



April 14, 2020

Chairman Tim Holden
Pennsylvania Liquor Control Board
910 Capital Street
Harrisburg, PA 17124

Dear Chairman Holden,

We are writing on behalf of the members of the American Distilled Spirits Alliance and the Distilled Spirits Council of the United States regarding the March 2020 notices of planned price adjustments that were sent to spirits suppliers. In light of the severe disruption in spirits sales caused by the continued closure of all Pennsylvania state stores, we urge you to suspend all scheduled PLCB initiated price adjustments scheduled to go into effect in August 2020.

As noted in the 2020 PLCB annual report, "In early March 2020, the PLCB sent correspondence to suppliers regarding the agency's intention to adjust retail prices on certain items in their respective portfolios. The notification provided the suppliers with 60 days to respond and welcomed further negotiations."

Many of our member companies have received these notices regarding planned price adjustments. In our view, there couldn't be a worse time to raise prices on Pennsylvania consumers.

Store closures during the COVID-19 outbreak resulted in a significant drop in state tax revenue from lost spirits sales, approximately \$16 million per week. It would be incredibly misguided to increase prices on spirits products now to make up for that shortfall. Pennsylvania spirits consumers are being inconvenienced by the decision to shut down access to spirits products in the state and, therefore, continue to travel out of state for their spirits purchases. To raise prices now will only encourage more Pennsylvania consumers to continue to shop in neighboring states, further declining state tax revenues.

We recognize that these are extraordinary times and closing the state stores was a very difficult decision. However, all other states and many private businesses have kept stores open and adapted by implementing measures to protect the public and their workers while maintaining services and access to food and beverages. Restaurants and bars have modified their operations to try and stay open, but their reduced operations have had a direct impact on spirits sales.

We have raised concerns repeatedly that the PLCB's unchecked flexible pricing authority has led to price increases that have negatively impacted Pennsylvania consumers. Price increases combined with closed stores is not a business model for future success.

Our members know the PLCB cares about the health of the state's hospitality industry and the role it plays as our partner in providing good service to Pennsylvania spirits consumers. We also recognize that the PLCB has been trying to adjust their flexible pricing process as it evolves to make it more transparent and fair.

In the 2019 PLCB annual report it is stated, *"The PLCB is keenly aware of its role as a state-run enterprise and the importance of maintaining the highest procedural and ethical standards in purchasing more than \$1.4 billion of products annually. Consequently, the agency continues to utilize robust control processes to ensure that all product purchase orders, and retail pricing decisions adhere to PLCB pricing standards and policies."*

We are hopeful the PLCB's pricing standards and policies will take into account the hardship that many in the hospitality industry are currently facing because of this crisis and could continue to face for months to come. A moratorium on PLCB initiated price adjustments is not only the right thing to do to support Pennsylvania businesses that are being negatively impacted during this crisis, it's the right thing to do for Pennsylvania consumers too.


On behalf of the distilled spirits industry, we stand ready to work with the PLCB, and if necessary, the legislature, to get through this difficult time.

Working together, we can get the Pennsylvania hospitality industry and spirits retail operations back on their feet.

Sincerely



Chris Swonger
President & CEO
Distilled Spirits Council of the United States



Matt Dogali
President
American Distilled Spirits Alliance