

**LIQUOR COMMISSION  
CITY AND COUNTY OF HONOLULU**

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February 11, 2019

The Honorable Roy M. Takumi, Chair  
The Honorable Linda Ichiyama, Vice Chair  
and Members of the Committee on Consumer Protection  
& Commerce

House of Representatives  
State Capitol, Room 329  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Takumi, Vice Chair Ichiyama, and Members of the Committee:

**SUBJECT: House Bill No. 546 HD1  
Relating to Intoxicating Liquor**

The Liquor Commission, City and County of Honolulu (Commission), appreciates the opportunity to submit testimony providing comments on the above-referenced measure. As a matter of principle, the Commission fully supports legislation that enables licensees to expand their businesses but also gives reasonable oversight to regulators in addressing the changing nature of the liquor industry.

With last year's predecessor version of House Bill 546, the Commission requested clarification about how the "satellite location(s)" described in Sections 1 (pages 5-6) and 2 (pages 9-10) would be regulated by a county liquor commission that was not the licensing authority for the manufacturing facility. The Commission appreciates that the clarification was made in House Bill 546, so that it is unambiguous that a satellite location will be fully subject to the host county's jurisdiction, to include the license application process, license fees and additional license fees based on gross liquor sales, and business operation oversight. In this way, the interests of the host county's population and existing licensee base will be given equal regard as the satellite location applicant or licensee.

Further, the Commission is not opposed to proposed clarifications to the definition of "growler," both in terms of container description and volume.

With respect to the proposed expansion of direct-to-consumer shipping to in-state brewpubs and small craft producer pubs (Beer Pubs), the Commission anticipates

no appreciable difference in its current operations as it will use its existing direct-to-consumer wine shipping permit process to accommodate the expanded capability. We believe, however, that the proposed HD1 as currently drafted may be problematic in that only Beer Pubs who produce beer solely in the state of Hawaii may benefit from the expanded direct-to-consumer capacity. If the proposed HD1 language is intended to prohibit direct-to-consumer shipment from out-of-state beer producers, that obstacle may be in violation of the holding in Granholm v. Heald, 544 U.S. 460 (2005), which struck down a direct-to-consumer wine law that allowed in-state but not out-of-state participation. This language clarification will require further consideration should this measure receive your favorable action.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in blue ink, appearing to read "Franklin Don Pacarro, Jr.", written in a cursive style.

Franklin Don Pacarro, Jr.  
Administrator

FDPjr:ACH

## **Kauai Beer Company**

James Guerber

4265 Rice Street

Lihue, HI 96766

98080 639 7821

jim@kauaibeer.com



HB 546 H.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping  
House Committee on Consumer Protection and Commerce  
Tuesday, February 12, 2019 at 2:00 p.m. Conference Room 329

### Position: **Support**

Chair Representative Angus Mc Kelvey, Vice Chair Representative Lisa Kitagawa and members of the Committee,

The Hawaiian Craft Brewers Guild is a craft brewing trade organization that seeks to promote production of craft beer in Hawaii as independent craft breweries. We are united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the majority of craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

We support HB546 because HB546 addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

My name is Jim Guerber and I am the President of the Kauai Beer Company, located in downtown Lihue, Kauai on Rice Street. We have been in business here since 2006 and began formally serving beer in September 2013. We have been instrumental in the effort to revitalize our downtown and are widely recognized for our contribution in that regard. We are in the process of renovating an adjacent space, which will dramatically enhance our ability to serve a larger customer base, increase production and increase our personnel, which is presently ~60 full and part-time personnel.

The Kauai Beer Company supports HB546 because it addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales, relating to the second location clause and the growler law. Additionally, passage of this bill will expand the current direct shipping laws to include Hawaii's breweries and distillers.

The following offers more details on the aforementioned three items:

### **Satellite locations**

HB546 H.D.1 provides more consistency and uniformity for craft beer producers across the state. We have seen small craft breweries in Hawaii start up in a first manufacturing location to begin producing their craft beer and then expand to a second location. If no manufacturing is intended for the second location, proper licensing would be expected for the type of establishment, but a manufacturing license should not be needed for the new establishment if no craft beer production occurs there.

This bill simplifies expansion to a satellite location when the primary manufacturing and second location carrying out retail sales under the same trade name are not in the same county. Craft beer producers often want to sell their canned and bottled retail products at the second outlet where no manufacturing takes place.

HB546 H.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.

### **Consistency in the Growler law**

Growlers, crowlers, and other types of reusable and recyclable containers are very popular with our customers. Sales of our craft beer products in these containers continue to increase. We support the use of environmentally friendly container materials and expansion of the term growler to recyclable or reusable container.

The definition of growler is currently inconsistent for our business and our customers. We support using growler to mean "a recyclable and/or reusable container up to one gallon in size"

### **Direct Shipping**

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer out of state. This bill is proactive in providing an opportunity for direct shipping of beer to new markets and a wider customer base.

Direct shipping increases the viability of small craft breweries by allowing export of our products to our current brewery fans and potential new customers.

Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer to be shipped expands marketplace options for Hawaii's craft beer manufacturers.

### **Satellite locations**

HB546 H.D.1 provides more consistency and uniformity for craft beer producers across the state. We have seen small craft breweries in Hawaii start up in a first manufacturing location to begin producing their craft beer and then expand to a second location. If no

manufacturing is intended for the second location, proper licensing would be expected for the type of establishment, but a manufacturing license should not be needed for the new establishment if no craft beer production occurs there.

This bill simplifies expansion to a satellite location when the primary manufacturing and second location carrying out retail sales under the same trade name are not in the same county. Craft beer producers often want to sell their canned and bottled retail products at the second outlet where no manufacturing takes place.

**HB546 H.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.**

Mahalo for your consideration. We urge you to pass this bill.  
Thank you for the opportunity to provide testimony in support of HB546 H.D.1.

Sincerely,

Jim Guerber  
President  
Kauai Beer Company



Cindy Goldstein, PhD  
Executive Director  
Hawaiian Craft Brewers Guild  
98-814 C Kaonohi Street  
Aiea, HI 96701

HB 546 H.D.1 Relating to Intoxicating Liquor  
Growlers, Satellite Locations and Direct Shipping  
House Committee on Consumer Protection and Commerce  
Tuesday, February 12, 2019 at 2:00 p.m. Conference Room 329

Position: **Support**

Chair Representative Roy Takumi, Vice Chair Representative Linda Ichiyama, and members of the Committee on Consumer Protection and Commerce,

The Hawaiian Craft Brewers Guild is a non-profit Hawaii trade organization that seeks to promote production of independent craft beer in Hawaii. The number of independent craft breweries in Hawaii continues to grow. Several breweries have recently expanded and others are in the process of expanding. The Hawaiian Craft Brewers Guild is united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the majority of craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

HB546 H.D.1 includes three subject areas under HRS Section 281 addressing inconsistencies and increasing uniformity in laws regarding liquor manufacturing and sales. The Hawaiian Craft Brewers Guild has discussed provisions of HB546 H.D.1 with county liquor commissions across the state to share common craft beer manufacturing terminology and increase understanding of legislation related to craft beer and liquor.

The Hawaiian Craft Brewers Guild and our member breweries embrace the responsible consumption of alcohol.

### **Growler containers**

The Hawaiian Craft Brewers Guild supports the language in HB546 H.D.1 for the term growler, simplifying and standardizing the term to mean a container of up to one gallon. Expanding the term growler to include a recyclable or reusable container recognizes the environmentally friendly practices of small craft brewery customers and businesses. As the popularity and use of growlers has expanded, a broader range of types of container materials are found from glass to metal, plastic, and other recyclable or reusable materials.

### **Satellite location other than primary manufacturing premises**

The Hawaiian Craft Brewers Guild supports HB546 H.D.1 because it provides more consistency and uniformity for craft beer producers across the State of Hawaii. Small craft breweries start with an investment in a manufacturing location to begin production of their craft beer. Expansion to a satellite location often follows. HB546 H.D.1 recognizes the expansion of Hawaii's craft breweries, including expanding to a satellite location in another county.

A satellite location establishment should not need a license to manufacture if there is no production at the second location. The class of license should reflect the activities of the operation. If no manufacturing occurs at the satellite location, this should, by default, not require the same class of license (14, 18) as the primary location. This would apply when a brewery establishes a second location in the same or in another county.

A satellite location should be expected to hold a class license that reflects the business activities at the location, for example a restaurant. The brewpub or small craft producer license holder often has no intention of manufacturing at the second location but will have the desire to carry out retail sales of their products at their satellite location. A requirement for the same license as the primary location would be costly and time consuming, given that no manufacturing is part of the second satellite location.

The "second location" clause is meant to address inconsistencies where the second location is in another county.

### **Direct shipment of beer by producers**

HB546 H.D.1 proposes to expand HRS 281-33.6 direct shipping rules to allow reciprocity for not just wine, but to also include beer. Direct shipment of wine into and out of Hawaii is already allowed. Expanding the statute to allow defined amounts of beer to be exported achieves parity with wine, allowing both of these products made in Hawaii to be direct shipped.

Breweries that are just starting out and smaller sized breweries don't usually have access to distributors that will export their beer in or out of State. HB546 H.D.1 is proactive in providing an opportunity for Hawaii's craft beer businesses to offer products through direct sales to new markets and a wider customer base. This has the greatest benefit for small craft breweries that often cannot find wholesaler partners, yet deserve access to more markets.

Direct shipping increases the viability of small craft breweries by allowing export of our products manufactured in Hawaii to current brewery fans and potential new customers. We support HB546 H.D.1 because it fosters expanded marketplace options for Hawaii's craft beer manufacturers.

The Hawaiian Craft Brewers Guild appreciates consideration of HB546 H.D.1 We urge you to pass this bill. Thank you for the opportunity to provide testimony in support.



1050 Bishop St. PMB 235 | Honolulu, HI 96813  
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#### Executive Officers

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**Derek Kurisu**, KTA Superstores, *Advisor*

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TO:  
Committee on Consumer Protection & Commerce  
Rep. Roy M. Takumi Chair  
Rep. Linda Ichiyama, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: Wednesday, Feb. 12, 2019  
TIME: 2pm  
PLACE: Conference Room 329

RE: HB546 HD1 Relating to Intoxicating Liquor

Position: Comments

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

We ask that the measure be revised to remove the amendments proposed in Section 3, which would allow direct shipment of certain beer. Current statute requires a license for direct shipment of wine, but has no real way to monitor or track compliance. There are also problems with identifying unlicensed direct shipments. The expansion of direct shipping to certain beer will only exacerbate the issues currently limited to wine. Until we better understand and can better manage the direct shipment of wine, it is unwise to open direct shipment to other forms of alcohol.

Thank you for the opportunity to testify.





February 10, 2019

HB 546 H.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping  
House Committee on Consumer Protection and Commerce  
Tuesday, February 12, 2019 at 2:00 p.m. Conference Room 329

Position: **Support**

Chair Representative Roy Takumi, Vice Chair Representative Linda Ichiyama, and members of the Committee on Consumer Protection and Commerce,

The Hawaiian Craft Brewers Guild is a craft brewing trade organization that seeks to promote production of craft beer in Hawaii as independent craft breweries. We are united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the majority of craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

HB546 H.D.1 addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

### **Consistency in the Growler law**

Growlers, Crowlers, and other types of reusable or recyclable containers are very popular with our customers. Most growlers were made from glass when customers first began to use them. Sales of our craft beer products in these containers continue to increase. We support environmentally friendly practices at our brewery and would like to have the term growler expanded to include recyclable or reusable container.

The definition of growler is currently inconsistent for our business and can be confusing for our craft beer customers. We support using growler to mean a container not to exceed one gallon.

### **Direct Shipping**

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer out of state. This bill is proactive in providing an opportunity for direct shipping of beer to new markets and a wider customer base.

Direct shipping would allow reciprocity for Hawaii's producers with other states. Taxes are still paid, licenses issued, and proper shipping rules would be followed. HB546 H.D.1 increases the viability of small craft breweries by allowing export of our products to our current brewery fans and potential new customers.

Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer to be shipped expands marketplace options for Hawaii's craft beer manufacturers. Mahalo for the opportunity to provide testimony in support of HB887 HD1.

### **Satellite Locations**

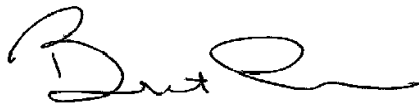
HB546 H.D.1 provides more consistency and uniformity for craft beer producers across the state. We have seen small craft breweries in Hawaii start up in a first manufacturing location to begin producing their craft beer and then expand to a second location. If no manufacturing is intended for the second location, proper licensing would be expected for the type of establishment, but a manufacturing license should not be needed for the new establishment if no craft beer production occurs there.

This bill simplifies expansion to a satellite location when the primary manufacturing and second location carrying out retail sales under the same trade name are not in the same county. Craft beer producers often want to sell their canned and bottled retail products at the second outlet where no manufacturing takes place.

HB546 H.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.

Mahalo for the opportunity to provide testimony in support of HB546 H.D.1.

Sincerely,

A handwritten signature in black ink, appearing to read "Bret Larson". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

Bret Larson  
Owner, President, Kauai Island Brewing Company, LLC.  
808-755-5926  
[bret@kauaiislandbrewing.com](mailto:bret@kauaiislandbrewing.com)



February 11 ,2019

HB 546 H.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping  
House Committee on Consumer Protection and Commerce  
Tuesday, February 12, 2019 at 2:00 p.m. Conference Room 329

Position: **Support**

Aloha Chair Representative Angus Mc Kelvey, Vice Chair Representative Lisa Kitagawa and members of the Committee,

My name is Geoffrey Seideman, I live in Hawaii Kai, Oahu, and I am the Owner and Brewer of Honolulu BeerWorks brewery in Kaka'ako. Mahalo for the opportunity to submit testimony, I apologize that I could not be there in person as my growing business needs me present. I am writing on behalf of our local family-operated business, Honolulu Beerworks, in support **HB 546 H.D.1** which addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

**Satellite location clause**

HB 546 H.D.1 Provides more consistency and uniformity for craft beer establishments across the state. Breweries start up with a manufacturing location and when they expand to a second location, will want to sell their retail products at the new establishment, including the ability to sell at a second location under the same trade name in another county.

This bill promotes local manufacturing. Hawaii's craft breweries have more opportunities to get their products in the marketplace with this bill because it enables the retail sale of craft brewing products at a second properly licensed location, including when the primary manufacturing and second location are not in the same county.

**Consistency in the Growler law**

Growlers, crowlers, and other types of reusable and recyclable containers are very popular with our customers. Sales of our craft beer products in these containers continue to increase. We support the use of environmentally friendly container materials and expansion of the term growler to recyclable or reusable container.

The definition of growler is currently inconsistent for our business and our customers. We support using growler to mean a container not to exceed one gallon.

**Honolulu Beerworks**  
**328 Cooke St, Honolulu HI. 93813**  
**808-589-2337**

## **Direct Shipping**

Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer out of state. This bill is proactive in providing an opportunity for direct shipping of beer to new markets and a wider customer base.

Direct shipping increases the viability of small craft breweries by allowing export of our products to our current brewery fans and potential new customers.

Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer to be shipped expands marketplace options for Hawaii's craft beer manufacturers.

The Hawaiian Craft Brewers Guild is a craft brewing trade organization that seeks to promote production of craft beer in Hawaii as independent craft breweries. We are united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the majority of craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

Honolulu Beerworks is a small, independent craft brewery located in the heart of Kaka'ako. We opened in 2014 with 18 employees and have undergone 3 expansions since then. We now currently employ 36 and have our eyes on expanding again in the near future.

Mahalo for your consideration. We urge you to pass this bill.

Thank you for the opportunity to provide testimony in support of HB 546 H.D.1

Sincerely,

Geoffrey Seideman

Owner/Brewer

**Honolulu Beerworks**  
**328 Cooke St, Honolulu HI. 93813**  
**808-589-2337**



February 11, 2019

HB 546 H.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping  
House Committee on Consumer Protection and Commerce  
Tuesday, February 12, 2019 at 2:00 p.m. Conference Room 329

Re: **IN SUPPORT OF HB546 HD1**

Aloha Chair Representative Roy Takumi, Vice Chair Representative Linda Ichiyama, and members of the Committee on Consumer Protection and Commerce,

My name is Garrett W. Marrero, I live in Kula, HI. We have locations on Maui in Lahaina and Kihei, and on Oahu in Waikiki and Kailua. We distribute across the Hawaii, 23 States, and 13 countries. We began in 2005 with 26 team members and have added more than 500 to our team. My wife and I were selected as the National Small Business Persons of the year in 2017 for our work at Maui Brewing Co. I'm writing on behalf of myself and our local family-operated business in support of **HB546** which clarifies various items in current liquor laws; namely the second location clause, and the growler law. Additionally, passage of this bill will expand the current direct shipping laws to include Hawaii's breweries and distilleries.

I briefly cover the Growler and Direct shipping issues below and its seems those are widely supported. I focus more intently on the second location clause as it seems there are some inaccurate conclusions from testimony I have read.

#### **Growler Clarification**

This section is universally supported as it simplifies and clarifies rules. Current law is confusing and states a growler as up to "one-half gallon" but elsewhere states recyclable containers of "one gallon". Due to the growth of craft beer across the United States vendors now offer options in aluminum, stainless, plastic, ceramic and more in a multitude of sizes. We support the clarifying language where a growler be defined as "a recyclable and/or reusable container up to one gallon in size".

#### **Direct Shipping**

This seems to be universally supported by testimony submitted prior. Hawaii has specific Direct Shipping laws allowing the direct shipping of wine by wineries. The system exists to allow reciprocity; eg allow wine in, allow wine out. Taxes must be paid, licenses issued, proper shipping rules ensuring proper age of recipient and etc. We are seeking the change in these rules to allow the same rights afforded to Wineries be conferred to Hawaii's breweries and distilleries as we manufacture locally and wish to export our products directly. The majority of smaller breweries do not have access to distribution as they are often too small to attract a wholesaler partner. We feel that it is imperative to their survival that access be given to retail to consumers around the world. This serves to increase the viability of a small craft brewery and to increase Hawaiian exports bringing attention to the growing brewing scene in Hawai'i. In order to accomplish this, we feel that HRS 281-33.6 can expand upon its direct shipping rules to allow reciprocity for not just wine but beer and spirits as well. This would also achieve fairness and parity across the three categories of beverage alcohol. The local wineries and distilleries support this amendment.

Handcrafted Ales & Lagers Brewed with Aloha  
605 Lipoa Parkway, Kihei, HI 96753  
808.213.3002

### **Satellite Taproom Location Clause**

Currently as you see HRS 281 allows for Class 14 and 18 licensees to operate another location within the State so long as its properly licensed. This is to encourage and allow a producer to manufacture at one central plant and sell their products through other owned establishments. It does not make sense to have multiple manufacturing sites due to the extreme cost and complicated licensing at the Federal, State and Local levels. This clause was added in order to promote local manufacturing. Investing in one larger production facility yet allowing the retail rights to be conferred to additional locations in the State for retail but not manufacturing purposes. The current County system presents a challenge as the language in 281 is being misconstrued or just ignored. A clarification is necessary to ensure that a business manufacturing on one island, can sell its products on another island under the proper license.

Case in point, Maui Brewing Co. Waikiki cannot currently sell Maui Brewing Co. (MBC) products at retail as the current rules are being interpreted by the departments across two counties require a signoff of the "home" county. Unfortunately, the home county maintains they have no jurisdiction and therefore cannot give a ruling. As such, our cans of locally brewed beer that are sold at retail to visitors to our Kihei location and Kahana location cannot be sold to visitors of our Waikiki and I assume our recently opened Kailua location. This is contrary to the intent of State law meant to encourage not discourage local production and sale. To clarify further, we are not stating that a brewpub or SCP be allowed to brew or manufacture under second location, however they must be allowed to sell at retail. The rule needs clarification in order to direct Liquor Commissions to allow businesses to thrive across the State. The current State law is in place to do so and the directive needs to be made.

We have worked extensively with various LC departments and are confident in the language working for us all.

While we are against any legislation that seeks to limit the amount of beer a producer may brew, we feel that these proposed restricted amounts are high enough that it is unlikely anyone will reach these heights due to the economic constraints of doing so in Hawaii. That being said, we would reserve the right to revisit these limitations should the climate for manufacturing change in the State.

Thank you for the opportunity to offer these comments in support of the passage of HB546.

Sincerely,



Garrett W. Marrero  
CEO/Founder



506 Keawe Street  
Honolulu, Hawaii, 96813

T 808-200-2739  
troy@realgastropub.com

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February 11, 2019

HB 546 H.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping

House Committee on Consumer Protection and Commerce  
Tuesday, February 12, 2019 at 2:00 p.m. Conference Room 329

Position: **Support**

Chair Representative Roy Takumi, Vice Chair Representative Linda Ichiyama, and members of the Committee on Consumer Protection and Commerce,

REAL a gastropub was founded initially in 2012 with 18 original employees as a community gathering place serving local cuisine and hand-crafted beers. We are relocating, rebuilding our flagship and incorporating a 7BBL brewery named Bent Tail Brewing Company into our new location at Keauhou Lane in Kakaako. We will be able to grow into a team of 40 Honolulu residents that sells award winning beers throughout Oahu and with a focus on using local sources for our food as we have since our opening and now add this principal to our beer. We have done this in the face of significant challenges to growth at all levels; financial, shipping, taxation, legislative and more. Changes like this bill can help us continue our success and help others to do the same. We appreciate the on-going support of all individuals and legislators who support issues which enable local manufacturers and businesses to thrive in Hawaii.

#### **Growler containers**

Current statute is confusing with growlers described as half gallon and as one gallon. REAL a gastropub / Bent Tail Brewing Company supports standardizing and simplifying the definition of growler to mean a container of up to one gallon. Initially growlers were made from glass. As their popularity has increased, growlers are now made from a wider range of environmentally friendly reusable or recyclable materials. We support terminology that reflects this change in container materials, defining growler as a recyclable or reusable container.

#### **Location other than primary manufacturing premises**

Hawaii's craft breweries are increasing in number with the addition of new start up brewery businesses and expansion of existing businesses. Breweries may have an initial or primary manufacturing premises and expand with a new establishment, sometimes in a second county. The "second location" clause is meant to address inconsistencies where the second location may not be a production facility, to allow activities such as dispensing and retail sales under the same trade name without requiring another production license. Often a small brewery can produce enough beer to support two dispensing and retailing locations thus allowing the small brewer to utilize some efficiency as an economy of scale. Original investments in even small production facilities can be enormous and multiple income streams from the economy of scale

can help support small local manufacturers. A brewpub or small craft producer license holder may have no intention of manufacturing at the second location, but still have the desire to carry out dispensing and retail sales of their products at their second establishment. This would, by default, not require the same class of license (14, 18) but rather a restaurant or retailer class license as no production would occur on site. We support HB 546 H.D.1 which seeks to address and clarify inconsistencies and expands retail and dispense operations of local craft brewers.

### **Direct shipment of liquor by producers**

Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer to be shipped expands marketplace options for Hawaii's craft beer manufacturers.

Direct shipment Breweries that are just starting out and smaller sized craft breweries don't usually have access to distributors that will export their beer in or out of State. HB 546 H.D.1 is proactive in providing an opportunity for Hawaii's craft beer businesses to offer products through direct sales to new markets and a wider customer base. These are breweries that often cannot find wholesaler partners yet deserve access to market.

Direct shipping increases the viability of small craft breweries by allowing export of our products manufactured in Hawaii to our current brewery fans and potential new customers. We support HB 546 H.D.1 that fosters expanded marketplace options for Hawaii's craft beer manufacturers.

Hawaiian manufacturing and producers operate under the highest cost conditions of any State. This has served to limit the availability of true, locally produced selections and give rise to a host of "faux-Hawaiian" products. As an isolated State we must invest in local manufacturing, these are jobs with good wages and benefits that can provide careers for our residents. Further if Hawaii is to continue to compete in the world of tourism it is important for us to deliver an authentic Hawaiian experience in our products; this bill helps us to continue on our path of recent growth and success.

Mahalo for your consideration, We urge you pass this bill. Thank-you for the opportunity to provide testimony in support of HB 546 H.D.1.

Sincerely,

*Troy Terorotua*

Troy Terorotua  
Founder & Owner  
REAL a gastropub / Bent Tail Brewing Co  
605 Keawe Street  
Honolulu, HI, 96813  
[troy@realgastropub.com](mailto:troy@realgastropub.com)  
Cell# 808-741-7373





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HB 546 H.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping  
House Committee on Consumer Protection and Commerce  
Tuesday, February 12, 2019 at 2:00 p.m. Conference Room 329

Position: **Support**

Chair Representative Roy Takumi, Vice Chair Representative Linda Ichiyama, and members of the Committee on Consumer Protection and Commerce,

The Hawaiian Craft Brewers Guild is a craft brewing trade organization that seeks to promote production of craft beer in Hawaii as independent craft breweries. We are united in our pursuit to promote economic activity for Hawaii's beer manufacturers and enhance opportunities in our communities. Our members represent the majority of craft beer producers in Hawaii, with members producing 100% of their beer in Hawaii.

We Beer Lab HI support HB546 H.D.1 because HB546 H.D.1 addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

We have multiple locations and this bill would allow us to create satellite locations and operate under the same regulations as our previous locations and be able to fill growlers and sell out packaged goods.

Mahalo for your consideration. We urge you to pass this bill.  
Thank you for the opportunity to provide testimony in support of HB546 H.D.1.

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Below are a few issues that we as the craft brewers guide see as larger issues.

**Consistency in the Growler law**

Growlers, crowlers, and other types of reusable or recyclable containers are very popular with our customers. Most growlers were made from glass when customers first began to use them. Sales of our craft beer products in these containers continue to increase. We support environmentally friendly practices at our brewery and would like to have the term growler expanded to include recyclable or reusable container.

The definition of growler is currently inconsistent for our business and can be confusing for our craft beer customers. We support using growler to mean a container not to exceed one gallon.



### **Satellite locations**

HB546 H.D.1 provides more consistency and uniformity for craft beer producers across the state. We have seen small craft breweries in Hawaii start up in a first manufacturing location to begin producing their craft beer and then expand to a second location. If no manufacturing is intended for the second location, proper licensing would be expected for the type of establishment, but a manufacturing license should not be needed for the new establishment if no craft beer production occurs there.

This bill simplifies expansion to a satellite location when the primary manufacturing and second location carrying out retail sales under the same trade name are not in the same county. Craft beer producers often want to sell their canned and bottled retail products at the second outlet where no manufacturing takes place.

HB546 H.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.



Lanikai Brewing Company  
175 Hamakua Drive, Unit C  
Kailua, Hawaii 96734  
www.lanikaibrewing.com

1/29/2019

HB 546 HD 1 Relating to Intoxicating Liquor; Growlers, Locations and Direct Shipping

Aloha Chair, Vice Chair as well as all members on committee,

Lanikai Brewing Company is a locally owned and operated Craft Brewery here on Oahu and we are in support of HB546 HD1.

Consistency in language: The definition of Growlers in the HRS is currently confusing and inconsistent for business as well as consumers, therefore subjecting us to potential infractions and violations of laws that we cannot get clarity on. Looking for consistency in the language for a growler to be a container up to 1 gallon.

Direct Shipping: This is critical to small local Hawaii based breweries to be able to test external markets outside of Hawaii so we can grow our Hawaii based businesses. Direct shipment of wine is permissible, and no reason there should be a difference in beer creating parity with the other "liquors"

Satellite locations: This bill creates consistency and uniformity for beer producers in the state opening satellite locations while maintain a single production facility.

Thank you for the opportunity to send testimony. This bill will absolutely create new jobs here in Hawaii, strengthen our Made in Hawaii brand value for locals and visitors, as well as allow the industry to flourish and expand. Further, due to the costs of manufacturing here locally, this would allow us small business owners to be more competitive on the national scale furthering growth of jobs here in Hawaii.

Lanikai Brewing Company is an award winning, Island Inspired® authentic Hawaiian craft beer company making 100% of our brews in beautiful Kailua, Hawaii. We take our cues from premium, local, rare, and exotic ingredients grown by local farmers and foraged across the Pacific to bring you bold and flavorful beers that you will find nowhere else utilizing Hawaiian terroir. \*\*Please note that variances in growing season conditions can impact batch-to-batch flavor and aroma profiles.

‘Ōkole Maluna,

*Steven R Haumschild*

Steve Haumschild, MBA  
CEO & Brewmaster  
Certified Cicerone®  
Lanikai Brewing Company, Island Inspired™ Craft Beer

Lanikai Brewing Company, Island Inspired™ Craft Beer  
Brewery @ 175-C Hamakua Dr, Kailua, HI 96734  
Tap & Barrel @ 167 Hamakua Dr, Kailua, HI 96734 M-F 4p-10p, S-S 11a-10p  
FB: Lanikai Brewing Company, Instagram: @lanikaibrewing



**WAIKIKI BREWING COMPANY**

Joe P. Lorenzen, Partner/Brewmaster  
831 Queen St.  
Honolulu, HI 96813  
808-591-0387  
[brewmaster@waikikibrewing.com](mailto:brewmaster@waikikibrewing.com)

HB 546 H.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping  
House Committee on Consumer Protection and Commerce  
Tuesday, February 12, 2019 at 2:00 p.m. Conference Room 329

Position: **Support**

Chair Representative Roy Takumi, Vice Chair Representative Linda Ichiyama, and members of the Committee on Consumer Protection and Commerce,

My name is Joe Lorenzen. I live in Honolulu, on the island of Oahu, and I am a partner in and Brewmaster of Waikiki Brewing Company with business locations in Waikiki and in Kaka'ako. Our brewery began with 15 employees in 2015, and now employs a staff of 45.

Waikiki Brewing Company supports HB 546. The language in the current state statute regarding size of growlers and the materials growlers can be made of is inconsistent as it stands. HR 546 provides simplification and consistency in defining growlers as reusable or recyclable and the volume as up to, but not to exceed one gallon.

HB 546 would also allow for direct shipping of our beer to consumers. The current statute allows for this method of sales for wine, but not for beer. We see no reason why beer should be treated differently from wine, and that to include it would be beneficial to producers, consumers in locations that want to support us from afar, and in generating tax revenues for the State of Hawaii.

HB 546 also provides for some clarification about an existing statute allowing for breweries with class 14 and 18 license types to perform the same functions of those licenses at additional locations. It makes clear that such locations must be fully licensed in the counties in which they operate and shall be under the jurisdiction of the counties. The existing statute makes great sense, in that a brewery may have one location that produces cans and kegs and yet be able to sell those items at additional locations. HB 546 simply fills in details necessary for the counties to enforce the statute.

Mahalo for your consideration. We urge you to pass this bill.

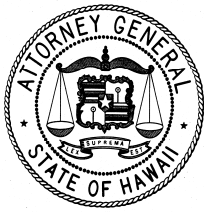
Thank you for the opportunity to provide testimony in support of HB 546.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe P. Lorenzen".

Joe P. Lorenzen





**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
THIRTIETH LEGISLATURE, 2019**

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**ON THE FOLLOWING MEASURE:**

H.B. NO. 546, H.D. 1, RELATING TO INTOXICATING LIQUOR.

**BEFORE THE:**

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

**DATE:** Tuesday, February 12, 2019      **TIME:** 2:00 p.m.

**LOCATION:** State Capitol, Room 329

**TESTIFIER(S):** Clare E. Connors, Attorney General, or  
Jennifer D. Waihee-Polk, Deputy Attorney General

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Chair Takumi and Members of the Committee:

The Department of the Attorney General offers the following comments on this bill.

Among other things, this bill allows brewpub licensees and small craft producer pub licensees who manufacture beer solely in the State to obtain a direct shipper permit.

In Granholm v. Heald, 125 S. Ct. 1885 (2005), the United States Supreme Court held that a law allowing in-state wineries, but not out-of-state wineries, to ship wine directly to consumers violated the Commerce Clause of the United States Constitution. Section 281-33.6, Hawaii Revised Statutes, addresses this case by treating both in-state and out-of-state wine manufacturers the same by allowing both to obtain permits to ship wine directly to Hawaii consumers.

To avoid potential legal challenges, we respectfully recommend that the Committee not limit direct shipper permits of beer to licensees who manufacture beer solely in the State.

We recommend that the section title in section 3, page 11, lines 3 through 4, be amended to read as follows:

**“§281-33.6 Direct shipment of beer by brewpubs and small craft producers and wine by wineries.”**

We further recommend that section 3, page 11, lines 13 through 14, be amended to delete “provided that the licensee manufactures beer solely in the State.”

Lastly, we further recommend that section 3, page 12, line 3, be amended to delete "if the beer was manufactured solely in the State".

Thank you for the opportunity to provide these comments.



February 11, 2019

To: The Honorable Chair Takumi, Vice Chair Ichiyama and Members of the House Committee on Consumer Protection & Commerce

From: Kona Brewing Company  
Mary Rait; Director, Regulatory Compliance and Government Relations

RE: HB546 HD1; Relating to Intoxicating Liquor  
**With Comments**; February 12, 2019; Conference Room 329

Kona Brewing Co. appreciates the opportunity to provide testimony on a bill that seeks to advance Hawaii's craft brewing industry. Kona Brewing Co. supports the intent HB546 HD1 but requests clarification on amendments made in the prior committee.

Kona Brewing Co. runs our flagship brewery out of Kailua-Kona, Hawaii and currently produces more than 12,000 barrels of beer per year on island. The company was started by a father and son team in 1994 who had a dream to create fresh, local island brews made with spirit, passion, and quality. Kona Brewing Co. is currently in the process of expanding our pub and brewery operations in Hawaii to include a new state-of-the-art, 30,000 square-foot facility to support the anticipated demand for Kona Brewing beer sold in Hawaii. In addition to creating more local jobs, over time this expansion will increase our annual local production capacity from 12,000 to 100,000+ barrels of malt beverages, all of which will be sold in Hawaii.

We support the intent of HB546 HD1 which ultimately seeks to grow Hawaii's craft brew industry. However, we request clarification on the amendment made in the prior committee that only allows manufacturers who produce beer solely in the state of Hawaii to obtain a direct shipper permit. If this language means that all beer produced in Hawaii is eligible to be directly shipped, then we would support the amendment. If the language means that only those entities who solely produce 100% of their beer in Hawaii can ship directly, then we oppose this bill as written and would request the removal of those amended changes and a return to the language of the original HB546. In addition, if the intent is to limit direct shipping to select companies, we believe this language is possibly subject to a legal challenge under the Commerce Clause because it has "both the purpose and effect of discriminating in favor of local products." *Bacchus Imports Ltd. v. Dias*, 468 U.S. 263, 273 (1984).

For 25 years Kona Brewing Co. has proudly invested in the future of Hawaii, and therefore feels passionate about promoting the growth of the craft beer industry, advocating for environmental responsibility, community wellness, and sustainability. Mahalo for the opportunity to provide testimony on HB546 HD1.