

## **Alcohol Retail Monopolies and Privatization of Retail Sales**

The topic of partial or full privatization alcohol retail sales is a recurring theme in Ontario and other provinces, and State run government retail systems in U.S. and Nordic countries are under threat of being privatized (Babor et al. 2010, 2003). In Ontario, there have been several initiatives both before and after 1995 (Toronto Public Health 2002). In each instance, a dominant argument in favour of privatization has been that of short-term financial gain to the government through the sale of government liquor stores, or termination of leased property, and discontinuation salaries to employees in government run stores (Mann et al. 2005). However, this argument is not based on full-cost accounting, that is, considering the health and social costs related to increased access to alcohol that accompanies full or partial privatization (Chisholm et al. 2004; Cook 2007; Rehm et al. 2008; Anderson et al. 2009).

The most recent tentative proposal for Ontario, in Fall 2009 -- involving full or partial sale of government-controlled alcohol retailing as part of Super Asset sale -- has most of the essential risks of an outright sale and none of the precautionary dimensions (MADD 2010). However, it may give the false impression to the uninformed that nothing much has changed in the transfer of assets. This is discussed below.

Furthermore, in the media and political discussions of privatization, the expected financial benefits seem to trump health and social risks or a precautionary approach. This is due to many factors, including two important ones: a narrow orientation to the topic of privatization – as noted above, and, a false assumption that the system of alcohol retailing has no bearing on the level and type of alcohol-related risks and damage in a society. The following paragraphs outline the key arguments in support of a precautionary and evidence-based approach to alcohol retailing.

### **A. Alcohol availability, alcohol consumption and damage.**

Availability of alcohol can include several dimensions: economic (real price, floor prices); physical – number of places that sell alcohol on a per capita or sq km basis; temporal – hours and days of sale; demographic – minimum legal drinking age; and cultural – promotion and advertising of alcohol, normalization of drinking, tolerance of heavy drinking and so on. Availability of alcohol is causally associated with high risk drinking, overall consumption and drinking related health and social problems (Edwards et al. 1994; Babor et al. 2003, 2010).

Extensive research has indicated that an increase in alcohol consumption and high risk drinking has been associated with chronic disease, such as liver cirrhosis, alcohol-specific causes of death, trauma such as drinking and driving crashes, suicide, violence and social problems. (Gutjahr et al., 2001; Rehm et al. 2003; Room et al. 2007; Anderson et al. 2009). Privatization of alcohol retailing typically involves several significant changes, including: a dramatic increase in the number of outlets where alcohol is sold, longer hours of sale and an enhanced strong profit driven interest in the alcohol market (Her et al. 1999, 1998; Holder et al. 1995; Babor et al. 2003). In other words, privatization typically increases the access to alcohol along several of the critical dimensions noted above.

The last point has several implications including an erosion of a systematic attention to preventing sales to minors or to intoxicated patrons (Office of the Provincial Officer of Health British

Columbia 2008). Furthermore, once a privatized system is introduced it is very difficult to go back to the previous arrangement: given that a strong new vested interest sector has been introduced to the alcohol market place, and large start-up costs of a reestablished government run system that was closed down (Giesbrecht 1995; CAMH, 2004; McKenzie & Giesbrecht 2006).

Even in a scenario where there is a transfer of partial ownership/control of a government liquor retailing system, such as super asset sale or shared ownership, a number of these dimensions are likely to come into play. For example, the new investors may demand final say on a number of aspects of alcohol sales – such minimum price, hours of sale, number of outlets, training of employees, average wages, degree of emphasis on challenge and refusal – before they agree to invest. This would appear to be a logical business-oriented perspective, where any investor seeks flexibility on those aspects of the business that are likely to enhance sales of the products, and attract more customers, or more frequent purchasing by regular customers. Thus, under a future hypothetical arrangement, the exterior look of the LCBO outlets may be much the same, but checks and balances associated with the current system will likely be eroded over time and a precautionary approach abandoned or compromised.

## **B. Dimensions of a privatized alcohol retailing system**

Not all off-premise alcohol retailing systems are identical. Ontario currently has a mixed model, with LCBO and Agency store networks, Beer Store system (operated by the major brewers) and Ontario winery store outlets. Alberta's alcohol retailing system was privatized in 1993, and British Columbia has both public and private systems as does Quebec. Alberta's current system does not allow alcohol sales in corner stores or supermarkets, and their wholesale system is under government control (Mackenzie & Giesbrecht 2006).

A so-called 'fully privatized' system is evident in some US states, such as California where alcohol is available in a wide range of outlets and long hours during each day, and in UK, where 24 hr sales were introduced several years ago (British Medical Association Board of Science 2008; Culture, Media and Sport Committee, House of Commons, UK 2009). Studies in both these jurisdictions and others have shown a strong association with high availability of alcohol and damage from alcohol (British Medical Association Board of Science 2008; Popova et al. 2009).

There have been numerous studies of the associations between density of alcohol outlets and damage from alcohol, including: chronic disease, sexual violence, homicide, traffic crashes (Popova et al 2009; Babor et al. 2010; Stockwell & Chikrtiz 2009). Studies focusing on Canada have indicated the following:

- Privatization of Alberta's retail system was associated with an increase in spirits consumption (Trolldal 2005), with suicide (Flam Zalcman & Mann 2007), criminal activity such as break-ins (Laxer et al. 1994), but not with traffic crashes (Trolldal 2005).
- Recent partial privatization of alcohol retailing in BC was associated with increased consumption in those jurisdictions where the increase in private outlets was the greatest (Stockwell et al. 2009).
- In recent years the per adult rate of consumption has increased more steeply in BC than in Ontario (Statistics Canada 2002, 2009).

- An Ontario-based study, focusing on hospitalized assaults, found that the risk of being a victim of a serious assault increased with alcohol sales in the store closest in proximity to the victim's home (Ray et al. 2008).
- Another Ontario-based study, that is currently underway, provides preliminary results showing significant and positive associations among consumption of beer, wine and spirits, and total alcohol consumption, on one hand, and breast cancer mortality rates for women aged 50-64, on the other (Flam Zalcman et al. n.d.).
- Long-term trends in alcohol sales in Canada (1950 to 2000) show that alcohol sales are associated with several types of mortality: traffic crashes, suicide, homicide, alcohol-specific mortality, liver cirrhosis and total mortality (Norström 2004; Ramstedt 2003, 2004, 2005, 2006; Rossow 2004; Skog 2003; Xie et al. 2000).
- Estimates of avoidable costs of alcohol abuse in Canada projected that privatization of alcohol retailing would lead to a 10% increase in alcohol consumption and a 16.5% increase in mortality, 8.4% increase in years of life lost, and 8.2% increase in acute care hospital days (Rehm et al. 2008).

It is also noteworthy that privatization is likely to also have several economic dimensions: for example, average prices may not decline. In Alberta the average price of higher-end products did decline, while there was modest increase in the higher volume lower end products (Flannigan 2003; MacKenzie & Giesbrecht 2006).

Governments may realize short-term economic gain, narrowly defined, in connection with privatization -- from sale of government property and taking liquor worker employees off a liquor agency payroll (West 1996). However, with privatization the revenue generating potential from alcohol sales may also be partially compromised, as shown by the Alberta experience (Flanagan 2003).

Furthermore, a full cost accounting is expected to demonstrate a net financial loss. The health and social costs associated with alcohol have been estimated to be substantially higher than current revenue from alcohol sales (Rehm et al. 2006). With rising damage from alcohol associated with greater availability and increased consumption, these costs are expected to increase.

### **C. Current/recent situation in Ontario**

Alcohol is currently widely available in Ontario with about 1,745 package store outlets (take home) purchases, such as LCBO stores, Agency stores, beer stores and Ontario winery outlets (LCBO 2008). Hours of sale are not restrictive and off-premise sales outlets are open 7 days a week.

A wide range of products is available in settings that, for the most part, are attractive, clean and staffed by knowledgeable and helpful employees and managers. LCBO staff are trained in challenge and refusal techniques in order to curtail sales to minors and intoxicated patrons (CAMH 2004).

There are countless promotions and marketing techniques and extensive sponsorship involving alcohol of sports and cultural events. Promotion and marketing appears to have increased in recent years, with regular multi-page inserts in newspapers, advertisements on transit vehicles and others venues.

Since about 1996 overall sales have gradually increased in Ontario (Statistics Canada 2002; 2009). Concurrently the percent of consumers drinking in a high-risk manner have also increased (Adlaf et al. 2008; Giesbrecht & Ialomiteanu 2008).

Several surveys have indicated that most adult Ontarians are opposed to alcohol sales in corner stores (78%), and 72% are opposed to privatization of government liquor stores (Giesbrecht 2007). The opposition to privatization is not as extensive among those who drinker larger amounts and more often. Therefore, privatization - whether directly or by indirect means such as via asset sales – will be pandering to the highest risk drinkers.

#### **D. Summary**

International evidence indicates that privatization of retail sales is expected to be associated with: increase in density of alcohol outlets, longer hours of sales, increase in alcohol consumption and alcohol-related harm. No study was located that demonstrated that privatization was associated with one or more of the following: decrease in outlet density, reduced hours of sale, reduction in total volume of alcohol, reduction in high-risk drinking, or reduction in alcohol-related harm.

Therefore, from a public and safety health perspective, there is no basis for favouring private alcohol retailing. There also are serious questions about the economic basis of privatization, as noted above. The Ontario Ministry of Finance rejected the privatization recommendation of 2005, and economic grounds were considered to be one of the key factors. Since then the empirical evidence in support of government retailing and control oriented system is even stronger than it was at that time (Babor et al. 2010; Popova et al. 2009; Stockwell et al. 2009).

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