The Danger of Alcohol Deregulation—US and UK Experiences

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Objectives of Today’s Presentation and Discussion

› Understand how alcohol regulations curb social problems and be able to articulate the risks of loosening them.
› Understand the importance of educating leaders regarding the public health perspective for proposals to deregulate or privatize alcohol.
› Be able to cite credible research which illustrates the efficacy of alcohol.
› Understand the need for a comprehensive system of regulation and policies.
› Be able to describe how instances of privatization and/or deregulation lead to increased problems.
CDC estimates **88,000 deaths** occur due to alcohol annually. Contrast with 6,000 people lost in two recent wars.

**Underage drinking:** Despite progress, it is still unacceptably high.

Alcohol is a causal factor in **crime, domestic violence** and other social problems.

**Highway deaths:** In 2012, highway deaths increased to **10,322** due to alcohol, after a period of decline. If a new product came on the market and created that number of tragedies, there would be mass hysteria!
In general, here is how alcohol regulation works to control business practices:

1. **Price**: keeps prices reasonably high and prevents price wars. Low prices increase consumption, particularly among youth. Prices too high foster bootlegging and theft.

2. **Promotion**: curtails or bans promotions that encourage high volume consumption.

3. **Product**: controls or bans dangerous or high potency products.

4. **Place**: limits availability (locations, days and hours)
Centers for Disease Control and the World Health Organization have confirmed the effectiveness of basic alcohol regulations.

The strong strategies are “restrictions on affordability, availability and accessibility, as well as drink-driving deterrence measures.” “Alcohol, No Ordinary Commodity,” Second Edition
Our regulatory systems compare favorably with the rest of the world.

Total adult per capita consumption of pure alcohol (in litres), 2005*

* Total refers to recorded+unrecorded
2005 refers to average 2003-2005 for recorded and 2005 for unrecorded
Let’s look in depth at an example of deregulation
Once upon a time...the United Kingdom had an effective alcohol regulatory system.

- In 1930’s, the UK’s license system was a model for US regulatory system design after Prohibition.
- But the 1960’s began a long, slow process of deregulation: expanded sales for all forms of alcohol; bar hours extended; Sunday sales permitted; weak age laws; serving practices foster intoxication; and poor enforcement.
- Licensing Act of 2003 permitted 24 hour sales; enforcement overwhelmed.
UK youth drink twice as much as US youth and girls drink more than boys
Hospital admissions and deaths due to alcohol increase

Alcohol-related deaths, 2001 to 2009

All alcohol-related deaths

Deaths from alcoholic liver disease


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PUBLIC DISORDER AND VIOLENCE IN TOWN CENTERS

- Large increase in public disorder crimes around bars (vomiting, urination, fights, vandalism).
- Serving practices promote rapid intoxication.
- “Predrinking” at home increases bar intoxication.
- In 2005, a field hospital “booze bus” system developed for dangerously intoxicated patrons. Calls and costs have skyrocketed.
Four large chains control 75% of the market.
Most use alcohol as a “loss leader” with heavy promotions.
Drinking at home has increased.
The large chains are locked in price wars.
Tax increase not passed to consumer.
The UK has proposals but no law against volume discounts, promotions that induce heavy consumption or minimum prices.
Alcohol becomes more affordable

Source: The Health and Social Care Information Centre, Copyright 2011. All Rights Reserved
On premise licenses increase, pre-drinking increases, and pubs close

Total number of pubs in the UK, 1980-2010
“We can't go on like this!” says the Prime Minister: “Binge drinking isn't some fringe issue; it accounts for half of all alcohol consumed in this country. The crime and violence it causes drains resources in our hospitals, generates mayhem on our streets and spreads fear in our communities.” David Cameron, Prime Minister, United Kingdom, March 22, 2012

A lot of debate, but little progress on Mr. Cameron’s comprehensive strategy
Regulatory changes should be made very carefully in order to avoid increasing the harm of alcohol misuse. One should attempt to assess potential harms from the change, but recognize you can’t predict everything.

Once deregulation sets in, it may be impossible to reverse the changes; and the social problems may take a long time to reduce.

However, we must be flexible and willing to change to accommodate new circumstances and legitimate business needs.

A balanced market is good for public safety and for your state’s business environment. Such a market allows large, small, local and international companies to be reasonably successful.
Hot Issues

- Liquor Stores v. Big Box Grocers—Customer Convenience and “one-stop shopping.”

- More jobs and revenue (ignore the consequences) greater outlets, customer convenience, “vibrant nightlife.”?

- Three tier issues—buying vertical integration, wholesale regulation enforcement, accommodating small producers.

- Anti-trust—sleeping beauty awakens? Mergers and exclusivity.
Alcohol specialty stores (called liquor stores or package stores) are safest venues for selling alcohol. History and rationale.

Kentucky and Florida: Big box stores want to sell all forms of alcohol, but don’t want age restrictions and other rules. (See Maxwell Pic-Pac case in Kentucky.)

Washington State: Privatization ballot measure, sponsored and paid for by Costco, shifted market advantages to big box stores.
Let’s make more money, create more jobs!

- Connecticut governor wants to expand alcohol sales to gain revenue. Cross border wars.
- New licenses created to sell alcohol in non-traditional spaces.
- Dry jurisdictions vote to go wet.
- Sunday sales expands...it’s not necessarily about religion.
U.S. three-tier system has unique values in balancing the market, collecting taxes and product safety. All alcohol moves through 3 licensed tiers.

Middle tier is a buffer and prevents market domination by suppliers or retailers. Market domination usually leads to aggressive sales practices inducing vulnerable populations to buy more alcohol.

Price measures at wholesale and retail level rated highly effective in recent research journal.

Many threats to three-tier system including legislative changes, court suits and ballot measures.

States also have less resources for enforcement, more alcohol outlets, and in some places there are substantial violations of wholesale regulations.
“Vibrant Night Life”

- Revitalize inner cities
- Create jobs, more money, more tax revenue by selling more alcohol and capturing young adult’s entertainment dollars.
- Law enforcement impact
- Problems with public disorder, DUI, underage drinking
- The “pre-drinking issue”
- Is it cost-effective?
US DOJ files lawsuit over Anheuser-Busch/Modelo merger (US beer market is a duopoly)
Mexican Federal Competition Commission limits exclusive arrangements of beer duopoly (Grupo Modelo/ABI and FEMSA/Heineken have 98% market share)
Craft beer implications
Website has:

Monthly newsletter, educational pieces, PowerPoint presentations from conferences. (These are free!)


Issue Briefs for 2014 has simple explanations of alcohol regulatory issues as well as citations for research and more information.

For more information: contact Pamela Erickson, pam@pamaction.com or visit website www.healthyalcoholmarket.com.
Resources on Regulation/Deregulation:

- “Strategizer 55, Regulating Alcohol Outlet Density: An Action Guide” CADCA in partnership with the Center on Alcohol Marketing and Youth (CAMY), [www.cadca.org](http://www.cadca.org)
- “Preventing Excessive Alcohol Consumption,” Guide to Community Preventive Services, [www.thecommunityguide.org](http://www.thecommunityguide.org)
- “What are the most effective and cost-effective interventions in alcohol control?” World Health Organization, February 2004
- Toward Liquor Control, by Fosdick, R.D. and Scott, A.L, originally published in 1933, reissued by Center for Alcohol Policy, 2011.