ALCOHOL JUSTICE
The Industry Watchdog

October 26, 2011

Dear Residents of Washington:

Privatization of liquor sales is bad for Washington's bottom line – it will cost the state money and harm public health. Alcohol Justice, the industry watchdog, encourages a NO vote on I-1183.

In 2010 voters in Washington rejected two initiatives that sought to privatize liquor sales in the state. Undeterred, many of the out-of-state players – along with some new ones – are back and again looking to push deregulation on the Washington public. Wrapping their rhetoric in choice and convenience, the corporate interests behind I-1183 want to remove state government from the business of selling alcohol so that their companies can more fully profit from it.

Alcohol Justice reported in 2010 on Big Alcohol's fights to privatize state alcohol control and the various harms associated with liberalized alcohol laws. We continuously fight against the alcohol industry's sustained efforts to further erode alcohol control.

Instead of freeing the state to focus on enforcing state liquor laws and regulating liquor sales, I-1183 will dismantle the very protections that the current control system promotes. By being in the business of selling alcohol, the state is able to directly – and therefore efficiently – ensure that liquor is being sold in a responsible manner. Shifting liquor sales to the private sector will further burden state resources by requiring the Liquor Control Board to not only license grocery and retail stores to sell liquor, but also employ additional enforcement officers to ensure that all these new licensees are complying with state law. Considering that privatization will cost the state revenue in the long term, enforcement and regulatory activity will not keep pace with the costs associated with an increased number of privately licensed alcohol retailers.

In addition to increased costs associated with maintaining current enforcement levels, the state will lose revenue in the long term. License fees and taxes will not always provide as much revenue as is currently generated by the state markup rate. Proponents of I-1183 are quick to mention the hundreds of millions of dollars in new revenue that privatization will bring into the state along with the money raised from selling the state owned stores. However, this argument ignores two important details: first, the state already collects revenue through the markup rate it applies to liquor; and secondly, the funds raised from the sale of the state owned liquor stores is a one-time windfall that will eventually be offset by lost future revenue in perpetuity. **Deregulation seeks to merely replace a socially responsible method of collecting revenue with another that allows for private profits.**

Even if license fees and taxes provide equal or greater revenues during the first few years of privatized liquor sales, these returns will eventually decline. In the proposed private system, the revenue the state will generate from taxes will depend on the prices private retailers' charge. Only high retail prices will return revenue that is equivalent to the amount the state currently raised in a liquor control system. In estimating the costs of privatizing liquor sales, the Washington Office of Financial Management uses a range of markup rates to compare the amount of revenue raised through state sale versus private sale. However, the presumption that private retailers will continue to charge the state similar, or even higher, markups is naïve. Corporate interests such as Costco, Trader Joe's and Safeway are supporting

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privatization so that it will allow them to more efficiently sell alcohol, and thus lower prices. Given the likelihood of decreased revenue, Washington will be forced to increase the number of retail licenses in an effort to increase alcohol sales. Furthermore, tax rate increases will be off the table as the same corporate interests pushing for privatization will fight them – and likely be pushing for decreases on alcohol taxes.

In addition to lost state revenue, privatization of liquor sales negatively impacts public health. Liquor control states have a lower prevalence of drinking and binge drinking among people between 12 and 25 years of age.[1] Furthermore, control states have a lower death rate for people under the age of 21 killed by alcohol driving.[2] More broadly, history has shown that in states where alcohol sales were privatized, alcohol outlet density dramatically increased.[3] Studies consistently demonstrate that increased availability and increased outlet density both correlate with increases in alcohol-related harm.

Supporters of I-1183 claim that it will limit liquor availability. This is false. While I-1183 includes a requirement that new liquor licenses have at least 10,000 square feet of fully enclosed retail space, it in no way restricts the total number of alcohol retailers. In fact, I-1183 requires that grocers that already have a beer and wine license be granted a liquor license. Moreover, I-1183 includes an exception to the size restriction that *requires* the state to license smaller retailers where there is no liquor outlet in their "trade area." Because there is no definition for "trade area" it could result in liquor becoming available in convenience stores and mini-marts. Furthermore, the fact that the state is required to license retailers in these areas limits community input into the granting of new liquor licenses. As a result, I-1183 stands to dramatically increase the availability of liquor throughout Washington despite claims that it will result in a better regulatory system than is currently in place.

Ultimately, I-1183 stands to cost the people of Washington. Whether due to decreased revenue, increased harm from alcohol consumption, or both, privatizing Washington's liquor sales will hurt the state's bottom line.

We hope Washington voters see through the false claims of state revenues and the misinformation about the public health results on this initiative and vote against I-1183.

Sincerely,

Bruce Lee Livingston, MPP
Executive Directory/CEO
Alcohol Justice

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[1] Nelson, J. How Similar are Youth and Adult Alcohol Behaviors? Panel Results for Excise Taxes and Outlet Density. *Atlantic Economic Journal*. 2008; 36:89-104. Summary accessed via An Annotated Bibliography and Review. 2nd Edition. Alexandria, VA: National Alcoholic Beverage Control Association; 2009: 33.

[2] Miller T, Snowden C, Birckmayer J, Hendrie D. Retail alcohol monopolies, underage drinking, and youth impaired driving deaths. *Accident Analysis & Prevention,* 2006; 38(6), 1162-1167.

[3] Campbell CA, Hahn RA, Elder R, et al, Task Force on Community Preventive Services. The effectiveness of limiting alcohol outlet density as a means of reducing excessive alcohol consumption and alcohol-related harms. *Am J Prev Med* 2009;37(6):556-9.

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