



DEPARTMENT OF LIQUOR CONTROL
THE COUNTY OF KAUA'I

DEREK S. K. KAWAKAMI, MAYOR
MICHAEL A. DAHILIG, MANAGING DIRECTOR

GERALD T. RAPOZO
DIRECTOR

January 28, 2019

Representative Angus L.K. McKelvey, Chair
Representative Lisa Kitagawa, Vice Chair
House Committee on Economic Development & Business

Hearing: Wednesday, January 30, 2019
10:00 a.m.; Room 309

Position: Comments on HB 546 Relating to Intoxicating Liquor

Dear Chair McKelvey, Vice Chair Kitagawa and Members:

Thank-you for the opportunity to comment on proposed House Bill 546. The Department of Liquor Control, County of Kauai, concurs with the Honolulu Liquor Commission relating to HB 546.

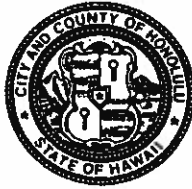
Respectfully Submitted,

GERALD T. RAPOZO
Director



**LIQUOR COMMISSION
CITY AND COUNTY OF HONOLULU**

711 KAPIOLANI BOULEVARD, SUITE 600, HONOLULU, HAWAII 96813-5249
PHONE (808) 768-7300 or (808) 768-7333 • FAX (808) 768-7311
INTERNET ADDRESS: www.honolulu.gov/liq • E-MAIL: liquor@honolulu.gov



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ASSISTANT ADMINISTRATOR

January 28, 2019

The Honorable Angus L.K. McKelvey, Chair
The Honorable Lisa Kitagawa, Vice Chair
and Members of the Committee on Economic Development
& Business

The House
State Capitol, Room 309
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair McKelvey, Vice Chair Kitagawa, and Members of the Committee:

**SUBJECT: House Bill No. 546
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 4-5) and 2 (pages 8-9) would be regulated by a county liquor commission that was not the licensing authority for the manufacturing facility. The Commission appreciates that the clarification has been 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 beer and spirits manufacturers, the Commission anticipates using its existing direct-to-

consumer wine shipping permit process to accommodate the expanded capability. We also anticipate that certain of our licensees will be negatively impacted by competition from the increased access to out-of-state sourced products that bypass the wholesaler and retailer tiers. This negative impact may 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



1050 Bishop St. PMB 235 | Honolulu, HI 96813
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Derek Kurisu, KTA Superstores, *Advisor*

TO:
Committee on Economic Development & Business
Representative Angus L.K. McKelvey, Chair
Representative Lisa Kitagawa, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: January 30, 2019
TIME: 10am
PLACE: Conference Room 309

RE: HB546 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 2 which would allow direct shipment of beer and distilled spirits. Current statute requires license for direct shipment of wine, but no real way to monitor or track compliance. There are also problems with identifying unlicensed direct shipments. The expansion of direct shipping to all liquor 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.



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

HB 546 Relating to Intoxicating Liquor;
Growlers, Satellite Locations and Direct Shipping
House Committee on Economic Development and Business
Weds, Jan 30, 2019 at 10:00 a.m. Conference Room 309

Position: **Support**

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

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, and several breweries have recently, or 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 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 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.

Growler containers

The Hawaiian Craft Brewers Guild supports the language in HB546 for the term growler, simplifying and standardizing the term to mean a container of up to one gallon. Expanding the term growler to include recyclable or reusable container recognizes the environmentally friendly practices of small craft brewery customers and businesses and the expansion of types of container materials 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 because it provides more consistency and uniformity for the 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 recognizes the expansion of Hawaii's craft breweries, including expansion 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 liquor by producers

HB546 proposes to expand HRS 281-33.6 direct shipping rules to allow reciprocity for not just wine, but also to include beer and spirits. Direct shipment of wine into and out of Hawaii is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine to be exported under the term liquor achieves parity across all three categories of beverage alcohol.

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 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 market.

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 because it fosters expanded marketplace options for Hawaii's beverage alcohol manufacturers.

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

Kauai Beer Company

James Guerber

4265 Rice Street

Lihue, HI 96766

98080 639 7821

jim@kauaibeer.com



**HB 546 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
House Committee on Economic Development and Business
Weds, Jan 30, 2019 at 10:00 a.m. Conference Room 309**

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:

Second location clause – Satellite Location

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 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 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, spirits and wine under the term liquor achieves parity across all three categories of beverage alcohol, expanding marketplace options for Hawaii's beverage alcohol manufacturers.

Satellite locations

HB546 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 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.

Sincerely,

Jim Guerber
President
Kauai Beer Company



WAIKIKI BREWING COMPANY

Joe P. Lorenzen, Partner/Brewmaster
831 Queen St.
Honolulu, HI 96813
808-591-0387
brewmaster@waikikibrewing.com

HB 546 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
House Committee on Economic Development and Business
Weds, Jan 30, 2019 at 10:00 a.m. Conference Room 309

Position: **Support**

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

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. HB 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

Kauai Beer Company
Justin Guerber
4265 Rice St
Lihue, HI 96766
(808) 245-2337
justin@kauaibeer.com



HB 546 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
House Committee on Economic Development and Business
Weds, Jan 30, 2019 at 10:00 a.m. Conference Room 309

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.

My name is Justin Guerber and I have been the head brewer at Kauai Beer Company since 2012. I support HB546 because it addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

Consistency in Growler Law

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.

Many of our customers visiting from outside Hawaii use the term growler to mean things not included in the current definition. Updating the definition will help our staff to be consistent with our customers and expand the number of products that we can offer.

Direct Shipping

As a small brewery with limited self-distribution, we currently do not have the range of markets that other, larger breweries, have with larger distribution. Direct shipping with HB546 will help us to expand our access to markets and widen our 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 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, spirits and wine under the term liquor achieves parity across all three categories of beverage alcohol, expanding marketplace options for Hawaii's beverage alcohol manufacturers.

Satellite Locations

We are currently working on an expansion and second location. I expect us to continue to grow, and HB546 would allow more opportunities for us to get our products into the marketplace.

HB546 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.

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

Thank you for the opportunity to provide testimony in support of HB546.



January 28, 2019

House Committee on Economic Development and Business
HB 546 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
Weds, Jan 30, 2019 at 10:00 a.m. Conference Room 309

Re: **IN SUPPORT OF HB546**

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

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 it 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



64-1066 Mamalahoa Highway
Kamuela, Hawaii, 96743

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BigIslandBrewHaus@yahoo.com

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January 28, 2019

HB546
Relating to Intoxicating Liquor
House Committee on
Economic Development & Business
Wednesday, 01-30-19 10:00AM in House conference room 309
Chair
Angus L.K. McKelvey
Vice Chair
Lisa Kitagawa

Position: Strong Support

Big Island Brewhaus was founded initially in 2008 with 9 original employees as a community gathering place serving local cuisine and hand-crafted beers. We have grown into a team of 40 Big Island residents that sells award winning beers throughout Hawaii and is focused on using local sources for our food and 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 ongoing support of all individuals and legislators who support issues which enable local manufacturers and businesses to thrive in Hawaii.

I wish I could be present at this hearing in Honolulu, but I need to be present at my business during this hearing. Thank-you for reading my testimony, I look forward to supporting in person as I am able.

Growler containers

The Big Island Brewhaus along with other members of the Hawaiian Craft Brewers Guild supports the language in this bill for the term growler, simplifying and standardizing the term to mean a container of up to one gallon. Expanding the term growler to include recyclable or reusable container recognizes the environmentally friendly practices of small craft brewery customers and businesses and the expansion of

types of container materials from glass to metal, plastic, and other recyclable or reusable materials.

Satellite location other than primary manufacturing premises

The Big Island Brewhaus along with other members of the Hawaiian Craft Brewers Guild supports this bill because it provides more consistency and uniformity for the craft beer producers across the state.

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. This bill recognizes the expansion of Hawaii's craft breweries.

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. The "second location" clause is meant to address inconsistencies where the second location is in another county. If no manufacturing occurs at the satellite location, this should, by default, not require the same class of license (14, 18) but rather a class of license for the business activity at the second location such as a restaurant.

The class of license should reflect the activities of the operation. A satellite location establishment should not need a license to manufacture if there is in fact no production at the second 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. This was recently discussed with liquor commission representatives from across the state to more clearly explain and clarify that the production and manufacturing location would have the required class 14 or 18 license. As the brewery establishes a second location in the same or in another county, the satellite location should be expected to hold a class license that reflects the business activities at the location.

Direct shipment of liquor by producers

HB 546 proposes to expand HRS 281-33.6 direct shipping rules to allow reciprocity for not just wine, but also to include beer and spirits. Direct shipment of wine into and out of Hawaii is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine to be exported under the term liquor achieves parity across all three categories of beverage alcohol.

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 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 market.

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 HB 546 that fosters expanded marketplace options for Hawaii's beverage alcohol manufacturers.

The Big Island Brewhaus along with other members of the Hawaiian Craft Brewers Guild appreciates consideration of HB 546 and the amendments offered below. We urge you to pass this bill. Thank you for the opportunity to provide testimony in support.

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

Sincerely,
Thomas D. Kerns
Founder & Brewer
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January 29, 2019

HB 546 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
House Committee on Economic Development and Business
Weds, Jan 30, 2019 at 10:00 a.m. Conference Room 309

Position: **Support**

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

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 which seeks to address and clarify inconsistencies and expands retail and dispense operations of local craft brewers.

Direct shipment of liquor by producers

HB 546 proposes to expand HRS 281-33.6 direct shipping rules to allow reciprocity for not just wine, but also to include beer and spirits. Direct shipment of wine is already allowed. Expanding the statute to allow defined amounts of beer, spirits and wine under the term liquor achieves parity across all three categories of beverage alcohol.

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 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 that fosters expanded marketplace options for Hawaii's beverage alcohol 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.

Sincerely,

Troy Terorotua

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

INU ISLAND ALES

Keaka Eckart

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808-683-9000

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HB 546 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
House Committee on Economic Development and Business
Weds, Jan 30, 2019 at 10:00 a.m. Conference Room 309

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.

INU ISLAND ALES supports HB546 because HB546 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 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 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, spirits and wine under the term liquor achieves parity across all three categories of beverage alcohol, expanding marketplace options for Hawaii's beverage alcohol manufacturers.

Satellite locations

HB546 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 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.

Keaka Eckart
INU ISLAND ALES

**HAWAII LIQUOR WHOLESALERS ASSOCIATION
FIVE WATERFRONT PLAZA
500 ALA MOANA BLVD STE 400
HONOLULU, Hawaii 96813**

January 29, 2019

Representative Angus L. K. McKelvey, Chair
Representative Lisa Kitagawa, Vice Chair
House Committee on Economic Development & Business
Hawaii State Capitol
415 South King Street
Honolulu, Hawaii 96813

Re: HB 546 Relating to Intoxicating Liquor
Hearing Date: January 30, 2019

Dear Chair McKelvey, Vice Chair Kitagawa, and Committee Members:

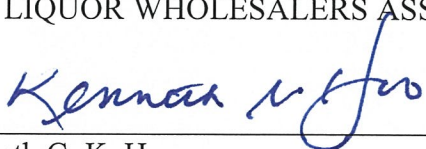
The Hawaii Liquor Wholesalers Association (“HLWA”) respectfully submits the following written testimony in **opposition** to HB 546 Relating to Intoxicating Liquor.

Section 2 would amend HRS Section 281-33.6 to allow direct shipment of *any* liquor from outside each county to persons within the county. Direct shipment is currently allowed only for wine, based on the rationale that local wineries, without wholesalers, need help to be able to ship to other counties. There is no evidence that the same applies to *all* other liquor manufacturers. Expanding direct shipment to other liquor undermines the three tier liquor distribution system, which is intended to protect consumers. Moreover, direct shipment allows out-of-state liquor manufacturers to ship directly to Hawaii residents. There has been no accounting of current volume of directly-shipped wine and whether the proper general excise and liquor taxes are being paid. Before any consideration is given to expanding direct shipment to other liquor, an audit should be conducted to determine whether the direct ship program is working and whether the State is receiving all of the taxes that should be paid on the direct shipments.

Based on the above, we respectively oppose HB 546. Thank you for your consideration of the foregoing.

Very truly yours,

HAWAII LIQUOR WHOLESALERS ASSOCIATION

By: 

Kenneth G. K. Hoo
Its Secretary



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

1/29/2019

HB 546 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
House Committee on Economic Development and Business
Weds, Jan 30, 2019 at 10:00 a.m. Conference Room 309

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.

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

Lanikai Brewing Company, Island Inspired™ Craft Beer
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