



## **WHOLESALE WINE AND SPIRIT DISCOUNT**

**POSITION:** The Pennsylvania Tourism and Lodging Association (PTLA) supports legislation restoring the original state store discount for licensed PLCB establishments in the Commonwealth.

**BACKGROUND:** There was a time when the PLCB recognized the need to provide a reasonable discount to licensees as a reward for the high volume of business they conducted on the wholesale level with the State. The original discount awarded to licensees was as high as 16.67% in the 1980s. However, over time this discount was continually reduced by the PLCB. In 1980, the discount was reduced to 12.5%, and rate was again reduced to 7% in 1988.

Hotel and other licensees in the State who hold liquor licenses must purchase their wine and spirits from the Pennsylvania Liquor Control Board (PLCB). Unlike in other states where the free market principle reigns, Pennsylvania licensees are held captive by the prices that the state system decides to charge for products distributed with the state. Furthermore, because Pennsylvania does not operate on a free market principle for the sale of wine and spirits, licensees are not able to negotiate volume discounts, a practice that is commonly adhered to in most other industries

Pennsylvania licensees have fixed costs much like other businesses in the State. Pennsylvania's licensees must absorb the cost of ordering, purchasing, and delivery. These businesses pay cash or make immediate payments to the PLCB, regardless of the volume of product being purchased. Reinstating a reasonable wholesale discount on wine and spirits would help off set some of these expenses, and allow licensees to re-invest in their businesses and employees. Increasing the current discount will also make wine and spirits more affordable to Pennsylvanians, which will increase sales and generate more revenue to the state.

**STATUS:** In June 2005, the General Assembly approved Senate Bill 1226, supported by PTLA, which included a 3% increase in the wholesale discount from 7 percent to 10 percent. Governor Rendell signed the bill into law as Act 39 of 2005.

PTLA continues to actively lobby state legislators to approve legislation that would gradually increase the wholesale discount to it's original level of 16.67%.