



June 5, 2013

Senator Chuck McIlhinney
Senate Box 203010
Harrisburg, PA 17120
FAX: 717-783-5962

Re: OPPOSE PRIVATIZATION OF WINE & SPIRITS WHOLESALE AND RETAIL SALES

Dear Senator McIlhenney,

Whether it is called privatization, modernization, alcohol reform, or “getting the state out of the alcohol business,” the end result will be the same for Pennsylvania: *Increased costs to the state and its taxpayers, and increased harm to public health.* Privatization dismantles the very protections contained within the current alcohol control system, puts additional burden on already-stretched state resources, and increases alcohol-related harm. **Alcohol Justice strongly encourages maintaining state control of wholesale and retail sales of wine and spirits.**

Alcohol Justice is the U.S.-based industry watchdog, a nonprofit organization that promotes evidence-based policies to protect the public’s health and safety. In 2010, we reported on Big Alcohol’s fights to privatize state alcohol control in various states, and the harms associated with liberalized alcohol laws. We continue to fight against the alcohol industry’s sustained efforts to further erode alcohol control, and appreciate the chance to offer our perspective as part of your deliberative process.

Privatization’s impact on public health is regularly silenced and/or ignored in this debate. Instead, the latest rendition of the debate in Pennsylvania focuses on “customer convenience,” with the underlying assumption that privatization benefits drinkers by decreasing price and expanding availability of alcohol. These two factors, however, are directly related to increased consumption and the accompanying increases in alcohol-related harm and societal costs. In states that have privatized alcohol sales, alcohol outlet density has dramatically increased.¹ Studies consistently demonstrate that increased availability and outlet density mean increases in alcohol-related harm. License states generally have higher alcohol density, greater physical availability, and longer and later hours of sale,² all of which contribute to the increased availability of alcoholic beverages.³

In the long term, the state will lose revenue. In addition to increased costs associated with maintaining adequate enforcement levels, license fees and taxes will not provide as much revenue as what is currently generated by the state markup rate. Proponents of privatization tout 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. This argument ignores two key details: (1) the state already collects revenue through its markup rates; and (2) 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.

Even if at the outset license fees and taxes provide equal or greater revenues, these returns will eventually decline. Only high retail prices and tax rates will return revenue that is equivalent to the amount the state currently raises in its own stores. The presumption that private retailers will continue to charge the state similar, or even higher, markups is misguided. Moreover, those same corporate interests pushing for privatization will keep alcohol tax rate increases off the table – and push for tax decreases instead. Thus, the state will be faced with issuing more licenses in an effort to increase revenue.

Privatization seeks to replace a socially responsible method of collecting revenue with another method that not only allows for, but also seeks to continually increase, profits for private corporations.

Privatization will undermine the efficiency and effectiveness of the Pennsylvania Liquor Control Board. The corporate interests behind privatization, wrapping their rhetoric in choice and convenience, want to remove state government from the distribution and sale of alcohol so that their companies can more fully profit from it. By controlling wholesale and retail sales of wine and spirits, the state is currently able to directly and efficiently ensure that they are priced and sold in a reasonable manner, to legal-age adults. Privatization will allow corporations to more efficiently sell alcohol, and thus lower prices. Given the inevitable decrease in revenue and increase in alcohol outlets that will accompany privatization, enforcement and regulatory activity will not be able to keep pace, only further harming public health and safety.

Don't be fooled: A one-time influx of revenue from selling the state alcohol stores, funneled into a few years of educational grants, *will not* make up for the deterioration of health and safety in communities throughout Pennsylvania. Since CostCo spent \$22 million in 2011 to secure the privatization initiative in Washington State, outlet density in the state has increased exponentially. Crime, especially liquor theft, has increased in many communities across the state, and cities do not have the resources to address it.⁴ Youth expectations and attitudes have become more accepting of underage alcohol use, as well.

Ultimately, privatization of wholesale and retail sales of wine and spirits in Pennsylvania will cost your electorate and hurt both the bottom line and the residents of your state. We hope you will see through the false claims of enhanced state revenues, and misinformation about the public health consequences, and keep control of wine and spirits sales in the state's hands.

Sincerely,

Sarah Mart, MS, MPH
Director of Research

¹ 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.

² Alcohol Justice. Privatization of state-run alcohol sales: An expensive solution. July 2011. Available at http://alcoholjustice.org/images/stories/11MI0701_privatization_1_2.pdf.

³ The Task Force on Community Preventive Services. Preventing Excessive Alcohol Consumption: Privatization of Retail Alcohol Sales. 2011. Available at: <http://www.thecommunityguide.org/alcohol/RRprivatization.html>.

⁴ Liquor theft skyrockets; city reports 12% spike in crime. Federal Way Register. May 24, 2013. Available at <http://www.federalwaymirror.com/news/208745731.html>.