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# Report on Liquor Licenses for Public Passenger Carriers (State Measure No. 1)

City Club of Portland (Portland, Or.)

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**REPORT  
ON  
LIQUOR LICENSES FOR PUBLIC PASSENGER CARRIERS  
(State Measure No. 1)**

Purpose: This measure amends the Oregon Constitution to permit granting liquor-by-the-drink licenses to any public passenger carrier, rather than interstate railroad corporations only as under the present provision.

To the Board of Governors,  
The City Club of Portland:

**I. INTRODUCTION**

Senate Joint Resolution 11 was adopted by the 1973 Oregon Legislature to be submitted to the voters as State Measure No. 1 in the November general election.

The measure would amend Paragraph 1, Section 39, Article 1 of the Oregon Constitution to read:

Sec. 39. The State shall have power to license private clubs, fraternal organizations, veterans' organizations, **public passenger carriers** [*railroad corporations operating interstate trains*] and commercial establishments where food is cooked and served, for the purpose of selling alcoholic liquor by the individual glass at retail, for consumption on the premises, including mixed drinks and cocktails, compounded or mixed on the premises only.

**II. SCOPE OF RESEARCH**

...Your Committee reviewed minutes of the Special Legislative Joint Committee on Alcohol & Drugs and interviewed and/or corresponded with:

*Kenneth P. Underdahl*, Administrator, Oregon Liquor Control Commission  
*Sam Sherer*, United Air Lines, representing airline companies operating in Oregon  
*James Church*, then Director, Aviation, Port of Portland

**III. HISTORY AND BACKGROUND**

Article I, Section 39 of the Oregon Constitution was enacted by voter approval of an initiative petition in 1952. It has not been amended since its passage.

It is a commonly accepted practice throughout the country for airlines to serve liquor-by-the-drink during flights. Because the railroads are the only carriers constitutionally authorized to serve liquor, the Oregon State Liquor Control Commission (hereinafter referred to as the OLCC) has issued to some airlines "train licenses" to serve liquor-by-the-drink.

There are presently eight Civil Aeronautics Board certified airlines serving Oregon. Of the eight certified airlines, four have been issued "train licenses." Your Committee is informed that three of the remaining four airlines are serving liquor purchased out-of-state without a license, while one airline does not serve liquor over Oregon during intra-state flights.

**IV. ARGUMENTS ADVANCED FOR AND AGAINST THE MEASURE**

(A) Arguments in Favor

1. The serving of liquor-by-the-drink by airlines is a common practice throughout the United States, and it is appropriate that Oregon provides the legal means to accommodate this practice.

2. The Constitution does not take into account the fact that alcoholic beverages are served aboard commercial airlines in Oregon. The amendment legitimizes the existing practice of serving liquor-by-the-drink by airlines operating in Oregon.

3. The present constitutional provision is difficult to enforce.

4. A new source of state revenue is created.

**(B) Arguments against**

1. The present law should be enforced as written.
2. The state would have difficulty in enforcing any of its regulations aboard an aircraft.
3. Enactment of the amendment would reduce the small inventory of Class "A" Dispenser's Licenses available from the Oregon Liquor Control Commission. Issuance of these licenses to others could produce more revenue.

**V. DISCUSSION AND CONCLUSIONS**

State Ballot Measure #1 does not appear to be a controversial measure. Indeed, a difficult task facing the Committee was that of locating meaningful opposition to what seemed to be a housekeeping matter needed to legitimize an existing practice. The Committee was not able to locate meaningful opposition to the measure.

Under the existing law, a dispenser's license may be issued to railroad corporations operating interstate trains, but no mention is made of other public passenger carriers. As a result, the OLCC has issued "train licenses" to airlines. Passage of the ballot measure would eliminate this "stretching" of the provisions of the existing law as the term "railroad corporations operating interstate trains" would be replaced with "public passenger carriers."

The OLCC, according to Kenneth P. Underdahl (Administrator, Oregon Liquor Control Commission), is solidly in favor of passage of State Measure #1. This is understandable, since the Commission has issued dispenser's licenses to airlines and this measure would clear up ambiguities with respect to that practice. It is the Committee's understanding that some airlines serving Oregon are dispensing liquor-by-the-drink in Oregon even though they are not licensed.

A question arose as to whether the term "public passenger carrier" would create problems with respect to those carriers which do not now have dispensing licenses, such as buses. The Committee did not consider this to be a potential problem, however, because the fact that the OLCC will have the power to issue licenses to all public passenger carriers does not imply that it would be compelled to issue licenses to any carriers where it deemed them not to be in the public interest.

The number of liquor licenses which can be issued in Oregon is proportional to the state's total population, and at present there is a "float" of about twenty unissued licenses. By granting licenses to the airlines, part of this inventory would be eliminated. Furthermore, the new licenses would not produce a significant increase in revenue to the state. For example, of the eight commercial airlines serving Portland at present, four of them have been licensed by the OLCC. These four handle over 75 percent of the Portland passenger traffic. If the remaining airlines obtain licenses as a result of this proposed constitutional amendment, the fee probably would be \$400 per license. In addition, the state would receive a markup on liquor purchased in Oregon by any of the licensees. United Airlines, which now handles about half of the commercial air passenger traffic in Portland, paid the state approximately \$25,000 in 1973 as a result of this markup.

Aside from the general aversion some people may have with regard to the consumption of alcoholic beverages in public, on moral, health or other grounds, the arguments for the measure are more persuasive.

**VI. RECOMMENDATION**

Your Committee recommends that the City Club support passage of State Measure #1 and recommends a "YES" vote at the November 5, 1974 general election.

Respectfully submitted:

Philip F. Brown  
Douglas R. Courson

Leonard A. De Klotz  
Stan Goodell, *Chairman*

Received by the Research Board October 3, 1974 and approved for transmittal to the Board of Governors.

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