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|  | e - NEWS |
| *March 25, 2005* | |

1. [D.M. Man Pleads Not Guilty to Alcohol Charges](#First)

2. [No More Buying Cigarettes Online With a Credit Card](#Second)

3. [Anheuser's Full-Frontal Counterattack](#Third)

4. [Loophole Closed in Bouncer-Training Law](#Fourth)

5. [Wine, Spirits Seen Continuing Gains On Beer](#Fifth)

6. [Starbucks Stake is Sold Due to Jim Beam Deal](#Sixth)

7. [An Issue That Won’t Go Away](#Seventh)

# 1. D.M. Man Pleads Not Guilty to Alcohol Charges

By: Jennifer Jacobs, staff writer – *Des Moines Register*

March 24, 2005

#### He bought the rum Nick Bisignano drank the night he died in a car crash, police say.

DES MOINES , IA -- A Des Moines man accused of purchasing the bottle of rum from which 17-year-old Nick Bisignano drank the night he died in a car crash pleaded not guilty Wednesday to two counts of providing alcohol to minors.

Gino Louis Pane, 37, of 1324 Bundy St. is deeply saddened by Bisignano's death, his lawyer said.

"Everyone on the south side feels it's a loss, and Gino's a south-sider, too," attorney Tim Duffy said.

But Duffy said Pane denies responsibility for the tragedy.

"Mr. Bisignano never saw Mr. Pane that night. He did nothing that resulted in the death of the Bisignano boy nor the injury of the other boy. What caused this is the accident and someone doing 90 mph," Duffy said.

Bisignano, of Des Moines, was killed Dec. 27 when his car went out of control about 1 a.m. and struck a brick wall and two utility poles near the intersection of Southeast Fifth Street and Pleasantview Drive. A police report estimated the vehicle was traveling at least 90 mph.

Bisignano's blood-alcohol level was measured at 0.204, more than twice the legal limit. A passenger, Corey Wheeler, 17, of Des Moines, was critically injured.

If convicted, Pane faces a maximum penalty of seven years in prison.

Police said Bisignano was at a party on the night of Dec. 26 and into the next morning. A teen who lives at the house where the party was held has an uncle who is Pane's friend. Police said Pane provided a 1.75-liter bottle of rum to the partygoers.



**2. No More Buying Cigarettes Online With a Credit Card**

By: *The Associated Press*

March 18, 2005

* **Major credit card companies will no longer handle Internet sales of cigarettes under a nationwide agreement announced Thursday.**

ALBANY, NY -- The move is aimed at illegal dealers that are trying to avoid sales taxes or sell to underage customers.

The thriving trade of Internet tobacco undercuts local businesses that sell cigarettes and often avoids sales tax for states and cities, allowing smokers to buy cigarettes considerably cheaper online.

The agreement among virtually all credit card companies, state officials from around the country, and the Bureau of Alcohol, Tobacco, Firearms and Explosives is effective immediately.

"The way the system works now, tobacco can get into the hands of minors," said Bob Cooper, spokesman for the Idaho attorney general's office. "And these sales are depriving the states of revenue."

Smokers would still be able to buy cigarettes over the Internet, but they would not be allowed to use their credit cards, including Visa, MasterCard, American Express and Discover. Instead, they would have to use checks, money orders or some other payment system that would probably hold up delivery.

The long-unchecked practice of buying cigarettes and chewing tobacco over the Internet across state lines is illegal in New York and many other states, but enforcement has been difficult.

The ATF estimated that millions of dollars from illegal cigarette sales are diverted each year to terrorists and criminal organizations. And states lose more than $1 billion a year in tax revenue from Internet tobacco sales, said Sheree Mixell, ATF spokeswoman.

"We welcome the help," said Michael Bouchard, the bureau's assistant director for field operations.

The negotiations were led by the attorneys general from New York, California and Oregon, and joined by those from Colorado, Idaho, Louisiana, Maryland, Pennsylvania, Vermont and Wisconsin.



**3. Anheuser's Full-Frontal Counterattack**

Source: *Business Week*

March 23, 2005

The industry giant is taking on all rivals with on-premise promotions, upgraded packaging, and a raft of new products

It's a frigid February night. But the 200 or so revelers inside the Fox and Hound in Schaumburg, Ill., don't seem to notice that the wind chill in the Chicago suburb is nearing zero. One group happily plays a life-size, Bud Light-branded version of the puzzle game Jenga, while another table talks animatedly with an Anheuser-Busch (BUD ) brewmaster about making beer at home. Local distributors pass around free bottles of Bud Light packaged that morning at the St. Louis brewery. But don't mistake the jovial atmosphere. This is war.

Anheuser and other beermakers had neglected this type of on-premise sampling in bars and restaurants in recent years, allowing wine and spirit companies to belly up to the bar. But now Anheuser is taking a barstool, aggressively going after consumers where they make the purchases.

It's part of a broader strategy at Anheuser that includes a cooler-full of new products and makeovers for its older ones -- moves that the St. Louis brewer hopes will not only keep archrival Miller Brewing at bay but also the likes of Absolut, Bacardi, and Cuervo. "Growing share in our industry is our No. 1 priority," says Michael Owens, Anheuser's vice-president for sales and marketing. "But we also recognize that we're competing in a broader world of consumer choice."

**MIGRAINE TIME.** In many ways, Miller's revival is a headache Anheuser just doesn't need. As the industry leader in the U.S., Anheuser has to worry about both the drainage from its core beer market and also the growing sales of liquor and wine. Beer represented around 60% of the alcohol business in 1995, according to industry publication Beer Marketer's Insights. But that share has fallen to 56% today, while wine and spirits have been steadily increasing their piece.

All of that is giving Anheuser a migraine. In 2004, it sold 103 million barrels of beer in the U.S., up only slightly from 102.6 million in the previous year. And for the first time in nearly a decade, Anheuser failed to increase its share of the U.S. beer market. "They're trying to fight a war on three fronts -- wine and spirits, imports, and Miller," says Marc Cohen, a beverage analyst at Goldman, Sachs & Co. "It's a pretty tough job."

One part of Anheuser's focus will be on-premise promotions like the one in Schaumburg. It's bringing back a Bacchanalian-like spirit to such efforts. Management upped its 2005 on-premise marketing budget for sampling in bars by $30 million. It has also created a program devoted solely to such activities, including training materials.

"It's key to taking on the wine and spirits industry because a large part of the beer-drinking occasions that have been lost have been on premise," says hedge-fund manager Steven Dixon of The Global Beverage Fund.

**NEW SENSATIONS.** Core brands like Budweiser and Bud Light have gotten a face-lift in part to give them more cachet among the cocktail set. Longneck bottles of Bud Light now feature fidget-resistant plastic labels instead of the more common paper ones. Anheuser is rolling out aluminum bottles of Budweiser this week, sleek packaging designed to gain distribution in high-end bars and night clubs where looks matter. Earlier this year, it introduced the first of the retro Budweiser cans featuring the "Eagles Claw" logo from 1936. More nostalgic cans from the 1950s should hit stores and bars throughout the year.

Management is also filling up its pantry with new products to fight off competitors. They rolled out Budweiser Select in February. With its low-carbohydrate profile and rich color, many critics have seen the move as a response to the success of Miller Lite. Other product innovations seem to go after wine and spirits. Anheuser launched BE, a beer chock full of caffeine that may make beer as appealing as the caffeine-charger Red Bull, which has been a popular vodka mixer.

It's also test-marketing Bistro 8, a fermented beverage that's similar to a cider with a citrus kick, in Sarasota, Fla. With its green bottle and gold-foil top, Anheuser hopes to appeal to consumers in white-cloth restaurants, venues traditionally dominated by wine. There's also speculation that Anheuser may be diversifying by buying some liquor brands. "We're not going to sit idly by and say we can't change," says Anheuser's Owens.

**SCRATCHING THE NICHE.** Anheuser's game plan certainly isn't a slam dunk. For one, the competitive environment continues to heat up, with Miller and others in the spirits and wine industry opening their wallets with bigger ad budgets and acquisitions.The spirits industry shelled out $430 million in 2004, according to the Distilled Spirits Council of the U.S., and is likely to spend at least that much this year.

Some beer experts are critical of Anheuser's recent product launches. Many industry insiders are concerned that Budweiser Select, for example, will only cannibalize sales of established brands like Bud Light. Others think products like BE are too niche to prove to be a big win for the behemoth. "I doubt BE is going to have any real impact," says Dixon. "Even if it were a huge success, it wouldn't move the needle for Anheuser-Busch."

Still, Anhueser management can't let competitors continue to nip at its heels. Its plan may have a few holes, but Anheuser doesn't need to be perfect. It just needs to continue to be a powerhouse.



**4. Loophole Closed in Bouncer-Training Law**

*Des Moines Register*

March 22, 2005

Gov. Tom Vilsack signed a bill Monday that closes a loophole in a state law allowing cities to require training for bouncers.

Des Moines officials in December 2000 approved an ordinance requiring proof of bouncer training as part of a bar’s annual liquor license renewal. However, some nightclubs were able to escape the requirement by contracting for their security.

The loophole was eliminated by House File 141, which receive final legislative approval from the Senate last week. The legislation had been spurred by two incidents at Des Moines nightclubs.

In February 2000, Charles Lamont Lovelady of Des Moines collapsed and died while scuffling with two bouncers at the now-defunct Graffiti’s dance club in Des Moines.

In January 2004, Iowa National Guard Spc. Robert “B.J.” Jackson was barred from Crush nightclub in Clive because the soldier was wearing tennis shoes. Jackson had both legs amputated below the knees after an ambush in Iraq, and the shoes fit his prosthetics.

Two months after Lovelady’s death, the Legislature passed the law allowing cities to link training for bouncers with issuing liquor licenses to clubs.



**5. Wine, Spirits Seen Continuing Gains On Beer**

*Dow Jones Newswires*

March 23, 2005

ST. LOUIS -- A Morgan Stanley report based on a survey of 1,400 alcoholic beverage drinkers concludes that sales of wines and distilled spirits will continue to take business from the beer industry.

"Beer (is) likely to continue to lose share to wine and spirits due to health and demographic trends," William Pecoriello, a Morgan Stanley analyst, said in discussing the report, which was published Wednesday.

"Spirits have built strong image and share among 21- to 27-year-olds, which bodes well for future growth," he said. And, "wine is the main beneficiary of health and aging trends," Pecoriello added. "Wine consumption actually increases for people on a diet."

In addition to the health and demographic trends, "women are increasingly likely" to drink wines and spirits and have "more negative views on beer," according to the report.

The survey was conducted in November and included only U.S. adults ages 21 to 65 who had consumed alcohol in the past seven days.

Deutsche Bank also published a report Wednesday that concluded women "are the driving force in spirits and wine growth."

In a survey of 360 21- to 30-year-olds, Deutsche Bank found that 62% of young adults who preferred beer were male, and 62% who preferred spirits were women. Of those preferring wine, 73% were female.

In addition, "the proliferation of new light and low-carbohydrate products may be off-based," Deutsche Bank analyst Marc Greenberg said. "The 'gender gap' is more about a female preference for spirits and wine based on flavor, not diet."

Wines and spirits have been gaining a bigger share of the alcoholic beverage market since the late 1990s. Beer is the most popular alcoholic beverage in the U.S., but its market share has dropped from 59.5% in its peak year of 1995 to 56.7% in 2003, based on alcohol content.

Based on the survey and other research, Morgan Stanley said it expects sales of distilled spirits to grow 2% a year, and wine sales to grow 3.5% a year over the next five years.

In contrast, Pecoriello said, "We expect beer consumption to grow 0.5% per year over the next five years, losing share to both spirits and wine."

Pecoriello also concluded that "slower beer industry growth will likely keep the cost of doing business high."

To combat the gains of wines and spirits, the beer industry has been spending more money on marketing and promotions, including what they call on-premise spending. That means in bars and restaurants and other places where drinks are consumed on the premises - and where distilled spirits have sold especially well among younger drinkers.

The survey leads Morgan Stanley to believe that spending won't be enough.

"Beer continues to lose share on-premise to spirits, but it also needs to defend 'at home' occasions" from incursions by wines and spirits, the survey said.

Brewers need to "innovate to reach women and older consumers," the report said. "However, this has been difficult in the past."

Recent beer industry innovations include new products, packaging and labeling. The one most important to Anheuser-Busch Cos. (BUD) is Budweiser Select, a low-calorie, low-carb beer that went on sale nationally last month.

Randy Baker, Anheuser-Busch's chief financial officer, has said that "a big portion" of the St. Louis brewer's success in meeting its sales goals this year "is going to depend on Budweiser Select and the net gains that it gives us."

Anheuser-Busch has said that it expects significant cannibalization, or switching to Budweiser Select from other Anheuser-Busch brands, but it also expects to add and retain drinkers as a result of the new beer.

The "base case is for 70% cannibalization," the Morgan Stanley report said, and added that while it is "still early," it is "running higher so far."

Morgan Stanley does investment banking and other business with Anheuser-Busch.



**6. Starbucks Stake is Sold Due to Jim Beam Deal**

March 23, 2005

NEW YORK, March 23 (Reuters) - Pax World Funds, an asset manager that evaluates companies for social responsibility, said on Wednesday it "had no choice" but to sell about $23.4 million worth of stock in Starbucks Corp. (SBUX.O: Quote, Profile, Research) because of a deal to produce coffee liqueur with bourbon-maker Jim Beam.

Pax World said in a Feb. 17 letter to Starbucks that it and other parties were "deeply concerned" by the company's decision to partner with Jim Beam, a unit of Fortune Brands Inc. (FO.N: Quote, Profile, Research)

A spokeswoman for Portsmouth, New Hampshire-based Pax World, declined to say who the other parties were, but said they included investors and mutual funds that wanted to be kept abreast of a dialogue with Starbucks.

In a statement, Starbucks said it was disappointed by Pax World's decision to divest its 375,000 shares, and noted its work to educate parents and children about the danger of underage drinking.

Pax World said Starbucks should be commended for its record on the environment, efforts to promote fair trade and charitable giving, but the spokeswoman said the Jim Beam deal was not in line with its mission statement over the years.

The stake that Pax World sold is a fraction of Starbucks' market capitalization of about $20.6 billion. Pax World, which has about $1.5 billion in assets under management, had held the stake for eight years, the spokeswoman said.



**7. An Issue That Won’t Go Away**

By: *DI Editorial Board*

March 23, 2005

The Daily Iowan Editorial Board talked with two representatives of the Stepping Up Project after meeting several weeks ago with the co-heads of the Iowa City Alcohol Advisory Board.

Jim Clayton, the coordinator of Stepping Up, and Sarah Hansen, the coordinator of Health Iowa and a Stepping Up member, favor an ordinance that would restrict Iowa City bars to patrons aged 21 and older. The alcohol board advocates proactive steps to change the downtown drinking culture while continuing to allow 19-year-olds into licensed establishments.

The question at stake isn't whether an alcohol problem exists, but rather, what approach should be taken to address the issue. While we maintain our stance that a 21-only ordinance is not the answer, we were impressed by the thoughtful and well-researched arguments we heard Tuesday.

The concerns of Clayton and Hansen center on a community and university whose reputation and attractiveness are suffering at the hands of students who drink alcohol excessively, hurting themselves and disrupting the lifestyles of others. They argue that the key to reducing this problem is to limit access, which will compel students to find free-time activities that don't involve booze-induced mayhem. The research they cited suggested a decrease in alcohol-related incidents in municipalities where bars closed their doors to the under-21 crowd. It also suggested that 69 percent of UI students reported engaging in high-risk drinking at some point, well above the national average of 44 percent.

Clayton dismissed contentions that a 21-policy will create a jump in house parties and relocate illegal consumption to "less safe" locations, noting that Iowa City police observed no increase in house-party complaints after the 19-ordinance took effect. He also emphasized the importance of considering data when determining how to change Iowa City's drinking culture, labeling the issue "a science." Hansen lamented a party scene at the UI that "cheapens" the value of its degrees. Prospective employers are beginning to take Iowa graduates less seriously because of the university's reputation as an alcohol-dominated campus, she said.

We agree with many of these points. Downtown Iowa City has declined as a destination for recreation, shopping, and family activity because there are too many bars. Those bars are not safer than house parties, and house party-related problems may not have increased substantially since passage of the 19-only law. Furthermore, it is important to consider scientific evidence as part of a remedy for the problem.

But there are ways to improve downtown's image without keeping minors away - and, consequently, without forcing many of the storefronts to become vacant. Clayton conceded that this would initially be an issue, and there aren't any guarantees as to how well downtown would recover after many of its businesses flee. One way to improve that image is to implement zoning policies that prevent new bars from taking root; another is to offer incentives to non-liquor-license establishments that attract people to the area.  
  
Moreover, bars may not be safer than house parties, but they are no less safe. And at the downtown bars, help will almost always be closer if trouble arises than it would be at a private residence. When a UI student burned herself severely at an Iowa City nightclub three years ago, police arrived on the scene almost immediately. If that tragedy had occurred in an outlying area, the difference in response time could have made a drastic difference - and not for the better. House parties didn't necessarily spike under the 19-only ordinance, but that's because it wasn't as drastic of a policy change as 21-only would be.

Some data may support increasing the bar-entry age, but we must consider all data. Brian Flynn of the alcohol board noted an increase in sales at local liquor stores the last time fines were raised for underage drinking citations. The same would logically occur if local bars banned minors. Bars do provide easy accessibility to alcohol, but if they are removed from the picture, other outlets will take their place.

Finally, we weren't convinced by Hansen's assertion that the UI is being undermined as a place of higher education by its reputation as a party school. Certainly, we're far from being alone in that regard; and those who envision Iowa as a place of drunken students are likely stereotyping the state more than the university.

There isn't a panacea for this problem, as all interested parties seem to agree. The DI has its position, as do Stepping Up and the alcohol board. Our overall hope, however, is that we can work together for solutions rather than clashing over our differences.

