



House Committee on Liquor Control

Testimony re: Constitutional amendment to privatize state run liquor system

January 24, 2022

Good morning, Chairman Metzgar, Chairman Deasy, and members of the House Liquor Control committee. Thank you for your willingness to facilitate this discussion and for asking our Association to be a part of it. My name is Zak Pyzik, and I am the Director of Government Affairs at the Pennsylvania Restaurant & Lodging Association (PRLA). We appreciate this opportunity to submit testimony and feedback regarding Representative Mihalek's constitutional amendment that would pave the way toward privatizing Pennsylvania's state-run liquor system.

There are more than 26,000 restaurants, 1,500 hotels, and 100 travel and tourism partners that we represent, and more than 19,000 active liquor licenses in the state. PRLA is proud to say that we try to fairly represent the entirety of Pennsylvania's tourism and hospitality industries – even those who may not be dues-paying members. On behalf of the PRLA, I am here today to testify in support of Representative Mihalek's legislation.

While our relationship with the PLCB has improved over the years, our members and most operators throughout the Commonwealth unequivocally support the privatization of liquor sales in Pennsylvania. Given the magnitude and significance of such a shift in policy and practice, we applaud Representative Mihalek's approach – a constitutional amendment, which would ultimately leave the decision in the hands of the public. That's exactly who we believe is best suited to make this decision, those to whom the asset belongs and to whom we as an industry and you as elected officials serve.

Many of our members support the proposal for a variety of reasons. Most prominently, they're confident privatization will ultimately reduce the cost of alcohol both for consumers and licensee holders. Pennsylvania bars and restaurants pay some of the highest costs in the country for wine and spirits. This means higher costs for patrons of those establishments as well. Pennsylvania liquor licensees account for nearly 30 percent of PLCB's product sales, yet many feel as if they are not treated as the wholesale partners they truly are.

I have talked with dozens of members about this proposal. The most common reasons for their individual and for our collective support are as follows:

- Improved convenience – many operators have told me that it can be quite challenging to make purchases. One operator described their purchasing process to me indicating they can only go to one store for their purchase, and their pickup has to be on a Tuesday or Thursday. They've told me that it frequently feels like having to jump through one hoop and then another.
- Better selection – PRLA members have told us repeatedly, and long before the supply-chain issues that we're seeing today, that they are only able to purchase limited products. Members that have operations in other states like New York, New Jersey, Maryland, etc.,

have indicated that they do not experience those problems elsewhere. More stores selling will likely lead to more competition, which in turn will create increased selection.

- More reliable fulfillment – putting aside the recent supply-chain issues, operators have always experienced fulfillment issues. These issues leave staff and management having to explain to a customer why they don't have a specific product, or even worse, have to explain why they could never get a certain type of product. A privatized system would provide more options.
- Pricing is an issue and a significant one at that. With the PLCB markups and the various layers of taxes, multi-state operators report paying more in Pennsylvania than any other place they operate. This may not apply to every specific item, but we're confident it applies to many.
- Delivery is a concern. In most other states, licensees can get delivery by their suppliers. In Pennsylvania, most orders must be picked up, adding additional labor costs and creating safety issues.

This constitutional amendment would bring Pennsylvania into the 21st century and allow consumers to benefit from free-market competition.

Selling off the state's liquor stores would provide a financial boost to the state. We've seen projections as high as \$1 billion that could potentially head to the Commonwealth through the sale of mostly liquor licenses. PRLA supports full privatization of the retail and wholesale functions of the PLCB. More than 60 percent of Pennsylvanians support getting government out of the liquor business. It is important to note that Representative Mihalek's legislation only addresses liquor sales, and not enforcement nor existing license structure.

We understand that a conversation about privatizing Pennsylvania's liquor system can be complex, hence why the state has been having it for 80 years. Our members are frustrated with the current system, and they are happy this committee is furthering the discussion today. As a constitutional amendment, this proposal is different than those before it as it puts the question to the public we serve. We strongly believe that is the best solution to date and would urge support thereof. It has been said that this is an asset to Pennsylvania, which I don't entirely disagree with. Along with the asset has come many liabilities, it is now time to move on from our archaic system and move into a future model that will better serve Pennsylvanians into the future.

PRLA looks forward to continued dialogue and stands ready to assist in any way that we can. Thank you all for allowing me the opportunity to speak with you today. I'd be happy to help answer any questions.

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