

**LIQUOR COMMISSION
CITY AND COUNTY OF HONOLULU**

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ASSISTANT ADMINISTRATOR

March 8, 2019

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

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

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

**SUBJECT: Senate Bill No. 773 SD1
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 Senate Bill 773, 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 Senate Bill 773, 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 no appreciable difference to its

March 8, 2019

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current operations as it will use its existing direct-to-consumer wine shipping permit process to accommodate the expanded capability. However, we have been advised that our licensees will be negatively impacted by competition from increased customer access to out-of-state sourced products that bypass the wholesaler and retailer tiers, but we have not yet been able to quantify this impact. This negative impact, and whether the anticipated benefit to locally licensed businesses who can participate in out-of-state consumer sales will outweigh said negative impact, should receive 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



March 11, 2019

House Committee on Economic Development and Business
SB773 SD1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
Wednesday, March 13th, 2019 at 10am. Conference Room 309

Re: **IN SUPPORT OF SB773 SD1**

Aloha Chair Representative Angus McKelvey, Vice Chair Representative Lisa Kitagawa, and members of the Committee on Economic Development and Business,

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 **SB773 SD1** 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 very briefly cover the Growler and Satellite Taproom Location Clause issues below as 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 of the bill is universally supported by brewers, and liquor departments with no opposition to this section as it merely simplifies and clarifies rules.

Satellite Taproom Location Clause

This section of the bill is also universally supported by brewers, and liquor departments with no opposition to this section as it merely clarifies the intent of Class 14 and 18 licenses with regards to sales of retail wares at places other than primary manufacturing facility.

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. A clarification is necessary to ensure that a business manufacturing on one island, can sell its products on another island under the proper license.

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

Direct Shipping

Oddly this issue seems to have taken a turn. It was formerly universally supported by testimony submitted last year and in earlier versions of the bill. I would add that we fully support the three-tier system so long as it is indeed fair, however this has not proven to be the case universally. The wholesaler association and the food industry association have come out in opposition.

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.

It is particularly interesting to hear that various Liquor departments feel 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 couldn't be further from the truth. The wholesalers and retailers in today's world of beer simply do not want to handle the sheer volume of new products being offered by various craft producers. As large as we've become it is a struggle to get wholesalers to bring in the whole suite of beverages we make, the same goes for retailers. Offerings are being made at a rate that far outpaces the growth of shelf space. This however does not mean that craft beverage drinkers do not want the other products; so please enlighten me how the HLWA can state that denying access to market and denying craft beverage fans their choice in any way "protects consumers"? We simply are seeking a way for Hawaii's small craft producers to grow when they are turned away by those opposing this bill.

With regards to the comment from HFIA that "Current statute requires license for direct shipment of wine, but no real way to monitor or track compliance"; there is in fact a full system outlined in HRS and county rules for Wine to ship, it would be beyond simple to add the other beverages to this system. I would encourage Hawaii State to promote this system as it directly promotes real Hawaiian products and grants access to the world markets while also creating an increased revenue stream for Hawaii.

We support a meaningful conversation with HFIA and HLWA to discuss this issue.

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

Thank you for the opportunity to offer these comments in support of the passage of **SB773 SD1**, a common-sense bill that supports the burgeoning craft beverage industry in Hawaii.

Sincerely,



Garrett W. Marrero
CEO/Founder

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



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

SB773 S.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
House Committee on Economic Development and Business
Wednesday, March 13, 2019 at 10:00 a.m. Conference Room 309

Position: **Support**

Chair Representative Angus McKelvey, Vice Chair Representative Lisa Kitagawa, and members of the Committee on Economic Development and Business,

The Hawaiian Craft Brewers Guild is a non-profit 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.

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

SB773 S.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 SB773 S.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.

Growler containers

The Hawaiian Craft Brewers Guild supports language in SB773 S.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 recyclable or reusable containers 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 including glass and metal, and other recyclable or reusable materials.

Satellite location other than primary manufacturing premises

The Hawaiian Craft Brewers Guild supports SB773 S.D.1 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. SB773 S.D.1 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

SB773 S.D.1 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 direct shipped under the term liquor achieves parity across all three categories of beverage alcohol. A process already exists for direct shipment of wine, including an application form for direct wine shipment. The process and form could easily be modified for direct shipment of beer and other 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. SB773 S.D.1 is proactive in providing an opportunity for Hawaii's craft beer businesses to offer products through direct sales to new markets and to a wider customer base. Direct shipment has the greatest benefit for small craft breweries that seek access to markets for more of their styles of craft beer, but have difficulty finding a wholesale partner interested in the smaller craft beer brands and their variety of offerings.

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 SB773 S.D.1 because reciprocity with other states for direct shipping fosters expanded marketplace options for Hawaii's craft beer and beverage alcohol manufacturers. Promoting branding of products manufactured in Hawaii benefits businesses statewide.

The Hawaiian Craft Brewers Guild appreciates consideration of this legislation. We urge you to pass this bill. Thank you for the opportunity to provide testimony in support of SB773 S.D.1.



SB773 S.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
House Committee on Economic Development and Business
Wednesday, March 13, 2019 at 10:00 a.m. Conference Room 309

Position: **Support**

Chair Representative Angus McKelvey, Vice Chair Representative Lisa Kitagawa, and members of the Committee on Economic Development and Business,

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 SB773 S.D.1 because SB773 S.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 SB773 S.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

SB773 S.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.

SB773 S.D.1 allows more opportunities for Hawaii's craft beer manufacturers to get their products into the marketplace.

Kauai Beer Company

James Guerber

4265 Rice Street

Lihue, HI 96766

98080 639 7821

jim@kauaibeer.com



SB773 S.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
House Committee on Economic Development and Business
Wednesday, March 13, 2019 at 10:00 a.m. Conference Room 309

Position: Support

Chair Representative Angus McKelvey, Vice Chair Representative Lisa Kitagawa, and members of the Committee on Economic Development and Business,

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 SB773 because SB773 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 SB773 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.

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. SB773 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

SB773 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 based on the type of business activities. 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.

SB773 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.

Sincerely,

Jim Guerber
President
Kauai Beer Company



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

3/11/2019

SB773SD1 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 SB773SD1.

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



March 11, 2019

SB773 S.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
House Committee on Economic Development and Business
Wednesday, March 13, 2019 at 10:00 a.m. Conference Room 309

Position: **Support**

Chair Representative Angus McKelvey, Vice Chair Representative Lisa Kitagawa, and members of the Committee on Economic Development and Business

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.

SB773 S.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 alcohol producers with other states, where beer and alcohol from Hawaii would have additional opportunities to reach more consumers in other states and reciprocity would allow beer and alcohol from other states to be direct shipped to Hawaii. Taxes are still paid, licenses issued, and proper shipping rules would be followed. SB773 S.D.1 increases the viability of small craft breweries by allowing export of our products to our current brewery fans and potential new customers.

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. The process already in place for direct shipment of wine could easily be extended to beer and spirits. The direct wine shipper permit application could simply be changed with wording related to shipment of alcohol.

Satellite Locations

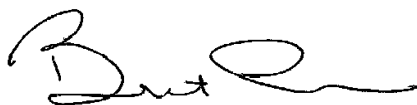
SB773 S.D.1 provides more consistency and uniformity for craft beer producers across the state. We have seen small craft breweries in Hawaii start up in a first manufacturing location to begin producing their craft beer and then expand to a second location. If no manufacturing is intended for the second 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.

SB773 S.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 SB773 S.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 tail.

Bret Larson
Owner, President, Kauai Island Brewing Company, LLC.
808-755-5926
bret@kauaiislandbrewing.com



64-1066 Mamalahoa Highway
Kamuela, Hawaii, 96743

T 808-887-1717
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BigIslandBrewHaus@Yahoo.Com

BigIslandBrewHaus.Com

March 12, 2019

COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Rep. Angus L.K. McKelvey, Chair

Rep. Lisa Kitagawa, Vice Chair

Rep. Stacelynn K.M. Eli

Rep. Sean Quinlan

Rep. Linda Ichiyama

Rep. Kyle T. Yamashita

Rep. Aaron Ling Johanson

Rep. Lauren Matsumoto

DATE: Wednesday, March 13, 2019

TIME: 10:00 a.m.

PLACE: Conference Room 309

State Capitol

415 South Beretania Street

Position: **Support**

I am Thomas Kerns, and I am the founder of Big Island Brewhaus and a board member for the Hawaiian Craft Brewers Guild. 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.

Big Island Brewhaus support SB773 because SB773 addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

Growlers

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

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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. SB773 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

SB773 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 based on the type of business activities. 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.

SB773 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 SB773.

Sincerely,

Thomas D. Kerns

Thomas Kerns
Founder & Brewer
Big Island Brewhaus
64-1066 Mamalahoa Highway
Kamuela, HI, 96743
BigIslandBrewhaus@yahoo.com
Cell# 808-276-3301



**SB773 SD1 Relating to Intoxicating Liquor
House Committee on Economic Development & Business**

March 13, 2019

Position: OPPOSE

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

The Hawaii Partnership to Prevent Underage Drinking (HPPUD) was created to address the problem of underage drinking in the State of Hawaii. The members of the coalition represent county and state agencies, non-profit organizations, private businesses, youth and community residents concerned with the health of Hawaii's youth.

Our opposition is specifically related to the provision of the bill allowing direct shipment of alcohol by producers. The United States is experiencing a trend toward increased alcohol affordability, accessibility and marketing. There is growing pressure toward deregulation to facilitate alcohol being marketed like any other consumer product, with few restrictions. Alcohol is no ordinary commodity. Its use has significant risks, especially among our youth and young adults. The push toward deregulation of alcohol is a national trend by segments of the alcohol industry to increase their profits at the expense of our public health.

Direct Shipping Provision

SB773 SD1 is a direct attack on the three-tier regulatory system on alcohol and creates public health risks.

Benefits of the Three-Tier System

The three-tier system offers many benefits to society with the most prominent falling into four categories: public health, regulatory, economic and commercial.

Public Health Benefits

Because of the checks and balances created by the three-tier system, several public health and safety benefits are present. As each party must be licensed and accountable for alcoholic products, this prevents tainted alcohol from entering the marketplace. Additionally, the system

prevents the marketplace from being dominated by major companies who can use tactics to increase alcohol sales.

The United Kingdom has experienced many negative consequences because of inexpensive and readily available alcohol, and at times tainted alcohol. The system has played an important role in preventing such problems in the United States. And while SB773 SD1 may focus on the direct shipment of beer, it allows the direct shipment into or out of Hawaii of *any* alcohol. This creates a public health risk. *Shipping beer is an issue because kids favor beer and then liquor...not wine. The notion of leveling the direct shipping playing field with wine is nonsense.*

Regulatory Benefits

Within the three-tier system, each tier becomes responsible for ensuring that the laws and regulations set forward by the government are executed. All parties must comply with those laws and each is responsible to the other. These laws and regulations provide safeguards that there are lawful trade practices and safe handling of alcoholic beverages before it gets to consumers. This transparent regulatory scheme elevates consumer confidence because the three-tier system ensures that only licensed distributors and retailers will be able to provide and sell alcoholic beverages.

Economic Benefits

The economic benefits of the three-tier system positively impacts society in several ways. Tens of billions of tax dollars are provided to federal, state, and local governments by manufacturers, wholesalers, and retailers in the alcohol industry. Because of the checks and balances created within the three-tier system, there is less risk of untaxed, potentially tainted “black market” alcohol passing to the consumer. The tax money provided by the system goes to education, infrastructure improvements, and other areas that benefit all citizens.

Commercial Benefits

Commercial benefits of the three-tier system clearly are numerous. For manufacturers, they are given equal access to the marketplace that they would not receive under other systems. This allows for large corporations as well as craft distillers and brewers to reach consumers. Rather than be dwarfed by larger competitors, smaller manufacturers receive greater opportunities to increase sales through distributors with retailers nationwide. As a result, consumers have more choices to a variety of alcoholic products.ⁱ

Direct shipping is risky. The Kentucky Liquor industry rammed through a direct shipping of liquor bill and they are now trying to sell it in other states. Grain alcohol and 151 Rum and Fireball are not the same as a pinot grigio. The Center for Disease Control says over 2000 people die a year from acute alcohol poisoning caused by acute consumption of liquor. Beer is not the same as wine and not the same as liquor. From a public health perspective, they are all alcohol but within alcohol they are all different strengths. A bud light and grain alcohol are not the same.

There are few instances where the public health field and the beer wholesalers can find common ground, but the erosion of the three-tier system is one area in which we concur.

Allowable Limits of Small Craft Producer Pub License

These limits are too high. 125,000 barrels is a huge number. This is larger than any brewery in the state of Hawaii. There is a risk the liquor producers hiding behind larger producers on the brewpub side to get their shipping in the back door. The chart below reflects total barrels in Hawaii.

State	Brewery - Self Reported Volumes to Brewers Association	2013	2014	2015	2016	2017
HI	Maui Brewery	19,216	20,600	32,400	39,550	54,894
HI	Waikiki Brewery			-	1,539	3,663
HI	Hawaii Nui Brewery	2,100	3,000	4,000	1,700	2,080
HI	Honolulu BeerWorks		540	1,000	1,200	1,850
HI	Big Island Brewhaus	761	761	500	1,605	1,732
HI	Kohola Brewery				675	1,617
HI	Kauai Beer		400	486	500	650
HI	Lanikai Brewery			-	265	600
HI	Aloha Beer	2,000	1,000			575
HI	Kauai Island Brewery & Grill		318	350	420	420
HI	Stewbum & Stonewall Brewery			48	141	169
HI	Taps and Apps				48	50
HI	Inu Island Ales					40
HI	Ola Brew					30
HI	Home of the Brave Beverage	200	200	3	72	12
HI	Hawaiian Islands Brewery	150				
HI	Pacific Breach Brewery	50	1			
HI	Beer Lab HI					-
HI	Hoku Brewery		120	100		
HI Total		24,477	26,940	38,887	47,715	68,382

125,000 barrels is 3,875,000 gallons of beer. At 2.25 gallons in a case that is over 1.72 million cases of beer. At \$30 per case of beer (assuming craft) that is over \$50 million in revenue. That is not a small fledgling company.

This totals 41,250,000 bottles. At 9 inches per bottle that is 371,250,000 inches, 63360 inches in a mile is 5860 miles. Stacking these bottles of beer end to end can stretch from Honolulu past Washington DC, past Hong Kong, past Sydney Australia. Why is this limit so high? It is a LOT of beer. Let's not pretend that this is a bill to assist small craft brewers.

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We are not opposed to satellite locations of craft brewers as long as the only alcohol sold is that produced by the parent brewery. This would appear to be in the best interest of the producer, but any effort to expand the product selection to those from other producers would be opposed.

Cynthia Okazaki, Co-Chair

ⁱ The National Alcohol Beverage Control Association, The Three-Tier System a Modern View: <https://www.nabca.org/three-tier-system-modern-view-0>

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

March 12, 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: SB 773 S.D. 1 Relating to Intoxicating Liquor
Hearing Date: March 13, 2019

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

The Hawaii Liquor Wholesalers Association respectfully submits the following written testimony in **opposition** to SB 773 S.D. 1 Relating to Intoxicating Liquor.

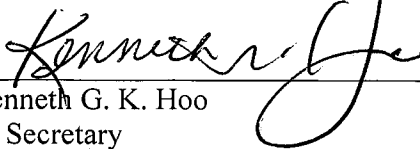
Section 2 would amend HRS Section 281-33.6 to allow direct shipment of *any* liquor from outside each county to persons within the county. Expanding direct shipment to other liquor undermines the three-tier liquor distribution system, which is intended to protect consumers. Moreover, direct shipment would allow out-of-state liquor manufacturers to ship directly to Hawaii residents. Expanding direct shipment to allow manufacturers to ship any liquor directly to Hawaii residents will have a negative impact on local wholesalers, retailers, restaurants, bars and related businesses, which will result in loss of income and jobs.

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 current direct ship programs are working and whether the State is receiving all of the taxes that should be paid on the direct shipments. Other states have found that direct ship programs have resulted in large amounts of illegal wine delivered to the state without payment of taxes or proper licensing. Without adequate safeguards, Hawaii risks the loss of millions of tax and license dollars every year from illegal direct shipments.

Based on the above, we respectfully oppose SB 773 S.D. 1. Thank you for your consideration of the foregoing.

Very truly yours,

HAWAII LIQUOR WHOLESALERS ASSOCIATION

By: 
Kenneth G. K. Hoo
Its Secretary



**SB773 SD1 Relating to Intoxicating Liquor;
Liquor Licenses; Brewpubs; Small Craft Producer Pubs; Satellite Locations; Retail Sales;
Intoxicating Liquors; Containers; Direct Shipping; Manufacturers**

House Committee on Economic Development & Business

March 11, 2019

Richard Collins
Chair
Hawai'i Alcohol Policy Alliance
Kula, HI
(808)728-4656

Position: OPPOSE

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

My name is Richard Collins, I live in Kula, HI and I am **opposed to SB773 SD1**. My opposition is specifically related to the provision of the bill allowing direct shipment of alcohol by producers. The United States is experiencing a trend toward increased alcohol affordability, accessibility and marketing. There is growing pressure toward deregulation to facilitate alcohol being marketed like any other consumer product, with few restrictions. Alcohol is no ordinary commodity. It's use has significant risks, especially among our youth and young adults. The push toward deregulation of alcohol is a national trend by segments of the alcohol industry to increase their profits at the expense of our public health.

Direct Shipping Provision

SB773 SD1 is a direct attack on the three-tier regulatory system on alcohol and creates public health risks.

Benefits of the Three-Tier System

The three-tier system offers many benefits to society with the most prominent falling into four categories: public health, regulatory, economic and commercial.

Public Health Benefits



Because of the checks and balances created by the three-tier system, several public health and safety benefits are present. As each party must be licensed and accountable for alcoholic products, this prevents tainted alcohol from entering the marketplace.

Additionally, the system prevents the marketplace from being dominated by major companies who can use tactics to increase alcohol sales.

The United Kingdom has experienced many negative consequences because of inexpensive and readily available alcohol, and at times tainted alcohol. The system has played an important role in preventing such problems in the United States. And while SB773 SD1 may focus on the direct shipment of beer, it allows the direct shipment into or out of Hawaii of *any* alcohol. This creates a public health risk. *Shipping beer is an issue because kids favor beer and then liquor...not wine. The notion of leveling the direct shipping playing field with wine is nonsense.*

Regulatory Benefits

Within the three-tier system, each tier becomes responsible for ensuring that the laws and regulations set forward by the government are executed. All parties must comply with those laws and each is responsible to the other. These laws and regulations provide safeguards that there are lawful trade practices and safe handling of alcoholic beverages before it gets to consumers. This transparent regulatory scheme elevates consumer confidence because the three-tier system ensures that only licensed distributors and retailers will be able to provide and sell alcoholic beverages.

Economic Benefits

The economic benefits of the three-tier system positively impacts society in several ways. Tens of billions of tax dollars are provided to federal, state, and local governments by manufacturers, wholesalers, and retailers in the alcohol industry. Because of the checks and balances created within the three-tier system, there is less risk of untaxed, potentially tainted "black market" alcohol passing to the consumer. The tax money provided by the system goes to education, infrastructure improvements, and other areas that benefit all citizens.

Commercial Benefits

Commercial benefits of the three-tier system clearly are numerous. For manufacturers, they are given equal access to the marketplace that they would not receive under other systems. This allows for large corporations as well as craft distillers and brewers to reach consumers. Rather than be dwarfed by larger competitors, smaller manufacturers receive greater opportunities to increase sales through distributors with retailers nationwide. As a result, consumers have more choices to a variety of alcoholic products.ⁱ

Direct shipping is risky. The Kentucky Liquor industry rammed through a direct shipping of liquor bill and they are now trying to sell it in other states. Grain alcohol and 151 Rum and Fireball are not the same as a pinot grigio. The Center for Disease Control says over 2000



people die a year from acute alcohol poisoning caused by acute consumption of liquor. Beer is not the same as wine and not the same as liquor. From a public health perspective, they are all alcohol but within alcohol they are all different strengths. A bud light and grain alcohol are not the same.

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Growler Containers Clarification

I have no direct comment on the growler provision of the bill.

Satellite Location Other than Primary Manufacturing Premises

I am not opposed to satellite locations of craft brewers as long as the only alcohol sold is that produced by the parent brewery. This would appear to be in the best interest of the producer, but any effort to expand the product selection to those from other producers would be opposed by me.

Sincerely,

Richard Collins

Chair

Hawai'i Alcohol Policy Alliance

ⁱ The National Alcohol Beverage Control Association, The Three-Tier System a Modern View:
<https://www.nabca.org/three-tier-system-modern-view-0>



March 10 ,2019

SB773 S.D.1 Relating to Intoxicating Liquor; Growlers, Locations and Shipping
House Committee on Economic Development and Business
Wednesday, March 13, 2019 at 10:00 a.m. Conference Room 309

Position: **Support**

Chair Representative Angus McKelvey, Vice Chair Representative Lisa Kitagawa, and members of the Committee on Economic Development and Business

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 **SB773 S.D.1** which addresses inconsistencies and increases uniformity in laws regarding liquor manufacturing and sales.

Satellite location clause

SB773 S.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, crows, 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 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.

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 **SB773 S.D.1**

Sincerely,

Geoffrey Seideman

Owner/Brewer

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

SB-773-SD-1

Submitted on: 3/11/2019 5:12:47 PM

Testimony for EDB on 3/13/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Janice Larson	Individual	Support	No

Comments:

SB-773-SD-1

Submitted on: 3/11/2019 8:15:06 PM

Testimony for EDB on 3/13/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Katie Folio	Individual	Oppose	No

Comments:

Aloha,

I am writing to opposed SB773, which would allow for direct shipment of beer and liquor to homes. This is harmful because it breaks down the 3-Tier System of alcohol production, distribution, and sales. 125,000 barrel limit per brewer is too high. This amount is more than all the Hawaii brewers produced in 2017, combined. This allows larger mainland alcohol companies to directly ship alcohol. This limit does NOT support the local brewers. Direct shipment amounts are too high. It equates to 470 beers and 270 glasses of wine per adult in each household. No household in our community needs this level of access to alcohol. This isn't good for kids, it isn't good for families, and it isn't good for local brewers. Please do what is in the best interest of the health of our communities and do not pass this bill.

Mahalo nui loa,

Katie Folio

SB-773-SD-1

Submitted on: 3/11/2019 8:20:02 PM

Testimony for EDB on 3/13/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jamil Folio	Individual	Oppose	No

Comments:

My name is Jamil Folio, I live in Kula, Maui and I am opposed to SB773 SD1. My opposition is specifically related to the provision of the bill allowing direct shipment of alcohol by producers. The United States is experiencing a trend toward increased alcohol affordability, accessibility and marketing. There is growing pressure toward deregulation to facilitate alcohol being marketed like any other consumer product, with few restrictions. Alcohol is no ordinary commodity. It's use has significant risks, especially among our youth and young adults. The push toward deregulation of alcohol is a national trend by segments of the alcohol industry to increase their profits at the expense of our public health. Direct Shipping Provision SB773 SD1 is a direct attack on the three-tier regulatory system on alcohol and creates public health risks.

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Sincerely,

Jamil Folio

Kula, Maui, HI



1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiiifood.com

Executive Officers

Toby Taniguchi, KTA Superstores, *Chair*
Joe Carter, Coca-Cola Bottling of Hawaii, *Vice Chair*
Charlie Gustafson, Tamura Super Market, *Secretary/Treas.*
Lauren Zirbel, HFIA, *Executive Director*
Beau Oshiro, C&S Wholesale Grocers, *Past Chair*
Stan Brown, Acosta Sales & Marketing, *Advisor*
Paul Kosasa, ABC Stores, *Advisor*
Barry Taniguchi, KTA Superstores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*

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



FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: March 13, 2019
TIME: 10am
PLACE: Conference Room 309

RE: SB773 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 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.

Please delete this section from the bill

~~SECTION 2. Section 281-33.6, Hawaii Revised Statutes, is amended to read as follows:~~

~~"§281-33.6 Direct shipment of [wine] liquor by~~

~~[wineries.] producers. (a) Any person holding:~~

~~(1) A general excise tax license from the department of taxation; and~~

~~(2) Either:~~

~~—————(A) A class 1, class 14, class 16, or class 18 license to manufacture~~

~~{wine} liquor under section 281-31; or~~

~~—————(B) A license to manufacture~~

~~{wine} liquor issued by another state,~~

~~may pay any applicable fees and obtain a direct~~

~~{wine} liquor shipper permit from the liquor commission of the county to which the {wine} liquor will be shipped authorizing the holder to directly ship {wine} liquor to persons in the county pursuant to this section.~~

~~————(b) The holder of a direct {wine} liquor shipper permit may sell and annually ship to any person twenty-one years of age or older in the county that issued the permit, no more than six nine-liter cases of wine, no more than forty-two gallons of beer, and no more than two nine-liter cases of spirits per household for personal use only and not for~~

~~resale, and shall:~~

~~—(1) Ship {wine} liquor directly to the person only in containers that are conspicuously labeled with the words:~~

~~———"CONTAINS ALCOHOL- SIGNATURE OF PERSON AGE 21 YEARS OR OLDER REQUIRED FOR DELIVERY.";~~

~~—(2) Require that the carrier of the shipment obtain the signature of any person twenty-one years of age or older before delivering the shipment;~~

~~—(3) Report no later than January 31 of each year to the liquor commission in each county where a direct {wine} liquor shipper permit is held, the total amount of {wine} liquor shipped to persons in the county during the preceding calendar year;~~

~~—(4) Pay all applicable general excise and gallonage taxes. For gallonage tax purposes, all {wine} liquor sold under a direct {wine} liquor shipper permit shall be deemed to be {wine} liquor sold in the State; and~~

~~—(5) Be subject to audit by the liquor commission of each county in which a permit is held.~~

~~—— (c) The holder of a license to manufacture [wine] liquor issued by another state may annually renew a direct [wine] liquor shipper permit by providing the liquor commission that issued the permit with a copy of the license and paying all required fees. The holder of a class 1, class 14, class 16, or class 18 license to manufacture [wine] liquor under section 281-31 may renew a direct [wine] liquor shipper permit concurrently with the [class 1] applicable license by complying with all applicable laws and paying all required fees.~~

~~—— (d) The sale and shipment of [wine] liquor directly to a person in this State by a person that does not possess a valid direct [wine] liquor shipper permit is prohibited. Knowingly violating this law is a misdemeanor.~~

~~—— (e) The liquor [[]commission{}] in each county may adopt rules and regulations necessary to carry out the intent and purpose of this section."~~

Thank you for the opportunity to testify.