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| *July 28, 2006* |

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**I. NATIONAL NEWS.**

**1. Imported Beers Win Converts in the Heartland**

By Joseph T. Hallinan – Wall Street Journal

July 25, 2006, Page B1

For decades, the Midwest has been the buckle of the American beer belt. Just as generations of Midwesterners tended to buy American-made cars, they generally drank American-made beer, with a devotion that outstripped that of other parts of the country.

But there are signs that domestic beers' traditional hold over the heartland is loosening in favor of imported beers -- and that has American brewers worried. A similar shift happened years ago on the coasts, but only in the past five years has it started to take root in the Midwest, home to [Anheuser-Busch](http://online.wsj.com/quotes/main.html?type=djn&symbol=BUD) Cos. of St. Louis and Milwaukee's Miller Brewing Co., a unit of [SABMiller](http://online.wsj.com/quotes/main.html?type=djn&symbol=SAB.JO).

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| [Beer Photo] |
| As the Hispanic population has surged, Mexican beers have become increasingly popular. |

To be sure, imports still make up a small fraction of beer sales in the Midwest -- but their sales are growing rapidly. In Iowa, only 1.7% of the beer sold in 2000 was imported; by 2004, imports had jumped 65%, to a 2.8% share. In Wisconsin, Miller's home state, imports rose 51% between 2000 and 2004, to a 5.3% share. Missouri, home to Anheuser, saw import consumption climb 21% over that same period, rising to 3.5% of beer sold.

Even in Michigan, where imported cars remain taboo among some consumers, beer imports recently accounted for 16.1% of supermarket sales, according to research firm ACNielsen -- the biggest such share of any Midwestern state. By contrast, beer imports account for 14.4% of supermarket sales nationwide. "The internal U.S. markets are continuing to grow at accelerating rates," says Bill Hackett, president of Chicago-based Barton Beers, one of the nation's largest distributors of imported beers, including top-selling Corona.

One reason for the shift is economic: As beer production consolidated, the breweries that once dotted the Midwest disappeared, taking with them the allegiance of their communities. Cincinnati once had more than 150 breweries, including brands like Hudepohl, Burger and Schoenling that enjoyed loyal followings. As recently as the 1970s, Hudepohl alone had one-third of the Cincinnati market. Today, the Queen City has just one major brewery, owned by [Boston Beer](http://online.wsj.com/quotes/main.html?type=djn&symbol=SAM) Co.

Another reason is demographic: As the Hispanic population has surged in the Midwest, Mexican beers such as Corona, Tecate and others have become increasingly popular. The Hispanic population in the Midwest grew 81% from 1990 to 2000, the largest growth rate of any area in the country, according to the Center for Family and Demographic Research at Bowling Green State University. Mexican beers account for more than 46% of all beer imported into the U.S.

In Indiana, Hoosiers drink less imported beer, per capita, than any other state, according to Adams Beverage Group. Yet even here, tastes are changing. "Import sales are definitely up," says Sean Clark, owner of Gallagher's Place, a neighborhood bar in a strip mall on the South Side of Indianapolis. Six years ago, says Mr. Clark, "we probably weren't doing two cases of Corona a week and five cases of Heineken a month." Now he's selling 30 cases of Corona a month and 20 cases of Heineken Premium Light.

The domestics have responded by forging their own alliances with foreign brewers. Anheuser owns about 50% of Grupo Modelo SA, producer of Corona, and Miller has its own roster of imports through its parent company, including Czech Republic brew Pilsner Urquell and Peroni Nastro Azzurro of Italy. "Clearly, we want to compete and win and grow," says Michael J. Owens, vice president of marketing for Anheuser.

The growth of imports, which are typically priced at premium levels, should help domestics introduce brands for which they can charge more, Mr. Owens says. Anheuser is test marketing two organic beers -- Wild Hop Lager and Stone Mill Pale Ale -- that retail for $7.99 a six-pack. A six-pack of Budweiser typically retails for about $6.

Imports accounted for just 11.7% of beer sales in the U.S. in 2004. But the creeping interest in imports is an especially unwelcome trend as the domestic brewing industry comes off a down year in 2005. According to industry periodical Beer Business Daily, the first five months of this year have been the best five-month volume increase performance in import history -- and much of that has come at the expense of Anheuser and Miller. "It is getting tougher and tougher to be a domestic brewer," Bear Stearns analyst Carlos Laboy told investors in a note published last week.

Meanwhile, the import brands are stepping up their Midwestern incursion, lured by the region's heavy per-capita beer consumption and loads of colleges full of young drinkers settling into their favorite brands.

Newcastle Brown Ale, an English beverage that is a leading imported ale in the U.S., saw sales in the Midwest soar 28% between 2002 and 2005. The brand's owner, Scottish & Newcastle Importers Co., a subsidiary of Scottish & Newcastle PLC, has deployed teams of "Ale Blazers" to pass out free, four-ounce samples.

![[Map]]()Dutch brewer Heineken NV is enjoying brisk sales in the Midwest of Heineken Premium Light, a new brand that's pressuring the one industry segment that has remained reasonably solid for the domestics: light beers. Heineken has a mock flight crew of men and women visiting Midwestern bars to offer patrons drinking domestic light beers a chance to "upgrade to first class" and drink a Heineken Premium Light.

In the past, says Andy Thomas, president of Heineken USA, Heineken would have introduced the new beer on the coasts first, and brought it to the Midwest later. With Premium Light, which it introduced in the U.S. a few months ago, Heineken decided to hit all three parts of the country simultaneously. "The central area [of the U.S.] is coming on like gangbusters for us," Mr. Thomas says.

<http://online.wsj.com/services/article/SB115379044133916077-search.html?KEYWORDS=Imported+Beers+Win+Converts&COLLECTION=wsjie/6month>

**2. Beer is Back as U.S. Drinkers’ Beverage of Choice**

By Jeremy Mullman - AdAge

July 25, 2006

**Latest Gallup Poll Results: 41% Prefer Beer vs. 33% Wine**

CHICAGO (AdAge.com) -- Beer may have some life left yet.

Last summer, as sales tanked, many of the frothy beverage's obituaries were sourced to a poll conducted by the Gallup Organization that found beer was no longer the beverage of choice for most Americans, who more frequently drank wine (39%) than beer (36%).



Consumers this year said beer is the beverage they drink most, but brewers are waiting to see if sales figures bear that out.

**Gallup findings**

But, in a reversal, the just-released Gallup poll this year found that beer is again the beverage Americans drink most often, beating wine by a 41% to 33% margin. (Liquor, however, climbed to 23% from 21% last year.)

 "We think this is a real sign that things are starting to turn," said Bob Lachky, VP-global industry development at No. 1 brewer Anheuser-Busch Cos. "This is a reflection that, in terms of real sales, people still look to beer more often."

 **Image revival**

After last year's Gallup data was released, Mr. Lachky led an effort at A-B to revive beer's image through the "Here's to Beer" ad campaign, which emphasized the social value of the beverage. TV spots directed by Spike Lee asked celebrities such as "Sopranos" star Michael Imperioli and sportscaster Joe Buck who they would like to have a beer with. The effort included an internet component as well.

 A-B invited rivals Miller Brewing and Coors brewing to participate in the category push, but both declined, figuring, correctly, that A-B -- which has a nearly 49% share of the U.S. beer market -- would wind up funding the ads anyway.

**No hard sales data**

Mr. Lachky said he saw the latest Gallup figures as a sign the campaign is succeeding, although he acknowledged that he has yet to see any actual sales data suggesting beer is regaining share from wine and spirits.

 "We are getting some indications that hard liquor's share is flattening a bit," he said. "But it is a little premature to say beer is growing share back."

<http://adage.com/article?article_id=110727>

**3. Smoking 'Reduces Alcohol Effect'**

*BBC News - Health*

July 24, 2006

Having a cigarette while drinking may reduce the effects of the alcohol, scientists suggest - but the tests have only been carried out on rats so far.

Researchers in the US state of Texas blood-tested rats after feeding them varying doses of nicotine and alcohol.

They believe lower alcohol levels found in "smoking" rats are explained by how alcohol is absorbed into the blood.

But if the same is true in humans, they warn it means smokers are likely to drink more and suffer related problems.

**Cigarette smoking appears to promote the consumption of alcohol**

Prof Wei-Jeun Chen writing in the journal Alcoholism: Clinical and Experimental Research, the scientists explained their theory on why the level of alcohol in the rats' bloodstream fell as their nicotine level increased.

They believe the effect may be occurring because nicotine somehow delays the movement of alcohol into the intestines - a major site for the absorption of alcohol into the bloodstream.

While being held in the stomach, the alcohol molecules are metabolised, leaving less alcohol to pass from the stomach to the intestines and into the blood.

**Disease risk**

Wei-Jeun Chen, lead researcher and associate professor of neuroscience at Texas A&M Health Science Center, warned that smoking and drinking often go together.

He said: "Since the desired effect of alcohol is significantly diminished by nicotine - particularly among heavy or binge drinkers such as college students - this may encourage drinkers to drink more to achieve the pleasurable or expected effect.

"In other words, cigarette smoking appears to promote the consumption of alcohol."

Susan Maier, health administrator at the US-based National Institutes of Health, said the breakdown of the alcohol could lead to increased levels of toxic alcohol by-products in the body.

She said: "This would be particularly harmful for adolescents and young adult drinkers, since these populations are amenable to this type of drinking pattern, and may develop chronic alcohol-related diseases earlier in life because of it."

Dr David Ball, a senior lecturer at the Institute of Psychiatry in London, said: "This is a really interesting study. I'm surprised nobody has done it before.

"Obviously, this is a rat study rather than a human study. The most important thing would be to see if this holds true in humans, then we need to see what the implications are."

<http://news.bbc.co.uk/1/hi/health/5209990.stm>

**4. Insults Fly in the Dust of Doha**

By Edmund Conway, Economics Editor - *Daily Telegraph*

July 26, 2006

Hopes that anything will be salvaged from the wreckage of the Doha Round were fading last night as Europe and the US traded bitter accusations and recriminations, with each blaming the other for the collapse of the key trade talks.

US trade representative Susan Schwab accused the EU of lying after Peter Mandelson claimed it was America's intransigence that caused the failure of the globalisation talks.

In turn, Mr Mandelson, the European trade commissioner, repeated his allegations about the US and appealed over Ms Schwab's head to President Bush to step in and rescue the talks.

The transatlantic battle of words marks a new low in the already frosty relations between the United States and Europe.

A host of politicians warned that the talks were now, at best, frozen for years.

The talks, which had aimed to cut trade barriers across the world, boosting exports and dramatically reducing poverty, collapsed on Monday after a key group of countries failed to agree on the amount by which they will cut agricultural tariffs. Mr Mandelson said that night that the US had refused to follow its lead and improve the offer it brought to the table, leaving World Trade Organisation chief Pascal Lamy with little to do other than suspend negotiations.

But Ms Schwab said this was simply untrue. "Yesterday's statement by the EU alleging that the US failed to show flexibility and attempting to divert the blame for the stalemate is false and misleading," she said. "The countries that have tended to be finger-pointing at this point are the ones that are reluctant to act in terms of market access.

"We are deeply disappointed that the EU failed to exhibit similar restraint and hope this will not jeopardise the few chances we have left to save the Doha Round."

Politicians and businessmen are desperately hoping the negotiators can rescue something from the five-year-long Doha Round, but after yesterday's development the outlook is bleaker than ever.

Mr Mandelson's spokesman said: "Despite what the US says, there can be little doubt that our version of what happened was accurate. The talks broke down because one party didn't bring the flexibility that was indicated by the G8 leaders to the debate."

Mr Mandelson said the breakdown could have been avoided. "The gaps between us were not great."

Although in recent months Europe has made concessions and improved its offer, Oxfam said yesterday that it should still shoulder some of the blame for the WTO collapse.

**5. Distilled Spirits Council Disappointed Over Suspended WTO Trade Negotiations**

*The Distilled Spirits Council of the United States*

July 25, 2006

 WASHINGTON, DC – The Distilled Spirits Council of the United States expressed disappointment today over the suspension of the Doha round of WTO trade negotiations in Geneva, but said it supported the United States’ decision to halt the talks in order to defend U.S. trade interests.

“The U.S. distilled spirits industry fully supports the Administration’s decision to suspend the Doha negotiations,” said Deborah Lamb, Distilled Spirits Council senior vice president for international trade.  “It was becoming increasingly clear that these negotiations would not result in the robust expanded market access outcome we had hoped to achieve with the Doha round.”

Lamb continued, “The Council remains confident in the WTO system and hopes all countries return to the table in the near future ready to negotiate.”

Lamb said a global trade agreement will benefit the distilled spirits industry by reducing trade barriers and opening key markets for U.S. spirits exports.  In 2005, total global exports of U.S. spirits products were valued at over $ 742 million.

In light of the delay in Geneva, the Council will work hard to promote the reauthorization of the Trade Promotion Authority (TPA) legislation beyond 2007 to allow U.S. negotiators to pursue an ambitious trade agenda.  TPA, which allows Congress to consider trade agreements on a straight “up-or-down” vote, is an important legislative tool in knocking down discriminatory trade barriers against distilled spirits exports.

<http://www.discus.org/media/press/press.asp?press_id=292>

**6. WSWA Passes Resolution to Support H.R. 864: “The STOP Underage Drinking Act”**

By Karen Gravois Elliott - *WSWA*

July 21, 2006

Washington D.C. —The Wine and Spirits Wholesalers of America Inc. today approved a resolution to support H.R. 864, The STOP Underage Drinking Act, which is legislation aimed at curbing underage drinking.

"We applaud the sponsors of The STOP Act for their understanding of how the three-tier system and state-based alcohol controls provide the public policy rationale and framework that are the very essence of programs that promote responsible consumption and prevent underage drinking," President and CEO Juanita D. Duggan said. "This legislation ought to encourage state legislators to resist attempts by wineries who are demanding to opt-out of the regulated system through direct sales and all those seeking to undermine a state's broad authority to regulate alcohol."

We encourage the House to pass the legislation and urge the Senate to vote before the August recess, Duggan said.

The following is the resolution approved by WSWA:

WHEREAS, the WSWA supports all reasonable efforts to reduce underage consumption of alcoholic beverages; and WHEREAS, the WSWA supports balanced legislation designed to create effective programs to reduce underage consumption of alcoholic beverages; and WHEREAS, state-based regulation of alcoholic beverages from production through consumption is central to reducing underage consumption; THEREFORE, BE IT RESOLVED: WSWA supports HR 864 as drafted on July 19, 2006 and directs the staff of WSWA to communicate its support to members of Congress, the administration, its fellow industry members, public interest groups, and the public.

<http://www.wswa.org/public/index.html>

**7. Pernod in Race to Buy Tequila Herradura**

By James Politi in New York and Lina Saigol in London – *Financial Times*

July 23, 2006

Pernod Ricard, the French drinks group, has emerged as one of three bidders vying to take control of Tequila Herradura, the Mexican tequila maker that could be worth as much as $800m in a sale.

Herradura is one of the biggest tequila producers in Mexico, but it has a much smaller international business than rival José Cuervo, which is owned by Britain's Diageo. Herradura has been seeking a buyer since April, attracting final bids about 10 days ago, people familiar with the matter said.

In the final round of the auction, Pernod is facing competition from Brown- Forman, the Kentucky-based group that produces and markets brands including Jack Daniel's and Southern Comfort. Bacardi, the world's largest privately-held spirits group, has also participated in the auction, and there was no clear frontrunner, people close to the process warned.

An acquisition of Herradura would significantly bolster Pernod's white spirits division, which includes iconic brands such as Stolichnaya vodka and Beefeater gin. Pernod already owns two Mexican tequila brands in Olmeca and Viuda de Romero. Last year, Pernod agreed to pay $14bn for Britain's Allied Domecq in conjunction with Fortune Brands, but the US company took control of Allied's Sauza tequila business.

The auction for Herradura, which could be wrapped up within a matter of weeks, has highlighted the growth in consumption of white spirits around the world, as many consumers switch from beer to hard alcohol. Tequila has been one of the best performing spirits, and an $800m valuation would reflect that growth, according to analysts.

One New York-based adviser to drinks companies suggested that Pernod might be willing to pay a premium for Herradura in order to gain wider access to the Mexican market. This would give the French drinks group a channel through which it could distribute some of its other brands in a key emerging market economy.

A sale of Herradura at a high valuation could embolden other privately-held spirits groups to begin sounding out the interest of potential buyers. One name frequently mentioned is Patron Spirits, a maker of rum and tequila based in Nevada that could be worth as much as $2bn, according to one industry observer.

Herradura is based in Guadalajara, in central Mexico, and traces its roots back to the 19th century.

**8. Pernod, Bacardi Quiet on Tequila Purchase Talk**

Source: *just-drinks*

July 24, 2006

Pernod Ricard and Bacardi would not be drawn today (24 July) on rumours linking it to Tequila Herradura.

Reports this morning have suggested that Pernod and Bacardi are among the bidders in the race to buy the Mexican Tequila maker.

In April this year, Herradura was reported to be looking for buyers. Estimates at the time valued the company at between US$650-US$750m. The brand is known both for its premium anejo and reposado Tequilas as well as its standard brand Jimador.

Final bids for the company came in ten days ago. Pernod is thought to be a front runner, along with Bacardi and Brown-Forman. Pernod reluctantly sold Sauza Tequila to Fortune Brands last year as part of its Allied Domecq acquisition.

"We have no comment to make (on the reports)," a spokesperson for Pernod told just-drinks today. When contacted today, a spokesperson for Bacardi said: "Bacardi has a long standing policy of not commenting on speculation." No-one was available for comment at Brown-Forman.

In April last year, Pernod's chairman and CEO, Patrick Ricard, said that it would have been "a dream" to retain Sauza as part of its purchase. Pernod sold Sauza, among a slew of other former Allied brands, to Fortune to secure the US company's financial backing for the Allied takeover.

**9. Jim Beam Begins Search for New Marketing Chief**

ByJeremy Mullman – AdAge

July 25, 2006

**Current CMO to Leave; Changes Follow Massive Expansion**

CHICAGO (AdAge.com) -- Beam Global Spirits & Wine, which recently completed a massive expansion of its marketing department following an acquisition that doubled its size, is now looking for someone to run it. Beam Chief Marketing Officer Beth Bronner is "departing the company to pursue other interests," the company said today.



CMO Beth Bronner is leaving Beam after expanding its marketing departrment personnel from 85 to 160.

Ms. Bronner joined Deerfield, Ill.-based Beam as senior VP-marketing in fall 2003 with a pedigree that included work on brands such as Revlon, Nabisco, AT&T, Haagen Daaz, Slimfast, Citibank and Sunbeam, but with no prior spirits experience. She leaves two days before the company parent, Fortune Brands, releases its second-quarter earnings July 27.

 **Allied Domeq acquisition**

After Beam's $1.2 billion 2005 acquisition of brands from Allied Domeq, including Sauza tequila and Makers Mark whiskey, Ms. Bronner was charged with scaling Beam's marketing to its new stature as the world's No. 4 distiller. She increased marketing personnel to 160 from 85, and planned aggressive increases in spending abroad.

 "We had one global brand -- Jim Beam -- and now we've got seven," Ms. Bronner said during an April interview with *Advertising Age.* "That gives us a great opportunity."

 But that opportunity now belongs, temporarily, at least, to John Muller, the company's senior VP-strategy and corporate development, who will retain his current responsibilities in addition to Ms. Bronner's during the search for her replacement.

 **Integrated brands into portfolio**

Before joining Beam, Mr. Muller served as a consultant to the company as it integrated the 25-plus Allied brands into its portfolio. His background also includes a stint as senior VP-strategy for Bank of America, McKinsey & Co. and Procter & Gamble Co.

 "Through a commitment to invest and grow our brands as a brand-led company, John will lead this interim transition while continuing to work closely with the company's business units to implement critical brand strategy initiatives and brand growth," Tom Flocco, president-CEO said in a statement.

 <http://adage.com/article?article_id=110729>

**10. SABMiller Makes Two Chinese Acquisitions For $52.4M**

***Dow Jones Newswires***

July 24, 2006

LONDON (Dow Jones)--SABMiller associate, China Resources Snow Breweries, said Monday that it has agreed to acquire Zhejiang Yinyan Brewery Company for $42.3m in cash and the brewing related assets of the Anhui Huaibei Xiangwang Brewery Company for $10.1 million.

Situated in the Haiyan county of Zhejiang Province on the east coast of China, the Yinyan Brewery is well positioned to further extend CR Snow's footprint in northern Zhejiang, an area which is close to a number of major cities including Shanghai, Hangzhou, Suzhou and Ningbo.

Similarly, Xiangwang Brewery is based in Huaibei, a major city in northern Anhui.

Upon acquisition, its national brand "SNOW" will be produced as soon as practicable. At present, CR Snow has two breweries in Zhejiang Province and five breweries in Anhui Province, with 2005 sales volumes of 2.9 million hectolitres and 4.9 million hectolitres respectively.

Both breweries are strategic acquisitions in the development of CR Snow's footprint in China.

Incorporating Yinyan Brewery's net debt of $6 million and CR Snow's intention to invest an additional $1.8 million, the total investment cost in Yinyan Brewery is expected to be $50.2 million.

The current annual production capacity of the brewery is 1.8 million hectolitres and this will be increased to 2.4 million hectolitres after undergoing the planned investment. At present, the portfolio is focused on the "Yinyan" series of beers, which are distributed in the Jiaxing area of Zhejiang; and in Shanghai.

In 2005 the Yinyan Brewery sold 1 million hectolitres of beer.

The consideration for the acquisition of Xiangwang Brewery is based on appraised asset value, with an intended further investment of $7.4 million, bringing total investment cost to approximately $17.4 million.

The annual production capacity of the brewery will be upgraded from 930,000 hectolitres to 1.6 million hectolitres. At present, the brewery's main brand "Xiangwang", has a dominant market share in Huaibei and in 2005 the brewery reported sales volume of about 650,000 hectolitres.

**11. Earnings Preview: Anheuser-Busch**

*The Associated Press*

July 24, 2006

NEW YORK - Anheuser-Busch Cos. Inc., the world's largest brewer, reports earnings for the second quarter on Wednesday. The following is a summary of key developments and analyst opinion related to the period.

OVERVIEW: Domestic beer sales are lagging behind craft \_ or regionally produced \_ and imported beer sales. Higher aluminum prices are also weighing on the sector somewhat.

The biggest news during the quarter came in June, when company president August Busch IV told a liquor industry group that if beer volume continues to be lost to wine and hard liquor, the company will have to think in terms of expanding beyond beer and broadening its position in the wider alcohol industry.

Also in June, Anheuser-Busch extended its longtime position as exclusive alcohol sponsor for the Super Bowl through 2012, and also said it would serve as exclusive alcohol sponsor for the Ryder Cup and President's Cup through 2011 and the Kentucky Derby and the Preakness through 2010.

In an ongoing battle in Europe to trademark the "Bud" name at the expense of Czech brewer Budejovicky Budvar, which also claims the brand name, the Board of Appeal for the European Union's Office for Harmonization in the Internal Market in June said A-B can register "Bud" throughout Europe.

In May, A-B bought the Rolling Rock brand from beverage company InBev USA for $82 million. The company also signed a distribution deal with Hansen Natural Corp., a maker of sodas and energy drinks.

Meanwhile, competitor Molson Coors Brewing Co., maker of Molson and Coors beers among others, suffered an embarrassment when company chief executive Pete Coors acknowledged he was cited in May for driving under the influence. In May, the company narrowed its first-quarter loss as beer volume rose, but expenses and costs for energy and commodities also increased.

BY THE NUMBERS: Analysts, on average, predict a profit of 76 cents per share on revenue of $4.17 billion, according to a poll by Thomson Financial.

ANALYST TAKE: Bank of America analyst Bryan Spillane is looking for a profit of 78 cents in the second quarter.

"A good start to the year for the beer industry and reasonable pricing environment suggests a modest upside" for A-B, he wrote in a research note. "On the cost side, we do not think A-B will be impacted by the recent run-up in aluminum prices, as we think A-B is operating under price caps in North America. In addition, we believe there could be upside to our equity income estimate given the ongoing strong trends for Corona." Anheuser-Busch owns 50 percent of Grupo Modelo, which owns Corona.

Meanwhile, Morgan Stanley analyst William Pecoriello expects a profit of 77 cents per share, on 1.7 percent organic growth in the U.S., revenue per case improvements of 1 percent, and a domestic beer decline of 2 percent, he wrote in a research note.

A key upcoming question, according to Pecoriello: "A-B needs to diversify its profit mix away from domestic beer segment. Will it choose spirits and wine and/or more international beer expansion?"

STOCK PERFORMANCE: The stock began the quarter at $42.90 and hit a 52-week high of $47.04 on May 22, before retreating slightly to end the quarter up 6 percent at $45.59. In Monday afternoon trading, shares hovered near their year-high, up 20 cents at $47.01.

**12. Direct Shipping Brings Huge Compliance Puzzle**

By Jeff Quackenbush, Staff Reporter, ***Wine Industry Business Journal***

**With consumer sales growing, wineries hire staff or turn to vendors**

LOS CARNEROS - For Gloria Ferrer Champagne Caves Hospitality Director Tom Scott, selling and shipping wine directly to consumers nationwide is becoming a more viable business for a mid-sized winery such as his, but rapidly changing state laws are making compliance literally a full-time job.

Across the industry, last year's U.S. Supreme Court ruling opening the door to greater direct shipping to consumers has created new sales opportunities. But along with them has come a complex regulatory puzzle that wineries are either outsourcing or hiring staff to handle.

Twenty-seven states have approved permits that wineries can buy to ship directly to consumers, two more states have permit laws set to go into effect and the legislatures of eight more states are contemplating their own systems, according to Katie Schumacher, CEO of Napa-based direct-sales fulfillment and compliance service New Vine Logistics.

The number of reports required in those 27 states currently is 598 and will be 614 when the other states adopt permit laws, she added.

Gloria Ferrer used to fulfill its own shipments to wine club members in California and a dozen other states that used to be known as reciprocal states because of their less-stringent laws on direct shipments of wine, Mr. Scott said.

That stopped when the shipment and tax reporting laws took effect, especially with the movement in Nevada, Florida, Texas, New York, California and other states to collect taxes based on the rate at the destination.

"We don't have the capacity to pack this," Mr. Scott said. "We would need a dedicated compliance person just for consumer direct and dedicated warehouse space to pick-and-pack."

Yet in the past few years, Gloria Ferrer's wine club has enjoyed sales growth of about 30 percent, and Internet sales have increased 40 percent, so the winery has turned over direct-sales reporting compliance to New Vine Logistics.

Wineries are increasingly turning to outside help for direct-shipment compliance, such as San Francisco-based WorldShipNet and New Vine.

**Wine shipper sees 40% increase**

The latter's volume of consumer-direct wine shipments in the first half of this year increased 40 percent over the same period last year, and the company picked up 40 new direct-shipping clients, according to Ms. Schumacher.

Others plan to hire someone for or dedicate staff time to direct-sales compliance, taking back more of that function from consultants.

Bob Kelso with 250,000-case-a-year Cline Cellars, has staff accountants spending significant time preparing the reports based on order and legal information provided by New Vine Logistics.

Next year, he anticipates needing someone to handle the reporting full time as tasting room sales have tripled in the past five years, and wine club membership increased seven-fold in that time.

**Some wineries hire own staff**

Kevin Burton of 80,000-case-a-year J Vineyards & Winery plans to hire a compliance specialist soon because outsourcing the functions creates a disconnect from the winery's federal certificates of label approval as well as marketing and production strategies.

"It's worth the $50,000 to $70,000 a year to do it in house and have it done right," Mr. Burton said. "If it gets screwed up, you can't ship wine to that state."

J's direct-sales channels account for 10 percent of total sales, and visitor's center revenue has been increasing at 20 percent to 30 percent annually since 1996, according to Mr. Burton.

Dedicating staff to consumer-direct compliance is a big commitment for wineries producing more than 50,000 cases per year.

A 2003 direct-sales survey by St. Helena-based MKF Research, to be updated this year, found such sales typically were only 8.5 percent of the total for a mid-sized winery, 5 percent of wines retailing for more than $15 a bottle and 2.3 percent of all U.S. sales.

The newly added compliance costs for direct-wine shipments together with the high shipping costs for a heavy product at a time of soaring fuel prices could make the endeavor less profitable. However, industry sales analyst Eileen Fredrikson said wine clubs and wine tourism should be viewed partly as marketing expenditures.

"If you get someone in a wine club, you're that much closer to having a repeat customer," she said.

**13. Imports, Craft Beers Drive Growth in Sector, As Category Prices Rise Along With Aluminum Costs**

 *(AP)*

July 21, 2006

NEW YORK, NY -- As companies begin to report second-quarter earnings, category pricing in the beer industry is up. Imported and regional, or craft, beer sales are strong, while domestic beer sales are lagging.

Higher aluminum costs are weighing on the sector somewhat.

According to a report by Merrill Lynch analyst Christine Farkas, in June, No. 1 U.S. brewer Anheuser-Busch Companies Inc. volume fell 1.9 percent, brewer SABMiller plc volume fell 5.7 percent, and fifth-largest brewer Molson Coors Brewing Co. edged down 0.3 percent.

The segment gaining the most volume is Micro or Craft beers, or beers that are locally produced. Volume grew 12.5 percent in June.

Some of the largest brewers, like Anheuser-Busch, which reports July 26, have been working out ways to develop new products. A-B made waves in May by signing an agreement for distribution rights for drinks and juice maker Hansen Natural Corp.'s Monster, Lost and Rumba energy drinks -- plus another energy drink to be named later. The gives Anheuser-Busch more access to the energy-drinks market.

Category pricing is also helping Anheuser-Busch.

"Taking a new look at A-B's margin erosion in 2005, we find that an emerging improvement in the U.S. pricing environment is more important than previously believed," said Stifel Nicolaus analyst Mark Swartzberg. "Relatedly, while we are sensitive to marketplace jitters (e.g., "How will Miller respond to months of share loss?"), we expect A-B to meet success raising prices again this fall."

Another big deal -- highlighting the importance of imports in the sector -- is a distribution agreement announced in July involving Constellation Brands Inc. The company, which owns about 200 brands of beer, wine and spirits, in July agreed to create a joint venture with Grupo Modelo to import and distribute beers from the maker of Corona Extra and Negra Modelo. Anheuser-Busch has a 50 percent stake in Grupo Modelo, but will not be involved in distribution.

Separately, Molson Coors Brewing Co. reports Aug. 1. Bank of America analyst Bryan Spillane said the La Crosse, Wis.-based maker of Molson, Coors and Keystone brands of beers, said positives for the company include a new brewery opening and capital spending decreasing. However, "more volatility over the next three quarters keeps us neutral at this time," he wrote in a note to clients.

Boston Beer Co., maker of Samuel Adams beer, also reports in early August. The company is part of the fastest growing beer segment -- craft beer -- and it shows: volume is up 12.3 percent for the 12 weeks ending June 17. However, the Boston-based beermaker faces some challenges, including the termination of a contract-brewing arrangement with SAB Miller at the end of 2007. Spillane expects an update on what the company proposes to do about the contract when it reports earnings.

"The company has previously stated that it expects a new brewery to cost between $70 million and $90 million over two years (the company has $59.2 million of cash at the end of the first quarter)," he added.



**14. United Kingdom: Drinks Giant Caught Out Over Leaked Email**

By James Wilmore

July 27, 2006

Constellation urges employees to buy firm's own wines to gain multimillion-pound contract

Bosses at drinks giant Constellation have been left red-faced after a leaked email revealed they are encouraging employees to buy the firm's own products to gain a multimillion-pound contract.

The company is aiming to win the right to exclusively supply house wine to the 650 Wetherspoon pubs across the UK.

To help secure the contract, the firm's managing director Steve Thompson and senior vice president Peter Spencer emailed employees urging them to buy its wine from Wetherspoon pubs and claim the money back on expenses.

Staff have been asked to buy Hardys Nottage Hill Chardonnay and Shiraz and Echo Falls, which are supplied by Matthew Clark Wholesale - part of the Constellation Europe business.

The email to employees read: "To date we have had a poor response to our invitation to get all employees to visit their local JD Wetherspoon outlet and purchase Nottage Hill Chardonnay & Shiraz (and Echo Falls in the Bristol area) and reclaim via expenses.

"We would implore each of you to participate in this activity as it is vitally important that we maximise volumes."

However a statement from Constellation claimed the wines were being trialled at Wetherspoon pubs and employees were being asked to participate in a "mystery shopper type exercise".

The company said it had issued a letter originally about the exercise and the email was "for the purpose of maximising employee participation in this activity".

A Wetherspoon spokesman said: "While we are more than happy to serve employees from Matthew Clark in our pubs, we would not wish to be associated with any activities which might influence our decision on choosing the specific wine."

**15. Chile: Harvest Report 2006**

Source: *just-drinks*

July 26, 2006

In the final of our Southern Hemisphere harvest reports, Dean Best looks at Chile. The country's wine producers are heralding 2006 as an excellent year for both red and white wines, as fears that frosts in the spring and mid-April may have affected quality have subsided.

Moderate temperatures and low rainfall this year have combined to leave Chile's wine producers bullish about the 2006 harvest, while fears that frosts last spring and in mid-April would hit the quality of the 2006 vintage have been dispelled.

A meteorological phenomenon dubbed La Niña, which hits Chile's coastline once every couple of years, was "the determining factor" behind this year's weather, according to Cono Sur, part of Chile's leading wine producer Concha y Toro.

La Niña reduced the temperature of the Pacific, resulting in less evaporation and minimal rain which delayed the harvest by up to 15 days in most regions and produced, as Cono Sur put it, "white wines of great aromatic intensity, freshness and minerality, especially those from Casablanca". Meanwhile, the lack of rain, combined with colder temperatures on average, meant red wines had become "beautifully coloured, complex, elegant, forthcoming and juicy".

While there had been concerns that last spring's frosts would hit the 2006 harvest, it had become clear that frost had not affected the quality of the grapes, Cono Sur said.

"Springtime carried on with slightly lower temperatures than usual and soils with good humidity indicators, which to a great extent lessened our irrigation needs," Cono Sur says. "We were already able to ascertain that the growth cycle was delayed in terms of its usual progress, but the correct setting of the flowers gave way to clusters of outstanding quality. The veraison or turning continued undisturbed, confirming the general delay of the season."

**II. IOWA.**

**16. A Ride and a Brew**

By Brian Morelli - *Iowa City Press-Citizen*

July 26, 2006

Team Good Beer works to make RAGBRAI ale offerings better

After a long day on RAGBRAI, many cyclists cruise into the overnight town, toss down their bike, unstrap their helmet, peel away their gloves and go for a cold beer. Others just go for a cold beer.

"A big part of RAGBRAI is drinking," said Troy Strong, 41, a four-time rider from Santa Cruz, Calif.

RAGBRAI and beer go hand-in-hand for many. To the dismay of some, such as Strong, most beer gardens, bars and tent-side coolers stock Miller, Coors or Budweiser. One new team, which Strong joined, was tired of the same offerings.

"I kept getting into the pass-through towns and the overnight towns and it would be day after day, Miller, Miller, Miller, Bud, Bud, Bud," Steve Slach said Tuesday of his first RAGBRAI experience last year. "After 400 miles, I said, 'There's got to be a better way to do this.'"

The Bettendorf resident started Team Good Beer for RAGBRAI XXXIV. The team bus is the same bus that Slaw rode as a high school senior in the Quad Cities. Now there is a beer tap as the hood ornament, the bus is painted black and has a deck made from scrap metal from Kinnick Stadium.

The bus also is stocked with more than 20 varieties and 95 gallons of beer -- oatmeal stouts, white ales and German wits.

The supply came from participating sponsors Millstream Brewing Co. in Amana, Old Capitol Brew Works and Public House, 525 S. Gilbert St., John's Grocery, 401 E. Market St., and a variety of concoctions from home brewers.

The goal to get a "good beer" in every town or overnight town still is a work in progress, Slach said. They have faced some resistance from bars that don't want to upset major labels.

Team members contacted every bar along the route to try to get "good beer" on tap and created a directory or a "good beer guide."

Slach said bartenders have been impressed with the beer and it has moved pretty quickly.

"It is much more than a niche market look for quality beers," Slach said. "The demand is really there."

Team Good Beer has had an adventurous first year. The team formed from a post on the RAGBRAI message board and lured beer lovers, many of them home brewers, from New Hampshire to California to New Orleans.

Most of the 40-person team met for the first time on the RAGBRAI route, but have found the common bond of biking and good beer.

Despite some woes along the way, by Tuesday the group appeared to have the kinks worked out.

"Today is the first perfect day," Slach said after the 68-mile ride from Audubon to Waukee.

Selling for $3 a pint, Old Capitol wheat beer flowed from the tap and into cups of resting riders in a beer garden outside Dexfield Diner and Pub in Redfield.

Mark Herse, 47, of Omaha, Neb., was thrilled with the variety of choices when he went for a beer in Redfield.

"When I saw this my eyes popped," Herse said. "Right now, a wheat beer is perfect. It's thirst quenching."

Ron Traynor, of Appleton, Wis., drives the bus filled with gear from town to town. His most important job though, he said, was stocking up with 10 to 15 pounds of ice every morning.

"They like to have cold beer after the ride," Traynor said.

Cold beer ready after a long bike ride is an essential part of Team Good Beer.

"After sitting around during the ride, drinking the Millers, it is nice to have some good craft beer when we get back," said Vic Tamono, 51, a first-time rider from Los Angeles.

Decorated with lederhosen, the team's jerseys say "drink local." Team members said they get a lot of requests to visit their bus after the ride and have even traded beer for pizzas.

The group is quick to say it's not about the quantity of beer, but it's the quality of beer they enjoy.

"We aren't a bunch of drunks," said Ronnie Melin, a third-year rider from Los Angeles. "We just savor good beer, full-bodied beer."

<http://www.press-citizen.com/apps/pbcs.dll/article?AID=/20060726/NEWS01/607260319/1079>

**17. Smoking Area Near UIHC Draws Complaints**

Danny Valentine - *The Daily Iowan*

July 25, 2006

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| A no-smoking sign warns employees, patients, and visitors who might want to light up near the UI Hospitals and Clinics on Monday. The hospital's no-smoking policy, which took effect on July 1,prohibits smoking anywhere on the health-science campus, which has forced smokers to gather around nearby buildings such as the Field House.Media Credit: Melanie Patterson/The Daily Iowan |

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Only feet from hospital grounds and a sign reading "proud to be a smoke-free campus," 18 hospital and construction workers lined the Field House's western wall Monday afternoon, puffing away on their cigarettes during a break.

Almost a month after the July 1 UI Hospitals and Clinics' smoking ban went into place, scores of hospital workers and visitors now gather on the sidewalks and against the walls bordering the athletics center to get their tobacco fix, conforming to the hospital-grounds-only ban, yet allegedly worsening the air quality around one of the campus' main athletics venues.

But they may soon be told to relocate again, if some Field House patrons have it their way.

Discontent with the hundreds of cigarette butts surrounding the building and concerns of alleged secondhand-smoke exposure have amounted to "10 complaints a day" to Recreational Services Director Harry Ostrander since the hospital's ban went into place. On Monday, UI law Professor Marc Linder proposed making the ban more extensive, creating a petition to interim UI President Gary Fethke to immediately implement a 100-foot no-smoking area around the Field House.

"Our situation is worse than others," said Ostrander, who plans to sign the petition. "The policy forces hospital smokers onto our doorstep."

Most of the complaints reaching Ostrander's ears bemoan the need to walk through a pack of smokers in order to get to the wellness center, adding the interaction between the nonsmokers and smokers is a dangerous combination.

"Until we can get a policy established, it continues to be a place for potential confrontation," Ostrander said, noting that he has heard of shouting matches outside the Field House doors.

Susan Buckley, a co-chairwoman of the UI Smoking Policy Review Committee, which is charged with reviewing the university's smoking policies, said she has heard of a number of complaints and said the group is discussing the problem but doesn't expect to issue a specific recommendation for the Field House.

After years of smoking on hospital grounds, many newly relocated smokers have voiced opposition to the July 1 ban. The displaced tobacco users have resorted to smoking - in all types of weather - on street corners, lawns, and other areas within a short stroll of the hospital. It's about smoker rights, they say.

"We're all kind of embarrassed to be standing on a street corner or to be huddled in the rain smoking," said Diana, a UIHC worker who, wary of a backlash from fellow hospital workers, requested that her last name not be used. "A smoker's a smoker. They are going to do what they have to do."

Joan Kempf, a UI research assistant who was smoking Monday near an entrance to the Field House, feels the UIHC policy is unfair and has left smokers without very many places to put their cigarette butts, while not providing any assistance for workers who want to quit smoking.

"I don't think the hospital has done a very good job of offering help [to stop smoking]," said Kempf, adding people might have trouble coming up with the money to take a UIHC smoking-cessation course.

Both women said the policy was especially hard for patients' families, who might be under a large amount of stress.

But a smoking ban is ultimately good for workers, said Mary Aquilino, an assistant dean in the College of Public Health. Aquilino's opinion is backed by a 1999 study - appearing in Tobacco Control, a peer-reviewed journal for health professionals - which found workplace smoking bans reduce smoking prevalence by 6 percent and lowers average consumption among smokers by 14 percent.

"The stronger the smoking ordinance, the greater the chance people will stop smoking," she concluded.

**18. Anti-Drug Programs Leave Out a Key Point**

By Marc Hansen, Columnist – *Des Moines Register*

July 26, 2006

Perhaps this has happened to you: You are relaxing at home, nursing an adult beverage after a hard day at work.

A grade-schooler wanders into the room. The grade-schooler notices you are kicking back with an adult beverage. He suddenly becomes a hostile substance-abuse counselor.

The grade-schooler has completed his CARE, DARE or SCARE program. Maybe he has even read a pledge or an essay aloud to the class.

He is a new convert, a true believer who is convinced that street drugs, tobacco and alcohol are weapons of mass destruction.

You don't necessarily disagree. Drugs bad. Tobacco bad. Alcohol bad — though rarely lethal if used in moderation by a responsible adult. And, of course, never before driving.

You don't disagree, but what do you say? You don't want to break the spell.

The kid would sooner wear wingtips on the playground than say yes to drugs. He's been overprogrammed, sure, but what can it hurt?

"Isn't that your second one?" the grade-schooler says, listening intently for slurred speech.

Hey, I'm the parent here. Who are you, my accountant?

"Are you an alcoholic?"

No.

"Are you drunk?"

No.

"You're killing your brain cells, you know."

It's that obvious?

"Drinking is bad for your liver."

The grade-schooler, who stops just short of pulling out a Breathalyzer, never hears the moderation speech in his anti-drug-alcohol-tobacco program. Instead, he hears stories of addiction, prison, poverty, unemployment, death.

Why wouldn't he be worried for you?

A friend of mine was talking to his nephew when he was hit with this bombshell:

"My dad uses drugs."

What do you mean he uses drugs?

"He drinks beer and smokes cigars. He uses drugs."

Who told you that?

"I learned it in school."

Maybe the kid attended one of those lively "Rock In Prevention" shows. I mention this because Rock In Prevention, a publicly financed, Des Moines-based drug-prevention charity, is in the news again.

It seems the executive director, Pat McManus, received $315,732 in compensation last year, which represents 39 percent of the agency's budget.

While an Iowa State University study says Rock In Prevention shows promise, a shadow hangs over the findings. The lead researcher also happens to be the person who redesigned the program. In effect, he was grading himself, which tends to attract skeptics.

But if McManus can prove his anti-drug-and-alcohol program works — over the long haul — he deserves every penny. What's 300 large in public money if it keeps kids from ruining their lives?

That said, I doubt he can — over the long haul.

Rock In Prevention sounds like a great time. There's singing, dancing, role-playing and skits with bullies who pressure other kids into making bad choices.

"When kids learn through song and listen to the music over and over," McManus told the Register a few years ago, "it really reinforces what we're teaching."

The kids seem to love these prevention programs. In DARE, they hang out with cops and miss social studies. There's often a slide show.

The parents seem to like them. It's heartening to watch the kids catch zero-tolerance fever. They learn to Walk Away or Just Say No a dozen different ways.

The problem is, zero-tolerance fever doesn't last. Eventually, the kids get over their fright, go to college and become binge drinkers.

In grade school, they're scared substanceless. A few years later, they're retching in their dorm rooms.

Not everybody, of course, but what changes between point A and point B?

The experts who believe in these zero-tolerance programs say the trouble begins when the kids stop hearing the message. They need constant reinforcement, not just up to middle school, but all the way through high school.

While that's possible, the real flaw is probably something else. Somewhere along the line, the kids realize they didn't get the straight dope.

Not everybody who drinks or smokes pot ends up expelled from school, unemployed, incarcerated, brain-damaged or dead. Most drinkers aren't problem drinkers.

The worst-case scenario isn't the norm. Eventually, the kids figure it out. Some end up rebelling, going overboard the other way.

Where's the little substance-abuse counselor when you need him?

<http://www.desmoinesregister.com/apps/pbcs.dll/article?AID=/20060726/OPINION01/607260360&SearchID=73251841398875>

**19. Conference Promotes Fun Without Drinking**

By Jeff Lewis, *Des Moines Register*July 26, 2006

### High school students from all over Iowa take three days in Ames to talk and learn about driving safety.

###### Ames, Ia. — It was loud, it was rowdy and there were decommissioned street signs decorating the room.

No, it wasn't the scene of a college party.

About 120 Iowa high school students and adults opened the annual Get A Grip conference in Ames on Tuesday with chants, songs, activities and inspirational speeches.

The three-day conference, a combined effort of the Governor's Traffic Safety Bureau and the Iowa State University Department of Public Safety, began in 1991 with the goal of improving traffic safety among young drivers and promoting activities that don't involve alcohol.

"They can have fun without drinking, can have fun following the rules," said Wendie Nerem, area administrator for the safety bureau.

Nerem said this year's conference will provide leadership training in an effort to help students make more responsible decisions.

Jerry Stewart, director of ISU public safety, said the conference is his department's largest outreach program.

During the conference, he said, students create an action plan, "which they will take back to their respective communities and implement to improve safety among their peers."

Feedback from adults and peer advisers has been extremely positive, he said.

Nick Dial, an ISU student and a staff member for the conference, said his own experience at the conference while he was in high school was eye-opening for him.

"There's a lot of people that come here and they don't know why they're here," he said. "And when they leave, they don't know what happened because they're completely different people."

He said he hopes that participants will take away the idea that alcohol is not the only way to have fun.

"This is a program that does good things for people," he said.

The main voice of the event will be Bill Cordes, a motivational speaker who has been involved with the conference since its creation.

<http://www.desmoinesregister.com/apps/pbcs.dll/article?AID=/20060726/NEWS02/607260353&SearchID=73251841857051>

**20. Union Not Quite Reopened**

By Mason Kerns - *The Daily Iowan*

**July 27, 2006**

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| The second-floor restroom at the Union Bar awaits finishing touches. The establishment's remodeling projects have contributed to the bar's failing two inspections in the last week.Media Credit: Katrina Hawthorne/The Daily IowanThe second-floor restroom at the Union Bar awaits finishing touches. The establishment's remodeling projects have contributed to the bar's failing two inspections in the last week. |

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Damage from the April 13 storms and some enterprising remodeling projects have resulted in two failed building and liquor license inspections at the Union Bar over the course of a week, a city official confirmed Wednesday.

Jann Ream, the code-enforcement assistant for Iowa City Housing and Inspection Services, said that when inspectors visited the Union, 121 E. College St., late last week to review the renewal of the establishment's liquor license, they discovered some glaring inadequacies - including a lack of functional fixtures in its restrooms - which needed to be remedied before the "Biggest Bar in the Big Ten" could once again cater to the thirsts of the Iowa City's crowds.

"They thought they had everything done," Ream said. "But we can't pass a place that doesn't have a working toilet."

An additional building examination Monday also failed to yield a permit for the bar, Ream and Union co-owner George Witgraff said on Wednesday, citing water-sprinkler heads that had yet to be installed by construction crews.

Had the establishment concentrated solely on fixing its damage from the tornado - the front two-thirds of the structure's roof blew off, and the bar suffered extensive water damage, among other problems - the building probably would have been cleared for occupancy by now, Ream and Witgraff agreed. But projects undertaken to upgrade the Pedestrian Mall mainstay - including the installation of new tile floors in the establishment's entrance and bathrooms and a new hardwood floor for much of the bar - have necessitated the need for further inspections, thus delaying the sliding of Jäger bombs and draft beers across the Union's six bartops.

And disrupting the flow of alcohol, as the volume-dependent Iowa City downtown bars know, is sure to upset the flow of cash. Failing to adequately prepare for inspectors equated to a significant loss in the Union's profits, Witgraff said.

MTV's "The Real World" television-show participants and a crew from "Girls Gone Wild," the infomercial-famed college party-girl video producers, were expected to grace the Union's opening Tuesday. Because of that, Witgraff said, he stayed up nearly all night to ready to the venue for night of general rowdiness. The city's refusal to OK the bar for occupancy cost the business a "five-figure night," he estimated.

Witgraff, who planned on opening just a portion of the multi-faceted bar for the "Girls Gone Wild"/"The Real World" event, said a few protective coats need to be applied to the bar's new hardwood floors before the Union can reopen. He said he hopes to be operating at full capacity by Aug. 3.

<http://www.dailyiowan.com/media/storage/paper599/news/2006/07/27/Metro/Union.Not.Quite.Reopened-2134683.shtml?norewrite200607271028&sourcedomain=www.dailyiowan.com&mkey=433542>

21. Council Votes to Curtail After Hours Clubs

By Lynn Zerschling, Staff Writer, *Sioux City Journal*

July 25, 2006

City lawmakers gave first found approval Monday to outlawing after hours drinking at two clubs who don't have liquor licenses, but allow patrons to cart in their own booze.

Police Sgt. Pat Breyfogle said police have responded to an inordinate number of calls to El Coliseo, at 2801 Floyd Blvd., and Shakerz, at 414 W. Seventh St. The owners said they do not hold liquor licenses, but offer places for people to come after bars close to eat, dance and socialize.

The proposed ordinances will ban the consumption of alcoholic beverages, wine and beer in businesses between the hours of 2 and 6 a.m. and to allow police to issue citations for such "disorderly structures."

Frank Givens, Shakerz owner, said about 80 percent of his customers do not bring alcohol, beer or wine in with them.

"We try to have a party going on from 2 to 4," he said.

Moises Camberos, owner of El Coliseo, estimated that about half his customers bring alcohol to his club. He said he is only open early Sunday mornings.

Givens said the majority of police calls center on people who are not patrons of his club, but loiter outside. He admitted some of his customers are drunk when they come in, but quietly sit around eating until they sober up.

He disputed the number of police calls. City records show that police have responded to 112 incidents at Shakerz since 2004, while responding to 62 calls at El Coliseo during the last 2 1/2 years.

"We have a lot of calls for fights and drunkenness," Breyfogle said.

Since January, Councilman Dave Ferris noted that police handled 24 calls at El Coliseo and another 22 calls at Shakerz.

"We're not suggesting they have to close at 2 a.m., but just not allow patrons to bring in alcohol," Breyfogle said. "It's not fair to licensed clubs."

Councilman Jim Rixner said, "We're not trying to close your business. If people can go some place to eat without drinking, you're providing a public service."

Ferris, owner of Sneaky's restaurant, said, "I own a liquor license. I was stunned to think you could take a beer or wine into a business. ...There's a reason why you're supposed to stop drinking between 2 and 6 o'clock. It makes no sense for me to leave my bar at 2 a.m. and go to yours with a six-pack."

Camberos pointed out that he, like Givens, hires a private security firm to police his club.

Councilman Brent Hoffman said, "I'm not very sympathetic. I'm not convinced police calls would be reduced" even with the ban.

The club owners indicated they might then operate their clubs before 2 a.m., allowing people to bring alcohol inside their premises during that time.

Mayor Craig Berenstein said he thought that arrangement would get around the intent of the state liquor control laws and said an attorney general's opinion might be needed to clarify the issue.

Ferris added, "I think you found a loophole in the system and that doesn't make it right. ...You can't go to Perkins to have breakfast and take a six-pack with you."

The council only gave first round approval to the ordinance to give the club owners time to inform their customers of the change in policy before the final vote.

<http://www.siouxcityjournal.com/articles/2006/07/25/news/latest_news/8e2108bb45444504862571b60018d0bb.txt>

**III. OTHER STATE NEWS.**

**22. Career Opportunity - Washington State Liquor Control Board (Washington)**

*Washington State Liquor Control Board*

July 24, 2006

There is one opening for an Information Services Client Services Manager at the Washington State Liquor Control Board.  For more information please visit our website at <http://www.liq.wa.gov/employment/employment_opp.asp>.

**23. Alcohol Revenue Paving Streets, Aiding Schools’ Reading Initiative (Alabama)**

By Karen Middleton - *The News Courier*

July 22, 2006

Legalized alcohol sales continue to be a hot-button issue with many who oppose this method of raising revenue.

But several local officials say the funds are going to meet needs without the associated problems that many opponents to the measure predicted.

Athens voters approved legalized sales in a special referendum in the summer of 2003 and the city began collecting sales tax and privilege license revenue in January 2004. The tax revenue is equally divided between the city’s General Fund and Athens City Schools.

“I talked to Police Chief Wayne Harper recently and he said there had been no appreciable increase in DUIs, as some people thought there would,” said Athens Mayor Dan Williams. “We are still working the streets for DUIs like we have all along. We have always dealt with the effects of over-indulgence of alcohol—drunk driving, domestic violence, child neglect—but we never had this income that’s coming in.”

City Financial Administrator Evan Thornton said the city collected $293,000 in alcohol revenue in fiscal year 2004; $481,000 in fiscal 2005, and $396,000 so far for 2006. Thornton said that included in those figures is $14,000 a year in privilege license fees that the law does not require the city to split with the schools.

Thornton said the city has spent about $62,000 out of the General Fund portion for infrastructure improvements to the Suffield and Shilling streets area.

“We have been trying to let the money pile up into a capital fund rather than spend it for operations,” said Williams. “It’s probably not as much as some folks would think.”

**Support for schools**

Athens City Schools Superintendent Orman Bridges said the school’s portion of alcohol revenue is going to support the Alabama Reading Initiative program.

“It pays for reading coaches at all four K-4 schools and full-time salaries and benefits for (reading teachers) at the Intermediate and High schools,” said Bridges. “It pays a small portion of the salary for a Central Office person.”

Bridges said that before the state mandated that the system pick up the full salary for the high school coach, the board was able to take some of the liquor revenue to buy desks and other equipment. A portion still is used for reading materials, he said.

**Boon to development**

Limestone County Economic Development Association President Tom Hill said he could not cite figures to prove that alcohol sales help recruit business and industry, but he feels anything that improves “quality of life” makes his job easier.

“In my opinion, new companies want to feel that they are being recruited into a progressive, growing community with a good quality of life,” he said. “They want the amenities such as good restaurants, hotels, grocery schools and, most definitely, good schools. We really stack up well with these things now.”

Hill said one of the first indications of the city’s desirability is new industrial prospects are more likely now to spend their time in Athens at local motels instead of in Huntsville and Decatur.

“Corporate customers are going out to dinner here and the revenue stays here,” said Hill. “This community is forward-thinking and we are seeing the results.”

<http://www.enewscourier.com/homepage/local_story_203205255.html?keyword=leadpicturestory>

**24. Coalition Recommends Changes to Alcohol Policy (California)**

By Saphonia Foster - *The Daily Californian*

July 24, 2006

A coalition of Berkeley residents and students are lobbying the City Council to combat underage drinking and what they call an over-concentration of liquor stores in South and West Berkeley.

The Berkeley Alcohol Policy Advocacy Coalition presented a five-part recommendation to council members earlier this month.

The proposal calls for stricter land-use permits for alcohol sales and a periodic assessment of minors' access to alcohol. Coalition members said they wanted to inform liquor store owners of responsible business practices and increase communication with the state's Alcoholic Beverage Control.

The city grants use permits for liquor stores but liquor licenses must be obtained from the state.

The council sent the matter to City Manager Phil Kamlarz and will review the logistics and objectives in September, said Ryan Lau, legislative aide to Councilmember Darryl Moore.

Moore and Councilmembers Max Anderson and Dona Spring offered a more general proposal, calling for strategies to address crime by reducing the abundance of liquor stores in targeted areas.

"We just want to raise awareness on overconcentration of off-site sales," Lau said.

Off-site alcohol outlets, or liquor stores, sell alcohol that is taken away from store property for consumption.

Coalition members said they hope to restrict availability of alcohol in regions with high crime rates and monitor the issuing of use permits to liquor stores.

They have targeted the southeast edge of campus because of its relatively high number of off-site alcohol outlets and rate of alcohol-related crimes. The region is home to at least six business that sold alcohol to minor decoys-underage buyers used by the Alcoholic Beverage Control, coalition members said.

City staff said new policy could focus on limiting new liquor stores to improve quality of life and reduce alcohol-related crimes.

"If there's a lot of drunken nuisance or unwanted behavior in an area, we'd rather not issue a license to another outlet there," Lau said.

Coalition members said their efforts would be particularly beneficial in poorer areas.

"The fact is that (liquor stores are) an attractive point for public nuisance like drug dealing and littering and loitering," said Ed Kikomoto, who drafted the coalition's platform. "In middle and upper-middle-class (neighborhoods), you don't have that type of problem."

Education of liquor store owners and increased responsibility on parents and guardians could also alleviate some of the city's problems, said Jeana Radosevich of the local Alcohol Policy Network.

"With the Beverage Service Training Ordinance, we want to educate those who sell alcohol and make sure they understand the responsibilities that come with selling it," she said.

But Kikomoto said the proposal does not target university students in the area.

"The regulations aren't intended to focus on individual behavior," he said.

Kikomoto said he was optimistic about the enactment of the coalition's recommendations.

"(The proposal) is about addressing safety and health," he said. "It's about the community."

<http://dailycal.org/sharticle.php?id=20958>

**25. Record-Breaking Liquor Sales Boost State Budget (Ohio)**

*Business First of Columbus*

July 20, 2006

Ohio has more padding in its General Revenue Fund thanks to yet another year of record-breaking liquor sales.

The Ohio Department of Commerce's Division of Liquor Control said Thursday Ohioans bought $638.8 million worth of spirituous liquor - defined as liquor with more than 21 percent alcohol by volume - from Ohio's 425 contract liquor agencies during the 2006 fiscal year ended June 30. That's a 9 percent increase in liquor revenue from fiscal 2005's $587.5 million.

A portion of liquor proceeds are transferred to the state's General Revenue Fund, the state budget's primary operating budget, and that amount this year is $138 million, up 2 percent, or $23 million, from last year.

The 21.6 percent of liquor sales revenue applied to the fund this year is slightly above the average of 21.3 percent of liquor revenue the state has transferred to the fund each year since 2000. Division of Liquor Control had cut the amount it contributed to the state fund last year to put more money toward retirement of economic development and environmental bonds and to the inception of an Industrial Site Improvement Fund grant program, according to the division's 2005 annual report.

**26. Washington State Wine Sales Skyrocket in Tampa, Fla.; Test Market Branding Campaign Deemed a Successful Template (Washington)**

*Business Wire*

July 24, 2006

SEATTLE, WA -- The Washington state wine industry's first national branding effort spiked a 45 percent increase in Washington wine sales in Tampa, Fla., from February -- April 2006, indicating a successful template for future national marketing efforts. Washington state is the nation's second largest producer of wine, with more than 400 wineries and 350 wine grape growers.

Launched by the Washington Wine Commission (WWC), the 12-week integrated marketing campaign featured print, radio and outdoor advertisements coupled with a trade wine tasting, media relations and Washington wine-themed promotions at leading retailers throughout the greater Tampa area. Post-campaign Nielsen ratings showed a retail gain of $487,697 in Washington wine sales, exceeding industry expectations and setting the stage for a return to the Tampa market in 2007.

"Our first attempt at increasing national awareness of Washington wines was an overwhelming success," said Robin Pollard, executive director of the Washington Wine Commission. "Not only did we see a 45 percent increase in Washington wines sales in major retail chains, but several wineries who did not previously have Florida distribution have now secured representation in the market. There's no doubt that we've established a solid presence in Tampa, and we're eager to come back again next year."

The WWC's first-ever targeted advertising campaign was designed to reinforce the Washington wine industry's newly-launched brand positioning, Washington State -- the Perfect Climate for Wine(TM), juxtaposing Florida "surf" with Washington state "turf" to connect the two geographically disparate regions.

In addition to the ad campaign, Tampa retailers launched Washington wine tastings and special promotions, utilizing themed materials that reflected the "Surf & Turf" ad campaign and "Perfect Climate for Wine" theme. The WWC plans to return to Florida next spring for another 12-week marketing blitz, and will add additional national markets to the mix in future years.

"Tampa was the perfect place to launch our first national integrated marketing effort," said Jeff Gordon, owner of Gordon Brothers Family Vineyards in Pasco, Wash. and chairman of the Washington Wine Commission. "We saw a huge return on our initial investment this year, and look forward to returning to Florida in 2007 with even greater success."

**27. State Complied With Ruling on Wine Prices (Ohio)**

*Columbus Dispatch*

July 17, 2006

The June 25 Dispatch article "Out-of-state wine prices could double" raised several issues that need to be clarified.

First, the U.S. Supreme Court recently ruled that states must treat in-state and out-of-state wine manufacturers the same. Ohio's Division of Liquor Control recently proposed changes to the state liquor-control law to comply with that ruling by leveling the playing field and offering Ohio consumers the ability to choose from in-state or out-of-state businesses.

Second, contrary to The Dispatch's report, under the division's proposal, the majority of Ohio consumers would realize no change in the prices that they pay for wine because they typically purchase their wine from Ohio retailers and Ohio wineries.

The division's recommendations would only affect purchases of wine that an Ohio consumer makes directly from an out-of-state business. Those out-of-state businesses that sell to Ohio consumers would be required to impose the same mandatory minimum price markups as in-state businesses.

To not require minimum markups on out-of-state purchases would be an economic disadvantage for the in-state wineries and retailers.

Whether Ohio should mandate minimum price markups is a policy issue for the General Assembly to decide. Legislation is currently pending in the legislature that addresses this issue.

RAE ANN ESTEP

Superintendent

Ohio Division of Liquor Control

Reynoldsburg

**28. New Law Will Let Diners Take Home Their Leftover Wine (Illinois)**

*The Associated Press*

July 24, 2006

CHICAGO - Illinois wine lovers are getting some help with a sometimes-difficult decision.

A new law will let diners take home bottles of wine from restaurants. That means people won't have to choose between leaving an unfinished bottle or gulping down the last of the wine before driving home.

Gov. Rod Blagojevich signed the law Monday. It takes effect Jan. 1.

Right now, Illinois law bars people from having open liquor containers in vehicles. The new law lets them drive with bottles that have been sealed in special tamperproof bags. That way, if police stop the driver, they'll be able to see whether the wine has been illegally reopened.

Supporters say people should be able to take home wine just like any other leftover.

"At first blush, it can strike one as a frivolous piece of legislation, but it serves a couple of legitimate purposes," said Rep. John Fritchey, a Chicago Democrat and the law's House sponsor.

Restaurants might do more wine business because diners will be more likely to order a bottle - especially an expensive bottle - if they know it won't go to waste, he said, and road-safety advocates hope people won't feel obligated to finish off the bottle before going home.

"The legislation is unique because it's one of those rare bills that is simultaneously pro-business and pro-consumer," Fritchey said.

Most other states already have laws letting drivers have opened bottles under certain conditions. Illinois joins 16 other states in requiring the use of special bags for the wine, according to the Web site of a company that makes the bags.

<http://www.belleville.com/mld/belleville/news/state/15112786.htm>

**29. Wine Firm to Resume 'Traveling' Sales (Minnesota)**

By Emily Gurnon - *Pioneer Press*

**Company says new approach addresses state regulators' concerns**

The Traveling Vineyard, which faces charges in Minneapolis for allegedly selling liquor without a license at in-home wine parties, said Monday that it would resume its business in Minnesota.

The Massachusetts company, the marketing arm of Geerlings & Wade, will do business under the Minnesota law that allows a winery to ship up to two cases a year directly to customers, it said.

Geerlings & Wade is licensed as a winery in California.

State officials say the company ran afoul of the law after organizing private wine parties throughout Minnesota. Consultants sold wine to guests at the tasting events.

State officials said the company was selling wine without a license and that not even licensed dealers could legally sell outside a liquor establishment.

The company maintains it was within the law but said it would change its approach.

"The adjustments in our business model permit us to continue sharing our passion for wine with Minnesotans who might enjoy our products," said Gordon Romer, CEO of Geerlings & Wade and The Traveling Vineyard. "This will also permit our independent consultants in Minnesota to return to work."

Marlene Kjelsberg, a supervisor with the Alcohol and Gambling Enforcement division of the state Department of Public Safety, said she could not comment on whether The Traveling Vineyard's plan would comply with state law.

"Before we said it was right, wrong or indifferent, we'd have to actually see what was going on," she said. "They would have to meet the letter of the law."

<http://www.twincities.com/mld/pioneerpress/news/local/15114570.htm>



**30. Wine Sampling Machine Debuts in New York** **(New York)**

July 26, 2006

The words "wine" and "vending machine" don't usually set a oenophile's heart pounding. The words "2004 Clos des Papes" and "free tasting" might, though, and all these concepts meet at Union Square Wines, now home to the city's first automated wine-tasting machines.

At the push of a button, the sleek, stainless-steel dispensers allow browsers to sample some four dozen wines, ranging from select budget bottles to a smattering of "premium pours," like the aforementioned Chateauneuf-du-Pape.

Built in Tuscany by a firm called Enomatic, the machines are commonly used to sell wine by the glass in Europe, not only in wine bars but in casual spots like train stations. In Italy, "the guy at the newsstand might have one," says Union Square's wine director, Jesse Salazar.

When Union Square Wines moved to its new location on Fourth Avenue and 13th Street earlier this summer, it became the first store in New York to use the machines to allow shoppers to sample before buying.

It works like this: When you make a purchase and register, you get a card computer-coded with 500 credits; you add five credits for every dollar you spend. Above each bottle is a red digital readout indicating how many credits are deducted per taste.

The number responds to the cost of the wine - a taste from a $20 bottle costs 20 credits. (Most are in the 10- to 25-credit range; at the low end is Garnacha De Fuego from Spain for eight credits; at the top is a 1999 Gaja Sori Tilden, for 1,000.)

Insert your card into a slot in the machine, take a glass from a nearby table, make your selection, and a 15-milliliter taste is dispensed through a slim steel spout while the credits are deducted from your total.

The key to the system is argon gas; the machines suck the oxygen out of the open bottles and replace it with the tasteless and odorless gas, preventing spoilage for up to a few weeks.

Eventually, the store's Web site will keep track of the wines a customer has tasted, "so if you find yourself on Monday thinking, 'What was that Riesling I tasted on Saturday?' you can look it up," Salazar says.

Allison Carroll and Margaret Park, who were whiling away the evening comparing tasting notes in the "event room" in back of the store, gave the machines a thumbs-up.

"It's fun," says Carroll, and more relaxed than a tasting, "where you have to listen to their spiel, and then you feel bad if you don't like the wine."

The store encourages such lingering, and provides seating to encourage it, though they've had to confiscate cards from a few people who were clearly more interested in volume than vintage.

"When you get some guy loading his glass up so that it's spilling out the sides, you know you've got someone who's more of a drinker than a taster," Salazar says.

 <http://www.beverageworld.com/index.php?option=com_content&task=view&Itemid=92&id=5773>

**31. Reality on the Rocks (Washington)**

By Mike Seely - *Seattle Weekly*

**Fighting public drunkeness by banning certain beverages in certain neighborhoods isn't working. Undaunted, City Hall wants to expand restrictions.**

On June 29 at City Hall, the Washington State Liquor Control Board held a public hearing on the success-or lack thereof-of the city of Seattle's alcohol impact areas (AIA), which place restrictions on the sale of select brands of cheap beer, malt liquor, and fortified wine in neighborhoods that are thought to have problems with chronic public inebriates. Jordan Royer of the mayor's office asked the liquor board to approve a city plan to make mandatory a pair of previously voluntary AIAs, in the University District and what the city calls the Central Corridor-downtown and surrounding areas, roughly.

In making its case, the city admitted that both the currently mandated Pioneer Square AIA and the voluntary AIAs have essentially been failures. "We have really not seen the progress we'd hoped for," testified City Council member Tom Rasmussen. Interestingly, however, the city cited these failures, and widespread refusal of booze vendors to sign voluntary Community Good Neighbor Agreements, as justification for expanding regulatory reach. If history's any indication, the liquor board will oblige. In 2003, the board granted the city's request to elevate the status of Pioneer Square's AIA from voluntary to mandatory, despite the city's concession that voluntary implementation in the area proved to be a dud.

Royer said that Community Good Neighbor Agreement participation rates in the voluntary AIAs are around 30 percent, and he summarized vendor opposition thusly: "Why should I comply when the guy down the street can not comply and get all my business?" In reference to Pioneer Square, he blamed that AIA's failure on the boundaries being too small-that chronic public inebriates could simply walk up the road to score their forbidden hooch.

To this end, the city has asked the liquor board to ban brands including Busch Ice, Rainier Ale, Mickey's, King Cobra, and Red Dog within the proposed alcohol impact areas.

Two gentlemen, Matt Fox and Ben Schroeter, spoke in opposition to the city's proposal, which was generally supported by those in attendance. "Not everybody who buys these products is a chronic public inebriate," said Fox, head of the University District Community Council. "In the U District, I've seen people in line all the time with these products who are working stiffs and poor people who have nothing to do with these problems." Added Schroeter, a reformed substance abuser: "The problem I have with the AIA is it doesn't do anything to help the alcoholic whatsoever. It has to do with issues of race and class. Certainly, most of the people who consume these beverages are law-abiding citizens." The city points to programs such as the Downtown Emergency Service Center and 1811 Eastlake, a "wet house" where chronic drunks can crash, as evidence that the AIA is only one piece of a comprehensive approach.

But problem-solving aside, does the state even have the power to allow this? An issue that has yet to be debated is the constitutionality of this relatively new strain of inebriation regulation, the municipal pioneers of which include Tacoma and Washington, D.C.

Costco recently won a victory over the liquor board in a bid to ditch the state-mandated three-tier distribution system, which added what the company regarded as unnecessary markups by middlemen (see Buzz, April 26, and Sips, "Down by Law," July 6, 2005). In U.S. District Court, the Issaquah-based discount retailer invoked the Interstate Commerce Clause of the Constitution as a way to trump the 21st Amendment, which gives states the power to regulate alcohol, and a judge found in favor of Costco, citing the board's different rules for in-state and out-of-state bottlers. That's one approach a canny constitutional lawyer might use to fight alcohol impact areas.

Another issue is the equal protection afforded by the Constitution's 14th Amendment, which guarantees an individual or entity the same liberties as the guy across the street, town, or country.

"It is well within the liquor board's power to [ban the sale of] Wild Irish Rose or fortified wine," says local attorney Dave Osgood. "This is why you don't have Everclear in Washington state. The Liquor Control Board has the power under the 21st Amendment to either allow or not allow any of the brands to be sold, statewide. But in this post-Costco v. LCB climate, the LCB would probably lose eventually."

And what of the 14th amendment, which case law supports as trumping the 21st Amendment? "Equal protection has different levels of scrutiny," says Osgood. "If you're basically arguing that you're being discriminated against on the basis of race, sex, etc., you've got strict scrutiny, and the court looks at these rationales seriously. If you're not being treated fairly, they apply what's called a rational basis test-is there any nondiscriminatory basis for the city's action? And what they'll say is they've shown that the problem with chronic public inebriates is more serious in the downtown office core than, say, Wedgwood. It's very difficult to prevail when you're challenging a government action under rational basis. But even under a rational basis test, one can win if it can be shown that the board is acting arbitrarily."

"It certainly sounds like a [protection] racket," says Radley Balko, a D.C.-based policy analyst. "But it's tough to find many people who will defend a homeless man's right to drink. Unfortunately, it's the kind of proposal that unites the moral right and the temperance left."

Balko, who works for the libertarian Cato Institute, is the author of Back Door to Prohibition: The New War on Social Drinking, which seeks to debunk piecemeal regulations (including certain states' drunken driving laws) that, in his opinion, unjustly impede the liberties of law-abiding citizens when their purported intent is to drill down on chronic scofflaws and abusers. For Balko, regulations such as AIAs create a slippery slope toward a booze Armageddon-and he cites a 1925 passage from the great H.L. Mencken to back his play: "None of the great boons and usufructs that were to follow the passage of the 18th Amendment (i.e., Prohibition) has come to pass," wrote Mencken. "There is not less drunkenness in the Republic, but more. There is not less crime, but more. There is not less insanity, but more. The cost of government is not smaller, but vastly greater. Respect for law has not increased, but diminished."

Agrees Balko: "Such policies place the external costs attributable to a small number of alcohol abusers on the large percentage of people who consume alcohol responsibly. Those efforts didn't work when enacted as a wide-scale, federal prohibition, and they are also ineffective and counterproductive when implemented incrementally."

Lisa Daugard of the Defender Association, a not-for-profit organization of lawyers that provides free public defense representation to the poor, favors a more comprehensive approach toward dealing with street drunks. Yet her distaste for AIAs runs concurrent to Balko's.

"An approach that focuses on erecting barriers that every alcoholic in history has found ways to overcome is a little bit of a blind alley," says Daugard, a supervising attorney with the association. "At the same time, unlike some municipalities, Seattle has led in the provision of wet housing-and usually the fallacy of public policy like this is you don't engage in harm reduction. But people who strongly desire to drink will drink."

Counters Rasmussen, the AIA's chief City Council cheerleader: "I don't disagree with her in terms of how actively the alcoholic will seek to drink," he concedes. "But what we're concerned about is the neighborhoods. A large number of inebriates are drawn by the cheap beverages they can get. There may be dispersal" of drunks over a broader area if the expanded AIA restrictions are approved. "And sometimes, dispersal improves the conditions where they've had a very serious impact, but doesn't cause a substantial problem in neighborhoods [the drunks have] moved to. So there may end up being no significant impact in any one neighborhood."

Jim O'Hallaran, president of the Roosevelt Neighborhood Association, is cautiously optimistic that Rasmussen's prophecy will bear fruit. Roosevelt shares a border with the expanded U District AIA. Martin Powers, however, president of the Wallingford Community Council, isn't so confident. "We are concerned that the AIA will result in more public drunkenness in the Wallingford area," says Powers, pointing to the U District AIA's western border of Latona Avenue. "I have to believe that there is a better solution than setting up these AIAs, which seem to remove the public inebriation problem from one area to the detriment of the adjoining neighborhoods. Is this an example of responsible leadership?"

**32. Springfield Denies Liquor License to Prison Inmate (Vermont)**

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SPRINGFIELD, Vt. Officials in Springfield, Vermont have denied a liquor license for a man who wanted to run a bar out of his "home."

Home, it turns out, is the state prison.

Worcester native Paul Murphy applied to the town for both a first- and second-class liquor license.

When town officials checked the home address on the application, they realized it was the address for the Southern State Correctional Facility.

Murphy is serving time there for aggravated assault, escape and passing bad checks.

But officials said no background check was even necessary in this case because the application hadn't been completely filled out.

<http://www.eyewitnessnewstv.com/Global/story.asp?S=5204154&nav=F2DO>


# 33. Texas Communities Petition to Change Liquor Laws (Texas)

By Bud Gillett - *CBS 11 News*

July 27, 2006

NORTH TEXAS -- The city secretary in Richardson confirms enough valid signatures have been turned in to compel a November election on beer-and-wine sales.

Richardson is among nearly a dozen north Texas cities believed to be planning alcohol initiatives. Most have to do with allowing beer and wine sales from convenience stores or supermarkets.

A Kroger grocery store in Richardson already sells beer and wine for off-premises consumption.

The store is located in an area that was once the town of Buckingham, before it was annexed into Richardson. Buckingham was wet, so the little sliver of what is now Richardson is as well.

The Kroger store provides a model for how the rest of the city might work, according to two council members there.

“When people go in to buy beer and wine they'll buy something else," says Councilman Rhea Allison. "However, if they don't have the beer and wine to purchase they'll go to another grocery store in another city to but the product."

Fellow councilman Steve Mitchell echoes the sentiment. "We understand that no other grocery stores will relocate to Richardson, and perhaps we could lose grocery stores if something like this isn't passed, because of the fact that margins at grocery stores are so small."

The Kroger food chain is unabashed in its support of any municipality considering an election to allow beer and wine sales for off-premises consumption.

Many of our customers have told us they like the convenience of buying beer and wine at a supermarket," says Kroger's, Gary Huddleston. "Our stores that do sell beer and wine, the majority of the time, do have greater sales than stores that do not."

Councilman Mitchell says they've found no opposition yet, even among church groups. "We have talked to a number of church and religious leaders and we have not really encountered any opposition. Could there be? Perhaps."

If the entire council endorses the initiative, Richardson will join Coppell as two cities formally committed to a November election.

Other municipalities showing interest include Allen, Denton, Irving, Kennedale, Lancaster, Murphy, Sanger, and parts of a Denton County. Most proposals involve take-home beer and wine sales; a few would determine whether it would be okay for restaurants to serve mixed drinks without a club membership or Unicard.

<http://cbs11tv.com/topstories/local_story_208191503.html>

