retail store in Philadelphia when I was
13 16. Until I became a union organizer, I
14 worked at two different chains. We couldn't
15 keep an eye on cigarettes. And I'm not just
16 talking about a pack of cigarettes. I'm
17 talking about cartons of cigarettes, whole
18 boxes of cigarettes. There's a reason the
19 same Walmart you went to has cigarettes in an
20 enclosed area with a designated cashier, like
21 your current R licenses require, because they
22 just walk out. You don't want the kids
23 getting their hands on it, for all the reasons
24 we've come to learn. You don't want that
25 happening. They can't control it. And

1 likewise, they can't control alcohol.

2 Washington state, the most recent to
3 privatize, went through that. Who pushed it?
4 Big box stores: Costco, Walmart, Target.
5 That's who was behind that effort to privatize
6 in 2011. The same time this debate -- about
7 the same time -- got started this last time
8 around here.

9 Just go look at the newspaper and the
10 research on it. It's all over the place. The
11 biggest issue they had to contend with out
12 there was the -- and because they have the
13 freedom to put it all throughout the store in
14 the aisles and go to any register, is keeping
15 it out of the hands of kids.

16 In fact, one of the things the bill
17 did, in Washington state, was took away the
18 reporting and gathering of information. The
19 bill was written by Costco and the big box
20 stores. They didn't want that because they
21 knew the consequences.

22 Prior to privatization, some of the
23 money off of their liquor sales required them
24 to keep statewide tabs on different kinds of
25 crimes. So, here's just one town, but the

1 headlines say it all. And we've distributed
2 that to the panel here today. This one town,
3 Longview, Washington, burglary -- robberies up
4 42 percent, burglaries up 40 percent, juvenile
5 arrests up 21 percent, domestic violence up 13
6 percent, DUIs up 10 percent. And at the core
7 of all of these, when you look at what the
8 chief of police put together on that, was the
9 increased access to alcohol by those who are
10 already inebriated and the kids that got their
11 hands on it.

12 So, let me give you an image of how
13 this works. The store you went to was over
14 200,000 square feet yesterday. After school,
15 at night, these kids go through. There's
16 cameras. The camera's only good for looking
17 at what happened after it's already happened.
18 Right? There's not employees in every aisle.
19 And if there are, they're busy. So, the kids
20 walk in. You know, they all carry a backpack,
21 a small one, today. Right? They wear caps a
22 lot so the cameras can't pick up most of their
23 face because of the brim on the cap. They
24 grab the small bottles of alcohol wherever
25 they are. They turn a corner, drop it in

1 their backpack, walk out.

2 There's a cost to that. Some of
3 them, it's just a party. But when the family
4 gets wiped out down the road because the kids
5 got drunk and got in a car and left the park
6 to go home, who's going to answer for that?
7 These are real consequences that have been
8 documented and researched.

9 I don't come here saying it's going
10 to happen without backing it up. We've
11 distributed a lot of newspaper articles to
12 you. Those articles point to the facts that
13 have been gathered, the statistics and the
14 research. So, there is a real cost.

15 Right now, the system generates
16 money. It pays for a hundred percent of
17 itself, the wine and spirit shops. The wine
18 and spirit shops' employees are state
19 employees who police those stores that don't
20 sell other things, that are aren't bringing
21 lots of people in. There are no kids come
22 after school into liquor stores. The
23 supermarkets and convenience stores that have
24 to meet the criteria now by having a physical
25 presence of an employee manning that register

1 in that confined area helps police that
2 product that's also contained in that area.
3 You let this loose throughout the store and
4 you can't control it. You can't do it.

5 But you can listen to Walmart all you
6 want. You know, they have the ability to do
7 this right, but it's cheaper for them to not
8 do it right. They have the space in these
9 stores to meet the current criteria. The ones
10 that actually have had the challenge are the
11 ones that have already done it, the 900
12 approximate licensees who have bought our
13 licenses and are properly implementing this
14 currently under current law, designated area,
15 designated register in the same area, an
16 employee staffing it who's trained. Right?
17 They're doing it right.

18 There is no reason to grant Walmart
19 the reason -- the excuse to do it wrong just
20 so they can save a buck.

21 Now, from an enforcement point of
22 view, the PLCB generates tens of millions of
23 dollars that goes to the state police for
24 enforcement in addition to their own
25 enforcement policies and protocols. Is

1 Walmart going to reimburse the state for
2 enforcement of every one of their stores and
3 supercenters? Do you have any idea what that
4 costs? Has anybody asked what that's going to
5 cost? Who are they going to use, private
6 security guards that aren't properly trained
7 and are making minimum wage, because most of
8 them are out there. So, who's going to do it?

9 You have a great protocol here with
10 casinos. I think, as a legislature, you said
11 to the casinos, if you want to do certain
12 things here, you have to pay for the
13 enforcement inside the building. Is anybody
14 telling Walmart and Costco and BJ's and Target
15 and whoever else wants this legislation that
16 they're going to have to pay?

17 And what about as you eventually
18 erode the economic benefit of the state
19 system? Today, it contributes more than
20 three-quarters of a billion dollars, the
21 current wine and spirit system, to benefit the
22 taxpayers of Pennsylvania. And everything you
23 do here chips away at that. Every bottle sold
24 at Walmart or the others that will get these
25 licenses is at a 10 percent haircut over what

1 the state currently sells for in their own
2 stores.

3 So, as you -- as you reduce that
4 trend line of profitability, who's going to
5 make up for that? And when the system does
6 finally collapse, if you keep whittling away
7 at it, who's going to pay for the pension
8 obligations for the decades of PLCB employees
9 out there who, like you, have a state pension?
10 Because, in Senate testimony in the last
11 hearings that were held on this subject years
12 ago, it's something like 350 million dollars
13 in today's dollars -- imagine what that will
14 grow to over time -- that the taxpayers of
15 Pennsylvania will be on the hook for. And
16 that doesn't include the retiree health care,
17 because state workers, whether they're
18 administrative jobs or my members, get retiree
19 health care just like you, too. Who's going
20 to pay for those obligations when they come
21 due in the future, when those people start
22 collecting what they've earned? Right?

23 Is Walmart going to pay that? Hell
24 no. Walmart doesn't even pay that for their
25 own employees. And while I understand that

1 Walmart may have bragged, because they did it
2 publicly over the last couple years, that they
3 raised wages nationally and here in
4 Pennsylvania to 10 and 11 dollars, I suggest
5 you dig a little deeper and pull back the
6 sheets. Because I don't think anybody asked
7 Walmart yesterday when they told you how much
8 gross revenue that store had and how many
9 employees it had, how many of them actually
10 made 10 or 11 dollars.

11 Because here's how it works at
12 Walmart -- it's well documented. Only one
13 percent of their workforce makes over 10
14 dollars an hour. Only one percent of their
15 workers. Because they have this pathways
16 program that you have to go through. You get
17 hired at or slightly above minimum wage, and
18 then you have to go through pathways. And
19 "pathways" means that you have to achieve
20 certain things. It takes, at a minimum, six
21 months to get through pathways.

22 Look at their turnover statistics
23 with pathways before you get that higher wage.
24 It -- they turn over about a half a million
25 people here in the United States, and they

1 employ a million and a half. So, one-third of
2 their entire workforce turns over every year.
3 They're not being honest with you.

4 And let's face it. You know, some of
5 you are from rural areas. It's not exclusive
6 to rural areas, but it was more obvious. It
7 wasn't too long ago that we all saw the impact
8 of companies like this coming in. You know,
9 they wiped out local businesses. Walmart's a
10 predator. They don't just want to compete.
11 They want to take everybody else's business.

12 Go look at what happened to those
13 downtowns in the '90s, when Walmart started
14 opening big stores and supercenters. And now
15 they want to do it with alcohol. So, those
16 900 licensees that did the right thing, bought
17 a license, followed the rules you set down,
18 put in the confined areas, the register,
19 trained their employees, they're all doing it
20 right. The beer distributors, many who are
21 second and third generation, whose families
22 have their livelihood because they invested in
23 a license, ran their businesses right. Some I
24 believe are here today from the shirts I saw,
25 they're doing it right.

1 You're going to allow Walmart now to
2 sell, you know, cases all throughout the
3 store? You're going to compete with those
4 other smaller supermarkets and convenience
5 stores, a lot of them mom-and-pop, out in
6 parts like this. You know, they can't compete
7 with that. Nobody can compete with -- because
8 Walmart has so much damn money they can sell
9 the product for less than what it really costs
10 them to put on the shelf. I'm not talking
11 about what it costs them to acquire. What
12 they can put it on the shelf. And they can do
13 that as long as they want until these guys are
14 gone and they don't have a business to take
15 care of their family. And that's what
16 you're -- the path you're setting down here.

17 So, I'm pretty sure Walmart told you
18 one side of it. And when I say Walmart, I
19 really mean all these big box companies and
20 some of the big supermarkets and convenience
21 chains also.

22 You know, if you really want to find
23 out what they're doing, really question them
24 on what's their labor percent of gross sales,
25 and you'll get a real quick idea of the race

1 to the bottom that they have triggered, that
2 as lot of our families, when the other
3 business are gone, having nowhere else to go
4 but that Walmart Supercenter to work for 8 or
5 9 bucks an hour.

6 You know, when the law changed that
7 required them to give their full-time
8 employees health care, because they didn't
9 really offer very good health care at an
10 affordable price for the wage rates, what was
11 their reaction? Make everybody work less than
12 30 hours so they didn't have to meet that
13 obligation. Who's covering those people's
14 health care today? You are. The taxpayers of
15 Pennsylvania are.

16 Those budget struggles you have to
17 try and figure out how to make ends meet, you
18 should ask Walmart why they're not chipping
19 more in. Because the family that owns Walmart
20 has more money as a result of those practices
21 than 43 percent of all Americans combined.

22 And we're here today to help them
23 take a knife to those who did it right under
24 Act 39?

25 So, I could go on and on and on. We

1 provided you with a lot of information about
2 Walmart. I will be -- I think I overstayed my
3 welcome already, so I'll be happy to answer
4 any questions.

5 MAJORITY CHAIRMAN PYLE: You're fine,
6 Mr. Young. You've got all the time you'd
7 like.

8 MR. YOUNG: Oh, okay. So --

9 MAJORITY CHAIRMAN PYLE: Do we have
10 any questions for Mr. Young?

11 MR. YOUNG: I was only taking a
12 breath to restart.

13 MAJORITY CHAIRMAN PYLE: I picked up
14 on that.

15 Representative Jozwiak.

16 REPRESENTATIVE JOZWIAK: Thank you,
17 Mr. Young, for your testimony. You pointed
18 out a lot of good things.

19 I would just like to, as I'm sitting
20 here thinking about this, when you talked
21 about the Friday night kids coming into the
22 stores and -- so, if there was -- and this is
23 informational here. We're just gathering
24 facts.

25 So, if we limit sales to 8 o'clock at

1 night, 9 o'clock at night, no more beer sales
2 after that, I don't know what time the beer
3 distributors close. But if we coordinated
4 that to be the same with them, would that
5 eliminate part of your concern?

6 MR. YOUNG: So, I'm going to give you
7 a bit of a long-winded answer. It doesn't
8 matter what time of day folks sell stuff.
9 People who want to get their hands on alcohol
10 are going to go to where the alcohol is. It's
11 kind of like the old saying, Why do you rob
12 banks? Because that's where the money is.
13 Right?

14 So, in Washington state, what they
15 have learned -- and it's not exclusive to
16 Washington state. You know, provinces in
17 Canada and states all throughout this country
18 and other countries in Europe have had the
19 same experience. The more -- the easier you
20 make it and the more you spread it out from a
21 confined area, the more likely all the wrong
22 people are going to get it.

23 So, what our members who work in the
24 wine and spirit shops and our members who work
25 in some of the private sector, under Act 39,

1 who got an R license and are trained on how to
2 deal with this and are in that confined area,
3 what they deal with all the time is the person
4 that comes in at 10 o'clock in the morning, 11
5 o'clock, you know, hammered, and wants to buy
6 more alcohol. Does anybody really want that
7 person buying more alcohol and getting in
8 their car and leaving the parking lot? No.
9 That's what they're trained on.

10 But what you're talking about here is
11 giving that person an option now. It's easy
12 to grabbing a small pint or the airline-size
13 bottles or a small bottle and stuff it in
14 your -- the giant purse, the backpack if
15 you're a student after school. What hours are
16 you going to limit to? So, that just takes
17 some of the aggravation off of Friday night.

18 But our members face that
19 aggravation, you know -- you know, my daughter
20 worked in one of the liquor stores as a
21 seasonal. And, you know, she was 19 years
22 old, and came home and said, Dad, I can't
23 believe, they're lined up when the stores
24 opening in the morning, desperate to buy more
25 alcohol because they finished it up. And they

1 just -- and we're sitting there telling them
2 no, because we know they're going to get in
3 their car and chug it before they leave the
4 parking lot.

5 Is that really happening when you let
6 them go to any register in the store? No.

7 You know, one of the things to prove
8 it is cigarettes. There are very few -- I
9 don't want to talk in absolutes and say none,
10 but I don't know a retailer, in all the
11 retailers we deal with -- you know, one of the
12 principals, one of the big chains here in
13 Pennsylvania we do negotiate with called me
14 about this bill and asked why I'm against it.
15 I said, Where do you put your cigarettes?

16 He said, Oh, we keep them locked up.

17 Why?

18 Because we can't control it. They'll
19 just come in and take them and walk out.

20 Well, what makes you think alcohol's
21 any different? It's not. They're going to do
22 it.

23 The consequences, though, to that
24 person is they smoke, they inhale. It's on
25 them. It causes cancer. But here the

1 consequence could be to your constituent's
2 families.

3 REPRESENTATIVE JOZWIAK: Thank you
4 for your comment, but let's be clear. We're
5 not talking about spirits. You keep referring
6 to alcohol, airline bottles. There's no beer
7 in airline bottles.

8 MR. YOUNG: It's still -- wine comes
9 in small bottles. It's easy to throw wine or
10 a 6-pack in a duffel bag and walk out the
11 store. And that has been Washington state's
12 experience.

13 REPRESENTATIVE JOZWIAK: Okay. But
14 this is Pennsylvania, so --

15 The other thing I wanted to bring out
16 to you, we went to this Walmart store
17 yesterday. This is their first one, and this
18 is going to be their model, I believe. And
19 they didn't have -- they don't want to put
20 beer throughout the store. They have a
21 designated area. You've got to walk in
22 through a doorway. It's a big doorway. But
23 it's not throughout the store for anyone to
24 just grab off the shelf. It's not that.

25 MR. YOUNG: So, I get that, because

1 that's the current law. Unless you pass this
2 bill that you're here to talk about today,
3 then they wouldn't have to.

4 And they are the primary driver
5 behind this bill. You walk into their stores
6 across Pennsylvania, and they have a website
7 they want you to go to to sign an online
8 petition. It's on their corporate website.
9 This is being driven -- I'm not saying they're
10 the only ones; I've named a few others. But
11 this is being driven primarily by Walmart.
12 The fact that they showed you that because
13 they're about to open is because that's what
14 the current law is. They want you to change
15 the law so they don't have to do that, so they
16 can put it throughout store, so they don't
17 have to have a designated area, so they don't
18 have to have a designated, trained cashier
19 there to handle this stuff.

20 That's what they're asking you to do.
21 And there's just no reason for it.

22 More than any other retailer on the
23 planet, they can afford to do it right. Why
24 are you giving them a break?

25 REPRESENTATIVE JOZWIAK: Well, our

1 intention is to take facts and look at
2 situations. And we realize it's going to be
3 the same for everybody, not just one store.

4 MR. YOUNG: That's worse.

5 REPRESENTATIVE JOZWIAK: So, that's
6 why we're here, to find out how you guys feel
7 about things.

8 So, I thank you for your comments,
9 and like I said in the beginning, you had some
10 very good points.

11 MR. YOUNG: Thank you.

12 REPRESENTATIVE JOZWIAK: Thank you,
13 Mr. Chairman.

14 MAJORITY CHAIRMAN PYLE: Next up we
15 have Representative Isaacson, I believe.

16 And, Rep. Delloso, did I see your
17 hand up down there?

18 REPRESENTATIVE DELLOSO: No.

19 MAJORITY CHAIRMAN PYLE: No?

20 We'll go Rep. Isaacson followed by
21 Rep. Wheeland.

22 REPRESENTATIVE ISAACSON: Good
23 morning. Thank you for your testimony.

24 What I want to weigh in on is my view
25 on this is that basically we're taking what is

1 a restaurant license and creating basically a
2 retail license sense is what I'm perceiving
3 that the intent of this legislation is.

4 And, as the representative, with the
5 wine and spirit shop that's the most
6 profitable in the Commonwealth in my district,
7 along with the Acme store that is right above
8 the liquor store that is the Commonwealth's
9 asset. And the restaurant investment that the
10 Acme has made in -- under Act 39. I think
11 that with the questions being brought forth by
12 you are very valid, in that you're creating a
13 different environment that they have invested,
14 along with all the other restaurant licensees,
15 in taking advantage of the conveniences that
16 we're putting forth in Act 39. And by
17 creating a retail license, aren't we creating
18 a license that is just going to compete with
19 the Commonwealth?

20 MR. YOUNG: It's going to compete
21 with the Commonwealth and those private
22 retailers who have acquired an R license under
23 the more recent Act 39 that allowed for the
24 expansion of wine into grocery stores. It's
25 going to compete with those who have invested

1 in doing it right under that law and adopted
2 really best practices.

3 And, you know, I'm sure some of the
4 lobbyists on the other side will say, Well,
5 you know, Pennsylvania needs to come into the
6 modern world.

7 You know, I do travel through work
8 and with my family a lot. And it is not usual
9 throughout the 50 states to require people to
10 sell product even in the private sector in a
11 designated area with a designated cash
12 register. Some states are actually more
13 burdensome than what Act 39 did. So, this is
14 not like the liquor stores themselves, the
15 state-run ones, where, you know, people
16 compare us to Utah only, when you're talking
17 about beer and wine. There are lots of good
18 examples of states who have adopted things
19 that are -- that are like Act 39 or even more
20 aggressive.

21 Again, you know, from a fairness
22 point of view, you have -- 900 people have
23 gone out and invested in those licenses and
24 have reconfigured their workplace, you know,
25 infrastructure cost, training, employee

1 recruitment, hiring, all that. And now we're
2 going to give, you know, Walmart and other big
3 box stores a chance to undercut that. Yeah,
4 the others can go and convert to the same
5 system, but they've already spent the money to
6 do it right.

7 And then there's the safety and
8 security issues. I urge you to take a look at
9 that. This is not something I'm just making
10 up. And I am dealing in a world of facts, not
11 perception. There's a lot of research, a lot
12 of statistics that's been gathered on it. And
13 it is dangerous. It's that simple.

14 And go back to, you know, you have an
15 honest conversation with any retailer. They
16 can't control the cigarettes. They're not
17 going to be able to control the bottles of
18 wine, the 6-packs of beer, from getting into
19 the wrong hands. And it will cost lives, and
20 it will cause other problems.

21 And anybody that doesn't believe
22 that's -- I hate to sound this way -- just,
23 you know, you've got your head in the sand.

24 MAJORITY CHAIRMAN PYLE: Thanks, Rep.
25 Isaacson.

1 Rep. Wheeland, it's all you.

2 REPRESENTATIVE WHEELAND: Thank you,
3 Mr. Chairman.

4 And thank you, Mr. Young, for your
5 testimony. You brought up some very valid
6 points and certainly worth considering.

7 And the question I have for you, I
8 guess maybe I should know the answer, but I
9 don't know, so I'm going to ask the question.
10 Of the contiguous states to Pennsylvania, are
11 there any states that are in the position that
12 conduct their sales like you're advocating
13 for?

14 MR. YOUNG: It's different in every
15 state. For example, I'm from eastern
16 Pennsylvania, and I spend a lot of time on the
17 Jersey shore. Those retailers that want to
18 have alcoholic beverage sales have to get a
19 license, like similar to here in Pennsylvania.

20 REPRESENTATIVE WHEELAND: Speaking
21 New Jersey?

22 MR. YOUNG: Yeah. They have to have
23 a confined area or -- you know, and, actually,
24 it's even more restrictive in Pennsylvania in
25 terms of it has to be walled off completely

1 and out of view. And Act 39's a little
2 more -- and the way that the PLCB here has
3 interpreted, a little more flexible than that,
4 but it's similar.

5 I don't claim to be an expert in
6 every one of the states, but you have similar
7 variations in some of the border states to us.
8 But what you also have are really
9 well-documented examples, statistics of
10 peer-reviewed, published research how much
11 better off we are in Pennsylvania compared to
12 those states. And when I talk about that, I'm
13 talking about not only the dollar-per-gallon
14 volume of alcohol sold that returns to the
15 taxpayers of Pennsylvania, whether all those
16 taxpayers drink or not, but also competitive
17 prices and also public safety.

18 And when you look at raw statistics,
19 you know, folks like the Commonwealth
20 Foundation and others for the past decade have
21 showed you some raw statistics that aren't
22 adjusted for, you know, signs -- you know,
23 obvious statistical variations that have to be
24 adjusted for. When you do the
25 peer-reviewed -- which is the gold standard --

1 published research and look at that, it's very
2 clear that we are better off here.

3 And the more you make this
4 accessible, the more convenient you make it,
5 the easier it is for people to get it without
6 paying for it. You know, companies like
7 Walmart, that's just the cost of doing
8 business, if somebody steals a certain amount.
9 They have a shrink amount. They call it
10 "shrink," a loss without being paid for and --
11 through damage, theft, and other things. And
12 they just eat that, because they operate on
13 such a low-cost platform and they're so big.

14 These folks I saw -- I think they're
15 from -- you know, these beer distributors,
16 they can't afford kids coming through and
17 stealing cases or 6-packs. They just don't
18 have those kind of margins. A lot of your
19 grocery store chains that operate here locally
20 in Pennsylvania, they couldn't afford to do
21 it.

22 The independent convenience stores,
23 the few that have been able to get an R
24 license, they couldn't afford to have the
25 kids -- they have to watch that stuff.

1 Walmart, don't take my word for it.
2 Go look at all the published data. They just
3 accept it. You know, I think someone -- I am
4 not sure -- may have asked the question in
5 private yesterday of the store manager, about,
6 you know, shoplifting in these stores. And,
7 you know, I don't have to hear what that
8 manager said to know what I'm pretty sure he
9 said.

10 You know, if anybody who's worked in
11 the bank, you know, when they come in to hold
12 up the bank, you're told, Don't stop it. Give
13 them what they want. Right?

14 Most retailers -- and the bigger the
15 retailer, the more this is -- they don't want
16 their employees interfering with shoplifters
17 because they don't want the liability that
18 comes if the employee was wrong, and they
19 don't want the injuries that can occur if the
20 person pulls a knife or a gun.

21 I don't know about you, but I've
22 responded to a lot of those calls days and
23 nights, to where our members were shot,
24 stabbed, sometimes killed. And I've been in
25 those hospital emergency rooms, because they

1 thought they were doing the right thing,
2 trying to stop somebody. And I've had guns
3 pulled on me in the grocery stores I worked in
4 as a union rep, visiting those stores.

5 REPRESENTATIVE WHEELAND: So, back to
6 my question, other than New Jersey. New York?

7 MR. NAYLOR: Representative, Chris
8 Naylor, legislative director with the union.

9 We have an analysis that shows that.
10 And I'd be happy to send it to you. But many
11 private states that do it differently than
12 Pennsylvania, there's many private states that
13 don't even sell in grocery stores, that
14 they're separated out, different package store
15 models.

16 Every state, whether it's public or
17 private, is completely different. And the
18 rules they set are completely different in
19 each state. So, sometimes we get caught in
20 what a private state is versus a public state.
21 The honest truth is all 50 states do it
22 differently. And you would find in a lot of
23 private states that don't; even sell in the
24 grocery stores.

25 So, we can send you that analysis.

1 REPRESENTATIVE WHEELAND: But, see --
2 and I think that's the point. I would like to
3 know what -- and I would appreciate that, if
4 you could send it to the respective chairs. I
5 think the committee would be very interested
6 in that.

7 But we have New York. We have Ohio,
8 West Virginia, Maryland. Delaware's not
9 contiguous but it's, you know, pretty darn
10 close. So, I'd be interested in that, because
11 I'm old enough to remember when New York state
12 had a drinking age of 18, and Pennsylvania had
13 changed theirs to 21. And exactly what you're
14 talking about, Mr. Young, the -- you know, the
15 young folks.

16 MR. YOUNG: Go to New Jersey.

17 REPRESENTATIVE WHEELAND: Yeah. So,
18 you know, when you get close to a contiguous
19 state, you're going to get that bleed over.
20 In other words, exactly what you're talking
21 about may be occurring in New York state, may
22 be occurring in Ohio for those young folks
23 that are there.

24 So, I know there was a lot of carnage
25 of our young folks traveling from Pennsylvania

1 to New York to get alcoholic beverages. And
2 I'm not advocating that that's the reason why
3 we should try, but I think it's skews the
4 statistics if you try and paint each state
5 with the same brush.

6 I mean, you know, we really need
7 to -- I'll be very interested in that
8 information that you have to share.

9 Thank you.

10 Thank you, Mr. Chairman.

11 MAJORITY CHAIRMAN PYLE: Thank you,
12 Mr. Wheeland.

13 Chairman Deasy.

14 MINORITY CHAIRMAN DEASY: Thank you.

15 Thank you for your testimony.

16 I've got a question or a comment more
17 or less. You mentioned the enforcement in the
18 agreement the casinos have with regards to
19 enforcement within their facility.

20 Me, I'm a city guy. I'm from
21 Pittsburgh. All my municipalities have their
22 own police forces. A lot of these areas out
23 in the rural areas are dependent upon the
24 state police. So, how do I go back to my
25 residents and tell them, We need to put

1 additional dollars into the state police force
2 to curb the shoplifting or whatever other
3 crimes occur because of these expansions.

4 It's a tough sell for a guy like me,
5 because they don't want to hear it already.
6 Basically, we're subsidizing a lot of police
7 forces.

8 So, I mean, what kind of dollar
9 figure do you think these expansions would
10 have on the state police end of things?

11 MR. YOUNG: I don't have a dollar
12 figure. And I think that's -- in my earlier
13 testimony I talked about there's subject
14 experts, you know, on the impacts of alcohol,
15 which aren't just, you know, the usage of
16 alcohol, but it's also the impact on the
17 criminal justice system.

18 You know, it goes beyond having
19 people out there to enforce it. What happens
20 when you actually have people arrested, and
21 whether it's the result of just plain old
22 underage drinking or an accident that occurred
23 or some crime that was committed after they
24 got hammered and went out and committed the
25 crime? The criminal justice system at the

1 local, state level ends up incurring a lot of
2 costs. They're far beyond the obvious.

3 You know, earlier, when Leader Turzai
4 began this quest in 2010 for privatization, we
5 did testify at the earlier hearings and had
6 witnesses come in and talk about the cost --
7 the overall cost to the Commonwealth of some
8 of these things.

9 I even suggest, if you're going to go
10 in that direction, that kind of information
11 ought to be gathered and there ought to be
12 testimony on it, because it is significant.
13 It's not insignificant.

14 Even before the point of talking
15 about the cost of lives, there's an economic
16 cost to these communities. And it ought to be
17 considered, just like who is going to pay --
18 you know, if you continue to do these kind of
19 changes to the bill and as the PLCB revenue
20 then is impacted and cannibalized, who's going
21 to pay for those long-term pension and health
22 care obligations? Is Walmart and Target and
23 Sheetz and all those folks going to pay? I
24 don't think so. I don't think they're talking
25 to you about that.

1 MAJORITY CHAIRMAN PYLE: Any other
2 questions for Mr. Young?

3 Wendell, sorry to disappoint. You
4 came all this way.

5 MR. YOUNG: It was a pleasure to be
6 here. Thank you for having the hearing. I
7 look forward to many more.

8 MAJORITY CHAIRMAN PYLE: We look
9 forward to your input every time you offer it,
10 Mr. Young.

11 As stated before, this is a nonvoting
12 hearing. Many things will be said from every
13 perspective.

14 Next up, we have Mr. Mick Owens and
15 Arun Patel, from Mick's All-American Pub, and
16 Arun is the third vice president of Beer
17 Belly's Beverage, MBDA.

18 Welcome, welcome.

19 MR. PATEL: Thank you.

20 MAJORITY CHAIRMAN PYLE: Very sorry
21 for the delay. Some of these guys just rolled
22 in this morning. I haven't seen them for a
23 while. It's the first time we've talked about
24 it.

25 Gentlemen, please, feel free.

1 MR. PATEL: Thank you for allowing
2 MBDA to testify. My name is Arun Patel. I am
3 the third vice president for MBDA. I have a
4 distributor in Centre County.

5 And would any of the distributors who
6 are here please stand up?

7 Thank you.

8 MBDA is the largest state
9 organization that represents licensees that
10 sell off-premises alcohol, meaning D licenses.
11 You know, we primarily are a D license
12 organization and have only one license.
13 That's what the state requires only for us to
14 have is just one license.

15 To put that in perspective, there are
16 about 1200 D licenses available in the state
17 of Pennsylvania. There are about 10,000 --
18 actually there's over 10,000 R licenses
19 available. Out of the 10,000 R licenses that
20 are available, currently 10 percent of the
21 10,000 is for expansion -- or expanded wine
22 permit. So, we're assuming that they're
23 already going out and being customer
24 convenience, for example Sheetz, Wegmans, and
25 so forth and so on. So, we're meeting what

1 Act 39 was intended for, is the convenience
2 portion of it. And we second the testimony
3 that Mr. Young did.

4 So, with that said, you know,
5 we're -- if act -- I mean, if act 1644 goes
6 in, we have distributors that have been in
7 business for 80 years, ever since prohibition,
8 that have been generations after generations.
9 And myself, we purchased ours in 2009, before
10 Act 39 was ever introduced. And we thought we
11 were buying into a market where we would have
12 the rights to sell alcohol and an exclusive
13 market at that time, besides R licenses, which
14 would have small-bottle shops.

15 Act 39 changed the rules. We're
16 slowly starting to adapt. It hurt a lot of
17 Ds. Act 39 did hurt a lot of Ds. There's Ds
18 that are struggling; there's Ds that are
19 making it.

20 But if Act 1644 goes into play, with
21 having unlimited amount of wine and beer for
22 sale for off premises, it basically puts a
23 nail in our coffin. You might as well say
24 that you don't want Ds around because that is
25 exactly what's going to happen.

1 Right now, Ds -- I have D in my
2 district that is trying to sell their license
3 for the cost that they purchased it for, and
4 they can't. Nobody wants to buy it.

5 And the second point, no bank wants
6 to finance it, because, you know, the alcohol
7 business, as relates to D, is so -- you know,
8 I mean -- the water is so muddy. You know,
9 banks don't want to invest.

10 I had a friend purchase an alcoholic
11 beverage store in Connecticut and was financed
12 from a bank in Pennsylvania. But a bank in
13 Pennsylvania does not want to finance their
14 own, you know, businesses in there.

15 The people who own these -- the
16 ladies and gentlemen that just stood up,
17 they've -- they're part of the community.
18 They're part of your community.

19 They're -- you know, they do
20 community outreach programs. You know, I
21 sponsor, too, a softball team. You know, we
22 do community outreach programs, you know,
23 Habitat for Humanity, so many things that
24 these big box stores don't have the personal
25 ties to. You're going to be putting basically

1 about 1,000 beer distributors out of business
2 and out of employment. They may lose their
3 lives in terms of homes, depending on what
4 they're mortgages are. You know, this bill
5 does have a direct impact with D licenses.

6 You know, in staying with what Mr.
7 Young -- following up in terms of the
8 liability, my store is located in Penn
9 State -- near, you know, Penn State. We had
10 basically last -- this past week was move-in
11 -- nine fake IDs come through our store. They
12 all scanned, mind you. You can scan every
13 single one of this, and they'll do fine.

14 Would Walmart or any other big
15 retailers do the job that we do to keep
16 hands -- minors from obtaining alcohol? You
17 know, so that's why I say we second what
18 Mr. Young said, because we do it right. We
19 have been doing it for so long that we know
20 what we're doing. We know everything that
21 needs to get done.

22 The state legislators gives us the
23 rules. We played by the rules for all this
24 time. And to keep changing the rules, it's
25 just, you know, for us, it's hard.

1 MAJORITY CHAIRMAN PYLE: Thank you,
2 Mr. Patel.

3 I'm sorry. Just brought up a good
4 point he's going to pose to you later.

5 MR. PATEL: Sure.

6 MAJORITY CHAIRMAN PYLE: Mr. Owens,
7 take it away.

8 MR. OWENS: Good morning. Chairman
9 Pyle, Chairman Deasy, and members of the House
10 Liquor Control Committee, thank you for
11 allowing me to testify today about in House
12 Bill 1644, sponsored by Representative
13 Dowling.

14 My name is Mick Owens. I am the
15 owner of three Mick's All-American Pub
16 restaurants and one Maize Mexican Cantina, all
17 located in Lancaster, Pennsylvania. I am also
18 the co-chair of the Pennsylvania Restaurant
19 and Lodging Association's Alcohol Service
20 Committee.

21 As you have learned at previous
22 hearings where PRLA has testified, our
23 association has attempted to take a positive
24 approach to legislation. Our goal has not
25 been to oppose legislation generally, but to

1 list our concerns our association has and
2 potential solutions to those concerns.

3 Our association recognizes that the
4 market is changing. Consumers have enjoyed
5 more recent changes stemming from Act 39 and
6 Act 166 of 2016, and it's not surprising that
7 the legislature wants to continue to move the
8 ball forward in terms of updating the current
9 marketplace in Pennsylvania.

10 House Bill 1644, dubbed a consumer
11 convenience bill, is the most far-reaching
12 change we have seen proposed so far. PRLA
13 does have a number of concerns with the bill,
14 and even with those concerns addressed, this
15 legislation will have a impact on all current
16 operations by all licensees in the state.

17 Upon review of the bill, our alcohol
18 service committee recommends splitting the
19 bill into two parts. First, our association
20 supports allowing more than 192 ounces of malt
21 and brewed beverages and more than 3,000
22 milliliters of wine to be sold in a single
23 transaction. In fact, this change is
24 necessary due to the changes made in the law
25 as it pertains to the sale of malt and brewed

1 beverages by beer distributors.

2 Before Act 166 of 2016 was passed,
3 the privileges relating to the holders of an R
4 license and then holders of a D license were
5 clearly delineated. Rs would sell less than
6 192 ounces; and the Ds would sell 193 and
7 more. Act 166 allowed Ds to sell malt and
8 brewed beverages in any size, and there was no
9 extra cost associated with this privilege.

10 The delineation that once existed was
11 eliminated for one segment of the industry,
12 but not for the other. We think this portion
13 of HB 1644 is a common sense next step. If we
14 are going to ensure consumer convenience and
15 are opening the market up, it should be open
16 for all licensees and there should be cost
17 associated with that.

18 We do believe that the second half of
19 the proposed legislation, if the legislature
20 decides to move forward in considering it,
21 should come at a significant cost. It does
22 inherently change the rules that are very
23 specific to an R license, rules that are put
24 in place with the understanding that the
25 license would operate as restaurant.

1 Front-end checkout, aisle sales, exemption of
2 on-premise consumption, and eliminating the
3 seating requirement are not clearly something
4 that a true restaurant requires.

5 These are exemptions that entitle --
6 sorry. These are exemptions that entities
7 that are not restaurants want to benefit their
8 business. They would want to change the
9 rules. And we believe that should come with a
10 cost that is significantly higher than 25,000
11 dollars a year. We would suggest that the
12 legislature look at a series of fees that
13 would be passed on the square footage of the
14 establishment applying for the exemptions.
15 These fees could potentially range from 25,000
16 for a small business, up to 100,000 for big
17 box locations.

18 Finally, we would like to remind the
19 committee, as we mentioned in the July
20 hearing, there are enough licenses right now
21 for these entities to get into the restaurant
22 or retail market, but they do not need to be
23 freed up and shifted appropriately -- I'm
24 sorry -- but they do need to be freed up and
25 shifted appropriately. This legislation in

1 any form will not succeed without licenses
2 being available. So, we urge you to move
3 forward with the common sense changes, such as
4 Representative Staats' HB 1617, and legislation
5 that is to be introduced shortly in the Senate
6 that would address the statewide auction
7 process before making any other changes to the
8 licensee benefits.

9 Again, there are parts of the bill
10 that would reestablish a balance that was
11 taken away in Act 166 of 2016. Lifting the
12 cap on beer and wine sales makes sense. It is
13 something that would help restaurants of all
14 sizes in Pennsylvania. This, again, should
15 not come at a cost, because it did not come at
16 a cost when it was altered previously.

17 But the second half of the bill,
18 allowing a permit for some who do not want to
19 meet the requirement of the license, would
20 change the entire fabric of the license and
21 should come at a significantly higher cost
22 than being proposed in this legislation.
23 Either way, we believe the ability of
24 licensees themselves need addressed before the
25 benefits should be altered, and we urge the

1 legislature to continue along with path.

2 As always, the PRLA appreciates the
3 opportunity to provide feedback in this and
4 any other proposals, and we look forward to
5 working with the committee and industry
6 partners to move forward in legislation that
7 strikes a balance between the need for
8 consumer convenience and preserving existing
9 licenses.

10 I am happy to answer any questions.

11 MAJORITY CHAIRMAN PYLE: Thanks a
12 lot, Mick.

13 Any questions for Mr. Owens?

14 Mr. Wheeland.

15 REPRESENTATIVE WHEELAND: Thank you
16 very much, Mr. Owens, for your comments.

17 Earlier at the beginning, you had
18 mentioned about lifting the cap on the 192
19 ounces. What is your recommendation to this
20 committee?

21 MR. OWENS: We would like to be able
22 to sell unlimited amounts of 12-packs.

23 Currently, right now, if you come
24 into a restaurant to buy -- let's say it's a
25 time the distributor's closed and you want to

1 get a case of beer for a party at your house,
2 you have to walk in, buy two 6-packs, complete
3 the transaction, take them outside to your
4 car, walk back in the door, put two more
5 6-packs up on the counter. There's not truly
6 a limit on how many you can purchase, it's
7 just an inconvenience. You have to go in and
8 out of your car each time. So, you could
9 still end up buying two cases or three cases
10 of beer, you would just have to have -- if
11 it's three cases, you'd have to have six
12 transactions to get to it.

13 REPRESENTATIVE WHEELAND: And a lot
14 of steps.

15 MR. OWENS: And a lot of steps.

16 Now, are you advocating for keg
17 sales?

18 MR. OWENS: No, sir.

19 REPRESENTATIVE WHEELAND: Are you
20 advocating for 30-pack sales or any other --

21 MR. OWENS: Currently, we're asking
22 for -- if they would be unlimited of the
23 12-pack. So, I guess that would be 192 ounces
24 if they were 16-ounce cans.

25 REPRESENTATIVE WHEELAND: Say that

1 again, please.

2 MR. OWENS: I think what we're
3 looking for is unlimited 12-packs.

4 REPRESENTATIVE WHEELAND: 12-packs.

5 MR. OWENS: Twelve beers. If they
6 were 16-ounce cans, that would be 192 ounces.
7 I don't think we're really asking for 30-pack
8 sales. It would just be the 12-packs that we
9 could sell as many as they would want to in
10 one transaction.

11 REPRESENTATIVE WHEELAND: So, Coors'
12 40-ounce bottles, they come 12 in a case. So,
13 you'd advocate for selling a case of
14 40-ouncers.

15 MAJORITY CHAIRMAN PYLE: I've never
16 seen a case of 40-ouncers.

17 MR. OWENS: Yeah. We normally sell
18 those as singles. We would have to actually
19 examine that. We normally sell 16-ounce cans
20 and 12-ounce bottles, because that's also what
21 we sell in the restaurant.

22 REPRESENTATIVE WHEELAND: Okay. I'd
23 be interested, wrap your head around it and
24 see what perhaps your organization would be
25 interested in.

1 Thank you.

2 MR. OWENS: I guess if the packaging
3 would be 192 ounces or less.

4 REPRESENTATIVE WHEELAND: Yeah.

5 MR. OWENS: For each -- each
6 container, you have to multiply out. A case
7 of pony bottles would be much less.

8 REPRESENTATIVE WHEELAND: Okay.

9 Thank you.

10 MAJORITY CHAIRMAN PYLE: Any other
11 comments for the panel?

12 Mr. Dellosa.

13 REPRESENTATIVE DELLOSO: Thank you
14 for your testimony.

15 I have one quick question and then a
16 comment.

17 I guess my question would be, as a
18 consumer, I've bought more than two 6-packs
19 after the beer distributor's closed. I've
20 never found, nor do I know anyone, that said,
21 Well, then, if I have to come back in, I'm
22 only buying two and I'm leaving.

23 Have you ever experienced that?

24 Because -- and the reason I ask that question
25 is because there's -- the argument -- the

1 argument that we should sell more than 192
2 ounces because someone has to go out to their
3 car and come back in again I think is somewhat
4 a hollow argument. And the argument that
5 someone at a Walmart Supercenter would have to
6 go back out to their car again and come back
7 in is somewhat a hollow argument.

8 If you're shopping with your wife,
9 you put two 6-packs in your cart and two
10 6-packs in her cart and you work your way to
11 the door.

12 I'm afraid -- and the argument can be
13 made that the state should never pick winners
14 and losers. And I agree with that.
15 Nonetheless, the system has been designed.
16 And it appears as though some people have been
17 picked as winners. And now we might be
18 pulling the rug out and creating losers. And
19 that I have a problem with.

20 So, 1644, to me, takes a D license
21 and turns it into a loser. And that I have a
22 problem with.

23 And do you have a comment?

24 MR. OWENS: If I can comment on that.
25 If somebody truly does want the case of beer,

1 it's sort of a hollow rule, because they can
2 get the case one way or the other. Changing
3 the rule wouldn't really change any outcome.

4 And as I said in the earlier
5 testimony, the Ds were granted -- when they
6 said that they had bought their licenses with
7 the privilege of being the exclusive retailer
8 of case beer in Pennsylvania, in 2016, they
9 were granted the ability to compete directly
10 with restaurants and sell 6-packs and singles
11 to go, which pretty much killed our 6-pack
12 sales at restaurants.

13 REPRESENTATIVE DELLOSO: But would
14 you say it's true that if I hold a D license,
15 I make my living selling beer. I can't sell
16 beer as a loss leader and make it up on a
17 prime rib.

18 MR. OWENS: In the state of
19 Pennsylvania, nobody can sell liquor as a loss
20 leader. You can't sell below cost.

21 REPRESENTATIVE DELLOSO: Understood.
22 You could sell it as closer to cost than
23 someone who can't make it up on a prime rib.

24 MR. OWENS: Yeah. I guess, yes, they
25 could.

1 MR. PATEL: May I comment?

2 MAJORITY CHAIRMAN PYLE: Please.

3 MR. PATEL: We, obviously, would
4 oppose that. And you're absolutely right, it
5 would affect, you know, how D distributors
6 would operate, and they would be entering our
7 territory.

8 Yes, we did get granted for 6-pack
9 sales, but, at the same time, they got wine
10 expansion permits. I know, so they did get
11 something in return.

12 We -- you know, we've been playing by
13 the rules, like I said. The selections that
14 the groceries and the big boxes, you know,
15 carry is nowhere near what we carry. Our
16 carrying cost is a lot lower, you know.

17 So, keep that in mind, as convenience
18 goes through, you're going to have -- you
19 know, if you go to outside of the market, like
20 when I go to New York, you see Bud, Miller,
21 Coors in the aisles more than your local
22 breweries. We carry local breweries and we
23 sell our -- our local breweries come to us
24 when they want to sell something and want to
25 sell it quick, you know.

1 So, we're basically hand in hand. We
2 have actually a real good success rate of the
3 local breweries in this state, and if we go
4 with big box, it's -- the boxes aren't going
5 to want to deal with local breweries.

6 MAJORITY CHAIRMAN PYLE: Are you good
7 Rep. Delloso?

8 REPRESENTATIVE DELLOSO: I'm good.
9 Thank you.

10 MAJORITY CHAIRMAN PYLE: Okay. Thank
11 you.

12 Rep. Malagari.

13 REPRESENTATIVE MALAGARI: Thank you,
14 Mr. Chairman.

15 Appreciate everybody's testimony so
16 far up to this point.

17 I have a couple questions actually.

18 So, House Bill 1644, as written, for
19 the D distributor would be a very negative
20 impact on the D distributor.

21 MR. PATEL: That is correct.

22 REPRESENTATIVE MALAGARI: And as it
23 is written, on the R licensee, we're talking a
24 traditional tavern or restaurant, that would
25 also be a negative impact on their business

1 model. Is that correct?

2 MR. OWENS: It wouldn't necessarily
3 be a negative. We would be able to sell more
4 6-packs at one time. It would be more of a
5 convenience.

6 We wouldn't -- as I said, most of us
7 don't -- most of our revenue doesn't come from
8 6-pack sales in the restaurant industry. So,
9 having added convenience at the big box stores
10 really wouldn't be a detriment to us one way
11 or the other.

12 For those -- some of our restaurants
13 do sell a lot of 6-packs. In the cities,
14 where they're maybe not near the big box
15 stores or in some rural areas where they're
16 not near a grocery store, it would just be an
17 added convenience for those members. So,
18 either -- in our membership, it would help
19 them a lot or it would have no effect.

20 REPRESENTATIVE MALAGARI: So, the
21 large grocery chains then surround,
22 potentially, a lot of restaurants and taverns
23 that, for a very long time, sustained their
24 business models based upon take-out sales from
25 6-packs and singles, you're saying that the

1 way that this particular bill is currently
2 written, and if we were not to take into
3 account the two -- I guess the bill split that
4 you were suggesting earlier, that would not be
5 a negative impact on those. Those particular
6 grocery chains would not have a negative
7 impact, and being able to have that
8 convenience -- convenience factor, I guess,
9 and be able to sell more, and if somebody in
10 the restaurant industry decided not to buy
11 that extra license.

12 So, you don't think that that would
13 be a negative impact?

14 MR. OWENS: I think it would be
15 specific to exactly where they're located. If
16 there's a big box store a hundred yards away,
17 I think, yes, it probably could. If it's two
18 miles away, I don't think it could. I mean,
19 there will be changes in everybody's business
20 with any rule change, but they would also have
21 the ability to sell larger portions, so they
22 would be just as competitive.

23 REPRESENTATIVE MALAGARI: Okay.
24 Coming from the industry myself, having been
25 an on-premises sale rep for a wholesaler

1 before, I noticed once Act 39 came in -- and
2 that was really right when I started -- there
3 was a huge volume drop in a lot of sales for
4 the wholesalers. And our Ds in the room can
5 definitely attest to that. However, the
6 profitability did go up, because they were
7 selling a little bit less, but for more profit
8 on volume.

9 When it came down to the taverns,
10 they lost a lot of sales, too, but it wasn't
11 necessarily because the Ds got the ability to
12 sell singles all the way up through cases. It
13 was mainly because of the fact that grocery
14 came in and took away a lot of those sales.
15 And that was almost absolute.

16 And the area that I represent and the
17 areas surrounding me and especially in the
18 southeast where there's a lot of it, we can
19 attest to the fact that when grocery did open
20 up, a lot of those sales went to the grocery
21 stores rather than to those traditional bars
22 and restaurants.

23 I can tell you countless customers
24 that would come to me and say, How is this
25 possible? Why is this allowed? What are we

1 going to do about it? I'm losing sales. I
2 lost everything.

3 And the only thing I could go back
4 and say is, Now you have to compete in a
5 larger sandbox.

6 And that's it.

7 So, I think the way that this
8 particular bill is written, though, is a
9 detriment to both sectors. I don't think the
10 standard tavern is going to make out well in
11 this. I really don't. And I also don't
12 believe that the D is going to make out well
13 in this. And I think it's going to -- really
14 killing two separate segments of an industry,
15 and unfortunately. That's why I'm not a big
16 fan of this bill at all, as it is written
17 right now.

18 MAJORITY CHAIRMAN PYLE: Is that it
19 for you, Rep Malagari?

20 REPRESENTATIVE MALAGARI: Thank you,
21 Mr. Chairman.

22 MAJORITY CHAIRMAN PYLE: Any time.
23 Representative Jozwiak.

24 REPRESENTATIVE JOZWIAK: Thank you,
25 Mr. Chairman.

1 Mr. Patel, you testified that I think
2 you had fake IDs.

3 MR. PATEL: Yes, sir.

4 REPRESENTATIVE JOZWIAK: And you said
5 there's eight or nine of them.

6 MR. PATEL: Yes, sir.

7 REPRESENTATIVE JOZWIAK: I applaud
8 you for finding those with these kids. I know
9 the distributors really watch that.

10 But my question is, you're in the
11 State College area.

12 MR. PATEL: Yes, sir.

13 REPRESENTATIVE JOZWIAK: So, how many
14 months or weeks did it take you to collect
15 nine fake IDs? How long did it take you to
16 get those?

17 MR. PATEL: Thursday, Friday,
18 Saturday.

19 REPRESENTATIVE JOZWIAK: Three days.

20 MR. PATEL: And I have a whole safe
21 full. We work very close with our liquor
22 enforcement.

23 REPRESENTATIVE JOZWIAK: So, when you
24 would have one of them, what do you -- do you
25 call the police?

1 MR. PATEL: We call the police. We
2 have a form that liquor enforcement now gives
3 us. And if we -- if they're not available,
4 what we'll do is we'll keep it. It's
5 basically like an incident report. And we'll
6 put it aside, and they'll do a follow-up.

7 REPRESENTATIVE JOZWIAK: Okay. So,
8 with the colleges starting Monday and the kids
9 moving in Thursday, Friday, Saturday, do you
10 think that was a spike-up in you getting fake
11 IDs in those couple of days?

12 MR. PATEL: Yes. Every time students
13 move in, these fake IDs would work in their --
14 these fake IDs would work in their towns. And
15 then when they come to State College, you
16 know, we -- you know, we're -- we know a lot
17 more than small towns do. So, we can catch
18 them a lot easier, you know. And the first
19 two to three weeks, our fake ID spikes and the
20 look-alike will spike. Definitely.

21 REPRESENTATIVE JOZWIAK: So, what's
22 your fake ID between June and
23 September?

24 MR. PATEL: From June and September,
25 we will get probably about three or four

1 throughout the entire summer.

2 REPRESENTATIVE JOZWIAK: It's because
3 the kids are not there.

4 MR. PATEL: The kids aren't there.
5 Correct.

6 REPRESENTATIVE JOZWIAK: And I don't
7 know what it is in a normal distributor, how
8 many they find. I know I have a personal
9 friend who's a distributor, and when I talk to
10 him, he gets them occasionally is the answer.
11 It's not a normal thing for him to have.

12 So, I was just -- I want to point out
13 two things. In your situation, you have a
14 hundred thousand kids out there at that
15 college.

16 MR. PATEL: That's correct.

17 REPRESENTATIVE JOZWIAK: And you're
18 going to have a few of them that are going to
19 come up with their fake IDs. And I'd be
20 really interested in where the fake IDs are
21 coming from.

22 MR. PATEL: Oh, there's a lot of
23 websites.

24 REPRESENTATIVE JOZWIAK: Yeah, I know
25 there are. But -- and I applaud you for

1 finding them and the rest of the wholesale --
2 or the distributors that find that stuff,
3 because we do not want minors to be having
4 access to this stuff.

5 So, that's all my question and
6 comment, Mr. Chairman. Thank you.

7 MAJORITY CHAIRMAN PYLE: Thank you,
8 Rep. Jozwiak.

9 Representative Dowling.

10 REPRESENTATIVE DOWLING: And just a
11 quick follow-up on Representative Jozwiak's
12 comments and a couple of items that you've
13 testified to, Mr. Patel, dealing with the fake
14 IDs. And one of the clarifications I wanted
15 to make was that, in the current language of
16 this legislation, we do not eliminate the need
17 for RAMP certification or anything of that
18 nature.

19 There was testimony earlier that
20 distributors would be able to better pick out
21 fake IDs, that's what you had testified to.
22 You also just testified to the fact that you,
23 being closer to State College, are better able
24 to pick out state -- their IDs, which would
25 work in their individual communities around

1 the Commonwealth.

2 I see a little bit of question there.
3 My question is, what makes the distributors
4 better -- and I know some do a fantastic job
5 at doing this -- what make you and your
6 employees better able to catch these than
7 anyone who would be affected by this bill,
8 this expansion?

9 MR. PATEL: We do this day in and day
10 out. Our turnover, employee turnover ratio,
11 is very little. Mine, you know, I'm
12 personally attesting, I will probably have
13 maybe two employees leave the entire year.
14 So, these employees get used to seeing it. We
15 train them. Again, this is our livelihood.
16 If we mess up and somebody gets in an accident
17 and the Dram Shop rule comes into play, we're
18 done. You know, we don't have money, like big
19 boxes do, to cover claims. So, this is our
20 livelihood.

21 And each of the beer distributors,
22 yes, you know, we do it a little bit more in
23 depth, but I can attest that a majority of the
24 distributors -- I would say about 90 percent
25 of the distributors concentrate, because,

1 again, this is our livelihood, on making sure
2 we don't serve minors, we don't -- you know,
3 we follow the law, basically.

4 You know, RAMP certification does
5 teach you certain things. It's just like, you
6 know, when you go to a training academy for a
7 police officer, it doesn't train you -- it
8 doesn't teach you what the real feel is going
9 to be. It's the same way. Whenever you
10 get -- you know, go to class and they show you
11 this, it's nothing until you actually hold
12 one, because different states have a different
13 way they look, different companies make it
14 differently.

15 I have one here that is -- I told my
16 employee, it would have passed me. But it
17 is -- this one right here from Ohio State. It
18 even has the Real ID logo on it. It feels
19 real. It looks real. You know, this would
20 have went on me -- it could have got passed
21 me. But my employee, he' like, No, this is a
22 fake. And he called out -- you know, he
23 called the student out on it.

24 REPRESENTATIVE DOWLING: I definitely
25 do appreciate that. And I appreciate the fact

1 that you go the extra mile to make sure that
2 that's not a problem.

3 I'm sure you're also dealing with
4 changing and evolving technology, where the
5 fakes gets better over and over.

6 And while that's not a main topic of
7 the bill or point of discussion today, I think
8 most of us up front would probably appreciate
9 seeing some of those fakes after the hearing
10 today, if you'd show them to us.

11 MR. PATEL: Sure, no problem.

12 REPRESENTATIVE DOWLING: Just so we
13 know what we're dealing with as well.

14 MR. PATEL: Well, the only reason I
15 bring that up is because, like -- you know,
16 the question you asked is, how will we be
17 different than a Wegmans or a Sheetz or
18 anybody. Their employment rate changes. They
19 don't look at these every day. So, whenever
20 you have a big box, you know, ID-ing that
21 18-year-old -- because 18's the age that we
22 can sell -- that 18-year-old may have friends
23 come in, give them the fake ID, and, you know,
24 go ahead and sell. So --

25 REPRESENTATIVE DOWLING: Thank you.

1 MAJORITY CHAIRMAN PYLE: Thank you,
2 Rep. Dowling.

3 Do we have any other questions?

4 Representative Isaacson.

5 REPRESENTATIVE ISAACSON: Hi. So,
6 I'm from Philadelphia County, so we have a lot
7 of enforcement issues around some of our
8 licensees.

9 But I know that one of the things
10 that became an issue is, you know,
11 collaboratively working with law enforcement
12 to deal with those issues. And could you talk
13 about, at Penn State, how you could -- you've
14 done -- I'm assuming you've -- do you have to
15 do that? Work collaboratively? Because
16 certainly in some of these rural areas but
17 also around the other universities, I'm sure
18 there's going to be issues with regard to the
19 sales and how would these -- it brings into
20 light the question how does enforcement deal
21 if we do create this expansion of the R
22 license to be in a large facility.

23 MR. PATEL: Sure. I mean, we --
24 whenever we opened in 2009, we met with our
25 borough chief, at that time was Chief King,

1 and we simply asked him, you know, We know
2 we're going to get into this, what would you
3 like to see us do? We also don't want to keep
4 calling you guys, saying, Hey, we got a fake
5 ID. Because they have more important things
6 to do than to cite students with fake IDs.

7 So, he said, Our objective, you know,
8 is to take these off the street.

9 So, basically, he -- it's actually
10 illegal for us to obtain these, in terms of
11 take them, because it's their personal
12 property. So, how we go about doing it is --
13 and this was advice of Chief King, is that
14 you're going to say that, if you -- you know,
15 when they ask for it back, basically say,
16 We'll give it back to you once the police
17 officer reviews it.

18 And a majority of the time, I would
19 say 99 percent of the time, that student will
20 walk out, you know.

21 And then liquor enforcement, we work
22 very closely with them. I'm very close with
23 Officer Brian there, for Altoona PLC.

24 So, you know, again, we take very
25 pride in making sure no student -- you know,

1 again, we're a community-based business, so we
2 take very, very big pride in not selling
3 minors.

4 REPRESENTATIVE ISAACSON: What about
5 Saint Patrick's Day?

6 MR. PATEL: Same. We put --
7 actually, we have an even stringer -- we put a
8 door person -- at a beer distributor, we treat
9 it like a nightclub. We have a door guy
10 carding. Everybody in our store gets carded.

11 We actually -- with parents' weekend
12 moving in, I couldn't believe how many times a
13 minor would come in a with the parents, and
14 the minor would pick up the beer. And I'd
15 say, Could I see your ID?

16 And the parent's like, I'm buying it.

17 I'm like, That doesn't change the
18 rules.

19 Just because that minor is picking it
20 up and taking it out of my store, and an LCE
21 officer sees that, that's a bad impression on
22 us. Whether he's going to cite you or not,
23 that's a bad impression on us.

24 REPRESENTATIVE ISAACSON: Okay.
25 Thank you.

1 MR. OWENS: May I add something?

2 MAJORITY CHAIRMAN PYLE: Add whatever
3 you like.

4 MR. OWENS: I think this will be
5 something we'll definitely agree on.

6 If we want -- it seems underage
7 consumption is a big concern. Currently, if a
8 minor gets served at his establishment or
9 mine, primarily the penalty falls on the
10 business owner. It doesn't fall on the staff
11 member that serves their 18-year-old friend,
12 even after they've been trained properly. And
13 it doesn't even fall on the student.

14 As long as we're going to keep fining
15 the restaurants rather than the minor that's
16 trying to get served or the employee that
17 willingly serves somebody underage, we're
18 going to continue to have this problem. So,
19 that may be something to address.

20 UNIDENTIFIED SPEAKER: They take them
21 away in West Virginia. They arrest the
22 employee and take them to jail.

23 MAJORITY CHAIRMAN PYLE: I spent a
24 hell of a lot of time in West Virginia, sir.
25 And there's a lot of parts down there I really

1 like.

2 Representative, are you done with
3 your question?

4 REPRESENTATIVE ISAACSON: Yes. Thank
5 you.

6 MAJORITY CHAIRMAN PYLE: Anyone else?

7 I have a couple of questions, couple
8 of things I've been making notes of.

9 First of all, I want to be very, very
10 clear. We are not reopening Act 39. Period.
11 Big dark, end of sentence, period.

12 Now, from your organization, sir,
13 I've asked them a dozen times, what can I do
14 to help you? We are not going to repeal Act
15 39. Please spread the word.

16 MR. OWENS: Okay. Will do.

17 MAJORITY CHAIRMAN PYLE: Second of
18 all, all of distributors that are in the room,
19 I appreciate you all coming out. I only have
20 two where I live.

21 And I think the part of this bill
22 that has not been addressed is consumer
23 convenience. I mean, if I hit my liquor store
24 on a Tuesday or a Thursday, it's probably not
25 open. For me to go to my beer distributor,

1 I've got one about two blocks away. But if
2 he's closed, I'm looking at 13 miles. Okay.

3 Consumer convenience, I wish more of
4 you were up where I lived, is what I am trying
5 to say.

6 A few things have been said, and I've
7 remained silent, because I wanted all the
8 members to be able to have at it.

9 You asked about the Craig Staats'
10 bill, Mick. That is teed up for review on
11 September 10th at a hearing and will be voted
12 on the 17th. Just to let you know.

13 Now, Pennsylvania, obviously, is
14 ruled by a constitution, and within that
15 constitution is a uniformity clause that says
16 we cannot single out individuals, corporation,
17 any of that stuff. The law is the law for
18 everyone.

19 And you all bring up good points that
20 I feel need addressed within Representative
21 Dowling's bill, so I appreciate that.

22 Now, I want to take off the radar
23 some things we heard from my friend Wendell.
24 This does not address liquor at all. This is
25 about letting somebody who has purchased an R

1 license to sell 6-packs. It is not an express
2 lane.

3 I've seen their model. It is
4 actually box, with its own separate outside
5 entrance. It is not going to be spread
6 throughout the store in Uniontown, from what
7 I've seen. It's confined to a space about
8 half the size of this fire hall, an old
9 McDonald's that they tossed out.

10 Other things. I appreciate RAMP
11 training. With anything we move, that is an
12 underlying foundation. If they cannot satisfy
13 our demands for RAMP training, we just simply
14 don't move the bill. That is utmost. Always
15 safety first. Always, always.

16 Okay. Let me go down through this.
17 Sales outside premises, I don't think you're
18 going to see that happening. Really, what my
19 concern is for LCB is some of these guys, like
20 sidewalk cafes, and with the growth of
21 microbrews, microdistills, micro-winereries,
22 we've seen take off from Act 39 over the last
23 couple years, it's very popular for these guys
24 to have like an outdoor deck, you know, with
25 an awning over it. And I don't know why that

1 is a separate hassle. I don't. I mean, it
2 does make sense.

3 I think we pretty much put an end to
4 the assertion that they're going to sell beer
5 all over the place, because that's not what we
6 were shown. We were shown it is a confined
7 space. It is not contiguous with food or
8 clothes or toys or building materials, none of
9 that.

10 As I said, the bill does not address
11 liquor whatsoever. It is discussing sales of
12 wine, sales of beer. That's what's up.

13 That's about all I've got, fellows.

14 I did have a really snarky comment,
15 but I'll save that for later.

16 Are you telling me, if we do not pass
17 or consider 1644, you can guarantee me there
18 will be absolutely no underage sales? Zero.

19 MR. JAMIESON: Can I answer that
20 question?

21 MAJORITY CHAIRMAN PYLE: Please do.

22 MR. JAMIESON: I have stores in West
23 Virginia. I have ten supermarkets in West
24 Virginia. We have wine and beer sales. And
25 in several stores, we also have a liquor

1 permit to sell. And for liquor, a couple
2 stores that have the liquor and the wine, I
3 have a 7 percent shrink.

4 MAJORITY CHAIRMAN PYLE: Okay.

5 MR. JAMIESON: And that is not any
6 damages. That is only stolen or mispriced.

7 MAJORITY CHAIRMAN PYLE: Sure.

8 MR. JAMIESON: At one store in
9 Morgantown, where I only have wine -- don't
10 have liquor -- we have a ten percent liquor
11 shrink.

12 MAJORITY CHAIRMAN PYLE: Wow.

13 MR. JAMIESON: I do not have numbers
14 for beer because, in West Virginia, beer's
15 sold at 7 percent, and Walmart sells all their
16 beer at 7 percent. And every Dollar General
17 does. And --

18 MAJORITY CHAIRMAN PYLE: I have fond
19 memories of my days in Morgantown, if what I
20 do remember.

21 Yeah, I'm used to it. I grew up with
22 being able to buy 12-packs, 6-packs, 30-packs
23 at Kroger, right down over the hill from my
24 dorm. I don't see that happening here.

25 I mean, the part that truly being

1 ignored is consumer convenience. Again, I'm
2 not going to tell you guys where you got to
3 set up your businesses, but not a lot of
4 people want to set those up in Kittanning.
5 Okay? For us, it's about access and
6 convenience. That's where this bill's coming
7 from that I've read.

8 And I'm going to tell you in front of
9 these people, Representative, I think a lot of
10 good points have been brought up that need
11 addressed. And I think we've got the people
12 on this committee to do that.

13 I appreciate everyone giving us your
14 input, because you brought up a lot of good
15 points. I am not rubber stamping this thing.
16 I have been given no command that I have to
17 move this bill. This is one Matt put a lot of
18 time in on.

19 Now, I want to explain the uniformity
20 clause to you. It says we cannot single out
21 one sector more so than another for unfair tax
22 advantages. It's in the constitution. We
23 couldn't change that if we wanted to.

24 So, when we have these hearings and
25 we talk about these measures, they would apply

1 to everyone.

2 There is talk right now of expanding
3 MBDA's role out greatly, but I'm not ready to
4 discuss that just yet.

5 Mick, we've met before. You asked
6 for the Craig Staats' bill. You're going to
7 get the Craig Staats' bill.

8 Now, I heard mention of how the state
9 does its licensing. And we did something
10 rather irregular about two months ago for the
11 Poconos. They had 450 million dollars private
12 investment willing to pour into making a sort
13 of international village, like Disney's
14 Discovery Village. If you want to go get
15 Chinese, you go to the Chinese place. If you
16 want to go to the German food place, go there.
17 And there is about 30 of them. 450 million
18 dollars coming in to Commonwealth. None of it
19 tax money. All private investment. We limit
20 them to sales on their premises. No take out.

21 Now, I don't think anybody'd argue
22 that 450 million dollars invested in the
23 Poconos is a bad thing. We all win from that.
24 It's less tax burden for all of us.

25 Those are all my comments.

1 Chairman.

2 Appreciate the postcard, fellows.

3 By the way, that dollar -- that
4 dinner we had with Walmart last night, it was
5 macaroni and cheese, beans. I don't know
6 where this multi-million-dollar thing came
7 from. I wasn't running with Mick Owens.

8 MR. OWENS: May I add one quick
9 comment?

10 MAJORITY CHAIRMAN PYLE: Please.

11 MR. OWENS: When it was brought up
12 about the enforcement, about the areas that
13 are zoned or not zoned, your on-premises,
14 off-premises, just to let everybody know how
15 it works, when you get your restaurant
16 approved by the PLCB, you say this room I'm
17 going to sell or store alcohol in. It is very
18 specific: This patio, this hallway. It's
19 very specific.

20 Part of this other bill is that they
21 were going to eliminate on-premises
22 consumption. They didn't want to have to
23 serve alcohol. The reason you have these
24 zoned like this was because of the Pizza Hut
25 exemption. For Pizza Hut to come into

1 Pennsylvania, so kids could be in there
2 without their parents. Before that exemption
3 happened, no minors could ever go into a
4 restaurant that had a liquor license unless
5 they were with their parents.

6 So, then the rules came with this
7 about you had to serve so much food and
8 whatever. If there's going to be no
9 on-premises consumption, the entire building
10 could be zoned. So, for the enforcement, for
11 the PLCB, there would be no restricted areas.
12 It would be a pretty simple fix in your bill.
13 That's just what I wanted to say. If there's
14 no on-premises consumption, the whole place
15 could be zoned, and then it would be easier.

16 MAJORITY CHAIRMAN PYLE: And that's
17 exactly what we need from everybody gathered.
18 We are welcome to better ideas. You know,
19 ideas don't know party or age or color, any of
20 that. And I appreciate you offering that up.

21 MR. JAMIESON: I just have one other
22 comment.

23 MAJORITY CHAIRMAN PYLE: Please do.
24 Give him a microphone.

25 Excuse me, sir. A gentleman down

1 here wanted to know who you were.

2 MR. JAMIESON: My name is Tom
3 Jamieson. I'm a Fayette County resident. I
4 own six supermarkets in Pennsylvania and ten
5 in West Virginia.

6 The only thing I want to ask is --
7 I'm obviously opposed to the bill. But the
8 thing in West Virginia that is good, that
9 helps tremendously, is the opportunity that if
10 you get caught selling underage, the police
11 take that employee away and charge them with a
12 misdemeanor. And that would help us
13 tremendously in all efforts if that can be a
14 bill. Because there's no threat to the
15 employee other than we terminate them at this
16 point.

17 MAJORITY CHAIRMAN PYLE: It's
18 certainly going to tell that young person not
19 to do it again.

20 MR. JAMIESON: It helps a lot when
21 they do take them away, they see them in
22 handcuffs walking across the floor in front of
23 all your employees. So, it would be a welcome
24 addition to the laws in Pennsylvania.

25 MAJORITY CHAIRMAN PYLE: Excellent

1 suggestion.

2 MR. JAMIESON: Just a consideration.

3 MAJORITY CHAIRMAN PYLE: Excellent
4 suggestion.

5 MR. JAMIESON: Thank you.

6 MAJORITY CHAIRMAN PYLE: Members,
7 anyone else?

8 All right, folks. Thank you very
9 much, Chairman Deasy.

10 There's somebody I want to recognize
11 before we roll out of here. Where's Amanda Cuteri?
12 Would you please stand and wave for everybody?

13 Amanda works in Representative Dowling's
14 office, and she's an absolute magician to make all
15 this happen.

16 Many thanks to the guys here at Addison
17 fire hall. Thanks to everybody attending.

18 (Whereupon, the hearing concluded at
19 11:50 a.m.)

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REPORTER'S CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true and accurate transcript, to the best of my ability, produced from audio on the said proceedings.

BRENDA J. PARDUN, RPR
Court Reporter
Notary Public