

LCB
Privatization
Endorsement
Articles

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OPINION: With Goldsmith out, let's retire the entire Liquor Control Board

Published: Friday, July 08, 2011, 4:00 AM

What are the chances that Tom Corbett will succeed in privatizing liquor sales in Pennsylvania after all these years?

Thomas Goldsmith's tenure as a member of the Pennsylvania Liquor Control Board — the most exclusive public alcohol-peddling organization in the U.S. — has **come to an end** after eight years.

Is it too much to ask that the rest of the LCB follow him out the door and into the dustbin of history?

It's ironic that Goldsmith ended a 40-year career in public service working for a remnant of Prohibition, a state agency that claims as its mandate a chunk of the private-sector economy. Goldsmith cut his teeth in Easton's city hall as a free-market iconoclast and fiscal conservative — first as a councilman and then a three-term mayor — often the lone Republican guiding, cajoling or needling a Democratic-controlled government.

Then Goldsmith hitched his wagon to Democrat Ed Rendell in the 2002 governor's race — a high-profile “Rendellican” who helped raise money for the former Philadelphia mayor.

Goldsmith was rewarded with one of the cushiest jobs on the planet. The quip heard around Easton to this day is that Rendell at least had the good sense to select someone familiar with the product.

Yet it is precisely because Goldsmith was a shrewd politician and tough numbers-cruncher in Easton that his role in Harrisburg resembled little more than a semi-retirement plum — with an Easton office, \$69,000 salary, benefits and the occasional trip to conduct business.

In Easton, Goldsmith restructured debt, began the process of professionalizing a wayward police department, privatized (!) garbage collection and water-sewer management, got tough on tax scofflaws. What he lacked in people skills he made up for in financial know-how and candor. He worked a lease-purchase deal to reuse the vacant Alpha Building, turning it into the new city hall. He helped persuade Binney & Smith to establish the Crayola Factory in Downtown Easton, which remains a vital attraction today.

In Harrisburg, the three-member board Goldsmith joined gave us self-serve wine kiosks in supermarkets. A smattering of “superstores” with temperature-controlled wine rooms — and

high prices on liquors that still sent Pennsylvanians into New Jersey and other states in search of competitive prices. And a system that, in the 21st century, still requires consumers to go to different places to get a case of beer, a fifth of bourbon and a takeout six-pack.

Did we mention kiosks? The ones Wegmans food stores just booted to the curb?

OK, so Goldsmith didn't arrive at the capital to bury Caesar and was charged with running a gigantic wholesale-retail-enforcement-marketing bureaucracy. But it would have been nice to have heard some of the old fire about running government like a business — or more to the point, arguing to “put me out of a job, and the LCB out of its totalitarian misery.”

Gov. Tom Corbett and a Republican-controlled Legislature may be on the verge of dismantling the state liquor system and selling licenses to private merchants. Corbett has ordered a study on privatization, expected later this month. House Majority Leader Mike Turzai, R-Allegheny, is preparing a bill to oversee a transition from public to private.

This week Corbett announced his nominee to succeed Goldsmith — Chester County GOP Chairman Joseph “Skip” Brion.

Let's hope the governor told him it is expected to be a short gig.

SCRANTON TIMES TRIBUNE

Pop cork on private sales

Published: July 10, 2011

SCRANTON TIMES TRIBUNE, EDITORIAL

As Gov. Tom Corbett awaits a private study on the potential state revenue that would be derived from a privatized retail liquor industry, Rep. Mike Turzai isn't waiting to launch the debate.

He plans to reintroduce a bill this week that would get the state government out of the retail liquor business. Money is an important issue in the debate but it should not be the controlling one. Pennsylvania has no legitimate business selling booze; it should be made to stop.

Recently the Pennsylvania Liquor Control Board reported that it had turned over \$496 million to the state general fund - the combined taxes and profit from more than \$1.9 billion in sales.

About \$400 million of that revenue was from taxes - money that would not be lost to the state if the government monopoly is disbanded.

Mr. Turzai believes that private-sector sales would return as much or more revenue to the state. His bill would substantially increase the number of stores from just over 600 operated by the PLCB to at least 750 and possibly, up to 1,200.

The bill also would restructure alcohol taxation. And, because a private system likely would be more competitive and convenient, more state residents would purchase beverages in-state.

Another debate is whether an auction of licenses would produce the \$1 billion to \$2 billion envisioned by Mr. Turzai.

The government's appropriate roles are regulation, licensing and enforcement. Now, the state promotes alcohol while enforcing alcohol laws.

Lawmakers should ensure that a private system produces as much revenue as possible for the state government, but they should be more concerned about public policy and good governance. It's time for the state to get out of the booze business.

THE SOMERSET DAILY AMERICAN

End state sales

7:44 PM EDT, July 11, 2011

Pennsylvania House Majority Leader Mike Turzai, R-Allegheny County, is proposing a bill that would end the state liquor control system.

Turzai has said for some time that the government has no business selling alcohol. He advocates auctioning hundreds of wholesale and retail store licenses while revamping the tax structure to ensure that the state continues to profit from sales. He has estimated that the auctioning off the store licenses could raise as much as \$2 billion. The plan would also eliminate two state alcohol taxes — the 18 percent Johnstown Flood Tax and the 30 percent tax for the Pennsylvania Liquor Control Board. The enforcement role of the PLCB would remain intact.

State Rep. Dwight Evans, D-Philadelphia, disagrees with ending the system. He believes an auction would raise far less money. He said no one has made a compelling argument for scrapping the system.

Liquor Control Board Chairman Patrick Stapleton III said alcohol is a dangerous product and needs to be judiciously sold. But various private and U.S. government studies show Pennsylvania has high numbers of alcohol-related fatalities and high percentages of underage drinkers. Selling liquor in state stores hasn't changed that.

With a \$4 billion budget deficit looming, the state stores should be privatized. Legislation should also include punishment for underage drinking and for retail operators who sell to minors. The legislation should also require retailers to give existing employees the first opportunities for jobs.

It is long past time to turn over the liquor retail business to private enterprise and to put this Prohibition-era relic of a system out of business.

Pittsburgh Post Gazette

That's the spirit! Proposal would get state out of the liquor business

Sunday, July 17, 2011
Pittsburgh Post-Gazette

The state Legislature might finally be ready to chuck the state's monopoly on the sale of wine and liquor in favor of customer convenience.

We'll drink to that.

The latest effort to reform Pennsylvania's antiquated liquor control system -- Utah is the only other state that holds a monopoly on both wholesale and retail operations -- comes in a proposal by state Rep. Mike Turzai, the Bradford Woods Republican who is House majority leader. As such, he is well-acquainted with his members -- they hold a 19-vote edge over Democrats -- and Mr. Turzai says they are on board with the privatization effort.

Further bolstering the chances for this long-needed reform is a 10-vote Republican majority in the state Senate and a Republican governor who promised to push for change in the liquor system during his campaign for the office.

Democrats, though, already have launched a defense on behalf of Pennsylvania's 621 state stores and their 5,000 employees, and Gov. Tom Corbett has not endorsed Mr. Turzai's measure yet, saying he plans to appoint a commission to study the idea. He'd better not be stalling, giving ammunition to opponents of this long-needed reform.

The old arguments against privatization don't hold water.

Fears that the state will end up losing money if it unloads these dinosaurs seem unfounded. Licenses will be auctioned off for operation of 750 large retail outlets, such as grocery stores and super centers, and another 500 licenses for smaller outlets, likely to draw interest from specialty retailers such as boutique wine shops. Even beer distributorships would be able to apply for liquor licenses, which means it could be possible to buy malts, wine and liquor all in the same place.

That's nearly twice as many stores as Mr. Turzai had proposed last year but more in line with conditions in other states. He thinks the license auction could bring up to \$2 billion, but that's not the only revenue source.

Under his measure, House Bill 11, the state would continue to take in a regular stream of dollars from the sale of wine and spirits. The current 30 percent markup, 18 percent Johnstown Flood tax and per-bottle handling fees would be replaced by a gallonage fee, something that occurs in dozens of other states already, and the state would continue to collect sales tax on purchases as well.

Because Mr. Turzai's proposal would make buying alcohol more convenient -- with more outlets, extended hours and better prices -- it also could cut down on Pennsylvanians in

border towns heading to neighboring states to buy their alcoholic beverages, reducing the state's share of the business.

Another benefit is that Mr. Turzai's proposal would end the LCB's dichotomous mission - it no longer would be promoting alcohol sales but it would retain jurisdiction over licensing and regulation, as well as educating residents about the perils of underage or overly indulgent drinking.

The bill is likely to undergo revisions as it moves through the Capitol when lawmakers return in September. One suggestion is to eliminate the provision that liquor sales be segregated away from the rest of the products in grocery or other big stores, just as some current state stores operate inside existing supermarkets. It would be preferable to allow shoppers to find their favorite beverages in the aisles and then check out one time for all of their purchases.

It may not be perfect, but Mr. Turzai's bill would keep tax revenue flowing into the state, offer improved selection and convenience, and empower the LCB to concentrate on enforcing state liquor laws. It's a good mix for Pennsylvania.

Read more: <http://www.post-gazette.com/pg/11198/1160708-192-0.stm#ixzz1SMag6QvS>

THE TIMES LEADER

Posted: July 17

Let free market rule in state liquor business

Ron Bartizek Business LOCAL

Is it possible the Commonwealth of Pennsylvania may finally get out of the liquor-selling business? That's what is being proposed by House Majority Leader Mike Turzai, and with another anti-state-store politico in the governor's chair it might just become reality.

Not that those who benefit from the current status, or who think they do, won't hang on for dear life. They're raising the usual dire warnings of unemployed clerks, rampant underage sales and lost revenue if the state gives up its monopoly in favor of a proposed 1,250 independent stores, twice as many as the state now operates.

There also are concerns that allowing one company – say, Walmart – to own up to 40 licenses will stifle competition. That seems unfounded as long as wholesale costs are consistent for all licensees. Don't forget, the complaints about Liquor Control Board-operated stores aren't just about price, many customers want to see a wider selection, particularly of wines, rather than the preponderance of usual suspects or unknowns likely chosen for their profit potential rather than their quality.

For that reason, it's important that licensees have access to a wide range of products, which means the wholesale network must be unfettered as well.

If this scheme becomes reality, execution will be important, both from financial and public perception points of view.

To avoid charges of favoritism, the state must hire an independent party to sell licenses to the highest bidder. Their incentive would be the more they can get, the more commission they'd make.

One needs to look no further than the bungled "wine kiosks" for proof that the LCB shouldn't be trusted with this task. You will recall that the agency contracted with a Bucks County firm to build and install 100 of these \$100,000 behemoths in supermarkets across the state. Not only was their operation confusing and cumbersome — purchasers had to blow into a [breathalyzer](#) before being allowed to buy — the things proved so troublesome that Wegmans kicked theirs out.

And please, spare us the argument that by controlling wine and liquor sales the Commonwealth is keeping our youth away from demon rum. When researching a column written in 2007, I found that the Bureau of Liquor Control Enforcement does not conduct compliance checks of state stores, so there is no real record of their performance.

What's obviously more important to the LCB, judging by its 57-page, glossy [annualreport](#), is how much booze they can push and how much money that can make. The pages are filled with colorful close-up photos of flowing liquor and [wine bottles](#), along with soaring rhetoric about record sales and profits. I couldn't find a sentence about prevention of underage drinking, or any other kind of alcohol abuse, for that matter.

If there's any legitimate concern about going private it's this; taxes alone may not equal potential ongoing revenue from the combination of markup and taxes the LCB has enjoyed. We're not talking small change here; in the fiscal year that ended June 30 the LCB turned in almost \$500 million to the state treasury, [on sales](#) of nearly \$2 billion.

But it seems that with a reasonable level of taxation, more stores and better customer service Pennsylvania independent stores could capture sales that now go to neighboring states, whether for lower prices or wider selection.

But even if tax receipts fall a little short, it's time to let the free market in on this lucrative trade. I'd rather deal with my choice of 1,250 entrepreneurs than with one government monopoly.

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The Tribune Democrat

Last call for state-run liquor stores

Robin L. Quillon

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Johnstown Tribune Democrat

— Plain and simple, the state needs to get out of the hooch-selling business.

Selling wine and liquor is not the purpose of state government. Besides that, the government should not compete with the private sector.

Everyone knows the government will never, ever be able to run a business as well as hard charging, free-thinking entrepreneurs.

Any businessperson knows there is a huge difference between “market share” and “monopoly.” The first requires hard work, blood, sweat and tears. The second does not.

One goes out of its way to please the customer with excellent service, price and selection. The other shrugs its shoulders with contempt, secure in the knowledge you have no other choice.

The state enjoys a legislatively endorsed monopoly on the sale of liquor and wine.

And a business monopoly of anything by any entity is un-American. Why? Because no matter how you slice it, when one entity controls the price, selection and distribution of any widget, the customers lose.

When the privatization of the liquor stores happens, and it should, price, selection and customer service will improve dramatically. And that will translate to more tax revenues for the state coffers.

If a businessperson desires greater market share, he or she must please the customer.

Right now, if you don't like your liquor store service, price, hours of operation, selection, employees, convenience of store location or condition, what choice do you have?

Absolutely none!

It's like going to the DMV or any other government-run operation. And we all have had experiences dealing with some state employees who just don't care. They know you have to deal with them regardless of the service they provide. The free, open marketplace where competition rules is very proficient at weeding out poorly run businesses. Again, market share versus monopoly – big difference.

I agree with Steve Miskin, spokesman for House Majority Leader Mike Turzai, R-Allegheny County, who said, “We have an opportunity to move Pennsylvania out of the post-Prohibition era by allowing the private sector to sell wine and spirits.”

As we reported, the majority of House Republicans and Gov. Tom Corbett have supported this bill, which they touted as an economic windfall for Pennsylvania.

The proposal, introduced by Turzai, would sell off about 1,200 liquor store licenses to private owners and eliminate the state’s system of about 620 liquor stores.

The plan also would eliminate two state alcohol taxes – the 18 percent “Johnstown Flood Tax” and the 30 percent markup used by the Pennsylvania Liquor Control Board, which owns and operates the state’s liquor system and enforces the state’s liquor laws – and replace them with a volume-based tax.

Thirty-two states have successfully turned over liquor sales to private business with no major problems. In spite of the “sky will fall” naysayers, no rash of teenage drunken driving ensued.

When privatization happens, I would wager there will still be stupid adults willing to straw-buy for teenagers as they do today. Look, trying to keep teenagers away from alcohol is very important, and the laws should be strictly enforced. It is illegal to sell alcohol to those under 21 – period.

However, the responsibility to educate children on the dangers of alcohol, or anything for that matter, belongs at home with Mom and Dad, not the nanny state.

I dare say cigarettes are, in the long term, more dangerous and costly to our youth and society than alcohol.

Someone once said that a monopoly is business at the end of its journey.

It’s high time for the state to get out of the hooch-selling business. Let the free market operate as it should.

Robin L. Quillon is the publisher of The Tribune-Democrat. He can be reached at rquillon@tribdem.com.

PITTSBURGH TRIBUNE-REVIEW

By Eric Heyl
PITTSBURGH TRIBUNE-REVIEW
Sunday, July 17, 2011

Tsk, tsk.

You say you were too busy casting numerous phone-in votes on the type of vicious vigilante justice Casey Anthony should receive to pay attention to the latest privatization push for the state liquor store system? You played right into Nancy Grace's hands.

I'm disappointed, but I'm not judgmental. I'll still try to bring you up to speed on the sales talk by taking your questions on this controversial topic.

Q: Who wants to sell the stores?

A: Gov. Tom Corbett has said he favors the idea. House Majority Leader Mike Turzai, R-Bradford Woods, announced a well-crafted privatization plan on Wednesday that would get Pennsylvania out of the liquor business and bring it in line with 47 other states, common sense and the 21st century.

Q: Who is opposed to the idea?

A: Primarily the stores' 5,000 union employees. They have taken previous privatization plans out back and violently pummeled them to death with gallon jugs of inexpensive wine, which they then restocked without discounting.

Many Democratic lawmakers also are against the proposal. They contend all union employees would be replaced, apparently by illegal immigrants working under the table for a few dollars a day.

Q: Are there any tangible drawbacks to privatization if you're not a union employee?

A: Yes. The state would be forced to relinquish its laughingstock status by getting rid of the bulky, cumbersome grocery wine kiosks that work fine — except for the prolonged periods when they all are shut down for mechanical overhauls.

Q: Do you think the Steelers should cut James Harrison for his inflammatory remarks in the latest issue of Men's Journal?

A: You're looking for Sports. Go down two sections and look for the sign that says "Steelers Coverage." Don't be embarrassed. This happens all the time.

Q: Does the sale proposal provide any glaring examples of the thoroughly convoluted nature of state government?

A: Excellent question. Yes indeed! It's difficult to fathom for those unfamiliar with the arcane aspects of state revenue collection, but privatizing the liquor stores presents an ideal opportunity to finally eliminate the 1936 Johnstown flood tax.

Q: Excuse me? The 1936 Johnstown flood tax?

A: Yep. That's the temporary 10 percent levy on alcohol enacted in the aftermath of a catastrophic flood that devastated that city. Its revenues aided many people, most of whom have been dead for decades.

Q: Wait. The state has been collecting a 10 percent "temporary" tax for 75 years?

A: Of course not, you big silly. The tax increased over the years; it now stands at 18 percent, and its revenues now go to the state's general fund. If the stores are sold, the tax would be replaced by levies based on the amount of liquor sold.

Q: Bottom line: Will the stores be privatized?

A: Turzai's proposal is sensible, would benefit consumers and end the embarrassingly byzantine manner by which wine and liquor are sold in Pennsylvania.

It makes too much sense to survive in Harrisburg.

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Read more: [Liquor Control Board sale: Logical, and thus, doomed - Pittsburgh Tribune-Review](http://www.pittsburghlive.com/x/pittsburghtrib/news/columns/hey l/print_747106.html#ixzz1SU82diVv)
http://www.pittsburghlive.com/x/pittsburghtrib/news/columns/hey l/print_747106.html#ixzz1SU82diVv

Bucks County Courier Times/Intelligencer

RIP LCB: Get it done

Posted: Monday, July 18, 2011 12:15 am | Updated: 7:16 pm, Sun Jul 17, 2011.
Bucks County Courier Times/Intelligencer

State store system a relic of the past

IF YOU LIKE CONVENIENCE, good selection and low prices — and what consumer doesn't — you should like legislation that would dissolve Pennsylvania's state-controlled liquor system. Such a measure was unveiled in the state House last week. But despite the likelihood that the bill will attract broad public support, it's bound to face a lot of political opposition.

That's what happens every time the issue surfaces. And indeed lawmakers, almost entirely Democrats, labor unions and other friends of the state Liquor Control Board once again are disputing the benefits of getting state government out of the liquor business and selling it off to the private sector, where it belongs.

In fact, the critics already are in attack mode. They claim the current system works just fine, that it provides a steady stream of revenue for state government while also ensuring that liquor is sold responsibly. House Majority Leader Mike Turzai's legislation is being characterized as a business-friendly measure that will lead to higher prices and impart moral consequences.

Nonsense.

Anyone who's bought liquor at private stores in neighboring states knows the truth: prices are lower, selection greater and locations, hours and ease of purchase all more convenient. The private sector simply and clearly provides a more consumer-friendly experience. And the rates of underage drinking, drunken driving and other liquor-related crimes are no higher in those states than in Pennsylvania.

Indeed, the pluses clearly outnumber the minuses.

Under Turzai's plan, hundreds of wholesale and retail store licenses would be auctioned off. At the same time, the tax structure would be revamped to ensure that the state continues to profit from liquor sales. Turzai estimates that the licenses could fetch as much as \$2 billion in revenue, which would make a nice dent in the state's budget deficit.

Critics like Philadelphia state Rep. Dwight Evans and Wendell Young, head of the United Food and Commercial Workers union, argue that some 3,500 good-paying, "family-sustaining" jobs would be lost. Not true.

The folks holding those jobs would come off the public payroll and land on the payrolls of private employers. Likewise, taxpayers no longer would be responsible for funding generous benefit and retirement plans. Private employers would assume those obligations, though probably at levels that are more in keeping with real-world standards.

We're not saying that's a good thing for state store employees and the union that their dues fund. It will hurt — but no more than the down economy has put a hurting on private workers. It would be a good thing for a state with a government workforce that is among the largest and costliest in the nation. Cutbacks are needed. So is modernization. A liquor control system that's been around since Prohibition ended in 1933 is a prime candidate for an overhaul.

Encouragingly, both the House and Senate are under Republican control. And the state's Republican governor is an advocate of dismantling the state's liquor monopoly. Among his earliest decisions: commissioning a study of the pros and cons of turning over liquor sales to the private sector. That report is due later this month. We suspect it will tell us what we already know: The state store system is a relic of the past. It has to go.

The Courier Express

State should sell its liquor stores; Legislature should work out details

The Courier Express, DuBois, PA
Editorial

We support the efforts of Gov. Tom Corbett and some leading Republicans in the Pennsylvania Legislature to get Pennsylvania out of the liquor-selling business by selling off "state stores" which now hold a near-monopoly on the (legal) purchase of wine and liquor.

That does not mean that, at this juncture, we support or oppose the plan unveiled last week by Majority Leader Mike Turzai of Allegheny County.

Turzai wants to tax liquor and wine by the gallon. That is the way sales are handled in 26 states (liquor) and 35 states (wine).

This year, Pennsylvania could use the \$1-\$2 billion one-time windfall that would be generated by that sale.

Pennsylvanians, we believe, could use the respect of being treated as adult citizens rather than irrational underlings by the state's monopoly distribution system. Is alcohol abused? Of course.

Check the police reports and the domestic relations cases.

Alcohol is the leading cause of social disorder in the nation, in our view.

But that situation is made neither worse nor better by Pennsylvania's monopoly liquor sales system, and its near-mirror for the sale of wine, with just a few exceptions.

Does Turzai's plan - 1,250 retail licenses, including supermarkets - make the best sense?

We hired experts to give us the answer. They include Sen. Joe Scarnati and Reps. Sam Smith, Matt Gabler and Bud George. We pay them \$100,000 or so a year to immerse themselves in such details and make such decisions.

The decision that seems plain to us is this: If we are ever to get Pennsylvania and the United States back to the limited-government, free-enterprise concepts envisioned by our Founders, we need to end needless governmental monopolies.

The strident opposition to "state store" privatization by the union representing state store workers ought to make it plain that the union knows full well that these essentially clerical jobs are vastly

overpaid in wages and benefits that approach, and even exceed, private-sector managerial compensation.

Government needs to do what private business cannot do within our system, and do it effectively.

The state monopoly system is not terribly effective. Store locations are decided as much by bureaucratic and political considerations as by market forces.

We support the concept of liquor store privatization as an idea whose time has come. We leave it to the Legislature to work out the details and take the ensuing credit - or blame.

- Denny Bonavita

The Tribune-Democrat

Toasting privatization efforts

July 19, 2011

— Will liquor-store privatization happen this time? Finally?

We hope so. And we're buoyed that a major House leader last week unveiled a strong plan that should stir heated debate over the remaining summer weeks.

Last March, 64 percent of respondents in a Franklin & Marshall College poll favored the sale of Pennsylvania's liquor stores to private individuals.

Despite that and other growing evidence of citizen support to end this archaic system, we give the latest efforts a 50-50 chance at best.

We long have editorially supported getting state government out of the liquor-sale business, but we're not convinced enough of our legislators feel strongly enough to make this transition happen.

We'll learn more come September, after the Legislature settles in after summer recess.

We urge our readers who have something to say or ideas to offer on liquor sales to speak up now.

Here's where the issue stands:

Gov. Tom Corbett campaigned last fall for privatization and has promised he'll soon appoint a special commission to distill the idea. Giving it his full attention this fall won't happen, however: Marcellus Shale gas drilling, school choice, transportation funding and continuing fallout from a controversial 2011-12 budget will occupy a lot of his time.

In the opposing corner are Democratic leaders, Liquor Control Board officials, a strong union representing state store workers, and organizations and individuals with missions similar to Mothers Against Drunk Drivers. They are unquestionably formidable opponents, some of whom have helped past successful efforts to turn back privatization movements.

Meanwhile, House Majority Leader Mike Turzai of Allegheny County last week unveiled a well-thought-out plan that he says would:

* Auction off 1,250 licenses to private retailers, allowing their stores to replace the current 621 state stores. That makes for one store for every 37 square miles, on average, up from one for every 74 square miles now.

* Generate \$1.5 billion to \$2 billion in up-front money for the general fund while maintaining revenue from current liquor taxes.

* Make prices cheaper by eliminating the Liquor Control Board's 30 percent mark-up, the 18 percent Johnstown Flood Tax and the handling fee that now ranges from about 70 cents to \$1.50

a bottle.

- * Implement a gallonage tax that is based on volume and alcohol content.
- * Institute a computerized age verification system for purchasers of wine and alcohol, conducting compliance checks and establishing heavy penalties for violators.
- * Help displaced state store workers by providing hiring preference for other state jobs, education grants to prepare them for other careers and tax credits for employers who hire them.
- * Save the state revenue now lost when shoppers cross Pennsylvania's borders and purchase cheaper products in neighboring states.

Corbett, it should be pointed out, has not yet endorsed the Turzai plan.

On the other side of the aisle, House Minority Leader Frank Dermody of Allegheny County already has confirmed intentions to rally Democrats to oppose the bill, arguing that the system is working as well as ever, paying for itself while adding hundreds of millions to state coffers each year and providing family-sustaining jobs.

Added Wendell Young, president of United Food and Commercial Workers Local 1776, which represents the state store employees: "Our current system works well for all Pennsylvanians. It should be strengthened – not ripped apart to benefit chain-store retailers and the big alcohol industry looking to cash in for a quick buck."

Turzai spokesman Steve Miskin said an audit released last week provides more reason to divest.

Auditor General Jack Wagner's report, he said, found that, among other things:

- * Board oversight is lacking.
- * Inventory controls are inadequate.
- * Employees aren't trained well enough.

Are these shortcomings reason enough to totally change Pennsylvania's liquor-sales system? Would privatization correct all the problems?

The answers to both is: We don't believe so.

However, as Turzai and others argue, a state's role is to license, regulate and educate, not to sell alcohol.

We've been saying that for many years.

"The sale of wine and spirits ... should be done by the private sector, who can do it best," Turzai said. "This (proposal) is about consumers. It is about reasonable prices and convenience."

Yes, it is.

And it's about government leaving the private sector do what it does best: Operate a business.

York Daily Record

Opinion: No more state stores

Updated:07/21/2011 07:46:06 AM EDT

York Daily Record

A special edition of roses and thorns on recent state legislative activities:

ROSES: To state House Majority Leader Mike Turzai, R-Allegheny, for his plans to introduce legislation to privatize wine and liquor sales in Pennsylvania. His proposal would sell off the state wine and liquor stores. He claims that would result in a \$2 billion jolt in state revenues - which our state clearly could use in these lean budget times. The proposal would also make it more convenient to buy wine and liquor, increasing the number of outlets. We've long said the state should get out of the awkward position of selling, regulating and enforcing alcohol sales.

THORNS: To Rep. Turzai's proposal for not going far enough by including beer sales into the mix. Go to "liquor stores" in other states and you can buy any kind of alcohol you want - beer, wine, liquor, cordials etc. In Pennsylvania, beer and other alcohol sales are segregated by the type and amount you wish to buy. That's ridiculous and inconvenient - but apparently it's unlikely to change any time soon. As state Rep. Mike Sturla, D-Lancaster, explained during an editorial board visit a few months ago, messing with beer sales licenses would likely constitute a "taking," and those license holders would have to be compensated. Looks like we might be stuck with this Prohibition-era balkanization of sales. Aaargh! It's almost enough to drive you to drink.

Butler Eagle

Pa. should privatize wine and spirits sales, join 48 other states

Butler Eagle
July 21, 2011

Once again, the perennial debate over privatizing Pennsylvania's state store system is heating up. The issue has come up during previous Republican administrations, but it never made it out of the Legislature. This time, the politics are right, with a Republican governor who supports privatization and Republican control of the Legislature, and the financial impact of license sales on the state budget might be a factor.

The current plan, offered by state Rep. Mike Turzai, R-Allegheny, would auction off 1,250 licenses, reserving 500 licenses for smaller retailers and allocating 750 licenses for larger companies.

The 1,250 new retail licenses would replace the 621 state stores now operating. The arguments for and against privatization are familiar and the union representing state store workers is again the most vocal opponent.

Privatizing, specifically selling licenses, has an added appeal this time because the revenue expected to be raised could top \$1 billion, but estimates range from \$500 million to \$2 billion. Whatever the amount, it's a one-time cash infusion and not enough, by itself, to justify privatization.

Of all the arguments, pro or con, the most significant is that Pennsylvania is almost alone when it comes to state control of the sale of wine and liquor. Only Utah has similarly tight state control.

If 48 states can sell wine and spirits through private stores, why not Pennsylvania? And if Pennsylvania's system is superior for any reason, why are other states not emulating it?

The union opposition is mostly about the jobs — and benefits — at stake. Critics of privatization worry that 5,000 state store workers will be out of work. But if the state store employees are good workers and are knowledgeable about wine and spirits, they should be the first to be hired in a new, private system. If, however, they are not productive workers and don't know enough about wine to help customers make buying decisions, then they might find themselves out of work for awhile.

To address this issue, Turzai's legislation would help displaced state store employees through preference for other state jobs, as well as retraining to enter different fields. The details in Turzai's legislation can and should be debated. Is the number and distribution of licenses appropriate? What will be the impact on annual state revenues after the 30 percent tax and the 18 percent Johnstown Flood Tax are replaced with a gallonage tax?

There should be further debate about how best to implement a privatized system. But Pennsylvania will not be breaking new ground here — 48 other states have decades of experience with private wine and spirits sales. State lawmakers should adopt the best systems found in other states.

Another argument against privatization is that state control reduces alcohol abuse. And if this state had less alcoholism and fewer DUI arrests or drunken-driver accidents, the argument might carry weight. But the reality is that Pennsylvania is in the middle of the pack among the states when it comes to alcohol abuse, DUI arrests and alcohol-related accidents.

People who travel to other states have seen that private wine and liquor sales, in specialty stores and sometimes in grocery stores, work. It's convenient, offers more variety and price competition — and does not lead to societal ruin.

Selling alcohol is simply not a core government function. Pennsylvania's system is a holdover from the Prohibition era and should have been ended decades ago, when most other states made their privatization moves. There are no convincing arguments, from the financial or public health perspectives, for keeping the status quo.

It's time to end the state monopoly on the purchase, distribution and sale of wine and spirits. Pennsylvanians should have a system of alcohol sales similar to that enjoyed by citizens in 48 other states.

— *J.L.W.III*

The Altoona Mirror

Break open state's alcohol monopoly

OUR VIEW: Privatization plan makes sense

July 24, 2011

The Altoona Mirror

Like wine, the idea of changing Pennsylvania's liquor system requires aging to become palatable.

After a number of failed tests, it's time to find out if the fermentation finally has yielded a flavor that Pennsylvanians are willing to swallow.

We hope so.

House Majority Leader Mike Turzai, R-Allegheny, is offering magnum-sized changes under a liquor privatization plan he says will generate a big windfall and provide a steady flow of tax revenue for the state.

He even boasted that he considered passage of his plan "an easy lift" for legislators, Capitolwire reports.

Anyone who has followed the failed efforts previously may wonder what Turzai might have been drinking at the time of his comment.

Changing the state's archaic liquor structure won't be easy. There are a lot of vested interests that will fight to keep things just the way they are. The union that represents liquor store clerks already has come out in opposition to the measure because of the job losses.

Even the Senate's top Republican said Thursday he's not ready to push a privatization effort. Perhaps other senators and his constituents can get him to change his mind.

Turzai notes that only Pennsylvania and Utah retain a complete monopoly on the wholesale and retail sale of liquor.

Turzai's plan calls for closing the state's approximately 620 wine and spirits shoppes and auctioning off 1,250 retail licenses for the sale of alcohol.

Of the total, 750 licenses would be for larger retailers with at least 15,000 square feet of retail space, which Turzai said typically would be held by grocery stores and "big box" retailers. The other 500 licenses would go to smaller, independent operators.

Limits on licenses are planned to prevent any entity gaining a monopoly on alcohol sales in an area. Turzai predicts the auction would generate up to \$2 billion for the state.

In addition, he is proposing to eliminate the current Pennsylvania Liquor Control Board markup of 30 percent and the 18 percent Johnstown flood tax and replace it with a tax of \$8.25 to \$12 per gallon, depending on the alcohol content.

He also wants to give local police more power to enforce liquor laws and mandate the use of identification scanners with age-verification software for the sales of alcoholic beverages.

A smaller Pennsylvania Liquor Control Board would remain to handle licensing, enforce laws and conduct educational activities.

Turzai's plan makes sense, but it is sure to face stiff opposition.

Far from being a radical idea, the idea of putting the sale of wine and liquor into private hands has become the norm in the United States. Even some Utah lawmakers are suggesting that state put the retail sales of alcohol into private hands.

It's time for Pennsylvania to give privatization a try.

THE READING EAGLE

State should get out of the retail sale of wine, spirits

(Reading Eagle, 7/24/11)

The Issue: Legislation is introduced to privatize Pennsylvania's liquor stores.

Our Opinion: Let the private sector take over with controls set by the commonwealth.

There are good arguments to be made on both sides of the debate over the proposed sale of the Pennsylvania liquor stores.

Those in favor have predicted the privatization of the state stores would mean a one-time cash infusion for the commonwealth of up to \$1.7 billion, roughly 6.26 percent of the budget for this fiscal year.

Those opposed have said that figure is way too high, especially in this economy. And besides, the state would lose the money it makes from the stores, a record \$496 million during the fiscal year that ended on June 30.

But, argue those who want to sell, most of that money comes in the form of state sales tax and the state liquor tax, \$102 million and \$251 million, respectively, in the 2007-08 fiscal year, both of which Pennsylvania would continue to collect no matter who is running the stores.

Perhaps, say those who want the commonwealth to continue selling wine and spirits, but it would lose its profit margin, which was \$80 million three years ago. More important, the state would lose the tight control it has on hard liquor sales, which has been one of the reasons Pennsylvania has been relatively successful in keeping booze out of the hands of minors.

Pennsylvania hasn't been all that successful, argue those who want to sell. According to federal figures, it ranks 30th among the states in preventing underage drinking. And remember, customers could benefit from lower prices, which would recapture business that has been pouring across the border to Ohio, Maryland, New Jersey and Delaware.

But prices also could rise, argue the opponents, as owners of private businesses have more of an incentive to make a profit. And that could drive even more buyers out of state, costing the commonwealth more in taxes. And because of the drive for profit, private operators may be likely to carry only the most popular brands. As things stand, a customer of the state store system can order just about anything, although it may take

some time for it to be delivered.

Nevertheless, the sale of the state stores would add private-sector jobs at a time when the commonwealth can use every job it can get, those who want Pennsylvania out of the liquor business say.

But those private-sector jobs might not be enough to offset the loss of most of the 2,500 liquor control board employees, argue those who want to keep the current system. Besides, the pay in the private sector might be less than what the clerks are getting now, resulting in another loss of taxes for the state.

It doesn't matter, say those who argue for selling the stores. The public sector shouldn't be involved in anything the private sector can do, and clearly the private sector can operate liquor stores. In fact, there is no other business operated by the government at any level in which competition is not permitted.

Liquor sales is unlike any other business, argue those who want to maintain the status quo. The state has an obligation to its residents to stay in the liquor business.

All those arguments for both sides include a lot of conjecture as to what might be if the stores are sold.

In the end, we like the idea of the private sector taking over, provided there are state controls on the number of stores in any community, where they are located, and what hours they can operate.



Editorial: Pa. Legislature needs to tap the LCB keg

Tuesday, July 26, 2011
Delaware County Daily Times

We have a recurring dream.

In that dream we are shopping at our local supermarket and we turn the corner from one aisle to the next and suddenly we discover a world of spirits.

Not of ghosts and goblins, but the good kind — liquor, wine and beer. A wondrous assortment of rum, vodka, gin and whiskey, Chablis, Merlot, lager, IPAs and light beer. All right there, in one aisle for the buying.

And we pinch ourselves.

Are we dreaming? Are we in Ohio? This can't be Pennsylvania. Can it?

It could be, if our lumbering, self-serving state Legislature would get off its duff and finally end the most ridiculous system of alcohol control and distribution in the world.

Last year, Republican Tom Corbett ran for governor promising to rid this state of its most hated government bureaucracy, the Liquor Control Board. He won. And so did his party. The GOP took control of both houses of the Legislature. Finally, the political planets were aligned for an event that happens about as often as the appearance of Haley's Comet: The dissolution of a government agency.

Mike Turzai, R-Allegheny, stepped up with a plan to de-governmentalize the selling of liquor and wine. It calls for the state to sell licenses to 1,250 private retailers to sell hard stuff and wine. But sadly, it leaves state regulations governing the sale of beer alone. These laws prohibit the sale of alcoholic malt beverages in supermarkets and convenience stores, limiting them to taverns (six-packs, and only two at a time) and beer distributors (cases, no six-packs).

State Democrats have been successfully fighting off attempts to get rid of the LCB for years, with the help and encouragement of the system's 5,000 unionized workers. Others (specifically, tavern owners and beer distributors) have a strong interest in protecting the basic status quo at the expense of consumers and the public at large.

The question is, does the GOP have the stomach and brains to push this popular reform of state government forward?

Already one powerful Republican state senator, Joe Scarnati, has come out to question the wisdom of ending the state monopoly on liquor sales.

Last week, Scarnati made the absurd claim that the poor LCB has been unfairly restricted by state law and elected officials to be the best that it can be. If only “we” took off the “handcuffs,” Scarnati, said, the LCB might be able to really show what it can do for the people of this state.

Is he serious? It’s hard to tell. He admits to spending very little time thinking about the issue and there are so many other important matters facing the commonwealth.

Our suggestion is that he focus on things he has actually thought about and leave the de-governmentalization of liquor sales to those who have actually invested time in studying the matter.

The governor has his own commission looking into it. We would like to hear what it comes up with before giving a thumbs up or down on the Turzai plan.

This much we do know: The current system is a bad and expensive joke and the adult-beverage-drinking public is sick of being the punch line.

Wilkes Barre Times Leader

STATE OPINION: LIQUOR SALES

2:13 PM

Wilkes Barre Times Leader

July 29, 2011

Corbett must push for privatization

SO MUCH FOR the conventional wisdom that said union-loving Democrats would be the ones to derail attempts to privatize liquor and wine sales in Pennsylvania.

On Thursday last week, the top Republican in the state Senate delivered an unanticipated and damaging blow by ambushing the bill proposed by his equivalent in the House, Majority Leader Mike Turzai. Since Rep. Mr. Turzai announced the details of his House Bill 11, which would auction off licenses to operate 750 large and 500 small liquor stores, the most vocal opposition had been from Democrats and union leaders, the same forces that have successfully undercut privatization efforts of the past.

Now that President Pro Tem Joseph Scarnati has joined the chorus of naysayers, the prospects for quick passage in the fall could be diminished. Even though Sen. Mr. Scarnati of Jefferson County acknowledged that the Liquor Control Board is “an archaic, terrible system and doesn’t work,” he then inexplicably concluded that the solution is for lawmakers to give the state stores more flexibility in pricing and their business practices.

Such weaselly double-talk calls into question Sen. Mr. Scarnati’s fitness to be the top Republican in the Pennsylvania Senate. With flawed leadership like this, the GOP can forget being the party of business formation and free enterprise.

This is where Gov. Tom Corbett must show real leadership. He said during his campaign for the office that he doesn’t think the state belongs in the alcohol salesbusiness and instead should focus on regulation and enforcement of liquor laws.

Sunday hours, some convenient locations inside supermarkets and other innovations have improved the state stores from the days in which a clerk behind a counter took requests and then returned from a cavern of booze that no customer could visit. But Pennsylvanians rightly remain unsatisfied with selection, prices, store hours and other features of this outdated relic of Prohibition.

Mr. Gov. Corbett, who has made much of his refusal to break a campaign promise to avoid raising taxes, now must use his political muscle to make sure the members of his own party don’t prevent him from keeping his campaign promise to bring Pennsylvania’s alcohol sales into the 21st century.

PITTSBURGH TRIBUNE-REVIEW

Laurels & Lances

Friday, July 29, 2011

Laurel: To Mike Turzai. His rising star is rising faster and higher these days, what with his comprehensive proposal to finally -- FINALLY! -- privatize liquor sales, now a state monopoly. Mr. Turzai, the Bradford Woods Republican, serves as House majority leader. If he can get this bill through the Pennsylvania Legislature, he can do anything.

Pittsburgh Post Gazette



Ruth Ann Dailey

GOP delay on LCB? Say it ain't so, Joe!

Monday, August 01, 2011

By [Ruth Ann Dailey](#), Pittsburgh Post-Gazette

It's hard to believe state Sen. Joe Scarnati was elected unanimously last November to lead Senate Republicans in Harrisburg.

In fact, it's hard to believe he's a Republican. The voters of Jefferson County might want to double-check.

Other than the commitment to abolition and desegregation that propelled the Grand Old Party through its first century, its other nearly sacred, unifying thought has long been the old adage, "That government is best which governs least."

And that government is not governing as little as it could if it's running -- pretty poorly -- a chain of liquor stores.

That's why Rep. Mike Turzai introduced a bill in the state House last month that would abolish the state government's monopoly on wine and spirits and return it to its proper role of simply regulating the alcohol business. This change would bring a one-time windfall to our bone-dry state coffers through the sale of retail licenses (though probably less than Mr. Turzai's optimistic \$2 billion), and it would be an ongoing boon to consumers in the form of more stores, greater selection and 21st-century shopping hours.

The only other state with as tight a control on alcohol sales as Pennsylvania is Utah, where 62 percent of residents are (theoretically teetotaling) Mormons. Despite a whopping 86 percent markup on alcohol, Utah's budget deficit is forcing closure of some stores and reduced hours at others. Republicans there are seeking to "privatize" the system by limiting state control to wholesale distribution -- a measure widely criticized for not going far enough.

Privatization is so sensible that one of Pennsylvania's most hidebound bastions of big-government liberalism has endorsed it! I'm referring to the Pittsburgh Post-Gazette's editorial board, of course. Funny how a well-priced bottle of Cotes du Rhone can bring people together, isn't it?

And we Keystone State voters have come together on this issue: Two-thirds of Pennsylvanians support privatization, according to a December 2010 poll from Quinnipiac University, and Gov. Tom Corbett won having campaigned strongly against the government's liquor monopoly.

So what would prompt Mr. Scarnati, the Senate president pro tem, to scoff at a fellow Republican's government-trimming bill?

Timing, he said. Before auctioning off store licenses, the Legislature should "take the handcuffs off" the current system, "get the bottom line better, and you'll get a better price" for each license. So ... because the state has done a poor job in retail sales, it should be given another big, voter-defying crack at retail sales?

And its suddenly improved performance will make otherwise reluctant spirits merchants leap at the chance to sell us booze?

Human nature being what it is, I'm willing to bet that potential store-license buyers would be more motivated by the considerable distance between what they see the state doing and what they figure they could do better. Anyone could.

Mr. Scarnati proposes improving the state system by allowing the stores flexibility in pricing. You mean, like a real business?

Probably not. He imagines such flexibility would be based on both product and the store's location -- which, in the hands of Harrisburg's central planners, has never had and will never have anything like the impact of a local owner's on-the-spot fine-tuning.

Mr. Scarnati's objections just don't add up. His not-so-fast-there sounds more like a delaying tactic than anything else -- and delaying in politics usually serves to sap popular support.

Why delay? The opposition -- primarily the union representing many state store employees -- has already had plenty of time to rally the troops. It's nice to hear them worry about job loss during a deep recession, but it's illogical, too: How could potentially doubling the number of liquor stores in Pennsylvania result in a net loss of jobs?

Any private employer would give current state store employees preference in hiring -- assuming they know more about alcoholic beverages than just the difference between red and white wine -- but Mr. Turzai's bill proposes tax credits for the new private stores that hire dislocated state employees.

Mr. Turzai, in fact, has anticipated and defused nearly any objection you can muster. For instance, people worried that more stores and lower prices would prove a toxic inducement to overindulgence amongst their less-disciplined fellow citizens can rest more easily knowing that the privatization bill would place higher taxes on products with higher alcohol content.

The summary of the privatization bill is worth reading and doing some serious thinking about -- which is more than Mr. Turzai's opponents seem to have done so far.

Senate Majority Leader Dominic Pileggi has publicly noted that Mr. Scarnati does not speak for all Senate Republicans on this issue. That's a relief. Because the silliness of the opposition is enough to drive you to drink.

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Read more: <http://www.post-gazette.com/pg/11213/1164354-152-0.stm#ixzz1TlrU2ktL>

Liquid gold

Sell the state stores

Posted: Wednesday, August 3, 2011 6:00 am | Updated: 9:51 pm, Tue Aug 2, 2011.
Bucks County Papers (Courier/Intelligencer)

We don't get it. Finally given the keys to the car, some Republican lawmakers are afraid to go for a ride.

Mike Turzai isn't one of them. The House Majority leader and Allegheny County state rep is trying to do what others before him have tried to do — without success: dismantle the state liquor monopoly and sell it off to the private sector. Turzai, with Gov. Corbett's backing, has authored legislation that would authorize the sale of some 620 state-owned liquor stores, Pennsylvania's so-called Wine & Spirits Shoppes. In addition, the measure calls for auctioning 1,250 retail liquor licenses — 750 for large outlets and 500 for smaller independent mom- and pop-type businesses.

Turzai estimates that selling the liquor licenses alone would generate up to \$2 billion in revenue, and that tax revenue from liquor sales would remain the same — even if the 18 percent Johnstown flood tax is repealed, as his legislation mandates, and the Liquor Control Board's 30 percent markup is eliminated. The current combined effect of both is to impose higher prices on Pennsylvania consumers, well beyond what folks in neighboring states pay.

The consumer savings alone should be enough to attract lawmakers' support. But there are many other reasons for lawmakers to get on board. The revenue spike is one of them. The state is running a \$4 billion deficit and the boost from selling the stores and additional licenses would significantly reduce that budget hole. In addition to a price break, consumers would benefit from additional locations, more convenient hours of operation and improved methods of purchase. Increased selection, likewise, would be a plus for consumers who now have to shop for liquor in what amount to broom closets vs. the emporiums in other states.

Yet many lawmakers remain opposed. We understand Democrats' opposition. Their campaign funds are flush with union money. And the state's 5,000 unionized state store workers expect something in return for their support. But why are Republicans reticent? Members of the party of free enterprise and small government should welcome an opportunity to grow the marketplace and shrink Pennsylvania's bloated and very expensive state government.

State Rep. Scott Petri, R-178, a member of the House Liquor Control Committee, expressed concern about "changing the rules" on people. He also said he wants a more "competitive situation." Seems to us the current monopoly bars competition. Then there's state Rep. Gene

DiGirolamo, R-18, and Paul Clymer, R-145, both of whom are concerned about increased access to alcohol.

Tu rzai's legislation addresses enforcement concerns in a variety of ways, including mandating the use of ID scanners with age verification software. In addition to actually strengthening the liquor laws, the legislation ends the state Liquor Control Board's conflict of both promoting and regulating the sale of alcohol by restricting its focus to regulation and education. The measure also protects state store workers by mandating a hiring preference for other state jobs and offering retailers tax credits to hire the employees full time.

House Bill 11 is solid legislation and that's not just our opinion; it's the opinion of former Pennsylvania Liquor Control Board Chairman Jonathan Newman. "The current system is antiquated—all anyone has to do is drive across the border to any of our neighboring states to see how out of touch the PLCB system is," Newman said during a press conference Tuesday. "It is time to stop burdening Pennsylvanians with this backwater system that dates back to Prohibition."

From the horse's mouth, so to speak. What more do lawmakers need to hear? Maybe this: that most Pennsylvanians favor privatization, according to state Rep. Curt Schroder, R-Chester, who cited several polls.

And this from Newman: "There is no doubt in my mind that due to the inherent problems with the system, there is a desperate need to privatize."
No doubt in our minds, either.

Pittsburgh Post Gazette

Voice of experience: A progressive ex-LCB chief endorses privatization

Thursday, August 04, 2011

Pittsburgh Post-Gazette Editorial

When the top Republican in the state Senate, Joseph Scarnati, recently came out against the plan to end Pennsylvania's monopoly on the sale of wine and spirits, his repudiation of his party's free enterprise principles was a blow to the cause from an unexpected quarter. Now comes a voice of support from an unexpected quarter.

Jonathan Newman, who on Tuesday endorsed a bill to end the state's stranglehold on liquor sales, knows more about the workings of the Liquor Control Board than President Pro Tem Scarnati. Mr. Newman was LCB chairman between 2002 and 2007. More than that, he was arguably the best chairman the agency ever had.

Those reduced-cost, higher-quality "Chairman Selections" of wines in the state stores today? It was on his watch that the program was introduced. The unlikely spirit of reform blew through the relic of Prohibition back then, with the advent of Sunday sales and opening of stores in some supermarkets.

As we editorialized when he left, "Mr. Newman managed to do the near-impossible -- put a consumer-friendly face on the autocratic, fundamentally unfriendly state monopoly." The way he left was an example of the LCB's problems; he quit in protest after Gov. Ed Rendell used the power of patronage to appoint a retiring senator, Joe Conti, as CEO of the LCB.

Mr. Newman runs a wine and spirits business in suburban Philadelphia, which critics will seize on as proof that he will profit from privatization. But everybody will profit from privatization, most of all consumers. His employment is merely proof that he knows wine and spirits, just as he knows the LCB -- knows that it is an anachronism whose time has come.

This chairman's selection of privatization carries great weight. House Majority Leader Mike Turzai, the Republican who is sponsoring House Bill 11, points out that the monopoly was created in 1933 by Gov. Gifford Pinchot, who said the LCB's mission was to make liquor sales "as inconvenient and expensive as possible." It's time to bring this sorry legacy to a close.

PITTSBURGH TRIBUNE-REVIEW

Laurels & Lances

Friday, August 5, 2011

Laurel: To Jonathan Newman. Being both owner of a Philadelphia-area business that supplies discounted wines to out-of-state retailers and former Liquor Control Board chairman, his support for ending the state's monopoly on wine and liquor sales carries added weight. The Legislature must heed what he said this week at a Philadelphia news conference with state House Majority Leader Mike Turzai, R-Bradford Woods, whose House Bill 11 would privatize wholesale and retail sales: "You can't see a government monopoly replicate what is done in private industry." And: "(I)f we don't do this now, we aren't going to see privatization in our generation."

PITTSBURGH TRIBUNE-REVIEW

Turzai does it his way

By Brad Bumsted
TRIBUNE-REVIEW
Sunday, August 7, 2011

HARRISBURG -- It was a scene unlike any other in recent history: The majority leader of the House of Representatives spent three and a half hours testifying on his own bill to privatize the state liquor system.

Rep. Mike Turzai, R-Bradford Woods, knew the particulars cold. He described House Bill 11 in great detail to the Liquor Control Committee. He patiently took questions from Republicans and Democrats. He fended off what he considered a "haranguing" line of questioning from Rep. Kevin Murphy, D-Lackawanna County. But some of the toughest questions were asked by fellow Republicans.

All the while, Wendell W. Young IV, leader of a union representing state-store clerks, sat next to Turzai, taking the closest seat to the witness table. Young tried to shake Turzai's hand when he went to sit down and was clearly trying to get on his nerves. Young had packed the room with about 75 union workers in yellow T-shirts who complained to anyone who would listen that Turzai's bill will put them out of work (which Turzai denied, saying they'll get jobs in private stores and state agencies).

It was no picnic.

There hasn't been a majority leader in at least three decades willing to take on his adversaries like this.

On the other hand, Turzai was the *only* witness at the first of four hearings. Public Relations 101 suggests that from a perceptual standpoint, it would have been good to have at least one *token* opponent, anyway. The hearing was one-sided, though questions by lawmakers brought out part of the other side of the story.

What Turzai gained by doing it his way was unfettered control of the message. He could be sure no one would step on that message.

The issue of liquor-store divestiture tops the House agenda this fall, Turzai says. He picked up the endorsement last week of the man who brought wine drinkers the "chairman's selection" in state stores -- former Liquor Control Board Chairman Jonathan Newman. The chairman's selection provides quality wines at great prices.

Newman is widely respected as the official who brought vast improvement to the state stores, and he had major input into drafting the bill.

A key aspect of the debate hinges on completion of an analysis by Public Financial Management (PFM) for Gov. Tom Corbett in the next two weeks or so. That study on the overall value of the state-owned liquor system will play a significant role in determining the Legislature's interest and enthusiasm. How much is it worth? How feasible is it to turn liquor and wine sales over to private industry?

The PFM report could give Turzai's bill a huge boost or deflate some of his arguments (though he is arguing philosophy more than money).

He appears to have the support to get his bill out of committee. He probably has the juice to get it out of the House. The Senate is another matter entirely.

PFM spent about three weeks this summer at the Pennsylvania LCB, says LCB CEO Joe Conti, a former Republican state senator from Bucks County, who was installed through a power play by then-Democrat Gov. Ed Rendell. In fact, it was Conti's entry into the LCB that prompted Newman's exit.

Out of respect for Corbett, Conti said the LCB pledged and provided "total cooperation on the study." While claiming neutrality, the LCB is like any threatened agency clawing for survival. But the LCB has largely kept its powder dry.

Conti, loaded for bear, will testify at the second hearing this week in Hershey.

Brad Bumsted can be reached at bbumsted@tribweb.com or 717-787-1405.

*Read more: [Turzai does it his way - Pittsburgh Tribune-Review](http://www.pittsburghlive.com/x/pittsburghtrib/opinion/columnists/bumsted/print_750259.html#ixzz1ULDT8ZY0)
http://www.pittsburghlive.com/x/pittsburghtrib/opinion/columnists/bumsted/print_750259.html#ixzz1ULDT8ZY0*

SCRANTON TIMES TRIBUNE

Wine kiosks on the bubble

Published: August 11, 2011

Scranton Times Tribune, editorial

It's not often that a public agency has an opportunity to convert a threat into a promise, so the Pennsylvania Liquor Control Board should not squander a rare opportunity.

The PLCB recently threatened Simple Brands LLC of Conshohocken, the vendor responsible for developing the notorious "wine kiosks" that the PLCB has inflicted upon consumers at some of the state's larger supermarkets.

Claiming that the company overbilled the agency by \$800,000, the PLCB issued an ultimatum: resolve the matter within 45 days or the kiosks would be removed from supermarkets.

Therein lies the promise for consumers. Why wait 45 days? Use the billing dispute as an opportunity to unplug the kiosks for good, right now.

The kiosk program has been a misadventure from the outset. Hulking machines offer limited choices. Consumers actually are required to breathe into a breath analyzer attached to the machine. A PLCB functionary in Harrisburg observes each sale through a camera. Kiosks accept only credit cards and, comically, add a \$1 "convenience" charge to each transaction.

Convenience is a terrific concept for consumer products such as wine. Lawmakers should move to establish it by converting liquor and wine sales into a private enterprise.

Lebanon Daily News

Almost, but not quite

Updated: 08/12/2011 10:19:43 AM EDT

Lebanon Daily News, editorial

We've stolen this line before, but it's so good, and so pointed to the topic to come, that it's time to steal it again. Drew Carey once commented about drive-through liquor stores, "Almost a good idea."

We similarly damn with faint praise the apparently doomed - and really ill-conceived - idea of self-serve wine kiosks that were designed to increase the convenience of buying wine in Pennsylvania.

Now, it seems, the proof of the ill conception of the idea can be found in internal documents from the Pennsylvania Liquor Control Board itself.

The office of House Majority Leader Mike Turzai - who, in the interest of full disclosure, is a strong proponent of privatizing the liquor stores - released documents it got from the PLCB that warned against entering into a contract with Simple Brands, the company that provided the kiosks.

It seems the company got a very weak evaluation rating during an internal assessment before the kiosk contract was put out. However, as the only bidder for the kiosk flight of fancy, Simple Brands became the go-to company.

There should be no consideration given of the \$400,000 the company's investors gave to the Rendell election campaign. That's strictly coincidental.

Yeah, OK.

Of course, the roll-out of the kiosks has been a fiasco, and that's the best that can be said about it. Someone was suffering borderline hallucinations to opine that the kiosks would increase the convenience of wine purchases. Convenient, is it, when the kiosks didn't work particularly well? That they were temporarily shut down during the holiday season last year? That users had to blow into a breathalyzer to get their merlot? That a PLCB worker, by remote camera, had to approve the ID of the would-be buyer? That the hours of operation were, logically, limited to the work hours of those tending the machines? Again, almost a good idea. Well, maybe not even almost. Actually, not even close to a good idea. How about a boondoggle to pat the heads of politicians who shored up the previous administration? That sounds more correct.

Turzai's people also claimed that the PLCB subsequently tried to cover up the poor rating of the kiosk company, sending out emails to delete electronic files and turn in hard copies of any material relating to the PLCB panel's recommendations.

The PLCB maintains that such destruction of documentation is routine.

It probably is in Pennsylvania, the state where the most anemic of light shines on the doings of our elected and appointed officials. That doesn't make it right.

It gets worse. In June, Wegman's, a popular and profitable grocery chain whose nearest location to the Lebanon Valley is on the West Shore near Mechanicsburg, dropped the kiosks, calling them a detriment to business.

Now, the entire contract between the state and Simple Brands is in trouble, because the state says the company owes in in the neighborhood of \$800,000.

We don't see the kiosk program surviving much longer. It quite likely won't be missed. We don't have the same view of the state-owned liquor stores in Pennsylvania. There are far more political considerations involved in their privatization. Though, on the whole, we think privatization just might be a good idea. It's beat kiosks by a substantial margin.

SCRANTON TIMES TRIBUNE

LCB predicted kiosk fiasco

Published: August 14, 2011

Scranton Times Tribune, Editorial

The Pennsylvania Liquor Control Board itself predicted that consumers might balk at a blood-alcohol test for the privilege of buying a bottle of wine.

Recently the agency advised Simple Brands LLC of Conshohocken that it would pull the plug on the company's wine-vending machines if the company failed to make good on an alleged over-billing of about \$800,000.

The kiosk program has been a fiasco from the outset, plagued by a cumbersome process, limited selection and privacy invasion.

As legislative hearings on privatizing the state liquor and wine monopoly resumed Thursday in Harrisburg, Rep. Mike Turzai, chief proponent of ending the monopoly, released internal PLCB memos on the wine kiosk program from 2008.

A PLCB evaluation committee recommended rejection of the kiosks and predicted problems that came to pass, but the agency proceeded.

"The committee is of the opinion that the proposer has not presented a well-founded business plan. The proposer has continued to change its business plan 'on the fly' as the committee has broached operational issues and concerns. The committee is concerned that the lack of a coherent business plan will open the PLCB up to public criticism and could contribute to a potential project failure," the committee wrote.

"The committee has a general concern that the proposed process for purchasing products via the kiosk machine is cumbersome and may meet with public criticism for not being 'user-friendly.' Specific areas of concern include: 1) public angst over blood-alcohol level scanning, 2) excessive credit card 'hold' amounts, and 3) general distrust over having to register with the government to use the kiosk machine," it added.

The memo and the kiosk boondoggle serve as strong testimony for a private-sector system.

PITTSBURGH TRIBUNE-REVIEW

Boozy bottom line

Monday, August 15, 2011

It's argued unconvincingly that a Prohibition-era state bureaucracy is just as capable as the private sector of running Pennsylvania's 600-plus liquor stores and that there is no compelling reason to switch "brands" at the risk of -- heaven forbid! -- losing revenues.

The presumption is that Pennsylvania's Liquor Control Board (LCB) cares as much about its supposed "bottom line" as any privately owned business.

The record shows otherwise.

A little-noticed state audit of the Pennsylvania liquor and wine monopoly for 2009-10 reveals a stunning disregard for anything resembling a bottom line. The problem began with a new \$66 million automatic inventory system that wasn't so automatic and led to shortages of certain products, The Times-Tribune of Scranton reports.

When the LCB overcompensated, the result was a massive stock overflow -- so large, in fact, that the LCB had to rent trailers (unrefrigerated) to store the surplus and hire security.

The total cost: about \$500,000, reports WTXF Fox 29 in Philadelphia. The LCB says the inventory mess has been corrected.

And the management that blows off a mistake of this scale supposedly is concerned about state revenues? This should be the LCB's last call.

PITTSBURGH TRIBUNE-REVIEW

LCB puts the boon in the doggle for award

By Eric Heyl
PITTSBURGH TRIBUNE-REVIEW
Sunday, August 21, 2011

To: Joe Conti, Pennsylvania Liquor Control Board CEO

From: Bad Government Fiasco Monitoring Commission

Re: Fantastic news

Dear Mr. Conti,

Congratulations! We're delighted to inform you that your agency has won a coveted Silver-Plated Failure Feather. You're being rewarded for your strong showing in our organization's annual Stupendous Screw-Up Competition, commonly known as the Screwys.

The LCB took first place in the Screwys' state government-affiliated agency category for its failed 14-month-old wine kiosk program. You'll be pleased to learn the judges labeled this hopeless, unnecessary endeavor "a truly awe-inspiring fiasco that consistently missed the mark on multiple levels."

The judges were impressed that this ridiculously silly venture — in which the LCB sells wine bottles in grocery stores via complex and mechanically challenged automated kiosks — ever got off the ground.

Especially considering that an LCB internal committee in 2008 strongly advised against the program.

The committee noted that Simple Brands, the only company bidding to supply the kiosks, lacked a coherent business plan. It also presciently warned that consumers would find the kiosks "cumbersome" and "not user-friendly."

Ignoring such sensible advice illustrated to the judges just how committed your agency was to monumentally screwing up.

The kiosks proved their user-unfriendliness last December, when they had to be shut down at the peak of the holiday season after hundreds of malfunctions were reported.

Many of the machines were failing to dispense bottles of wine, which happens to be their sole reason for existence.

After the kiosks were repaired, most of them failed to meet minimum LCB sales expectations. Sales were so disappointing at Wegmans that the grocery chain removed the machines, apparently believing the kiosk space would be more profitable if it was devoted to Captain Crunch and other popular cereals.

Mr. Conti, the droll wit you displayed in recently telling the House Liquor Control Committee, "The success of the kiosk program is questionable" also helped sway the judges.

They labeled that remark "an amusing understatement of such magnitude that, had it been an earthquake, Harrisburg would be lying in unrecognizable ruins."

The piece de resistance, though, is the LCB threatening to shut down the program next month. Why? Not because it's an unpopular and inefficient way to sell wine, but because Simple Brands has failed to reimburse the LCB \$1 million in kiosk-related expenses.

The Screwys will be held next month at the beautiful Baymont Inn and Suites in scenic Weirton, W.Va. We assume you want to pick up your Silver-Plated Failure Feather in person, so we reserved a table for the LCB in the back of the conference hall next to the restrooms.

Given the amount of money that appears to be being flushed down the toilet in this fiasco, we trust that won't be a problem.

Eric Heyl can be reached at eh eyl@tribweb.com or 412-320-7857.

Bucks County Courier Times/Intelligencer

For the customer

Posted: Thursday, September 1, 2011 12:15 am
Bucks County papers, editorial (Intelligencer and Courier)

Liquor stores need to work on convenience

GOV. TOM CORBETT and some state lawmakers have an idea for the Pennsylvania Liquor Control Board: They want to get it out of the business of selling wine and liquor. Privatizing the liquor stores is certainly not a new proposal, but it's one that's gotten some fresh legs since Corbett took office in January.

Opposition remains strong, however, among those who claim the state stores are a lucrative source of revenue for the commonwealth. That argument, plus the added benefit the stores supposedly provide in controlling illegal sales of alcohol, so far have trumped complaints that LCB prices are too high and too little attention is paid to customer convenience.

The LCB tried to address the convenience issue by installing wine vending machines, or kiosks, in supermarkets around the state. The program has been something less than a resounding success. Upscale Wegmans Food Markets agreed to install kiosks in 10 of its Pennsylvania locations, only to end its agreement less than a year later amid complaints of machine malfunctions, limited selection and a lack of personal service. The machines' contractor said the mechanical breakdowns were overblown all along and are even less of a problem now. Still to be resolved are poor selection and no service.

And this: State Auditor General Jack Wagner took aim at the "profitability" of the wine kiosks this week, noting that his staff found the LCB spent \$1.1 million more to operate the vending machines than it took in through June 30. The liquor agency has 22 kiosks, and earlier this year a spokeswoman said there were plans for more despite the sour Wegmans experience. The auditor general's findings might be a good reason to rethink that expansion strategy.

Wagner believes the way to best achieve customer convenience is to grant the liquor stores longer operating hours: "seven days a week, 12 hours a day." He said most of the state's 600 or so stores are only open five or six days or have limited Sunday hours, as per the state Legislature. Liquor Control Board CEO Joe Conti seconds the idea of longer store hours.

That would make the customer experience more convenient. But it skirts the fundamental issue of whether the state belongs in the liquor business, going on 80 years since Prohibition was repealed. Private wine, liquor (and beer) sales in other states have not caused the downfall of society, but they have given consumers convenience, good choices and good prices while allowing for state regulation and taxation.

Effecting change in state government has always been a glacial process here, given Pennsylvania's political parochialism. But bringing liquor sales into the 21st century through a network of privately operated, state-monitored liquor stores would serve the entire commonwealth.

Pittsburgh Post Gazette

Monopoly hangover: Wine kiosks are an idea only the LCB could love

Tuesday, September 06, 2011
Pittsburgh Post-Gazette editorial

Rube Goldberg, the conceiver of ridiculous machines, could not have come up with a more bizarre device to bring so-called convenience to Pennsylvania wine drinkers than the infamous kiosks adopted by the Liquor Control Board. Thanks to state Auditor General Jack Wagner, the folly of this scheme is now official.

A report released last week by Mr. Wagner added painful detail to what any alert resident in the state already knew. At least the machines pictured in Rube Goldberg's cartoons actually worked. As for the wine kiosks, the report said that one of every 21 transactions was problematic.

How bad was it? So bad that all the 29 kiosks operating at the time had to be shut down at the height of the Christmas shopping season because of glitches. Indeed, from June 21 last year to the Christmas shutdown on Dec. 21, 919 malfunctions were reported.

Just about everything went wrong. According to the audit, errors included 281 instances of kiosks not functioning, 179 instances of door and dispensing issues, 144 identification issues, 97 receipt issues, 70 breath test issues, 67 audio or visual issues, 35 payment card issues, 18 out-of-stock errors and 28 other issues. Even after the vendor Simple Brands attempted fixes, 118 kiosk malfunctions occurred over about a month from January through February.

In large part because of these problems, the kiosks cost the state money -- \$1.12 million, as of June 30. Only three of the 32 kiosks had average sales that topped the board's stated threshold of 210 bottles a week.

And it gets worse: The audit found that while state procurement requirements were followed, "the request for proposals did not enable fair and just competition." Moreover, "the board and the sole responding vendor negotiated the kiosk contract in ways more advantageous to the vendor than necessary." As it is, the state might not be able to recover money from the kiosk firm, as called for in the contract, because the firm has lost millions of dollars itself.

In a shameless, written response to Mr. Wagner's office, the chairman of the LCB, Patrick J. Stapleton III, evoked the risk-taking of free enterprise in defense of the agency's failure. "Innovation inherently is about doing things that have not been done before," Mr. Stapleton wrote. "However ... that carries risk. Taking risks is a daily endeavor in the business world. But in the world of government, it more often is avoided."

The truth is that no self-respecting business would have signed on to such a cockamamie scheme -- this was something that only a monopoly-minded government agency could have undertaken.

Unfortunately, despite the audit's good work, Mr. Wagner, a Democrat, does not grasp that larger point. His suggested remedy is to terminate the kiosk contract if operations cannot be modified to meet the originally stated objectives. For greater consumer convenience, he wants the General Assembly to allow all state stores to open seven days a week, 12 hours a day.

But there's no tinkering with a fundamentally flawed system -- of which wine kiosks are emblematic. A privatized system would not devise schemes that only a monopoly or Rube Goldberg could love.

The Pottstown Mercury

Pa. government should get out of the liquor business

Monday, September 19, 2011

Gov. Tom Corbett and some state lawmakers have an idea for the Pennsylvania Liquor Control Board: They want to get it out of the business of selling wine and liquor. Privatizing the liquor stores is certainly not a new proposal, but it's one that's gotten some fresh legs since Corbett took office in January.

Opposition remains strong, however, among organized labor and those who claim the state stores are too lucrative a source of revenue for the commonwealth to give up. That argument, plus the added benefit the stores supposedly provide in controlling illegal sales of alcohol, so far have trumped complaints that LCB prices are too high and too little attention is paid to customer convenience.

The LCB tried to address the convenience issue by installing wine vending machines in supermarkets around the state. Upscale Wegmans Food Markets agreed to install kiosks in 10 of its Pennsylvania locations, only to end its agreement less than a year later amid complaints of machine malfunctions, limited selection and lack of personal service. The machines' contractor said the mechanical breakdowns were overblown all along and are even less of a problem now. Still to be resolved are poor selection and no service.

And this: Pennsylvania Auditor General Jack Wagner took aim at the "profitability" of the wine kiosks (two weeks ago), noting that his staff found the LCB spent \$1.1 million more to operate the vending machines than it took in through June 30. The liquor agency has 22 kiosks, and earlier this year a spokeswoman said there were plans for more despite the sour Wegmans experience. The auditor general's findings might be a good reason to rethink that expansion strategy.

Wagner believes the way to best achieve customer convenience is to grant the liquor stores longer operating hours: "seven days a week, 12 hours a day." Liquor Control Board CEO Joe Conti seconds the idea of longer store hours.

That would make the customer experience more convenient. But it skirts the fundamental issue of whether the state belongs in the liquor business, going on 80 years. Private wine, liquor and beer sales in other states have not caused the downfall of society. They have given consumers convenience, good choices and good prices while allowing for state regulation and taxation.

Bringing liquor sales into the 21st century through a network of privately operated, state-monitored liquor stores would serve the entire commonwealth.

— For The Associated Press, Bucks County Courier Times

SCRANTON TIMES TRIBUNE

PLCB slays its monster

Published: September 21, 2011

Scranton Times Tribune, editorial

Like Dr. Frankenstein, the state Liquor Control Board knew even as it constructed its monster that its creation was flawed.

Yet it pressed on, ignoring warnings even from its own staff about the grotesque wine "kiosks" that it ultimately procured from a sole-source vendor.

The machines - a ridiculous attempt to establish supermarket wine sales without loosening the iron vise of the PLCB monopoly on wine and liquor retailing - have gone dark after just a year due to one misadventure after another.

Consumers actually wrote the wine kiosks' death certificates even as the machines came on line. In order to buy a bottle of wine, customers had to breathe into a breath analyzer, insert identification, look into a camera monitored by an LCB employee at Big Brother's headquarters, pay only by credit card and then pay a \$1 convenience fee on top of the product's cost.

Major retailers, including Wegmans and Walmart, pulled the plug on the machines in reaction to consumers' rejection of them and because of mechanical malfunctions.

Now the LCB, having rushed into a contract for the machines with Simple Brands of Conshohocken, has pulled the plug on the program due to a contract dispute with the vendor.

This is a case where the bizarre devices perfectly reflected the bizarre decision-making that created them. If there is redemption, it's that lawmakers' disgust with the boondoggle might hasten the state's conversion to private-sector wine and liquor retailing - a beautiful thing.

The numbers shout for liquor store privatization

September 21, 2011

Editorial

In Ohio, shoppers can go into a supermarket and get everything they need for that night's dinner including the perfect wine to fit the occasion.

In West Virginia, wine supplies can be replenished while filling the gas tank.

Not so, in Pennsylvania. Got to go to the state-designated liquor store to meet those needs.

Only Utah equals Pennsylvania in the limiting of wine and spirits purchases.

That may seem like a small thing. Until you consider that 45 percent of Pennsylvania's consumers purchase wine and liquor outside the state. Those purchases in some of the state's border counties represent \$180 million in lost sales and more than \$40 million in tax revenue lost annually.

The consumers also are paying less to buy their wine and spirits in other states. Average prices for wine in the six border states are lower than Pennsylvania. In Maryland, the wine is 20 percent cheaper. Average liquor prices are lower in Ohio, Delaware and Maryland.

How inconvenient does Pennsylvania make the purchase of liquor? Well, there are 650 liquor stores in the commonwealth, one for nearly every 20,000 residents. No wonder the state has to spend more than \$10 million a year on advertising and marketing.

And, beyond the numbers, there is the contradiction of the state pushing wine and liquor while also being the necessary watchdog against alcohol abuse and liquor control.

So tell us again why we can't move to a privatized liquor store system, take the license revenue and ongoing tax revenue, and leave the enforcement to the state.

<http://www.sungazette.com/page/content.detail/id/568780/The-numbers-shout-for-liquor-store-privatization.html?nav=5004>



Editorial: Last call for LCB's failed wine kiosk experiment

Thursday, September 22, 2011
Delaware County Daily Times

The state Liquor Control Board has finally pulled the plug on those problematic wine kiosks that were supposed to make purchasing a bottle of wine in Pennsylvania so much easier.

But only if you scanned your driver's license first. And then blew into a device to ensure you were not intoxicated.

Welcome to Pennsylvania, where buying beer, wine and spirits is the equivalent of a root canal.

The grand experiment of using vending machines in supermarkets and other stores was supposed to be one more step in the LCB's metamorphosis into a more customer-friendly entity.

It turned out to be anything but, instead providing one more argument in favor of the state getting out of the booze business altogether.

The machines were unveiled amid much ballyhoo at several local supermarkets, and it wasn't long before the hiccups kicked in, and these had nothing to do with imbibing.

First, many customers were turned off at the idea of having to blow into a device to prove they were not under the influence.

But at least they eventually got their wine. Unfortunately, that wasn't always the case.

Wegmans shut down the machines in their supermarkets just before the lucrative holiday season when the machines started to malfunction.

Then Wal-Mart, which was mulling a proposal to put the vending machines in their stores, bailed on the deal.

The last straw occurred when the machines' manufacturer got into a hissing match with the Liquor Control Board. The LCB claims Simple Brands LLC owes them a million bucks. The company doesn't see it that way. Talk about your sour grapes.

LCB CEO Joe Conti passes it off as a learning experiment, "a great attempt to try to do something for the convenience of our customers."

We agree. And it's for that reason we have a better idea. Blow up the LCB. Get Pennsylvania out of the booze business altogether.

State Rep. Mike Turzai, R-Allegheny, has a bill that would do just that, which he is getting to roll out in Harrisburg.

Turzai wasted no time in seizing on the vending machine debacle to add fuel to his push to privatize sales of wine and spirits in the state.

"This is just another example of why a government agency should not be attempting to mimic private industry," the House Majority Leader said. "Real customer convenience will only come once the sale of wine and spirits is moved to the private sector."

That's the key to the argument. Those clinging to keeping the LCB in business point to the revenue it pours into state coffers each year. They also doubt the numbers Turzai says the state can get by auctioning the franchises and adding others. Of course, there also is the not small matter of all those lucrative jobs that would be wiped out.

The idea of privatizing booze sales in Pennsylvania has been bandied about for years. But it was last summer's fiscal crunch — and a sea of red ink — which really brought it to a boil.

Gov. Tom Corbett, who said he supported the move while he was campaigning, has been a bit more reticent since he moved into the governor's mansion. He has appointed a commission to study the matter.

We'd like to hear what that commission has to say. And we'd like a solid, independent look at the numbers that swirl around this issue, such as how much the state can realistically get from the sale of franchises, and how it would replace the yearly revenue from the stores.

The other major argument that is always trotted out in this battle, that state workers are much better at controlling sales and preventing booze from getting into the hands of underage teens, is not born out by the numbers.

Once all the arguments are out in the open, we'd like to see the Legislature move on Turzai's bill.

It's time for Pennsylvania to get out of the dark ages when it comes to dispensing alcohol. Sure, this is about revenue. And that is not a small concern.

But it's also about doing the people's work, and most people want the state out of this business.

Therefore a toast: To the end of the LCB.

Sooner rather than later.

<http://www.delcotimes.com/articles/2011/09/22/opinion/doc4e7aaae3ec354944503626.txt>

Pittsburgh Post Gazette

Monopoly, beware: Pennsylvania voters realize the LCB is a relic

Tuesday, October 04, 2011

Pittsburgh Post-Gazette Editorial

Privatizing the state's liquor store monopoly was always bound to be opposed by a variety of special interests, but there's one interest that is more special than all the rest -- the voters of Pennsylvania. Despite the predictable objections to privatization in Harrisburg and beyond, the public appears to support the idea.

Not only do voters like privatization, according to a poll released Sept. 29 by Connecticut-based Quinnipiac University, voters in all categories do. The survey, which regularly takes the pulse of Pennsylvania and six other states in the east, surveyed 1,370 registered voters between Sept. 21 and 26.

The interviewers, who called land lines and cell phones, asked a simple question about Pennsylvania's government-owned and -operated liquor system: Do you support or oppose privatizing the state liquor stores?

Some 62 percent support privatization, with just 31 percent opposed and 7 percent undecided. A larger majority of Republicans (72 percent) favor privatization than Democrats (52 percent), with most Independents also in support (64 percent). A larger portion of men (67 percent) than women (58 percent) back privatization.

Even in the poll's five geographic regions, support for free enterprise was strong, from a "low" of 50 percent in favor in the Northeast to a high of 69 percent in favor in the Southeast. In Allegheny County 67 percent backed privatization compared to 27 percent opposed; in Philadelphia it was 57 percent for and 38 percent against.

But here's the real shocker, given that union-member state store clerks have been vocally against the idea. In the survey, 58 percent of union households favored privatization while 38 percent were opposed.

This broad support confounds those who have argued loudest that Pennsylvanians do not want to push the state out of the liquor business. The people get the fact that the state's liquor monopoly is an outdated, inefficient relic of another time that does not serve today's consumers who look to free enterprise to best supply their retail needs.

Any faint-hearted politicians still influenced by anti-privatization propaganda should take note.

Read more: <http://www.post-gazette.com/pg/11277/1179502-192.stm#ixzz1Zo2Kk8HV>

POCONO RECORD

On PLCB, go, Corbett, go!

October 16, 2011 12:00 AM
editorial

"... to discourage the purchase of alcoholic beverages by making it as inconvenient and expensive as possible."

Pennsylvania Gov. Gifford Pinchot, 1933, describing the purpose of the newly created state Liquor Control Board

Here's hoping Pennsylvania Gov. Tom Corbett succeeds where others have failed to privatize the state's archaic liquor control system.

Corbett made privatization part of his platform when he ran for office. The plan has gained momentum, most recently by garnering the support of state Sen. Pat Browne, R-Lehigh, the third-ranking GOP senator. Brown, who represents part of Monroe County, endorsed a plan leaving the state Liquor Control Board in a regulatory and enforcement role while private owners ran the stores.

Today's system is a holdover from Prohibition days. Pennsylvania is one of only two states — the other is Utah — to retain a stranglehold on wine, liquor and beer sales. Terribly outdated rules govern the sale of all these alcoholic beverages, with wine and liquor sold only in state-operated stores and beer sold by distributors and, in limited quantities, by certain convenience stores and bars. The temperance movement that had championed 14 years of Prohibition was still strong in Pennsylvania in 1933 when Prohibition ended. Ever since, "blue laws" have strictly controlled where and when people could buy alcoholic beverages here. The incremental changes the PLCB has made haven't helped much, and one of them — the poorly designed wine kiosk program — didn't work well and was ended. The private sector would do a better job than an entrenched bureaucracy of responding to customer needs.

There's no evidence that the 48 states with private liquor sales have a higher rate of alcoholism or any other social ill associated with alcohol consumption. Pennsylvania should leave the whole moral argument about alcohol to churches.

The Pocono Record wholeheartedly endorses the Corbett administration's efforts, and Browne's support, to end the badly outdated PLCB system. Alcohol is a legal product. It should be available, like other legal products, at places and times where customers want to buy it. Let's join 48 other states that have placed alcohol sales with the private sector, where they belong.

SCRANTON TIMES TRIBUNE

Analysis: Pull cork on state booze sales

Published: October 27, 2011

SCRANTON TIMES TRIBUNE

Like oenophiles anticipating the maturation of a long-awaited vintage, free-market advocates eagerly have awaited a comprehensive study of the state wine and liquor monopoly that was commissioned in the spring by Gov. Tom Corbett.

The public release of that analysis Tuesday was like popping the cork on a good sparkling wine. The study, by the PFM Group of Harrisburg and Philadelphia, validated many of the economic projections in the leading bill for privatization and put to rest the notion that a transition of the system to the private sector would imperil public safety or the state government budget.

Advocates of the state monopoly contend that a private-sector system would diminish the amount of money that alcoholic beverage sales generate for the state Treasury. The system turns over about \$97 million in profits on about \$1.5 billion sales, along with more than \$400 million in tax revenue.

The tax revenue would continue under private or public operation so the issue is the profit. According to the study, PLCB profits have fallen despite increased sales, due to rising PLCB expenses. Over the last decade, the analysis found, revenue has grown at a compound annual growth rate of 3.5 percent, as expenses have risen at a compound annual growth rate of 5.5 percent. The study pegged likely annual profit from the system at about \$80 million.

Also, the study found that 53 of more than 600 PLCB stores were unprofitable in the 2009-2010 fiscal year. But, it said, the PLCB methodology for determining profitability is different than in the private sector, because the agency is the exclusive wholesaler and retailer. Under methodology to determine profitability in the private sector, almost all PLCB stores would be unprofitable, the report found.

Under that analysis, a private system would have to generate \$408 million a year to be revenue-neutral, relative to the current system. It found that several different private-market scenarios would produce at least that amount.

Mr. Corbett has been reluctant to embrace any particular privatization plan because of the revenue issue. Now, however, he has pointed to a bill by House Majority Leader Mike Turzai as the best template.

Pennsylvania has no legitimate business in the booze business. It finally should be a private-sector enterprise, with the state government serving its appropriate roles in licensing, enforcement and tax collection.

The report, which projects a likely influx of \$1.6 billion from private-sector licensing in addition to annual revenue, should prompt the Legislature to finally enact the overdue transition.

Cheers to action: The governor gets the goods on a liquor monopoly

Thursday, October 27, 2011
Pittsburgh Post-Gazette editorial

Gov. Tom Corbett can hardly be called impetuous. On the big issues of the day -- such as Marcellus Shale drilling and transportation funding -- he convenes committees and awaits reports before deciding whether to act. Now he has his report on the possible privatization of the Pennsylvania Liquor Control Board and it makes a persuasive case for action.

"As one of the last states employing strict post-Prohibition control over the sale of wine and spirits, PLCB has grown into a complex and expensive organization that endeavors to balance its dual role of regulator and retailer," its authors say.

The verdict of the report, compiled by Public Financial Management Inc. at the request of the governor's budget office, is that Mr. Corbett's commitment to privatize the system is "well founded."

Critics will undoubtedly dismiss the report as just another exercise in reaching the preferred conclusion of those who commissioned it, but the facts are what they are. The report has done the state's taxpayers a favor by taking the debate beyond the realm of the philosophical -- in our view, the absurdity of government acting as liquor controllers and purveyors in a monopolistic, socialistic system -- to the practical question of how efficiently the work is done and if consumers and the state's interests could be served better in a private system.

Yes, they can, the report shows. "Based on the benchmarking, financial analysis and evidence from other states, the project team believes that a privatized system affords the state the best opportunity to improve on the current system and optimize the financial benefits for its citizens." Take the finding that the LCB is an expensive organization, which the report fleshes out. The system's expenses have been growing at a faster rate than its growth -- over the last 10 years, a compound annual growth rate of 3.5 percent compares with a growth of expenses by 5.5 percent by the same measure.

The inefficiency of this complex system is also documented. Sales in the range of 10 to 30 percent of total sales are lost to bordering states likely because Pennsylvania "suffers from a lack of customer convenience and market driven consumer choice."

Interestingly, the report says that 25 state stores (out of more than 600) were deemed unprofitable in fiscal year 2008-09 and that number increased to 53 in FY 2009-10. However, the report says, "If indirect costs and wholesale mark-up are attributed to stores, nearly all PLCB stores would be unprofitable."

Of course, the system does contribute \$97 million annually to the General Fund -- a major argument cited by privatization's critics to leave well enough alone. Can the state come out revenue neutral? Again, it can, according to the report, through new or enhanced revenues and additional reduced expenditures beyond eliminating the LCB's wholesale and retail operations. In doing so, Pennsylvania will reap a rich windfall estimated at between \$1.1 billion and \$1.6 billion from the sale of wholesale and retail licenses. This is under the \$2 billion estimated by House Majority Leader Mike Turzai, R-Bradford Woods, who has championed privatization, but it is still a sum that could be used to great advantage in a strapped economy.

The case for privatization has been persuasively made and the best options have been presented. The time to act has arrived. Will the General Assembly and Gov. Corbett act on the evidence or will it be all committee talk and no action?



EDITORIAL: Pa. now has a blueprint to privatize liquor sales

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So much for the bully pulpit. Pennsylvania Gov. Tom Corbett's lukewarm endorsement of a report on the proposed **privatization of the state liquor monopoly** means this issue will take a back seat to school vouchers and gas-drilling impact fees on the legislative agenda for rest of this year.

The "state store" bureaucracy can breathe a sigh of relief. For now.

But as Corbett noted, the Legislature now has a blueprint to begin the process of privatizing the wholesale and retail operations of the Liquor Control Board. The report prepared by a consulting firm, Public Financial Management Inc., predicts the state could raise as much as \$1.6 billion by auctioning off liquor licenses.

More to the point, closing the 613 state-run liquor stores could offer consumers more convenience in shopping and more competitive prices, create more jobs than would be lost, and end the wacky Prohibitionist mentality of limited selling and marketing while trying to maximize revenues.

Even if the Legislature doesn't tackle privatization this year, the idea isn't going away.

Pennsylvanians have lived with their quirky, restrictive alcohol dispensing system for 77 years. They can wait a little longer. Converting it to a free-market-based system is worth pursuing and getting it right.

However, turning this into a victory for consumers as well as the state treasury depends on two things: How much of a per-gallon tax the state would levy on wine and liquor, and whether the state will limit the number of retail licenses or allow the market to determine how many are sold. Two things to keep in mind: If the Legislature approves a privatization bill with a bottle tax that keeps Pennsylvania's liquor prices above neighboring states, that's no reform at all. (That's the primary opposition argument of the United Food and Commercial Workers Union, which represents most liquor store clerks — that dismantling the system will result in higher taxes and higher prices.)

So while the state could use a windfall for much-needed capital work — such as rebuilding highways and bridges — lawmakers should resist the urge to keep gouging consumers.

Second, Pennsylvania has a long history of limiting liquor licenses, which practically builds corruption into the system. The state should allow the market to determine how many retail licenses are sold, and let competition sort it out.

That approach wouldn't bring in nearly as much in a one-time payday as auctioning off a limited number of licenses, according to the consultant's report, but it would do what Corbett says privatization should do — let the free market handle a consumer product. The LCB would be limited to regulating, policing and licensing — something that should have been done in 1933.

Observer Reporter

New report supports PLCB privatization

10/28/2011 3:33 AM
Editorial

The effort to privatize retail wine and liquor sales in Pennsylvania got a most welcome boost this week with the release of a consultant's report ordered by Gov. Tom Corbett.

It has long been our belief - and also now the belief of the governor, many in the Legislature and most Pennsylvanians - that the state has no business being in the alcohol-sales business.

According to the study conducted by the PFM Group, the state could collect as much as \$1.6 billion through the sale of licenses for private wholesale and retail wine and liquor operations. In a state with crumbling roads and bridges, underfunded schools and a host of other problems and obligations, such an influx of money can't be ignored.

And despite what critics would tell you (particularly the self-preservationists with the state store workers' union), private-sector wine and spirits stores could generate the same income for the state that it now receives through the antiquated, customer-unfriendly Pennsylvania Liquor Control Board system.

Union chief Wendell Young IV, who speaks on behalf of 3,500 state store workers and has long exhibited a decidedly Prohibition-era mindset, has raised all manner of red flags about privatization. His latest approach is to warn of higher taxes and prices for Pennsylvania consumers.

That likely would be determined by how many retail licenses are sold and, hence, how much competition would be created among retailers. Currently, there are two schools of thought, one that would limit the number of such licenses to about 1,500 (which PFM says could result in higher prices) or allowing market forces to determine how many are issued. We would favor the latter, although Corbett supports some restrictions.

But however that plays out, the central issue is getting the state out of the liquor business.

The governor pointed out Tuesday that the PLCB has a clear clash of interests.

"While they're enforcing and regulating, they're encouraging everybody to drink more (through advertising)," said Corbett. "You see the inherent conflict in that?"

We do, and we would hope that this report serves as an impetus for our lawmakers to get busy with the process of ridding Pennsylvania of an anti-consumer albatross.

Report sets up liquor privatization proposal

October 30, 2011
Editorial

Armed with a consultant's justification, Gov. Tom Corbett appears poised to propose privatization of the state liquor store system.

For starters, the consultant's report projects the privatization would generate as much as \$1.6 billion from the sale of wholesale and retail licenses.

Then there is the ongoing revenue from annual license fees, projected at \$10,000 for retail outlets, an additional \$10,000 if Sunday sales are involved, and \$50,000 for wholesale outlets.

Still, Minority Leader Frank Dermody, of Allegheny County, says the privatization "does not raise enough money to make it worth giving up one of the state's most valuable assets."

Since when is a \$1.6 billion windfall in the state's coffers considered pocket change?

And the projected annual fees in Corbett's model of 1,500 retail outlets and 30 wholesale locations would produce hefty ongoing revenue. And that's before a dime of any regular business taxes.

As for workers losing their jobs, we would suspect that the people manning the liquor stores now would be the best applicants to do the same at private retail outlets. That's just good business practice. The consultant's report estimates 3,200 state workers from a workforce of 80,000 would lose jobs with this privatization.

If those job losses are a function of ongoing overstaffing, the job losses would be mirroring what goes on in the private sector everyday due to economic market conditions.

This state has to learn to compete on all levels. The liquor store system as now operating is not competitive with other states.

Corbett's vision of a privatized liquor store system and many of the elements of a plan advanced by House Majority Leader Mike Turzai deserve serious attention from the Legislature.

It's time Pennsylvania joined the rest of the country with a private liquor system that improves consumer choice and pricing by traditional economic forces.

It's also time that the Pennsylvania Liquor Control Board end dual, conflicting missions of enforcing liquor control laws with one hand and promoting liquor sales with the other.

Inquirer Editorial: Who better to sell liquor than ...

Nov. 2, 2011

Those who have doubted the ingenuity of Pennsylvania government should consider one of its most remarkable accomplishments to date: liquor stores that don't make money.

According to a new analysis prepared for Gov. Corbett, the Liquor Control Board figures that nearly one in 10 of its stores failed to clear a profit in 2009-10. However, if each State Store were assigned its proper share of costs and revenues, the report adds, "nearly all PLCB stores would be unprofitable."

That's not the backward beverage ministry's only distinction, according to the extensive report by the Harrisburg-based PFM Group. When measured against other states both with and without liquor control, Pennsylvania also has among the highest prices, the most burdensome taxes, the costliest operations, and the lowest profit margins.

Wait, it gets worse. The LCB's costs have been growing faster than its revenues for a decade, PFM found - especially its administrative costs, which have been rising at the breakneck pace of 7.5 percent a year. No telling how much of that overhead went to disastrous experiments such as the agency's clunky wine-vending contraptions, which were mercifully consigned to the scrap heap in September.

The not-exactly-legion defenders of this antediluvian system - namely, those directly or indirectly employed by it - are fond of mentioning the hundreds of millions of dollars in revenue it turns over to the state each year. Next fiscal year, its net benefit to the state will be \$408 million, according to the PFM report. What's fascinating about this figure is that it's actually *less* than projected wine and liquor tax collections for the same year, which are expected to be \$425 million.

In other words, roughly all of the LCB's gains can now be attributed to the state's high alcohol taxes: the 18 percent "Johnstown Flood Tax" (speaking of antediluvian) and the 6 percent sales tax. So that vaunted revenue infusion has virtually nothing to do with government liquor control - and everything to do with liquor taxes that could be collected even if the LCB were rightly returned to the history books from whence it came.

Responding to the report last week, an LCB spokeswoman bristled that the agency's unprofitability amounts to nothing more than "a general observation about the agency that you can make about any agency." The state isn't making any money locking up criminals, building bridges, or performing other typical government functions, the argument goes. So who cares if it's losing money selling liquor, too?

It would be a good question - if you could buy a bridge at a corner store in New Jersey.