



**HAWAII HOTEL & LODGING
ASSOCIATION**

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LATE

**TESTIMONY OF MUFI HANNEMANN
PRESIDENT
HAWAII HOTEL & LODGING ASSOCIATION**

March 15, 2011

RE: HB 840 HD 1 Relating to Liquor

Good morning Chairperson Baker and members of the Senate Committee on Commerce and Consumer Protection. I am Mufi Hannemann, President of the Hawaii Hotel & Lodging Association.

The Hawaii Hotel & Lodging Association is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms and individuals. Our membership includes over 150 hotels representing over 48,000 rooms. Our hotel members range from the 2,680 rooms of the Hilton Hawaiian Village to the 4 rooms of the Bougainvillea Bed & Breakfast on the Big Island.

The Hawaii Hotel & Lodging Association strongly opposes HB 840 HD1 Relating to Liquor for a couple of reasons. First, as you may already be aware, Hawaii maintains one of the highest tax rates on alcohol in the entire nation. Any type of tax increase would be passed on to the consumer. Like other retailers, restaurants operate on razor-thin profit margins. For many smaller establishments without high-volume capacity, alcohol sales help to keep them afloat. A significant increase in alcohol taxes, as proposed by this legislation, would force restaurant/bar owners to pass the cost of this increase onto customers. With the poor economy and decreased customer traffic, higher alcohol taxes would undoubtedly result in a decline in alcohol sales. A decline in sales would obviously affect their bottom line in a negative way. This could result in people in the hospitality industry getting their hours cut or worse yet, losing their jobs. We don't want to put jobs at risk.

Secondly, our industry is just beginning to come out of one of the worst economic recessions. Visitors are coming back, but lodging properties, restaurants and attractions are still being offered at deeply discounted prices to attract customers. With the recent earthquake and tsunami, we can anticipate that there will be a large down turn in the number of visitors from Japan. Hawaii is in strong competition with destinations like Mexico the Bahamas and other sun and surf destinations. Hawaii needs to remain competitive and affordable to continue to attract visitors and keep our residents employed.

We ask that you hold this bill.

Mahalo for this opportunity to testify.

Bonny Amemiya
Anheuser-Busch Sales of Hawaii
99-877 Iwaena Street
Aiea, Hawaii 96701
Fax : 808-484-4382
Telephone : 808-484-4335

DATE: Tuesday, March 15, 2011- TIME: 9:00 am
PLACE: Conference Room 229
FROM: Bonny Amemiya, Director of Marketing & Sr. Business Analyst
TO: COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn Baker, Chair
Senator Brian Taniguchi, Vice Chair

RE: HB 840 HD1 RELATING TO LIQUOR

I OPPOSE this bill which would allow coupons on the purchase of liquor in combination with other merchandise.

The reasons why I oppose coupons on the purchase of liquor:

- **Coupons on other merchandise that don't require the purchase of liquor are currently allowed** – it is not necessary to add language that requires the purchase of liquor. Coupons sponsored by alcohol manufacturers are legal in Hawaii and they do not require the purchase of liquor. Consumers already have the benefit of vigorous price competition on liquor in the Hawaii market so adding

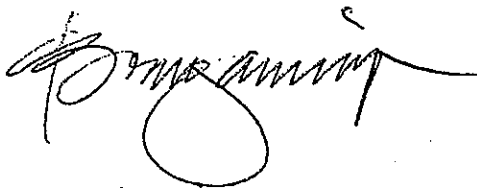
coupons on liquor that require the purchase of another product is actually increasing the amount the consumer is required to spend per transaction.

- **Two forms of couponing, "scanbacks" (which are discount payments to retailers based on the sales data from their scanners) and "IRCs" (instant redeemable coupons) are especially prone to fraud and abuse -** In States where IRCs are allowed, too often, substantial numbers of coupons are redeemed for cash by retailers without any actual savings being passed on to consumers. If retailers are able to redeem coupons (either paper or electronic) and pocket the cash without the discount actually being given to the consumer, then the retailer has, in effect, received an illegal cash payment.
- **Coupons can be highly discriminatory, favoring the large retailers over small.** Scanbacks require scanning equipment and IT support which works to the advantage of larger or more sophisticated retailers. Many of the cross-merchandising coupons feature products and skus that only the large national chains carry, thereby excluding small local mom and pop retailers.
- **Neither the State nor the Counties have the resources to police couponing activities to insure that the consumer receives the full benefit of fair price competition.**

My recommendation is that the language that would allow coupons on purchases of intoxicating liquor in combination with other merchandise be removed.

Thank you for the opportunity to provide this testimony.

Respectfully submitted,



Bonny Amemiya

Dear Chair, Vice Chair and Committee Members,

I am sure you have received a lot of testimony against the increase you are proposing with respect to Alcohol tax. I am here to add yet another. I am not going to throw out the numbers because I don't believe the forecasted revenue provided by the State is accurate. We have not seen gallon information since 2008 due to budget cuts, however, I do not believe the projected revenue will materialize.

I am against the 50% increase in liquor tax because I believe that this is not the answer.

As an employee of Better Brands, there is a shimmer of hope every time I meet a new employee and we have had quite a few of them over the last several months. We are one of the many companies in Hawaii who are trying to grow our business and provide badly needed jobs to the unemployed. The increase in the liquor tax would take us in the opposite direction and it will affect the restaurants, the hotels and the independent mom & pop stores out there. This would also affect the chain outlets.

I believe it is too early in the recovery process to add taxes to businesses (any business) that are trying to make up for the losses over the last several years.

We are working everyday to find ways to work efficiently and bring in more revenue to our Company and therefore the State. If our economy can grow, through increase business, our State Revenue should follow suit.

I think that a tax on one industry is not the answer but perhaps the general excise tax is. At least the GET would not target just one industry, which is why I am very opposed to HB840 and the proposed 50% increase.

Please consider the alternative. Please consider the new jobs that we have made available to the people of Hawaii.

Thank you for your time,
Regards,
Laurie Kawasaki

Laurie Kawasaki
VP Finance
Better Brands
A division of Young's Market Co., LLC



Waimea Brewing Company, Inc.

March 14, 2011

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Rosalyn H. Baker, Chair

Senator Brian T. Taniguchi, Vice Chair

Dear Senator Baker:

I am writing today to urge you to vote for the passage of HB840 with provisions.

While we are in support of HB840, Waimea Brewing Company, there are various aspects of this bill with which we are vehemently opposed. Waimea Brewing Company is not in support of the couponing aspect of the bill that gives unfair competitive advantage to the multinational beer megacorporations. Also, we believe clarification on what beer qualifies for the reduced tax would be helpful. The small brewers tax provision should only cover beer brewed in Hawai'i.

In reference to the couponing aspect of this bill we are strongly opposed and would ask that the committee consider:

- A majority of states already prohibit various forms of manufacturer coupons or rebates for alcohol beverages, especially instant redeemable coupons (IRC) and scan backs (which are discount payments to retailers based on the sales data from their scanners). The cost of the coupons is paid by suppliers and, thus, effectively becomes a direct payment to retailers that bypasses the middle tier. As such, coupons circumvent the intent and spirit of the regulatory framework and rationales underlying the three-tier system, just as slotting fees do.
- IRC's are prone to fraud and abuse. The vast majority of industry members operate in completely lawful ways; however, it is difficult to account for coupon transactions in such a way as to guarantee that every coupon is redeemed by a consumer for the purchase of the brand/product being discounted. Too often, coupons are redeemed for cash without any actual savings being passed on to consumers.
- Coupons can be discriminatory, favoring some retailers over others unless great care is taken to ensure that all retailers have access. Scan backs, which are less prone to fraud, also violate the principle of retailers being treated without advantage. Many smaller retailers don't have scanning equipment, so scan backs often work to the advantages of larger or more sophisticated retailers.
- Coupons and scan backs are not needed to ensure that consumers receive the advantages of price competition. The alcohol industry is legally permitted to discount its products via non-discriminatory price promotions or price discounts to all retailers. This is the proper way that alcohol manufacturers and wholesalers can and do comply with the legal intent of trade practice regulations, while at the same time competing with one another to give consumers the best possible price/value combination.

Those of us that are committed to Hawai'i and brew 100% of our product in Hawai'i with local labor, stand united on this cause. Along with us, Maui Brewing

PO Box 667, Waimea, Kauai, HI
(808) 338-9733

Company, Hawaii Nui Brewing Company in Hilo, and Big Island Brewhaus in Kamuela, believe passage of this provision will create unfair competitive advantage for the large multinational beer megacorporations. It will only encourage consumption of cheap, low quality alcohol and food. We support the passage of the intent of HB840 regarding the creation of a small brewers tax provision and eliminating the coupon provision. It's good for local business, its good for local labor, and it makes for a stronger Hawai'i.

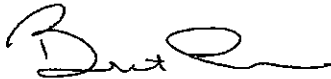
With the cost of doing business in Hawaii 30%-40% higher than on the mainland, a reduction in the beer tax to .23 cents per gallon for beer produced in the state of Hawai'i would help our industry to be more competitive with beer produced out of state. One look at the store shelves will show you that our true "Made in Hawai'i" beers are some of the most expensive beers on the shelf. Unfortunately this keeps them out of the reach of the average family in Hawai'i. Local craft brewers pay a variety of instate taxes and costs that out of state producers do not have to pay. We suggest the wording be as follows;

"§244D- Small breweries and brewpubs; tax. Every small brewery or brewpub that brews or produces beer in the State shall pay a gallonage tax of \$0.23 per gallon of beer on the first sixty thousand barrels of beer brewed or produced in the State during the taxable year. Beer produced after the first sixty thousand barrels during a taxable year shall be taxed under section 244D-4(a)."

We create jobs in Hawai'i, out of state producers do not. 100% of Waimea Brewing Company employees live in Hawai'i, pay taxes, raise their children and support the local economy every day.

We strongly request passage of this bill with the coupon provision removed. It allows for unfair competitive advantage by mainland breweries and presents a negative environment for local manufacturing.

Sincerely,



Bret Larson
Waimea Brewing Company, President & CEO

THE SENATE
THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2011

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair

NOTICE OF HEARING

DATE: Tuesday, March 15, 2011
TIME: 9:00a.m.
PLACE: Conference Room 229
State Capitol
415 South Beretania Street

House Bill HB840 HD1
RELATING TO THE LIQUOR TAX.
Increases the liquor tax rates.

I strongly oppose the passage of House Bill HB840 HD1

Dear Senators Baker and Taniguchi

I find it difficult to swallow this effort to destroy our industry as you have with the smoking ban and the resulting backlash of its effect that. It is shocking that you now want to use us to balance the budget. If you are not aware you are killing the golden goose as you try to get more and more from it. The legislature has failed to access the health of our industry. You ask to put your burdens on a dying industry and industry that you have put in jeopardy. Connectively the industry is a key in our Tourism trade by which our state measures its economy.

I strongly oppose this measure and ask all legislators to take an honest look at the measures before them and how they affect small business. I have sent supporting representative documentation as to how much you make from our business compared to what our business makes. To clearly put it to you, for every dime we make you make 50 cents. That is only with the product as we receive it and within our operation. This does not represent the huge amount of taxes put upon the products before it reaches us. Thus the cost of the product already is heavily burdened with taxes before we get it and forcibly raises the cost of all products in the door. If prices exceed what the market will bear then there will be no business. No business and for the sake of new taxes you loose all taxes garnered in the industry, excise tax, permits, fees, income taxes of employers and employees.

Sadly when we are out of business you can no longer tax us. Your net gain will be a huge negative not a small increase.

I personally feel I am no longer working for myself as a business owner but as an abused serf to the state.

I ask you to defer this bill as it will not balance the state budget and it certainly will not help my budget as an employer of 80 people in this state.

Sincerely,

A handwritten signature in black ink that reads "Bill Comerford". The signature is written in a cursive style with a large, sweeping initial "B".

Bill Comerford
Hawaii Bar Owners Association
10 Marin Lane
Honolulu, HI 96817
808-223-3997
bill@ejlounge.com



This is a representative sale of a beer as a ratio expense of the whole Profit and Loss statement of our companies.

Price of domestic Bottle in our bars	\$4.75
	\$
Cost of goods sold	0.91
	\$
Bottle bill deposits	0.07
	\$
advertising	0.13
	\$
Bank fees	0.05
	\$
Entertainment / Music	0.42
	\$
Insurance	0.20
	\$
Utilities	0.21
	\$
Wages	0.91
	\$
Rent	0.46
	\$
Supplies	0.06
	\$
Equipment/ maint/ Janitorial / furn	0.06
	\$
Combined other expense	0.59
	\$
Government costs *(in store)	0.55
	\$
Profit	0.14
	\$
	4.75

* This does not represent the multitude of taxes on product before it reaches our door. There are City, State and Federal taxes on product, liquor and tobacco.

The glass is not half full it is surprisingly empty!!!!.

Government and Landlords make a better profit off us than we can ever make.

There is very little incentive to stay in this industry in Hawaii. Owners have a 365 day annual work schedule working all hours of the night and days of the week to make less than a 3% profit. While they risk their homes, health and businesses to all imaginable risks the Governments of Hawaii and Honolulu do not play fair and change the rules constantly for those in our industry.

If I could sell my bars I would easily put the money into a CD and get a better yield without any work at all.

Please stop endangering our Hospitality Industry and the hardworking small businessmen and women who create it. We provide entertainment for our visitors and jobs for our residents. We do not work this hard for the Government's benefit, we do it for a profit and if the government threatens that profit there is no incentive to remain in the industry. It would be better to walk away.

Please take the time as a legislator to talk to a neighborhood small businessman in Hawaii. Be candid and ask them if it is worth working in Hawaii. How much must you take from the businesses to provide for an ever growing State and City Government? **WE ARE NOT A BOTTOMLESS WELL OF TAX INCOME FOR UNION EMPLOYEES!!**

Vote with common sense and as a resident of Hawaii, not as an obligated member of the monopoly political party. The burden of doing business in Hawaii is too high for the benefit of those who put forth no risks at all.

WITH NO BUSINESS TO TAX THERE WILL BE NO STATE GOVERNMENT.

Testimony for CPN 3/15/2011 9:00:00 AM HB840

Conference room: 229

Testifier position: oppose

Testifier will be present: No

Submitted by: William Karsten

Organization: Individual

Address:

Phone:

E-mail: 1seanjo@gmail.com

Submitted on: 3/14/2011

Comments:

I am against any tax hikes especially at a time like this. The country is still hurting due to a bad economy and you want to make it worse by taking more of our money in taxes. Drop the rail project and other costly projects until the economy gets better. Why make people suffer even more for things that we don't need right now. Keep up and maintain what we have and build only in good times. When we hvve record amounts of homeless and financially struggling people we should not try to raise taxes. Fund other ways.



Waimea Brewing Company, Inc.

March 14, 2011

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Rosalyn H. Baker, Chair

Senator Brian T. Taniguchi, Vice Chair

Dear Senator Baker:

Please take into consideration my testimony, agreeing with my fellow brewers and associates, who produce 100% of their product in the state of Hawaii. Every one of our employees' live here, produce here, and pay taxes here. I am writing today to urge you to vote for the passage of HB840 with provisions.

While we are in support of HB840, Waimea Brewing Company, there are various aspects of this bill with which we are vehemently opposed. Waimea Brewing Company is not in support of the couponing aspect of the bill that gives unfair competitive advantage to the multinational beer megacorporations. Also, we believe clarification on what beer qualifies for the reduced tax would be helpful. The small brewers tax provision should only cover beer brewed in Hawai'i.

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Those of us that are committed to Hawai'i and brew 100% of our product in Hawai'i with local labor, stand united on this cause. Along with us, Maui Brewing Company, Hawaii Nui Brewing Company in Hilo, and Big Island Brewhaus in Kamuela, believe passage of this provision will create unfair competitive advantage for the large multinational beer megacorporations. It will only encourage consumption of cheap, low quality alcohol and food. We support the passage of the intent of HB840 regarding the creation of a small brewers tax provision and eliminating the coupon provision. It's good for local business, its good for local labor, and it makes for a stronger Hawai'i.

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We strongly request passage of this bill with the coupon provision removed. It allows for unfair competitive advantage by mainland breweries and presents a negative environment for local manufacturing.

Sincerely,

Dave Curry

Brewmaster,
Waimea Brewing Co.

As a Master Sommelier I see this increase on alcohol taxes, especially in the guise of creating a healthier environment for the people of Hawaii to make a more informed decision as misled and punitive against the alcohol industry and they will result in the laying off of many jobs within the industry due to a drop in overall business.

The citizens of Hawaii are responsible enough to make their own decisions without the government trying to coerce them. It is common knowledge that alcohol can have deleterious effects when over-consumed. This hike in taxes will not 'inform' anyone any more of the effect of alcohol than common sense already does and has. It will only discourage people who are law abiding consumers of alcohol to lower their consumption and or cease consumption of alcohol altogether. This will have a direct impact on the jobs and families of workers in the Hawaiian alcohol industry. When wholesalers, distributors, importers, hotels, restaurants and retailers see their sales plummet as a result of this increase in taxes, they will have no recourse but to lay off workers. This is terrifying to me and my colleagues not only in Hawaii but around the country.

In addition, we all know how important our tourist industry is to the economic well-being of Hawaii. When our visitors come to our islands and see the inflated prices on alcoholic beverages in the restaurants, bars, hotels and stores, they will take a second thought in coming back or recommending it to their family and friends. They will see the less value in coming to Hawaii if their hard earned dollars cannot go as far as if they vacationed elsewhere. The result will be a decrease in visitor numbers and less revenue for private business as well as government. This again will directly impact our local economy by forcing business owners and government to re-evaluate their labor levels and ultimately force them to downsize due to the drop in business.

In the end the increase in alcohol tax will have a most negative effect on the economy of the state. Workers will be laid off and fewer visitors will come to Hawaii. I humbly urge you to rethink your position if you are in favor of this increase and to vote against it. Remember how your vote today will impact all of Hawaii and its people. Thank you for your time and civil service.

Hawaii Alcohol Excise Tax Collections		
Fiscal Year	Alcohol Excise Taxes	Growth
FY 1999	\$ 38,507,709	
FY 2000	\$ 38,973,647	1.2%
FY 2001	\$ 37,739,684	-3.2%
FY 2002	\$ 39,086,648	3.6%
FY 2003	\$ 41,177,989	5.4%
FY 2004	\$ 41,250,271	0.2%
FY 2005	\$ 43,736,608	6.0%
FY 2006	\$ 45,654,388	4.4%
FY 2007	\$ 46,033,671	0.8%
FY 2008	\$ 45,619,485	-0.9%
FY 2009	\$ 47,241,622	3.6%
FY 2010	\$ 44,072,530	-6.7%
CAGR Pre-Recession		2.4%
CAGR Since Recession		-1.4%
Source: Hawaii Department of Taxation		