
INDEPENDENT STATE STORE UNION TESTIMONY
HOUSE DEMOCRATIC POLICY COMMITTEE
HEARING ON PRIVATIZATION OF THE STATE STORE SYSTEM

MARCH 27, 2013

Good afternoon Chairman Sturla, Chairman Costa, Representative Dean and members of the House Democratic Policy Committee.

My name is Dennis Harty, President of the Independent State Store Union (ISSU) and a manager of a state store in neighboring Chester County. Accompanying me today is David Wanamaker, ISSU Executive Board member and Neil Cashman who serves as Legislative Affairs Coordinator for ISSU.

On behalf of the men and women of the ISSU -- the union that represents 720 state store managers throughout the Commonwealth -- thank you for convening this meeting today and for your continued interest in the debate over privatization of the state store system.

I would also like to thank you and the other members of the House of Representatives who last week voted to oppose the passage of House Bill 790. Your vote of confidence in the current system was truly appreciated by the men and women who are the backbone of the system and who strive daily to offer the best possible service to our customers.

While the bill is now headed to the Senate for their input and consideration, it is quite obvious that the House will again have a voice on this initiative. For that reason, we truly appreciate the opportunity to appear before you today to discuss this important public policy matter and to be part of the ongoing debate.

As I stated earlier, I am employed as a manager at the Downingtown store and I am scheduled to work today starting at 2:15. So, with your indulgence, I will speak first and offer some general comments on the current system and privatization in general. Mr. Cashman will then offer some specific comments on HB 790. Both David and Neil will be available to answer any questions you may have in the event I have to depart prior to the end of our presentation.

Responsible and Reasonable Alcohol Policy

As you know, ISSU has defended the state store system based on the responsible and reasonable alcohol policy argument in the past and we will continue to focus our defense of the current system based on those arguments going forward.

It is imperative to remember that alcohol is the most widely used and abused drug in the nation – for both “of age” and “underage” individuals. Irresponsible use and abuse of alcohol comes with attendant societal ills and health related harms.

We strongly believe that Pennsylvania has the most responsible and effective alcohol distribution system in the nation.

Our system is far superior in curbing and reducing the harms associated with the irresponsible use and abuse of alcohol that occur under privatized distribution systems.

The current system protects all Pennsylvanians -- drinkers and non-drinkers alike -- in urban, suburban and rural areas whether they are Republicans, Democrats or Independents and has done so for 80 years.

The current system provides a “best of both worlds” scenario – it represents a reasonable and responsible alcohol policy while generating millions in revenue to the Treasury to fund public programs.

Alcohol Policy and Research Studies

Countless public health and alcohol policy research studies have consistently and repeatedly concluded that state controlled alcohol distribution systems -- such as the system Pennsylvania currently has in place -- reduce the harms associated with alcohol abuse by promoting the responsible distribution and consumption of alcohol.

These studies have repeatedly identified a variety of societal harms and quality of life issues associated with privatized alcohol sales including health care costs, substance abuse, underage drinking, juvenile violence and alcohol related crime.

Other states that have privatized their retail liquor systems have often experienced a dramatic increase in retail liquor outlets – an outcome the Corbett plan will replicate. Numerous research studies have clearly identified that increased density of retail alcohol outlets results in negative consequences including increased consumption, abuse, crime and violence.

Researchers agree that making alcohol easier to purchase will lead to more consumption and an increase in a host of social and health problems. Researchers agree that easier access to alcohol has a downside. Among those who do alcohol policy research and alcohol research in general, there is a strong agreement that as alcohol availability increases, there is a corresponding increase in a wide range of problems.

The Corbett administration and the Commonwealth Foundation have tried unsuccessfully to downplay the significance of the published research by providing their own analysis and comparison of data. Respected researchers point out that such broad comparisons are meaningless from a researcher’s perspective because they fail to consider a host of variables necessary to reach conclusive results.

Public health and safety issues are serious concerns the legislature should consider when contemplating privatizing the current alcohol distribution system. We would encourage you to seriously consider the impact of privatization on your communities and your constituents while considering such a major policy shift.

And, when considering those impacts, we would hope you find the research of respected public health and alcohol policy experts more persuasive than the specious arguments of the hired guns of the privatization proponents who are only motivated by profits.

Cost of the Current System

The current system has not cost the state -- or more importantly its taxpayers -- one penny in eighty years. The system is self-supporting and pays all costs associated with its operation including salaries, benefits, pensions and related cost for all its employees out of its sales revenue.

Under the current system, if you do not consume alcohol, you do not pay one cent toward the operation of the system.

In fact, the current system is not only totally self-supporting, but has generated over \$530 million in revenue last year. This includes \$494 million contributed to the state treasury and an additional \$36 million in funding for alcohol enforcement, drug and alcohol programs and municipal budgets.

At a time when elected officials throughout this Commonwealth are concerned with decreasing revenue and increased costs to maintain programs and services, it makes no sense to target for elimination an income producing system and transferring that income to private enterprise.

Washington State Experiment

The liquor and wine privatization experiment playing out in the state of Washington is just the most recent example that privatization has been a failure in other states. Despite the lofty promises of cheaper prices, increased selection and improved convenience, the opposite have occurred.

Reports on the Washington experiment show that consumers are paying much more at private retailers for many types of wine and liquor. In fact, according to media reports, residents are crossing the borders to Idaho and Oregon -- jurisdictions with state-run liquor stores -- for cheaper prices.

Additionally, in Washington, selection has diminished greatly. It has been reported that Costco, the largest private retailer in the state, stocks only 70 products. The average Pennsylvania state stores stocks over 2500 items and our specialty stores stock over 5000 items.

Small, independently owned liquor stores in Washington have been forced to shut their doors because they can't compete in a market dominated by large, corporate owned box stores and retailers such as Costco, Wal-Mart and Walgreens.

The loss of independently owned liquor outlets has negatively impacted convenience. It is expected that the same corporations will dominate the market in Pennsylvania under a privatized system with similar results.

Understandably, increased prices, decreased selection and less convenience have resulted in a severe case of "buyer's remorse" from Washington consumers who were promised more and expected better under a privatized liquor system. Pennsylvanians are not willing to accept the same empty promises and similar results.

Public Support Declines

After two years of public debate over liquor privatization -- and despite repeated claims by the Governor that the public is overwhelming in favor of privatizing alcohol sales -- we believe that public attitude is shifting in favor of the current state store system.

The polling numbers from the latest Keystone Poll, conducted by Franklin and Marshall College, is proof that the public is paying attention to this very important public policy debate and they are not buying the empty promises of privatization.

Privatization is a “sound bite” that usually polls well but as voters learn the specific details and impacts of such plans, privatization loses its luster with the public.

The latest polling reveals an overall decline of 16% in public support for privatization:

- A June, 2011 poll by Quinnipiac University indicated that 69% of respondents supported privatization;
- The February, 2013 Keystone Poll showed only 53% of those surveyed supporting privatization.

And, while the latest Keystone poll indicates moderate support for privatization, that support is “soft” at best -- only 34% “strongly support” privatization.

The more people learn about liquor privatization, the less they like it. As the privatization debate continues, facts will replace empty promises and public support will continue to wane.

When Rep. Turzai first rolled out his privatization plan, he did so with the promise of generating \$2 billion in new revenue for the Commonwealth. This grossly inflated revenue projection helped to artificially inflate public support for privatization.

The promise of significant revenue -- without a tax increase -- made it easier for normally conservative Pennsylvanians to accept a bad idea. When those revenue projections were proven to be significantly exaggerated and unrealistic, public support started to plummet.

The decline in public support can also be attributed to the realization that increased convenience, better selection and lower prices would not materialize under privatization as witnessed in the Washington state experience.

Just like the privatization of the Pa Lottery, we do not believe our taxpayers are willing to turn over our state stores -- a valuable state-owned asset which produces much needed revenue for vital state programs -- to faceless corporations at the expense of Commonwealth.

Misplaced Priorities

State store privatization is simply not a priority issue to any great number of residents. I am not aware of one family in Pennsylvania that sits around the dinner table with their children and talks about state store privatization.

Unfortunately, to the detriment of all Pennsylvanians, Governor Corbett continues to expend an inordinate amount of political capital in his efforts to assist his corporate friends steal

revenue producing assets from the citizens of the Commonwealth and put the profits in their own pockets instead of the state treasury.

We believe the Governor is ill-advised to place the insatiable corporate thirst for profits from the sale of liquor over the true needs of our residents. There are a host of issues that are more deserving of the Governor's time and focus. It is time that the Governor and the Legislature address issues of real importance to their constituents.

It is time we stop worrying about Pennsylvanians' liquor cabinets and concentrate on issues that have a real and meaningful impact on their lives -- being able to grab Canadian bacon and Canadian Club at the same time is not one of them.

Displaced Workers

As a proud and dedicated employee of the state store system, I am honored to debate the benefits of the current system from the responsible and reasonable alcohol policy perspective. But with your indulgence, I would now like to take a few moments and focus on another component of the system that has often been ignored in this debate - the workers.

- The men and women who have endeavored to make our system the most responsible and effective alcohol distribution system in the nation.
- The men and women who are dedicated to curbing the harms associated with the irresponsible use and abuse of alcohol.
- And yes, the men and women who helped generate billions in revenue for Pennsylvanians through the responsible sale of alcohol.

When the Governor announced his Privatization plan, he sent a letter to each employee stating that his plan would have a significant and direct impact on us but his proposal included measures designed to support current employees.

Those measures included educational training grants, preference in other commonwealth positions and employment tax credits. He also stated that the decision wasn't made lightly and the effect on current employees was a top concern.

Like many of my fellow state store workers, I am a husband, a parent, a taxpayer, a homeowner, and an active member of my community. The Governor needs to realize that are faces and families attached to the thousands of jobs that would be lost under his plan.

Given that thousands of state store workers and their families will be devastated by the elimination of their jobs, it is hard to believe that the effect on current employees was the Governor's top concern. It is overly apparent that his only concern was transferring the revenue producing state store asset to his corporate cronies at all cost.

Likewise, it is hard to take serious his efforts to offer "transition" assistance to the dislocated employees. Promising employees that they will have career opportunities in the private sector alcohol industry is a cruel hoax and downright dishonest.

He must think we are gullible or downright stupid.

- His token educational grants will not help a twenty year employee like me find a new career.
- Preference in job placement in state agencies where jobs don't exist is meaningless.
- And, probably most insulting is his idea of converting our years of dedicated service into a "tax credit voucher" to be traded by businesses to avoid paying taxes they owe.

It is time the Governor realizes that employees are people, too. People should be as important as corporations. People should be the top concern – not corporate profits.

Thank you for allowing me to appear before you today and speak on behalf of the more than 700 hard working men and women that I represent. I truly appreciate the opportunity and I know they do as well.

I will now turn our presentation over to Mr. Cashman to discuss some specific issues of concern in House Bill 790.