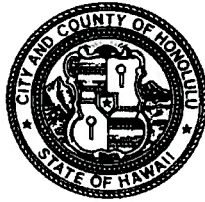


LIQUOR COMMISSION
CITY AND COUNTY OF HONOLULU

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PHONE: (808) 768-7300 or (808) 768-7355 • FAX: (808) 768-7311
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KIRK CALDWELL
MAYOR



February 1, 2013

Representative Clift Tsuji, Chair
Representative Gene Ward, Vice Chair
Committee on Economic Development & Business

Hearing: Tuesday, February 5, 2013
9:00 a.m.; Room 312

Position: Providing Comments on HB 1314 Relating to Liquor

As Administrator of the Liquor Commission, City and County of Honolulu ("Commission"), thank you for the opportunity to provide comments on HB 1314.

HB 1314 seeks to create a new class of liquor license for distillery pubs by amending H.R.S. §281-1 and §281-31(r). The following concerns should be addressed and considered before a new liquor license class for distillery pubs is approved:

- The bill proponent should be asked to confirm that a distillery pub licensee as currently proposed would be eligible to hold an Alcohol and Tobacco Tax and Trade Bureau ("TTB") basic permit. Without the basic permit, activities conducted under the proposed distillery pub license could be considered a form of "moonshining."
- Like the Class 14 brewpub and Class 16 winery licenses, the proposed distillery pub license would enable the holder to conduct a range of activities not typically permitted under a single license. Currently, when a manufacturer wants to have on premises consumption capability, the manufacturer must apply for a second separate license (restaurant or dispenser). Further, the prohibitions in H.R.S. §281-31(b) require the manufacturer to have 100% ownership interest in the on premises license to avoid a prohibited inducement situation. Therefore, existing distilled spirits manufacturers in Honolulu County (four) have the ability to conduct the multiple activities contemplated by the proposed distillery pub license but would be required to hold two separate licenses.

Thank you for the opportunity to testify on this matter.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Greg I. Nishioka", is written over a blue circular stamp or seal.

Greg I. Nishioka, Administrator
Liquor Commission

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ASST. ADMINISTRATOR

February 4, 2013

Honorable Clift Tsuji, Chair
Honorable Gene Ward, Vice-Chair
Committee on Economic Development & Business
House of Representatives
State Capitol
415 South Beretania Street
Honolulu, Hawai'i 96813

Re: House Bill No. 1314 relating to liquor

Dear Chair Tsuji, Vice-Chair Ward and Committee Members:

On behalf of the Hawai'i Liquor Wholesalers Association ("HLWA"), we submit the following testimony on House Bill No. 1314 relating to liquor, which is scheduled to be heard by your Committee on Economic Development & Business on Tuesday, February 5, 2013.

House Bill No. 1314 proposes to establish a new class of Liquor Commission licensee for distillery pubs.

HLWA does not object to the creation of a new licensee category of distillery pubs, as long as the exemption for distillery pubs and brew pubs to not purchase liquor from licensed wholesalers is limited to liquor that the pubs manufacture themselves. The exemption should not apply to liquor that the pubs do not manufacture. If brewpub and distillery pub licensees are permitted to purchase directly from other manufacturers, these brewpub and distillery pub licensees will obtain an unfair competitive advantage *vis a vis* other retail licensees, who are required to purchase from licensed wholesalers.

Specifically, if this Committee intends to move House Bill No. 1314 forward, we respectfully suggest the following revisions in Section 2 of the bill:

- At page 13, lines 21-22, delete "a class 1 manufacturer licensee or", so that the first sentence of Section 281-31(n)(4) relating to brewpubs provides as follows:
 - (4) May sell intoxicating liquor purchased from [~~a class 1 manufacturer licensee or~~] a class 3 wholesale dealer licensee to consumers for consumption on the licensee's premises.
- At page 20, lines 11-12, delete "a class 1 manufacturer licensee or", so that the first sentence of new Section 281-31(r)(4) relating to distillery pubs provides as follows:
 - (3) May sell intoxicating liquor purchased from a class 3 wholesale dealer licensee to consumers for consumption on the licensee's premises.

Honorable Clift Tsuji, Chair
Honorable Gene Ward, Vice-Chair
Committee on Economic Development & Business
February 4, 2013
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Deleting the ability of existing brewpub licensees and the new proposed distillery pub licensees to purchase liquor directly from other manufacturers for consumption on their premises would not prevent brewpub and distillery pub licensees from selling their own products directly to consumers on their premises, which presumably is the intent of the brew pub and distillery pub licensing. Brew pubs and distillery pub licensees, however, would be required to purchase products manufactured by other manufacturers from licensed wholesalers, as generally is required of all other retail liquor licensees.

The purpose of the proposed revisions is to maintain the integrity of the three tier liquor distribution system and to prevent brewpub and distillery pub licensees from having a competitive advantage over other retail licensees with respect to products that the brewpubs and distillery pub licensees do not manufacture. We do not believe that the intent of brewpub or distillery pub licensing is or should be to create such an unfair advantage and we therefore support amendment of House Bill No. 1314 as set forth above if the Committee advances this measure.

Thank you for your consideration.

Very truly your,



HAWAI'I LIQUOR WHOLESALERS ASSOCIATION

The principal purpose of HB1314 is to amend language in the Hawaii Revised Statutes to allow for an additional class of liquor license, the distillery pub.

This would be similar to a brewpub license, but with distilled spirits instead of beer.

I support this bill.

There are brewpubs currently operating in all 4 counties, supporting employment, small business, and the visitor industry, as well as providing unique food and beverage choices. The distillery pub would be similarly beneficial, with the added benefit of supporting diversified agriculture by using Hawaii grown crops as ingredients.

Thank you for the opportunity to provide comments on this matter.

sincerely,

Dave Flintstone

President

Island Distillers Inc.

220 Puuhale Rd. #B3

Honolulu HI 96819

ph.808-492-4632

edbtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 04, 2013 7:47 AM
To: edbtestimony
Cc: sammywalton@aol.com
Subject: Submitted testimony for HB1314 on Feb 5, 2013 09:00AM

HB1314

Submitted on: 2/4/2013

Testimony for EDB on Feb 5, 2013 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Sammy Walton	Individual	Support	No

Comments: I support this bill. It will be good for farmers who grow and harvest sugar cane and island fruits which can be made into distilled beverages. I'm currently the largest producer of sugar cane juice on Oahu and am pleased to support additional uses of local agriculture.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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