Fast FACTS
CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

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Balancing Convenience with Social Responsibility: Liquor regulation in Manitoba

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A new Canadian Centre for Policy Alternatives MB report: *Balancing Convenience with Social Responsibility: Liquor regulation in Manitoba* examines the way liquor is managed and sold in Western Canada. The report was authored by Greg Flanagan, a public finance economist.

The role of government in the control of alcoholic beverage sales and consumption has been under re-evaluation across Canada in various jurisdictions and contexts. Saskatchewan's mixed public/private system, very similar to Manitoba's, may be about to change. In the recent provincial election, the Saskatchewan Party's Brad Wall – now Premier re-elect – claimed that "[t]he old public store-only option is not sitting with Saskatchewan people" and that "people are really interested in new stores being private or all stores being private". The BC government has been revising the rules of the industry almost continuously in recent history, attempting to balance its notions of the government's role with the opportunities for private enterprise—with mixed results.

Alberta privatized the retail of liquor in 1993, but maintains control over the wholesaling of alcohol and charges a unit tax on all products sold. At the time Premier Ralph Klein argued that liquor control was a paternalistic and unnecessary intrusion in market freedom, and that a competitive private sector would bring 'innovation' and lower prices. As the report explains, Klein was wrong on both counts.

The report first summarizes a wide array of literature concluding that increased access to alcoholic beverages leads to increased alcohol consumption which leads to increased individual and public harm and costs. Alcohol abuse can lead to alcoholism, injury and loss of life, illness and loss of worker production, property damage, crimes and violence including homicide, social discord, and family tension, fetal alcohol spectrum disorder and a host of other health problems. Substance-abuse experts, including the World Health Organization (WHO), recommend a combination of policies to manage alcohol-related harm, including limiting availability of alcohol through pricing and taxation, limiting access according to age and by controlling hours and days of sale.

Then Flanagan compares Manitoba's mixed public/private system to the other Western provinces and Canada as a whole. Using data from Statistics Canada, he analyses performance on a wide variety of measures.

The report finds that Manitoba employs the responsible social practice of setting alcohol taxes so that more

there is an alternative.

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revenue is collected on a lower volume of sales. This method dampens the tendency to over-consume while raising necessary revenue to pay for the health and social programs that alcohol consumption inevitably necessitates.

The bottom line financially is the measure of net income or profit obtained from the retail industry in each of the four provinces. Government net income as a percentage of revenue from the sale of alcohol is lowest in Alberta's system which is fully privatized. BC, more privatized than Manitoba and Saskatchewan, had the next lowest percentage. Manitoba and Saskatchewan did extremely well on this measure, with considerably higher net incomes. It remains to be seen how Saskatchewan's net income will be affected now that it is privatizing half of its publicly-owned liquor stores.

Prices for most products rose in Alberta after privatization, despite the fact that the percentage of revenues going to government has gone down. Alberta's move to privatization has resulted in a deadweight welfare loss. Not only do consumers pay more, but alcohol consumption has increased at the same time as Alberta's net revenue from sales has decreased, leaving it with less revenue to deal with the health and social problems arising from alcohol consumption.

Overall, Manitoba has the best results among the four Western provinces in mitigating the harms generated by alcohol consumption. But there is always room for improvement; in some instances – for example, alcohol abuse/dependence, our standing is worse than the national average. In order to improve these results, we need to maintain our commitment to a strong public system.

There is substantial international evidence showing that privatizing liquor sales increases the density of outlets and the number of hours they are open, as well as raising alcohol consumption. Indeed, Flanagan found that Alberta has the greatest number of outlets per capita, with 20 per cent more stores than Manitoba. At the same time, Albertans consume more alcohol per capita than British Columbians, Saskatchewanites or Manitobans, whose rates are all around the national average.

Private outlets want to sell as much product as possible and are not motivated to restrict access to minors or intoxicated individuals. In fact advertising responsible drinking and monitoring customers add costs that a private owner will try to avoid. All these factors lead Flanagan to conclude that through privatization, the Alberta government lost control of the liquor distribution industry.

In contrast, the study finds that Manitoba has achieved a balanced system such as that recommended by the WHO. It provides reasonable access to a large variety of products while retaining solid control on consumption levels, and generating large net profits that can then used to treat the harmful effects of alcohol abuse, as well as pay for other public services.

It is always possible to improve a system, but as this report demonstrates, Manitoba would be well advised not to change how it manages liquor distribution. Evidence on the direct correlation between alcohol consumption and social harm and costs is overwhelming; managing the supply of alcohol economically and physically ensures the greatest level of social welfare.

A public liquor monopoly, such as we have in Manitoba, is best suited to succeed at this objective.

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