

Pa. business interests await new fight to privatize state liquor sales

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Kevin Joyce, owner of The Carlton, says he likes Turzai's proposal to auction off retail licenses. Joyce recently began using iPads to showcase wine selections.

As the owner of a small specialty wine distributor who has spent nearly 30 years dealing with the Pennsylvania Liquor Control Board, **Mike Gonze** whiffs a strong bouquet of vintage doubt when considering the newly revived prospect of privatizing state's liquor control system.

"The No. 1 problem that I have is that I don't know what to hope for," said Gonze, owner of [Dreadnought Wines](#). "I think it will take some strong political arm bending to get this through."

After more than 75 years of Pennsylvania controlling all wholesale and retail sales of wine and spirits, newly elected Republican Gov. **Tom Corbett** will usher in a Legislature with new Republican majorities in both houses and a public pledge to dismantle a total state control system matched by only one other state in the country.

Proponents of privatization believe full Republican control, an established proposal by new Republican House Majority Leader **Mike Turzai**, and a gaping \$4 billion to \$5 billion budget deficit, not to mention long-fermenting contempt for the state system, present a unique opportunity.

"Pennsylvania has a Soviet-style Pennsylvania Liquor Control Board that, quite frankly, has had four years of colossal blunders since I left," said **Jonathan Newman**, who spent five years as chairman of the PLCB until he resigned in December 2006.

A staunch supporter of Corbett who now operates a wine brokerage firm that does business outside of Pennsylvania, Newman alluded to a wholesale price increase the PLCB implemented at the end of the year that has infuriated restaurant owners, among other issues.

"I think that you have the perfect storm that has come together," Newman said. "If it doesn't happen now, I don't think anybody alive will see privatization."

TURZAI'S PLAN

Turzai's proposal calls for auctioning off 750 retail licenses for private operators versus a status quo of 621 state stores. The proposal also calls for auctioning off 100 wholesale licenses with a reserve price set at fair market value, and maintaining renewal and transfer fees found in restaurant and bar licenses for both new license classes.

Turzai's plan also would restructure the five levels of taxation in the current system. He calls for eliminating the 30 percent PLCB mark up, the \$1.50 per bottle PLCB handling tax, the long-loathed 18 percent Johnstown Flood Tax, and the 6 percent sales tax paid by bars, restaurants and clubs. They would be replaced by a tax per gallon, and the state also would gain corporate and personal income taxes from the 850 new businesses.

All told, the measure projects to bring in \$2 billion in revenue in the sale of wholesale and retail licenses by themselves. Currently, according to Turzai's proposal, the state system reaps a total of about \$466 million in both taxes and sales revenue each year, which he claims can be topped by his system's projected \$500 million from the new tax and fee structure, as well as higher sales activity.

PRIVATIZATION AND ITS OPPONENTS

Kevin Joyce, owner of [The Carlton Restaurant](#) Downtown, and an active participant in the Pennsylvania Restaurant Association, liked what he saw in Turzai's proposal but said privatization and taxes on liquor can be very different issues.

"What he initially promised was a good starting point, and it would result in lower priced wines in Pennsylvania," Joyce said. "Right now, we base everything on the price of the product and not the volume. That's why wine is so much more expensive than it would be in other states."

Wendell Young IV, president of the United Food and Commercial Works 1776, the union that represents a large portion of the nearly 5,000 employees who work for the PLCB, strongly disputed Turzai's revenue projections and made a business argument that the state system has increased revenue to the state while providing middle class jobs and protecting the public from irresponsible alcohol consumption.

"The reason it has never been privatized before is because no proposal

has ever demonstrated the ability to even come close to maintaining that revenue stream consistently year after year,” Young said. “We save a lot of money for the taxpayers and produce a lot of money for the taxpayers. It’s a decent middle income job. Why would someone want to put close to 5,000 people out of work?”

One issue to be faced in any privatization will be a union contract that doesn’t expire until next year. That means any new private liquor store operator would be required to hire state store employees at established pay and benefits.

Young sees it as the same battle his union has fought for nearly 40 years, with the only beneficiaries from privatization being major retailers and wealthy individuals interested in profiting from privatized stores.

Pat Conway, president of the Pennsylvania Restaurant Association, described Turzai’s proposal as innovative but added the organization has yet to take a position on any legislation.

The issues of public health and personal morality can make the debate over privatization more complicated, he said, noting that conservative legislators concerned over alcohol abuse can be found on both sides of the political aisle.

“This is not necessarily just a partisan issue,” Conway said. “It’s a public policy debate that deserves a great deal of discussion.”