

Brewers of Pennsylvania

Presented by Kevin Finn, President Iron Hill Brewery & Restaurant

Testimony before the House Liquor Control Committee

August 21, 2012

Good morning Chairman Taylor and members of the House Liquor Control Committee. Thank you for the opportunity to appear before you today. My name is Kevin Finn and I am a Partner and President of Iron Hill Brewery & Restaurant. Today I am here on behalf of the brewpub members of the Brewers of Pennsylvania.

Iron Hill Brewery & Restaurant was founded in 1996 and owns and operates 10 brewery restaurants in the Philadelphia region, 6 of which are in the State of Pennsylvania. In Pennsylvania, we employ more than 650 people.

The Pennsylvania Liquor Control Board regulates the state's 17,000 licensees. It interprets the law and sets standards by which licensees can operate. While this is certainly necessary to ensure compliance of licensees, there are times where the PLCB oversight runs contrary to reasonable and current business practices and is inconsistent in its application of the law between various industries. A recent issue that has affected many of the State's small brewers has been a ruling from the PLCB on Mug Clubs. Loyalty programs have become a standard business practice for most industries, including the State's small brewers. Many in our industry use loyalty programs to promote our unique hand crafted products and expand the horizons for our customers. They can see and experience the quality of the products brewed in Pennsylvania.

Recently, The PLCB has determined that certain benefits received from a mug club membership are illegal under the law. This has been a non-issue over the past 15 years and the recent crackdown seems to be aimed at solving a problem where none existed. For Iron Hill, this resulted in the suspense of benefits for its 8,000 members in the State. Specifically, club benefits that are deemed illegal include selling beer in a larger portion (mug) without a price increase, accumulation of loyalty point for the purchase of alcohol and offering discounts to club members that are not offered to other customers. Most of these have been interpreted by the PLCB as illegal because they are considered "enticements" to purchase alcohol by the PLCB. Specifically on the offering of points, we fail to see how offering points on all food and beverage purchases equally, in any way entices a customer to purchases alcohol. Certainly this is standard practice in other industries. Loyalty programs offered by all of the major credit cards offer point accumulations for purchases, which include alcohol. Every day in Pennsylvania, customers walk into the State's liquor and wine stores and receive points on their credit cards for the purchase of alcohol. We fail to see where this standard business practice is any different than loyalty programs run by the State's small brewers. While we are limited to one free drink per customer under our license, the casinos in the State are allowed unlimited free drinks to customers. While the PLCB seems concerned that loyalty clubs are enticing customers to drink too much, the law allows casinos to use unlimited amounts of alcohol to entice customers to gamble. Hardly seems like we are all playing by the same rules.

We ask for fair and equal treatment for small brewers in PA and that that regulators consider accepted industry marketing practices rather than outdated strict interpretations of the law, that interfere with the growth of small businesses.

I would like to again thank the committee for the opportunity to appear before you today. The Brewers of Pennsylvania are most appreciative of the professional and personal relationships we have

with the committee and members of the General Assembly. We look forward to continuing to work with you in improving Pennsylvania's liquor laws and stand ready now and in the future to answer any questions you may have.