

**PROVINCIAL LIQUOR BOARDS:  
MEETING THE BEST INTERESTS  
OF CANADIANS**





**MADD Canada's Mission:**

**To stop impaired driving and to support  
victims of this violent crime.**

# **Provincial Liquor Boards: Meeting the Best Interests of Canadians**

*MADD Canada Policy Backgrounder – Revised February 2010*

## **INTRODUCTION**

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MADD Canada strongly supports the provincial liquor board model which protects the public interest and meets consumer needs through safe and responsible alcohol sales.

Alcohol is not an ordinary commodity and should not be sold as one. It is linked with more than 65 medical conditions and is a contributing factor in injuries, impairments and deaths caused by illness, impaired driving, homicides, suicides, falls, drowning, assaults, fires and other adverse events that threaten public safety and community well-being.

According to the National Alcohol Strategy, alcohol resulted in the deaths of an estimated 4,258 Canadians in 2002 and cost society \$14.6 billion in lost productivity and health care and law enforcements costs.<sup>1</sup>

It is not, nor has it ever been, MADD Canada's goal to prohibit the legal, responsible consumption of alcohol. The fact is, however, that when alcohol is over-consumed, it imposes tremendous costs on not only the drinkers but also the people and communities around them.

We believe that replacing the provincial liquor board system with a privatized system of retail alcohol sales will increase alcohol-related problems and carry substantial human, social and economic costs.

## **ALCOHOL SALES IN CANADA**

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In Canada, policies governing alcohol availability are set and enforced by provincial liquor control or licence boards. In all jurisdictions except Alberta, these same provincial boards are responsible for the sale of alcohol through their own network of retail stores.

Canadian and international research recognizes the important role of provincial liquor boards. The World Health Organization<sup>2</sup>, Canada's National Alcohol Strategy<sup>3</sup> and the Centre for Addiction and Mental Health<sup>4</sup> have stated that liquor control board systems provide an effective means of controlling alcohol consumption and alcohol-related harm in society.

Despite the overwhelming Canadian and international evidence supporting provincial liquor boards, these models have come under scrutiny in many Canadian provinces and proposals have been put forth to adopt varying degrees of privatized alcohol sales.

It is imperative that decision-makers, the general public and the media understand and consider the widespread negative impact that privatization would have on communities and society. Privatized systems typically result in increased access to alcohol (e.g. more locations, longer hours of sale, etc.) which research has shown increases alcohol consumption and alcohol-related problems in our society.

The issue is not solely about addressing impaired driving or the other alcohol-related health and social harms that will increase with privatization. Nor is it solely about consumers being able to purchase wine at their local corner store or purchase their favourite product at the lowest price. Alcohol regulation must address various factors in order to safeguard public health and safety and to advance consumer interests.

Provincial liquor boards strike a fair and effective balance between consumers' access, selection and service, and the need to manage alcohol consumption and minimize alcohol-related harms and costs.

## **PARTIAL PRIVATIZATION CARRIES THE SAME RISKS**

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Most of the discussion around alcohol-related sales focuses on either fully-privatized models or fully government-run models. There has also recently been discussion about a number of hybrid models that offer governments a third option in which independent third parties would control the revenues of retail alcohol sales. Governments perceive these models as a quick influx of cash, while the public perceives them to carry the same safeguards and accountability that they value in the government-controlled systems. The truth, in fact, is very different.

History has shown that the sale of crown assets does not deliver full public accountability or economic value. Furthermore, the controls and safeguards which the public values are lost

when crown assets are privatized or managed by a third party. Recent Canadian examples are the sale of Highway 407 in Ontario and the sale of New Brunswick Power to Hydro Quebec, both of which have proven unpopular with the public.

In the United States, both Virginia and Washington have had ongoing debates about the sale of their state alcohol distribution programs. Both are leaning towards maintaining government control of alcohol sales, having concluded that the sales would not realize significant long-term economic benefits. Furthermore, the states questioned the negative impact such sales would have on public policies associated with liquor sales, and on various public health and safety programs currently funded by revenue from government-controlled alcohol sales.

Government controlled crown assets assure the public of a rigorous reporting system, transparency and, most importantly, public accountability. Crown assets balance public interest and safety. Once a crown asset has been sold or its revenues are controlled by a third party, there is a fundamental shift in its mode of operations. The balance of ensuring public interest and safety is replaced by a market-driven system of maximum return for shareholder value. Public accountability and transparency are the lost in the process.

Third-party owners and managers of crown assets sign agreements with governments as a way for both sides to assure the public that the crown asset will continue to operate as it has in the past. But divesting control for alcohol sales to a third-party – in full or in part – begins the slippery slope to serious negative consequences which are outlined in this document. While it may take longer for the negative impact to be seen in hybrid models or third-party management models, the need to maximize the profitability of the asset will overtake commitments to social responsibility programming and staff training on important issues such as identifying underage drinkers. Inevitably, the number of stores will increase and the hours of operation will be extended.

The research is clear and consistent; the key to balancing alcohol retail sales and public safety is government ownership and stewardship of the crown asset. The right model for Canada is government-controlled provincial liquor boards which ensure the delicate balance of public safety and the marketing and sale of alcohol.

## **THE INTERNATIONAL EXPERIENCE**

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One need only look at the experiences in other countries to see the negative impact of increased alcohol availability.

- In the United Kingdom, consumption has increased due to low cost alcohol. The NHS reports that one in four people are thought to be hazardous drinkers.<sup>5</sup>
- Finnish researchers reported that large reductions in alcohol prices in 2004 were followed by increases in alcohol-related mortality of 16% among men and 31% among women.<sup>6</sup>
- Studies in Western Australia and Iceland found an overall increase in alcohol-related problems such as violence<sup>7</sup> and impaired driving<sup>8</sup> with longer hours of sales.
- Extended hours of alcohol sale in the U.K. have caused law enforcement concerns, according to a report by the government's Culture, Media and Sport Committee on the effects of the Licensing Act 2003 which loosened rules on bar and pub closing hours.<sup>9</sup>
- Allowing the sales of distilled spirits in restaurants in North Carolina (with a resulting increase in density of on-premise availability) was associated with a 16-24% increase in police-reported alcohol-related accidents and single vehicle night-time accidents involving male drivers 21 years and older.<sup>10</sup>

Many countries are examining or implementing policies to better control alcohol consumption, including minimum pricing, increased taxes, bans on volume discounts, controls on locations/hours of operation, and regulation of marketing/promotion.

Pricing and taxation are among the key factors being considered. As reported in a recent study published in *Addiction*, policies which raise alcohol prices are an effective means of reducing drinking.<sup>11</sup>

A 2006 European Commission paper, *Alcohol in Europe – A Public Health Perspective*, concluded that "Governments have a responsibility to intervene in the market and benefit from doing so."<sup>12</sup> They also concluded that jurisdictions that manage outlets through number and density, location and hours and days of sale should continue to do so while jurisdictions without such regulations or with limited regulations should consider the benefits of introducing or strengthening such controls.

International research supports the positive impact of government-controlled alcohol sales on managing alcohol consumption and related harm.

- Authors of one study examining the potential consequences from possible changes to Nordic retail alcohol monopolies as result of joining the European Union predicted

that modifying the existing government-controlled system of alcohol sales and slightly decreasing the price of alcohol would increase consumption and alcohol-related problems in Sweden, Finland and Norway. They went on to suggest that the complete elimination of government-controlled systems in these countries – coupled with the price decreases that would result from private competition – would lead to a great increase in consumption and alcohol-related problems, such as alcohol-induced assaults and alcohol-related mortality.<sup>13</sup>

- A recent study in the United States examined rates of drinking, binge-drinking and driving-related fatalities for those under 21 among states with government-controlled sales of spirits versus those that have privatized sales. The states with government-controlled sales were found to have significantly lower rates of drinking, binge-drinking and driving fatalities, suggesting under-age people in the government-control states have less access to alcohol.<sup>14</sup>

The fact that countries are aiming to tighten their controls through measures currently provided by our provincial liquor boards should be pause for thought for any province considering privatization.

## **THE BENEFITS OF PROVINCIAL LIQUOR BOARDS**

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The provincial liquor boards regulate access to alcohol through outlet locations, limits on hours of operation, minimum pricing, and taxes. They also promote social responsibility programs to educate the public about the dangers of alcohol misuse. The result is effectively managed alcohol consumption which helps reduce alcohol-related problems in society.

A privatized system would result in more stores selling alcohol, longer hours of sale, more sales to underage and intoxicated individuals, and increased consumption.

### ***Controlling Alcohol Consumption and Alcohol-Related Harm***

Research supports the link between access/availability to alcohol and increased consumption.

- Alcohol consumption increased in Alberta the year privatization was introduced, while rates in other parts of the country declined.<sup>15</sup>

- One simulation study estimated that moving from government-controlled alcohol distribution and sales to a privatized system would lead to a 11 to 27% increase in alcohol consumption.<sup>16</sup>
- Following partial privatization of retail alcohol sales in British Columbia in 2002, the number of liquor stores in that province increased from 786 in 2002 to 1,294 in 2008. Overall alcohol consumption in the province increased by 8% during that time. British Columbia's per capita consumption level was on par with the national consumption level between 1998 and 2001, but has been consistently higher than the national average since 2002.<sup>17</sup>

Research also shows that increased alcohol consumption generally leads to increased levels of public harm, including alcohol-related traffic crashes, drownings, falls, suicides and violence.

- One study indicated that a one litre increase in per capita alcohol consumption by Canadians between 1950 and 1998 resulted in an increase in accident mortality of 5.9 males and 1.9 females per 100,000.<sup>18</sup>
- A study from Ontario indicated that each litre increase in per capita alcohol consumption between 1962 and 1996 resulted in an increase of 8 – 13% in the drinking-driving fatality rate.<sup>19</sup>
- A study of the impact of privatization of alcohol sales in Alberta found significant increases in suicide mortality rates.<sup>20</sup>
- The number of liquor stores in Calgary has increased more than tenfold from 1995 to 2003, from 23 stores to nearly 300. Police reports in Calgary document a rise in impaired driving charges and family violence cases in areas of the city with the highest density of liquor stores. The finding is consistent with peer-reviewed research linking greater volumes of alcohol consumption to higher levels of mortality for violent deaths and suicides.<sup>21</sup>

The cost of alcohol-related harm is very high. In 2002, the cost in Canada was estimated to be \$14.6 billion. This included \$7.1 billion for lost productivity due to illness and premature death, \$3.3 billion for health care and \$3.1 billion for law enforcement.<sup>22</sup>

Moreover, alcohol misuse carries additional costs related to lost productivity which are not always measured. In a recent survey of workplace substance abuse, the most frequently reported consequences of substance abuse issues were missed days of work, arriving late for work, slowed work pace, mistakes, and dismissal. The survey estimated that the time lost as a result of alcohol use cost \$51 million.<sup>23</sup>

Research indicates that alcohol-related harm and associated costs will increase if alcohol is made more widely accessible through privatization. By managing alcohol access and availability, provincial liquor boards limit the alcohol-related problems that would otherwise occur.

### ***Social Responsibility, Accountability and Responsible Alcohol Distribution and Sales***

Provincial liquor boards have intrinsic controls to protect and educate the public, such as ID'ing individuals under 25, refusing sales to intoxicated customers and alcohol abuse prevention initiatives. The current system is able to maintain rigorous enforcement levels because employees are properly and consistently trained. Implementing a system of private sales will require a significant government investment for training and monitoring of all retail locations to ensure compliance with the law.

A privatized system puts social responsibility programs at risk. A young clerk working in a convenience store is much more vulnerable to pressure to sell alcohol to an underage peer than a trained and experienced employee of a government liquor store. Similarly, a young clerk in a corner store is less likely to refuse service to a belligerent, intoxicated customer who demands that the clerk sell him alcohol.

Further, small businesses have a strong financial incentive not to refuse sales. Refusal of sale would weigh more heavily and present a financial burden on a smaller retailer than it would on a province-wide network of stores. Regulations are better and more effectively enforced when the seller is not financially dependent on maximizing sales.

Finally, the provincial liquor boards have measures for accountability and transparency built into their structures. The same levels of accountability and transparency will be far more difficult to achieve within a loosely-knit, widespread network of individual and independent retailers.

## **MEETING THE NEEDS AND EXPECTATIONS OF CONSUMERS**

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Contrary to the alcohol industry claims about access to alcohol being too limited for consumers, Canadians do not want alcohol sold in every corner store. There is no public demand for change. Research over the past 15 years indicates the public does not want to see alcohol made more available. A Centre for Addiction and Mental Health study showed that

Ontario residents are very supportive of provincially-run liquor stores and related control measures, and generally do not favour increased marketing of or greater access for alcohol products.<sup>24</sup> Among the study's findings:

- 80% of respondents believed that the number of places where they can buy alcohol in their community is "about right". A further 9% of respondents felt there are "too many" alcohol outlets.
- 92% of respondents considered it "somewhat convenient" or "very convenient" to get to the nearest liquor or beer store.
- 73% agreed that "before making legislative or policy changes to the way alcohol is sold, governments should be required to consult with health experts."

A 2005 MADD Canada survey reached similar conclusions. Respondents were supportive of a balanced approach in which access to alcohol is controlled by a provincial liquor board. The majority of survey respondents felt that increased availability would lead to more impaired driving and more sales to minors and intoxicated people.<sup>25</sup>

Furthermore, the existing data on customer satisfaction with provincial liquor boards indicates that the current model is working and there is no basis or need for significant change.

Consumers are not losing out or lacking choice. The reality is much the opposite because consumers are likely not aware of the broader range of choice that the current system provides. Consumers in smaller communities enjoy a wider product selection through government-controlled models than they would under privatized models. The system provides consumers with other benefits, including: social responsibility programs, accountability, transparency and quality assurance.

## **ECONOMIC CONSIDERATIONS**

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The argument has been made that privatizing liquor sales would increase revenues. However, revenue generation must be considered within the context of the social and financial costs of alcohol consumption.

Certainly, alcohol plays a significant role in the Canadian economy through job generation, retail sales, export income and tax revenue. In 2004, total alcohol sales in Canada were

approximately \$16 billion, with a total revenue to all governments of approximately \$7.7 billion. However, this \$7.7 billion is overshadowed by the costs of alcohol-related harms in 2002, which were \$14.6 billion. In short, for every dollar made on alcohol, two dollars are lost on productivity or spent on health care, law enforcement and the other costs of alcohol-related harm. (Figures from National Alcohol Strategy.<sup>26</sup>)

Additionally, alcohol policy and revenue generation must be considered from a long-term perspective. While some claim that privatization may increase revenue, the financial and social costs of alcohol-related harm will rise dramatically with increased alcohol availability and consumption.

We should note that the preceding cost estimate does not include certain lost productivity costs which are not always measured. Nor does it include the human costs of alcohol-related harm, in terms of needless deaths, injuries and illnesses and the associated physical pain, grief, or mental anguish.

## **NATIONAL ALCOHOL STRATEGY**

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MADD Canada is proud to endorse the National Alcohol Strategy in its work to reduce alcohol-related harm. The Strategy made recommendations in four key areas: health promotion, prevention, and education; health impacts and treatment; availability of alcohol; and safer communities.

The Strategy is based on the *National Framework for Action to Reduce the Harms Associated with Alcohol and Other Drugs and Substances in Canada*, which comprised extensive, multi-sectoral, cross-Canada consultation. Building on this work, a national working group of more than 30 representatives (including provinces/territories, relevant federal departments, non-governmental organizations, researchers, addictions agencies and the alcohol beverage and hospitality industries) came together to develop the Strategy.

The Strategy made 41 recommendations<sup>27</sup>, including:

- Maintain the current systems of control over alcohol sales. Under these systems, it will be important to:

- Require liquor control boards to maintain a social-responsibility frame of reference for all matters pertaining to their operations and governance and to maintain or increase their spending and programming in this area;
  - Enhance staff training at outlets and implement ongoing enforcement compliance programs to ensure that alcohol is consistently sold in a socially responsible way and in accordance with the law;
  - Encourage the systematic re-examination and analysis of hours and days of alcohol sales and outlet density, recognizing that increased physical availability of alcohol can lead to increased harm.
- Discourage the introduction or expansion of U-Brew or U-Vin industries. Where these industries currently exist, make licensing contingent upon matching the socially referenced price for beverage alcohol in that jurisdiction.
  - Develop and promote national alcohol/drinking guidelines to encourage a culture of moderation and aim for consistency and clarity of messages across all alcohol-related health and safety arenas.

## **CONCLUSION**

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Experience in other countries and in Canada indicates that privatizing alcohol sales will increase alcohol-related deaths, injuries and social problems through increased alcohol availability and consumption.

Provincial liquor boards provide society with a reasonable measure of control over alcohol pricing and accessibility, and thereby effectively manage alcohol consumption and alcohol-related harm. At the same time, provincial liquor boards offer customers high levels of service, quality and selection, along with a strong commitment to social responsibility which benefits consumers and non-consumers alike.

Maintaining provincial liquor boards is in the best interest of all Canadians.

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