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October 21, 2003

Mr. William Foster
Chief, Regulations and Procedures Division
Alcohol and Tobacco Tax and Trade Bureau
Department of the Treasury
P.O. Box 50221
Washington, DC 20091-0221

Re: Tax and Trade Bureau's (TTB) Notice 4, Flavored Malt Beverages and Related Proposals
Dear Mr. Foster,

I am writing to comment on TTB Notice 4, entitled, "Flavored Malt Beverages and Related Proposals." I strongly urge TTB to reject a regulation requiring that only 0.5% of a flavored malt beverages (FMBs) alcohol come from flavorings containing alcohol. I am concerned that enactment of such a regulation would severely harm the FMB market, jeopardizing over 400 jobs in Rochester, New York.

As you decide this issue, I would like you to consider the impact that the growth in FMBs has had on High Falls Brewing Company, a major Rochester-area employer. High Falls was established in December 2000, when a group of investors purchased the Genesee Brewing Company. Genesee Brewing had roots dating back to 1878 but was struggling to survive. The new owners' strategy for survival and success relied, in large part, on producing FMBs for third parties. Today, the employment of over 400 relies on the production, bottling and packing of several leading lines of FMBs. According to Tom Hubbard, the Chief Executive and President of High Falls, the company would not be here without the FMB contracts. He tells me that these proposed regulations are the "cloud over the industry," and have already interfered with the market. The introduction of new FMB products has been delayed, hampering the growth of High Falls.

You should also know that the impact High Falls' success goes beyond the benefit to the 420 Rochester-area residents who are able to support their families and stay in the community. High Falls pays about \$25 million in taxes and fees to federal, state, and local municipalities. That translates into \$50,000 per job. At a time when the Federal government is running historic deficits and New York State is making draconian cuts in essential services, the impact of a stable taxpaying business cannot be taken lightly.

I understand that since the rulemaking process began, FMB producers have demonstrated to your Agency that the 0.5% standard cannot be met without compromising product taste. Surely, fundamentally altering the formulation requirements now—when consumer demand for FMBs is extremely strong—will disrupt, if not destroy, the market for these products. Should TTB opt to change longstanding policy and adopt new regulations, I urge you to adopt a reasonable

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compromise. The so-called "majority standard" would still require that over 50% of alcohol be derived from malt- a substantial change in itself. However, unlike the 0.5% standard, it will not threaten existing jobs. tax revenues or the viability of the FMB market.

Thank you for your consideration in this matter of great importance to my constituents in Rochester, New York. If you have any questions about my comments on TIB Notice 4, please do not hesitate to contact me or Rosaline Cohen, with my staff at (202)225-3615.

Sincerely,

Louise Slaughter
Member of Congress
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