

# SB 3042

Measure Title: RELATING TO LIQUOR LICENSE CLASSES.

Report Title: Liquor; Liquor License Classes; Brewpubs; Small Craft Producer Pubs

Description: Removes requirement that a class 14 brewpub licensee manufacture not more than thirty thousand barrels of malt beverages on the licensee's premises during the license year. Establishes a new class 18 liquor license class for small craft producer pubs. Makes conforming amendments relating to liquor license classes.

Companion: [HB2484](#)

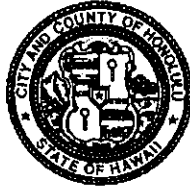
Package: None

Current Referral: CPN/PSM, WAM

Introducer(s): BAKER, Ruderman, Taniguchi, Wakai

LIQUOR COMMISSION  
**CITY AND COUNTY OF HONOLULU**  
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KIRK CALDWELL  
MAYOR



February 3, 2014

Senator Will Espero, Chair  
Senator Rosalyn H. Baker, Vice Chair  
Committee on Public Safety, Intergovernmental and Military Affairs

Senator Rosalyn H. Baker, Chair  
Senator Brian T. Taniguchi, Vice Chair  
Committee on Commerce and Consumer Protection

**Hearing:** Thursday, February 6, 2014  
2:45 p.m.; Room 224

**Position:** Providing Comments on SB3042, Relating to Liquor License Classes

Dear Committee Chairs, Vice Chairs, and Members:

The Liquor Commission, City and County of Honolulu, provides comments on Senate Bill 3042, Relating to Liquor License Classes:

1. The proposed measure would eliminate the 30,000 barrel cap for the Class 14 Brewpub license. As the Brewers Association defines a "small" brewer as one with an annual production of six million barrels or less, it would appear that the existing 30,000 barrel limit was unnecessarily restrictive.
2. The proposed measure would create a new Class 18 liquor license for the "small craft producer pub". We note that there will be a degree of overlap between the new Class 18 license and the existing Class 14 Brewpub and Class 16 Winery licenses. One inconsistency is the proposed Class 18 license production limits for wine would be double that of the Class 16 Winery license (20,000 barrels for Class 18 versus 10,000 barrels for Class 16).
3. With respect to the ability of Class 18 licensees to permit the sale of product in kegs, "growlers", or recyclable containers provided by the licensee or the customer for consumption off premises, we wish to point out that Federal labeling and bottling requirements will apply to this activity, which may involve a permitting process in addition to the required Federal basic permit.

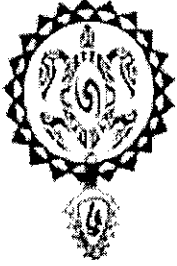
The Liquor Commission appreciates the opportunity to provide comments on Senate Bill 3042, Relating to Liquor License Classes.

Respectfully submitted,

  
ANNA C. HIRAI  
Acting Administrator

ACH:

MICHAEL S. YAMAGUCHI  
CHAIRMAN  
  
IRIS R. OKAWA  
VICE CHAIR  
  
WESLEY F. FONG  
COMMISSIONER  
  
JOSEPH V. O'DONNELL  
COMMISSIONER  
  
JOSEPH M. MAGALDI, JR.  
COMMISSIONER  
  
ANNA C. HIRAI  
ACTING ADMINISTRATOR



## MAUI BREWING CO.

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February 5, 2014

State of Hawaii  
Committee on Commerce and Consumer Protection  
Sen. Rosalyn Baker, Chair  
Sen. Brian T. Taniguchi, Vice Chair

Committee on Public Safety  
Sen. Will Espero, Chair  
Sen Rosalyn Baker, Vice Chair

Re: Testimony in Support of SB 3042

Aloha Ladies and Gentlemen of the Committee:

We are in support of SB 3042 as it serves to remove unjustified limits on beer production and create a license class that allows for a producer to create products of several types.

Our only criticism is that we prefer the removal of the barrelage limit not be attached to the creation of a new license class. We would prefer to keep them separate as we see the barrelage limit removal as an administrative correction whereas the Class 18 creation could be a more involved process.

Maui Brewing Co. is Hawaii's largest craft brewery, we are also the only brewery canning our beer in the State. We currently employ approximately 67 employees in the State. With the completion of the Kihei facility, we plan to add approximately 100 employees over the next 3 years. These employees live in Hawaii, raise their children here, pay taxes, and contribute to the community. This is directly related to the growth of industry in Hawaii, more beer brewed here means more jobs for the economy.

Specifically, when our new facility is completed in July we will likely surpass the current 30,000 barrel limit in just our second year. This will serve to directly impede the growth of our company and be a sever negative impact to the company and its employees alike.

Additionally as a fervent supporter of local agriculture we plan to offer more locally produced beverages such as distilled spirits and ciders using local fruits and fermentables. Class 18 would serve to free up restrictions on what can be produced and have a very positive impact on local agricultural initiatives.

Thank your for your time, please feel free to call me with any questions.

Mahalo,

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808.280.4687 cell  
[G@MauiBrewingCo.com](mailto:G@MauiBrewingCo.com)

HANDCRAFTED ALES & LAGERS BREWED WITH ALOHA  
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Via Email  
February 5, 2014

Senator Rosalyn Baker, Chair  
Senator Brian Taniguchi, Vice Chair  
Senate Committee on Commerce and Consumer Protection  
Senator Will Espero, Chair  
Senator Rosalyn Baker, Vice Chair  
Senate Committee on Public Safety, Intergovernmental and Military Affairs  
Hawaii State Capitol  
415 South King Street  
Honolulu, HI 96813

Re: S.B. 3042 relating to liquor license classes

Dear Chair Baker, Chair Espero, Vice Chair Taniguchi, Vice Chair Baker and Committee Members:

On behalf of Southern Wine and Spirits of Hawaii, we respectfully submit the following written testimony on S.B. 3042 relating to liquor license classes which is to be heard by your joint Committees on Commerce and Consumer Protection and on Public Safety, Intergovernmental and Military Affairs on February 6, 2014.

S.B. 3042 proposes to establish a new class of Liquor Commission licensee for small craft producer and to remove the requirement that a class 14 brewpub licensee manufacture not more than 30,000 barrels of malt beverages.

While we do not object to the new class for small craft producer pubs, we do object to the provisions that allow the purchase of liquor directly from other manufacturers for both the small craft producer pubs and brewpubs. This would create an unfair advantage for the small craft producer pubs and brewpubs over other restaurants and dispenser general licensees, who are required to purchase from licensed wholesalers, thus avoiding the three-tier distribution system which is governed by the 21<sup>st</sup> Amendment of the United States Constitution.

We respectfully ask your Committees to have these provisions removed (page 14, line 6 and page 21, line 1) if S.B. 3042 is moved forward.

Sincerely

Steve Perry  
Vice President, Operations

February 4, 2014

Honorable Rosalyn H. Baker, Chair  
Honorable Brian T. Taniguchi, Vice-Chair  
Committee on Consumer Affairs  
Honorable Wil Espero, Chair  
Honorable Rosalyn H. Baker, Vice-Chair  
Committee on Public Safety, Intergovernmental and Military Affairs  
The Senate  
State Capitol  
415 South Beretania Street  
Honolulu, Hawai'i 96813

Re: Senate Bill No. 3042 relating to liquor license classes

Dear Chair Baker, Chair Espero, Vice-Chair Taniguchi, Vice-Chair Baker and Committee Members:

On behalf of the Hawai'i Liquor Wholesalers Association ("HLWA"), we submit the following testimony on Senate Bill No. 3042 relating to liquor license classes, which is scheduled to be heard jointly by your Committees on Consumer Affairs and on Public Safety, Intergovernmental and Military Affairs on Thursday, February 6, 2014.

Senate Bill No. 3042 proposes to delete the limitation on the amount of malt beverages that may be manufactured by a brewpub and establish a new class of Liquor Commission licensee for small craft producer pubs.

HLWA does not object to the creation of a new licensee category of small craft producer pubs, as long as the exemption for small craft producer and brewpubs 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 small craft producer pubs licensees are permitted to purchase directly from other manufacturers, these brewpub and small craft producer pubs licensees will obtain an unfair competitive advantage *vis a vis* other restaurants and dispenser general licensees, who are required to purchase from licensed wholesalers.

Specifically, if this Committee intends to move Senate Bill No. 3042 forward, we respectfully suggest the following revisions in Section 3 of the bill:

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- At page 14, lines 5-6, delete "a class 1 manufacturer licensee or", so that the first sentence of section 281-31(n)(3) relating to brewpubs provides as follows:
    - (3) 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.

Honorable Rosalyn H. Baker, Chair  
Honorable Brian T. Taniguchi, Vice-Chair  
Committee on Consumer Affairs  
Honorable Wil Espero, Chair  
Honorable Rosalyn H. Baker, Vice-Chair  
Committee on Public Safety, Intergovernmental and Military Affairs  
February 4, 2014  
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- At page 21, lines 1-2, delete "a class 1 manufacturer licensee or", so that the first sentence of new Section 281-31(r)(4) relating to small craft producer pubs provides as follows:

(4) May sell intoxicating liquor purchased from a class 3 wholesale dealer licensee to consumers for consumption on the licensee's premises.

Deleting the ability of existing brewpub licensees and the new proposed small craft producer pubs licensees to purchase liquor directly from other manufacturers for consumption on their premises would not prevent brewpub and small craft producer pubs licensees from selling their own products directly to consumers on their premises, which presumably is the intent of the brewpub and small craft producer pubs licensing. Brewpubs and small craft producer pubs licensees, however, would be required to purchase products manufactured by other manufacturers from licensed wholesalers, as generally is required of all other restaurant and dispenser general 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 small craft producer pubs licensees from having a competitive advantage over other restaurant and dispenser general licensees with respect to products that the brewpubs and small craft producer pubs licensees do not manufacture. We do not believe that the intent of brewpub or small craft producer pubs licensing is or should be to create such an unfair advantage and we therefore support amendment of Senate Bill No. 3042 as set forth above if the Committee advances this measure.

Thank you for your consideration.

Very truly your,

HAWAII LIQUOR WHOLESALERS ASSOCIATION

