

Beverage Alcohol System Review

Inter-jurisdictional Research

Final Report

March 24, 2005

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Introduction

Background

On January 11, 2005, the Government of Ontario announced the appointment of an expert panel to review the distribution and sale of beverage alcohol in the province. The Terms of Reference for the review included consideration of how Ontario's beverage alcohol system compares to other jurisdictions. To support this element of the Panel's work, Grant Thornton LLP was contracted to gather research with respect to the beverage alcohol systems in:

- Alberta (AB)
- British Columbia (BC)
- Ontario (ON)
- Quebec (QUE)
- Nova Scotia (NS)
- Washington (WA)
- Oregon (OR)
- Pennsylvania (PA)
- Michigan (MI)
- Iowa (IA)
- West Virginia (WVA)
- New York (NY)
- California (CA)
- New South Wales (Australia)
- South Australia
- Western Australia
- Victoria, Australia
- New Zealand (NZ)
- United Kingdom (UK)

Analysis and Presentation of Information

To support a consistent approach to data collection, a standardized template was developed and approved by the Review Panel Secretariat. Data collection templates have been completed for each of the identified nineteen jurisdictions. Despite best efforts to standardize the collection of data, information is collected and reported in different forms in the various jurisdictions. In some cases, particularly in jurisdictions where the system is largely privatized, some information is simply not available publicly. As a result, it should be noted that cross-jurisdictional analysis is somewhat

limited due to these differences and is intended only to compare the key characteristics of the various jurisdictions. It should also be understood that information was collected from a variety of sources and has not been validated directly with each jurisdiction. As such, the information may not reflect the latest available information for all jurisdictions, and in some cases, may not present a complete picture of the respective system.

Recognizing the limitations in the data, and volume of information collected, we have attempted to support the work and analysis of the Beverage Alcohol System Review Panel by analyzing the information and highlighting lessons-learned for Ontario. This approach is intended to allow the Review Panel to understand the potential implications of introducing system changes in Ontario. This analysis includes the following:

- The reviewed jurisdictions have been plotted along a continuum based on the degree to which government maintains responsibility for operating key aspects of the beverage alcohol system. This visual representation of the key similarities and differences among the jurisdictions is supported by a matrix that highlights the system features of each of the nineteen jurisdictions;
- A comparison of the most typical differences between jurisdictions with full government operation of the system and licensing jurisdictions (with minimal to no government operation) is presented, including references to key indicators such as consumption rates, access points, government revenues, and selected alcohol use statistics;
- An overview of the jurisdictions that have undergone significant system changes in the last twenty to twenty-five years is provided. This section summarizes the key features of the changes and any associated implications for the government, consumers, industry and the public; and
- Trends or unique system changes are highlighted, including references to relevant implications.

(Note that findings for the four Australian states are combined. This reflects both the availability of data (e.g. consumption rates by product were not available for each of the four states), and the fact that significant differences do not exist in terms of the roles of government and the private sector).

Background - Alcohol Policy and Regulatory Options

Alcohol policy generally refers to measures put in place to control the supply and/or affect the demand for alcoholic beverages in a population. Policy options fall into three broad categories:

- Population-based policies aimed at altering the levels of alcohol consumption among the population, including such measures as taxation, advertising, availability controls including state monopolies, promotion of beverages with low or no alcohol content, regulation of density of outlets, hours and days of sale, drinking locations, minimum drinking age, health promotion campaigns, and school-based education. Such policies are directed at the general public or consumer rather than focusing on those people with drinking problems.
- Policies targeted to specific alcohol-related problems such as drinking and driving or alcohol-related offences.
- Policies that are directed at individual drinkers. These include treatment and rehabilitation programs and other interventions.

The scope of this research focuses primarily on population-based policies and the implications of those options for the government and its population. Particular attention is focused on the level of state or government operation of the sale, production, importation and distribution of beverage alcohol. As this review will demonstrate, governments can choose **full government operation** (or state monopoly/control), **partial government operation** (where the jurisdiction maintains control over key elements of the system, but out-sources or privatizes others), a **licensing system** where all aspects of sale, distribution and production are licensed activities, or **no control** (where there are no restrictions on beverage alcohol sale or distribution).

Our research has not identified any jurisdictions (within the scope of our research) that have opted for the “no control” approach. Typically, jurisdictions have chosen either full government operation or variations of licensing schemes that govern retail sales, distribution and manufacturing of alcoholic products. Our research suggests that systems operated by government are more common in North America jurisdictions, whereas countries like England, Australia and New Zealand tend to have licensing systems in place.

Glossary of Key Terms

Beverage alcohol: spirits, wine and beer

Liquor: typically used in U.S. jurisdictions to refer to spirits

Liquor stores: in many jurisdictions (including Canada), refers to retail stores that sell all categories of beverage alcohol; in U.S. jurisdictions, refers to retail stores that sell spirits only

Bottle stores: in jurisdictions outside North America, often used to describe retail outlets (stores) that sell beverage alcohol

Off-premises licenses or sales: refers to the authority to sell beverage alcohol for consumption off-premises (may include retail stores, or in some jurisdictions may include hotels, bars and restaurants that have both on and off-premises licenses, and producers who are licensed to sell their products to the public)

Importation: the act or business of importing

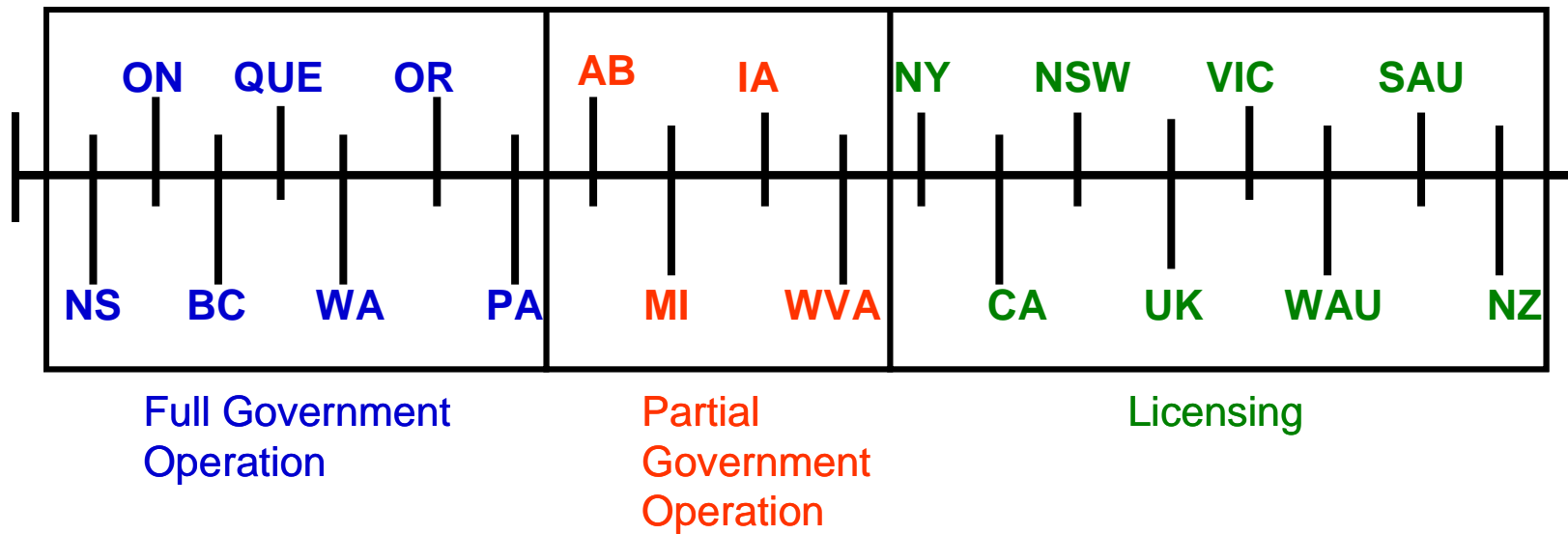
Distribution: the act of distributing goods to retailers

Wholesale: the sale of goods in large quantities, as for resale by a retailer

Bailment system: producers of beverage alcohol store their products in government-owned warehouse free-of-charge and are compensated only when an order for their products is processed

United Kingdom: The United Kingdom is made up of Great Britain (England, Scotland and Wales) and Ireland. The data presented in this report generally refers to England and Wales only

Overview of Beverage Alcohol Systems



Retail sales, distribution, importation is operated by government

Retail sales primarily by private sector licensees; government operation of distribution and importation

Government role in retail sales, distribution and importation limited to issuing licenses/permits

Characterization of Government Control in Beverage Alcohol Systems

The following section provides a high-level overview of the beverage alcohol system in each of the jurisdictions included in this study. For each jurisdiction, the level of government involvement in three key elements of the system is represented, as follows:

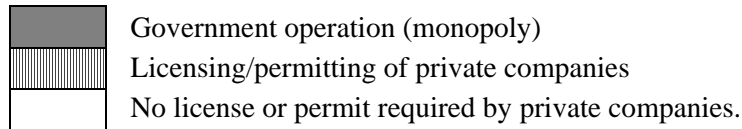
Tier 1: importation/production

Tier 2: Wholesale and warehousing/distribution

Tier 3: Retail (off-premise) sale of beverage alcohol

Each tier of activity is further divided by type of alcohol – spirits, wine and beer. This distinction recognizes the fact that some jurisdictions treat each of these three types of beverage alcohol products differently.

Within each tier, shading is used to indicate the level of government operation, as follows:



Within each tier and for each type of alcohol product, it is possible that shading is divided. This is meant to represent the different treatment or licensing scheme that is in place. For example, under retail sale in Nova Scotia, the government-owned Nova Scotia Liquor Commission owns and operates all retail outlets. However, producers (wineries, breweries, and distillers) may also be licensed to sell their products. As a result, the shading represents both government operation and licensing/permitting of private companies. The same is true for Ontario, where producers, the Brewers' Retail and private wine stores are licensed to sell specific products, whereas all other sales are under the control of the LCBO. In addition, the Brewers' Retail operates its own warehouse/distribution for beer and as a result, the shading in the Tier 2 box for beer is divided between government operation and licensing/permitting of private companies.

Nova Scotia

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- Nova Scotia has a full government operation system with private sector involvement restricted to manufacturing and some limited retail sale
- The Nova Scotia Liquor Commission (NSLC) is the sole entity authorized to purchase and import beverage alcohol
- All warehousing and distribution is carried out by the NSLC
- A small number of private retail stores are currently available and producers can receive a license to sell their products directly to the public
- The Nova Scotia Liquor Commission owns and operates nine liquor stores that are accessible from within grocery stores (there are plans to introduce another twenty-three stores of this type within the next eighteen months)
- Nova Scotia has 123 retail points of sale, which translates into one store for every 7,627 people or lowest number of access points in the study
- Nova Scotia has the third highest per capita consumption of spirits (5.48 litres per person) recorded among jurisdictions in this study
- Nova Scotia has the highest number of impaired driving offences among Canadian jurisdictions in the study

Ontario

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- Ontario has a full government operation system for distribution and sale
- Retailing is carried out by a mix of public and private operators: the Liquor Control Board of Ontario sells all types of alcohol products, while the privately-owned Brewers Retail Inc. owns and operates The Beer Store outlets and sells domestic and imported beer products, and privately owned winery retail stores sell only their own products
- The LCBO is the sole importer of liquor products and operates five warehouses
- The Brewers Retail Inc. operates five distribution sites
- Licensing of private companies occurs for warehousing and distribution of domestic beer products, and for retailing of all beer products and domestic wine only
- Ontario currently has 1,674 retail points of sale which translates into one store for every 7,431 people (second lowest number of access points in the study)
- Ontario has the lowest number of impaired driving convictions among Canadian jurisdictions in the study

British Columbia

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- British Columbia has a partial government operation system of beverage alcohol distribution and sales - Government control extends all through Tier 1 and includes all wholesaling of beverage alcohol products and warehousing/distribution of spirits and all imported products
- The Liquor Distribution Branch (LDB) is the only entity with authority to purchase either domestic or imported beverage alcohol products
- Domestic breweries and wineries do some of their own warehousing and distribution.
- The retailing of beverage alcohol for off-premise consumption is shared between government stores (including agency stores) and licensed private retailers
- Over the past thirty years, the Government of British Columbia has slowly introduced new rules to allow private retailers to sell beverage alcohol products, including the introduction of the Licensee Retail Store (LRS) program in 1985
- Recent changes (since 2002) have expanded the role of the LRS outlets – with a total increase in retail access points of 233
- British Columbia currently has 1,030 points of retail access which represents one store for every 4,037 people (third lowest number of access points in the study)
- The Government launched the Liquor Reform Project in 2003 and in 2004 and announced its intention to remain in the liquor retailing business

Quebec

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- Government operation extends through all levels in the system for spirits and wine products
- Domestic breweries carry out activities related to the importation, warehousing, wholesaling and distribution of most beer products
- Only a limited selection of imported beer products is sold through the government store network. All other beer is available for sale through grocery stores and corner stores
- Grocery stores and corner stores also sell a limited selection of wine products (80% of wine is sold through Government-owned and operated liquor stores)
- Beer has been available for sale in grocery stores since 1921; wine has been available for sale in grocery stores since 1978
- The inclusion of grocery and corner stores sales increases Quebec’s total points of access to approximately 10,000 (one stores for every 754 people in the province – the second highest in the study)
- Per capita consumption of beer and wine ranks fourth out of sixteen jurisdictions in the study, whereas consumption of spirits ranks 14 out of sixteen jurisdictions

Washington State

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- Washington is a full government operation state
- Government control extends for spirits from Tier 1 through Tier 3
- The state owns and operates the warehouse using the bailment system
- Contract carriers transport the product to the state and agency stores
- Licensed private liquor stores are permitted to sell only beer and wine products
- A small number of government stores are operated under contract by private companies
- Spirits are only available from government stores, while wine and beer are available for purchase at private stores
- Washington currently has 5,090 points of access which translates into one store for every 1,204 people, or the eighth highest in the study

Oregon

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- Full government operation for spirits extends from Tiers 1 through Tier 3 – the Oregon Liquor Control Commission centrally purchases, warehouses and distributes distilled spirits to the state’s liquor stores
- Bailment system was implemented in 1997
- Common carriers are used to transport products to agency stores
- Spirits-only stores are owned by the government but operated by agents who are compensated based on monthly sales volumes
- Retailing of beer and wine is carried out by licensed private companies
- Oregon currently has 3,953 retail points of sale which translates into one store for every 866 people (fourth highest number of access points in the study)
- Per capita consumption of spirits ranks sixth out of sixteen jurisdictions; wine ranks sixth out of sixteen; and beer ranks sixth out of sixteen

Pennsylvania

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- Pennsylvania is a full government operation state
- Government control extends all through Tier 1 for spirits and wine
- Local wineries can sell their local wines from their wineries and in some cases from small retail locations
- Warehousing and distribution activities are contracted out to a private operator (contributes \$21.6 million to the state economy annually)
- Spirits are only sold in government liquor stores
- Only beer and locally-produced wine are sold in private stores; all other US and imported wine is sold in government stores
- Package stores for malt/brewed beverages are licensed beer distributors which are restricted to case/lot sales
- Pennsylvania currently has 15,000 retail points of sale, or one store for every 824 people (ranks fourth highest points of access)
- Per capita consumption of spirits ranks twelfth out of sixteen; wine ranks thirteen out of sixteen; and beer ranks seventh out of sixteen

Alberta

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- Alberta has a licensure beverage alcohol system with partial government operation – the industry was privatized in 1993, resulting in all retailing, warehousing and distribution of beverage alcohol being carried out by the private sector
- The process, announced in September 1993, was completed in March 1994 and included several key elements:
 - Government ceased ownership of its 205 liquor stores
 - A flat tax (or volume-based mark-up) was introduced to replace the previous mixed ad valorem and volume-based pricing policy (the government made a commitment to freeze revenues for five years following the introduction of the flat tax)
- Government operation extends all through Tier 1 (importation/production) and includes all wholesaling of beverage alcohol products
- Warehousing and distribution of all products is carried out by licensed private companies, but the government maintains significant control over warehousing, including the requirement that liquor must be sold separately from other products in a retail outlet; wholesale prices are uniform for all retailers and licenses; and warehouse transportation costs are uniform across the province
- All retailing of beverage alcohol for off-premise consumption is carried out by licensed private companies
- Total points of sale in the province increased from 205 in 1992/93 (prior to privatization) to 1,087 in 2003/04 – this represents one store for every 2,955 people in the province, or thirteen out of sixteen jurisdictions in terms of access
- Per capita consumption rates for wine and beer are eleventh out of sixteen, and second out of sixteen for spirits

Michigan

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- Michigan is a partial government operation state – government operation is limited to importation/production and wholesaling of spirits
- Since 1997, warehousing and distribution is carried out by three authorized distribution agents (ADAs) who are licensed by the government to warehouse and distribute beverage alcohol products - one ADA carries spirits only; one carries wine and spirits; and one carries beer, wine and spirits
- All retailing of beverage alcohol is carried out by licensed private companies
- There are no specialized liquor stores (i.e. stores that sell only beverage alcohol products). All retail licensees are required to sell other types of products prior to receiving their license to sell alcohol
- Currently there are 7,434 retail points of sale in the state, which translates into one store for every 1,377 people or the eleventh highest number of access points out of sixteen jurisdictions
- Per capita consumption rates for spirits ranked fourth out of sixteen, thirteenth out of sixteen for wine and eighth out of sixteen for beer
- Frequency of use statistics are comparable to the control state of Oregon and lower than the control state of Washington

Iowa

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- Iowa is a partial government operation state – like Michigan above, government control is limited to importation/production and wholesaling of spirits
- A private operator is licensed to warehouse and distribute spirits on behalf of the state
- In 1987 the state privatized all retail sales
- Different types of licenses apply depending on the range of product types being sold
- Spirits are sold in private stores as well as grocery stores
- There are currently 15,649 retail points of sale in the state – this represents the highest number of access points in the study and includes private retailers, grocery stores and gas bars
- Per capita consumption for spirits ranks eleventh out of sixteen, for wine is fifteenth out of sixteen and for beer is third out of sixteen
- Frequency of use statistics are comparable to the license state of New York and lower than the control state of Washington

West Virginia

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- West Virginia is a partial government operation state – Government control is limited to importation/production and wholesaling of spirits
- The state owns and operates its warehouse
- Distribution is carried out by a private trucking company under contract with the state
- All retailing activities are carried out by licensed private companies that have franchise rights for ten years
- Franchise rights are awarded every decade to the highest bidder
- Different types of licenses apply depending on the range of product types being sold
- Spirits are sold along with wine and beer in private retail stores, grocery and gas stations
- Currently there are 2,090 retail points of sale in the state, which translates into one store for every 868.5 people or the fifth highest number of access points out of sixteen jurisdictions
- Per capita consumption for spirits ranks thirteenth out of sixteen, for wine is sixteenth out of sixteen and for beer is fifth out of sixteen
- Iowa was reported to have the lowest frequency of use statistic (37.2% of the population reporting recent consumption of alcohol in comparison to United Kingdom’s 90%)

New York

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- New York is a licensing system
- Activities in all three Tiers of the system are carried out by licensed private companies
- Government control extends only to licensing and regulatory oversight, including enforcement

- Grocery stores are permitted to sell beer and “wine products” (less than 6% alcohol content). Distilled spirits and regular wine are not sold in grocery stores they are sold in private retail stores, bars and restaurants
- Currently there are 21,021 retail points of sale in the state, which translates into one store for every 912 people or the fifth highest number of access points out of sixteen jurisdictions
- Per capita consumption for spirits ranks tenth out of sixteen, for wine is ninth out of sixteen and for beer is fifteenth out of sixteen
- Frequency of use statistics are comparable to the partial control state of Michigan and lower than the partial control state of Iowa

California

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- California is a licensing system
- Activities in all three Tiers of the system are carried out by licensed private companies
- Government control extends only to licensing and regulatory oversight, including enforcement
- Grocery stores are permitted to sell all types of alcohol
- Currently there are 27,071 retail points of sale in the state, which translates into one store for every 1,310 people or the tenth highest of access points out of the sixteen jurisdictions
- Per capita consumption for spirits ranks seventh out of sixteen, for wine is fifth out of sixteen and for beer is eleventh out of sixteen
- Frequency of use statistics are comparable to the control state of Pennsylvania and lower than the control state of Oregon

Australia

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- The four Australian states captured by this review are licensing states
- Some variations exist among the four states in terms of the type of licenses that are required within each Tier, however, none of the states leave any aspect of the system under full government control
- The national government plays a policy role in terms of developing national strategies related to health and harm reduction (including a National Alcohol Strategy that was released in 2001, the establishment of an Alcohol Education and Rehabilitation Foundation to fund and support community-based education and rehabilitation projects, and the Australian Alcohol Guidelines that set levels for low risk and high risk alcohol consumption)
- In 1997, a High Court ruling disallowed the collection of state alcohol taxes
- Currently, state government collect fees from licensing permits, while the national government collects tax (GST), the wine equalization tax (WET) and excise tax/duties
- Prior to 1999, it was common to include a “needs” test prior to issuing a license (e.g. a private retailer wanting a license to open a store would have to develop a business case that demonstrated a need for an additional store in the local area). This practice was found to be unconstitutional because it limited competition. All states, other than South Australia have moved away from this practice
- Per capita consumption rates for spirits, wine and beer are the highest in Australia (based on 2002/03 data from Statistics Australia)
- Although points of sale (1,396 people for each point of access) is the fourth lowest in our study, the overall rates of alcohol use are the third highest and consistent with the high consumption rates reported above
- Two of the four states reviewed for this study (New South Wales and Western Australia) have recently launched reviews of their licensing practices and related policies

United Kingdom (England and Wales)

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- England and Wales operate under a licensing system, including a licensing requirement for all retailing activities to the general public, including manufacturers or wholesalers who sell directly to the public.
- No licenses are required for activities from Tier 1 to Tier 2 (production and sale to wholesalers), or for activities from Tier 2 to Tier 3 (wholesaling to retail outlets), unless sales will be made directly to the public
- Local authorities (municipalities) are responsible for licensing and collect associated revenues
- Police have responsibilities for enforcement of licensing laws
- Currently there are 46,582 retail points of sale in the state, which translates into one store for every 1,133 people or the seventh highest of access points out of the sixteen jurisdictions
- Per capita consumption for spirits ranks fifteenth out of sixteen, for wine is second out of sixteen and for beer is second out of sixteen
- Frequency of use statistics are higher than Australia and New Zealand – more than 25% of the population drink above the recommended weekly guidelines and more than 6 million people drink above the recommended daily guidelines
- The Prime Minister has recently launched a public consultation exercises that has resulted in an Alcohol Harm Reduction Strategy (March 2004)

New Zealand

	Spirits	Wine	Beer
Tier 1: Importation/production			
Tier 2: Wholesale/warehousing/distribution			
Tier 3: Retail (off-premise)			

Key system characteristics:

- New Zealand is a licensing system
- Licensed agents carry out activities related to importation of beverage alcohol.
- No license is required to produce spirits or beer products, unless the producer sells directly to the public
- Domestic wine makers are required to be licensed to protect the integrity and reputation of the industry
- No licenses are required to carry out activities related to Tier 2
- Retailing licenses are administered by local authorities
- Currently there are 3,333 retail points of sale in the state, which translates into one store for every 1,227 people or the ninth highest of access points out of the sixteen jurisdictions
- Per capita consumption for spirits ranks sixteenth out of sixteen, for wine is third out of sixteen and for beer is ninth out of sixteen
- Frequency of use statistics are comparable to Australia and are lower than the United Kingdom
- The Government charges a levy on all liquor that is imported into or manufactured in the country and uses the revenue to fund the New Zealand Alcohol Advisory Council which is responsible for encouraging and promoting responsible use

Lessons-Learned for Ontario

Key Comparisons of Control and Licensing Systems

The previous section describes the degree of government operation or control in key aspects of the beverage alcohol systems in each of the jurisdictions included in the scope of this project. This section attempts to highlight the differences between these systems and the implications of these differences by examining a number of relevant questions and indicators:

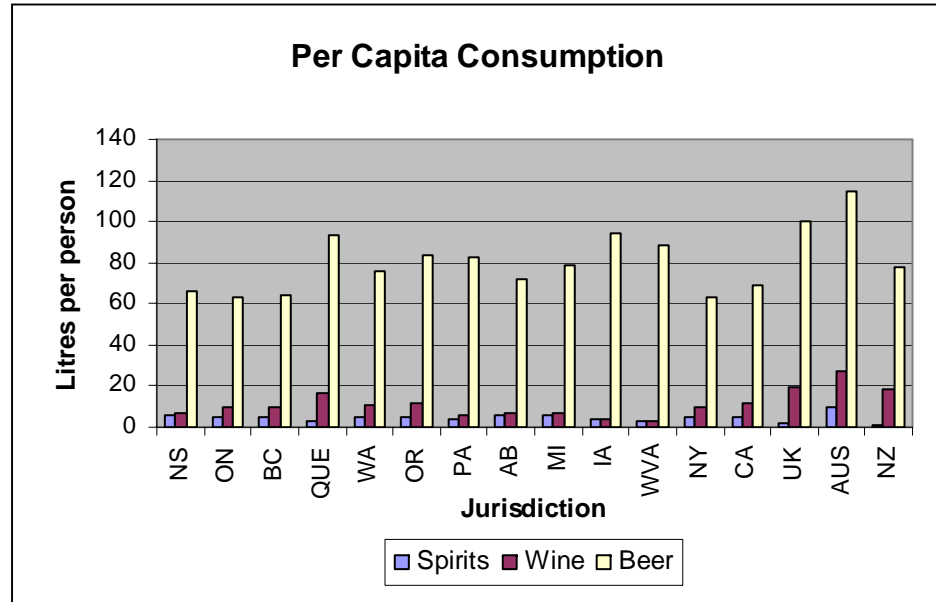
- Do the research findings suggest that there is a clear correlation between increased consumption rates and reduced government control over access (retail sale)?
- Do the research findings suggest that there is a clear correlation between increased alcohol use and reduced government control over access (retail sale)?
- Do the research findings suggest that there is a relationship between increased access points and reduced government control over retail sales?
- Do the research findings suggest that there is a relationship between increased access points and increased consumption?
- Do the research findings suggest that there is a clear relationship between social responsibility programs and consumption levels?
- Is there a clear relationship between increased private sector involvement in the system and overall government revenues?
- Is there a relationship between mandatory environmental programs and the level of government control?
- Is there a relationship between the degree of government control and alcohol-related crimes?

When reviewing this section, it is important to keep in mind that data varies from one jurisdiction to another. We have drawn conclusions for analytical purposes based on available information, but caution readers that the availability and reliability of information varies from one jurisdiction to the next. In addition, the information captured here is intended only to compare the key characteristics of jurisdictions with greater or lesser degrees of government operation. The analysis identifies inter-related characteristics, but a broader multi-variant analysis would be required to speak to underlying causes of any trends.

Consumption Rates: Consumption rates do not always increase with reduced control

It is generally assumed that consumption increases as government control is reduced. A comparison of consumption rates (litres per person, total population or 15 years +) suggests that the reality is more complicated. For example:

- The highest per capita consumption for all categories of beverage alcohol is in Australia – a license state where government’s role in all three tiers is limited to licensing.
- The next highest consumption rates for beer and wine is in England and Wales – both license states where retail sales are privatized.
- The consumption rate for spirits in Nova Scotia – a full government operation system with the lowest number of access points of all jurisdictions, is amongst the highest of all jurisdictions.
- Quebec has the fourth highest consumption rates of all jurisdictions for beer and wine (products where accessibility is increased through sales in grocery and corner stores), while consumption rates for spirits (where there is greater government control over retail sales) ranks fourteenth out of sixteen jurisdictions.
- Total consumption in Alberta is higher than Ontario, Nova Scotia and British Columbia, but lower than in Quebec.
- Consumption of wine is lower in Alberta than in Ontario and British Columbia. Wine consumption appears to be higher in jurisdictions with mature wine industries, including Australia (highest), New Zealand (third highest) and California (fifth highest), with Quebec’s fourth place position possibly related to changes introduced by the Government-owned Société des alcools du Québec (SAQ) that allowed for wider access to quality imported products.
- The lowest consumption rates for spirits are in New Zealand and England and Wales – both license states.
- The lowest consumption of wine was found in West Virginia – a partial government operation state where the retail sales of beverage alcohol is licensed.

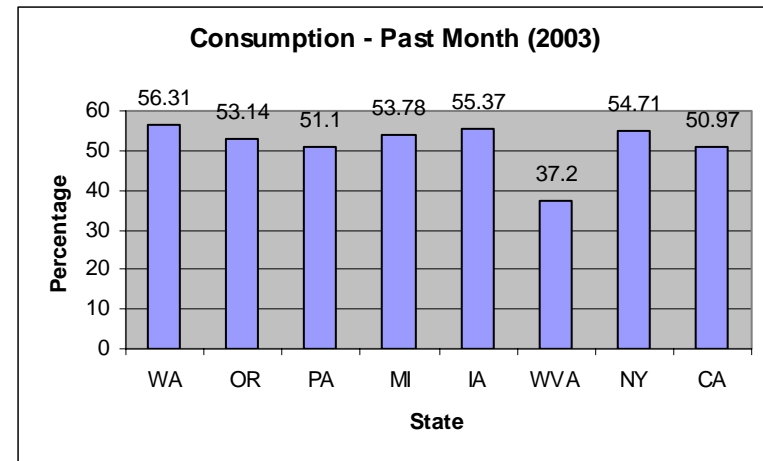
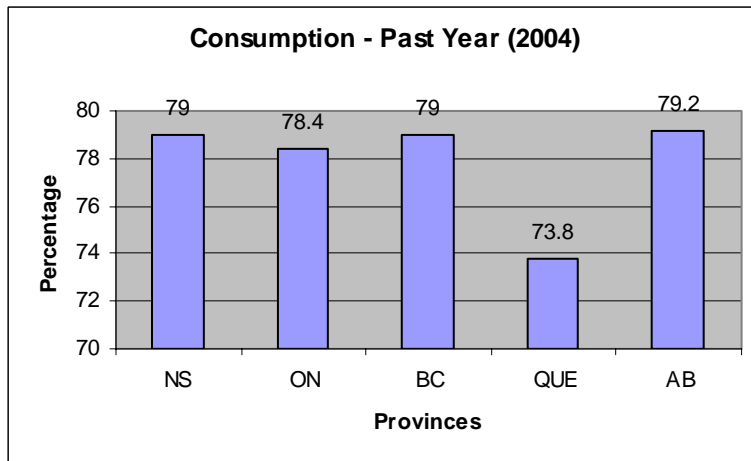


Alcohol Use: Frequency of alcohol use does not always increase with reduced government operation

When considering alcohol use statistics, there does not appear to be a direct relationship between frequency of use and the degree of government control in the system. However, it should be noted that there are considerable differences in how this information is tracked and reported in various jurisdictions.

For analytical purposes, tables are presented that offer comparative data from jurisdictions in Canada and the US. This information is illustrative because it demonstrates that the frequency of use is only marginally higher in Alberta than in Ontario, B.C. and Nova Scotia. In the United States, California – the most open state in terms of the level of private sector involvement – records lower frequency of use statistics than in all of the control states included in the report with the exception of West Virginia.

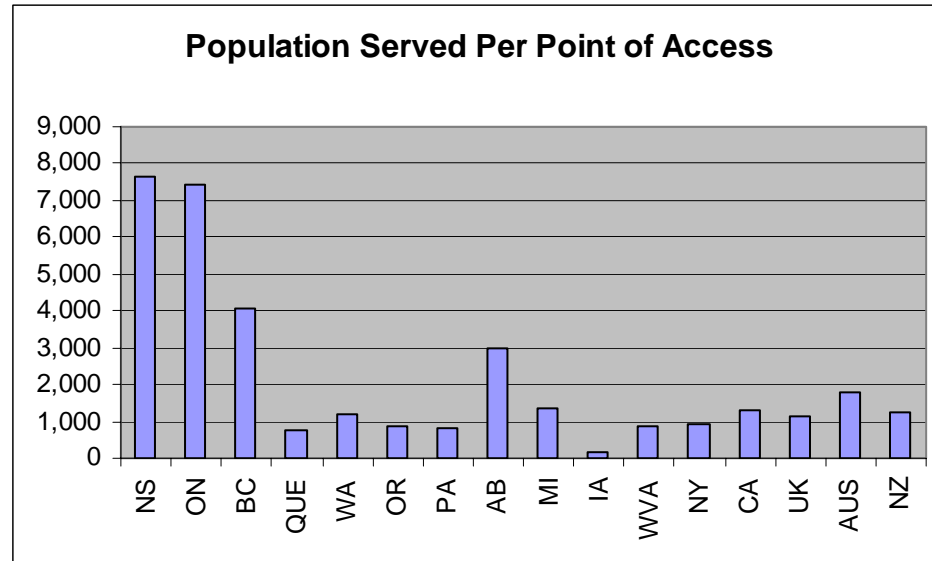
At the same time, it should be noted that the highest recorded usage statistics are for the United Kingdom, Australia and New Zealand. Statistics for these states are 80% or higher in terms of current use.



Points of Access: Privatization of retail sales increases points of access but is not always higher than control jurisdictions

The research indicates that as jurisdictions have introduced system changes that allow for greater private sector involvement in retail sales, the number of access points has increased. Examples include Alberta, which went from 304 (1993) retail points of sale to 1,087 (2005) total points of sale after the introduction of privatization (after almost doubling the number of retail points of sale between 1993 and 1995, annual increases were much more gradual), and British Columbia, which went from 796 points of sale to 1029 points of sale after privatization of retail sales was expanded in 2002.

In looking at the population served per point of access (number of people per access point) in Canada, Alberta has significantly higher access than all other Canadian jurisdictions other than Quebec (access points for Quebec are higher as a result of the sale of wine and beer in grocery and corner stores).



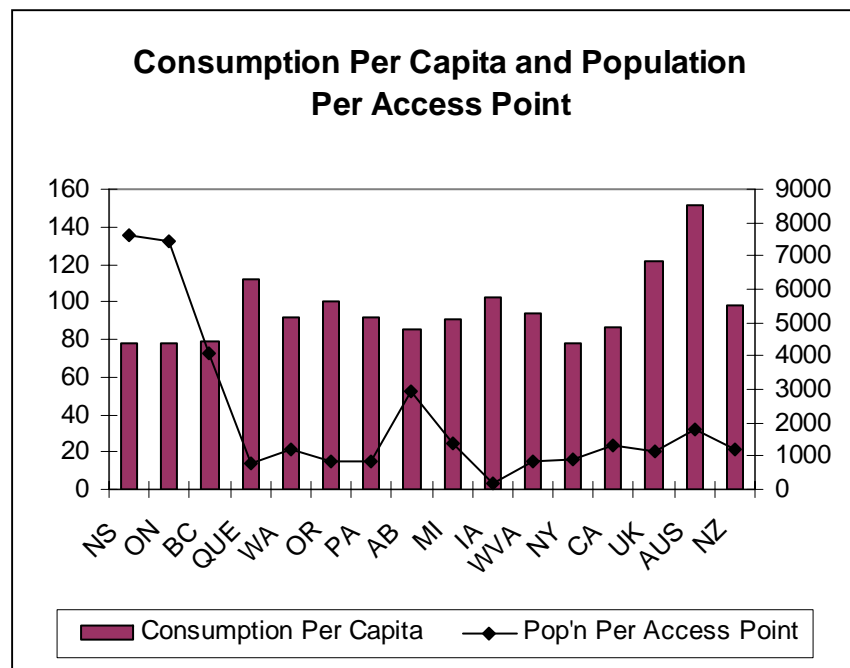
Consistent with the findings for Canada, it would be expected that the population served by access point would decline from a high at one end of the control spectrum (Nova Scotia) to the other (New Zealand). The data presented here suggests that such a conclusion should not be drawn. In looking at the pure licensing jurisdictions – New York, California, England and Wales, Australia and New Zealand – the population served by access points (i.e. overall access) is actually higher than in several control jurisdictions. These results may partly be explained by the practices in jurisdictions outside North America that have traditionally required a business case or local needs test to be met before new licenses were issued.

Other issues related to customer service, such as product selection, are difficult to assess given that data is not available for jurisdictions that license retail sales.

Points of Access and Consumption Rates: Total consumption generally appears to increase as access increases

As discussed above, there is extensive research and literature on the relationship between alcohol availability and consumption. In a 2003 study for the Fraser Institute (Douglas West, “The Privatization of Liquor Retailing in Alberta”), the author cites a study of the literature that concludes that the link between consumption and access is far from simple. Our findings reinforce the point.

- As noted previously, Quebec has the highest total consumption rates recorded for Canadian jurisdictions, and also has the highest number of access points as a result of sales of beer and wine in corner stores.
- Iowa has the highest total consumption rates amongst the U.S. states included in the survey, and the highest number of access points.
- Although Australia has significantly higher consumption rates than other jurisdictions, it actually has fewer total access points than several other jurisdictions.
- British Columbia has significantly more access points than Nova Scotia or Ontario, but total consumption rates are very close.
- Consumption rates for jurisdictions at the far end of the spectrum – United Kingdom, Australia, and New Zealand have higher consumption rates and higher access points than all Canadian jurisdictions other than Quebec.



While a simple conclusion cannot be drawn, the data does suggest that there is a relationship between total consumption and availability.

Social Responsibility Programs: No clear correlation exists between consumption and social responsibility programs

A variety of types of social responsibility programs and policies were identified through our research. The programs described in our research templates do not necessarily cover all programs and are not intended to suggest that other programs do not exist in individual jurisdictions

Based on the information that was collected, there is no clear correlation between the level of government control and program type, or between social responsibility programs and rates of consumption. Programs are just as likely to exist in high-consumption license states (e.g. Australia) as they are in control states. In fact, mandatory industry training is in place in pockets (including Australia and Alberta) and is gaining popularity as a voluntary measure in other areas. Public education (including information about responsible use and guidelines regarding advertising) appears to be a universal program in all jurisdictions with programs being delivered by both government and industry. Australia and New Zealand, for example have “codes of practice” for advertising, Australia and England have national strategies for the responsible use of alcohol, and England recently introduced a voluntary social responsibility program for industry in addition to the voluntary code of practice for advertising.

Quebec, which has the highest consumption rates in Canada for wine and beer, has a number of mandatory requirements in place, including educational programs by manufacturers. In addition, the SAQ funds a not-for-profit agency (through a special tax on SAQ products) that runs a number of information, education and prevention programs. A similar agency with a mandate to promote responsible alcohol use exists in New Zealand, where a special a special levy is used to fund the Alcohol Advisory Council.

Government Revenues from Liquor Sales: No clear correlation exists between the degree of control and revenues

Research collected for this study suggests that there is no clear correlation between the level of government operation of the beverage alcohol system and government revenues from liquor sales.

Our research indicates that government revenues appear to be a function of both the taxation regime in place in the jurisdiction and relative consumption. In the United Kingdom, excise taxes account for a significant proportion of the retail price of beverage alcohol products. This policy, combined with relatively high per capita consumption in this jurisdiction, is the primary driver of high government revenues. (In fact the size of excise taxes is an issue of concern for the industry in terms of competitiveness with other EU countries). US jurisdictions tend to realize lower government revenues from liquor sales than do jurisdictions in Canada, the UK and Australia. In many U.S. jurisdictions, a mark-up is applied to alcohol only, with wine and/or beer taxes being added to these products. New Zealand imposes a levy at the production and importation level of the system, and not at the wholesale level, which explains relatively low government revenues in this jurisdiction. A 1997 High Court

ruling deemed the levying of state alcohol taxes unconstitutional, as were practices that established “needs” test for issuing on and off-premises licenses.

In many jurisdictions that have moved from government ownership to privatized retail sales, including Alberta and West Virginia, the stated policy objective was for the change to be revenue neutral – most jurisdictions report that the changes have not had a detrimental impact on revenues. The 2003 Fraser Institute study referenced earlier suggests that the change from an ad valorem to flat tax led to a “modest increase in government revenues” (p.53). In fact, the province has had to adjust the flat mark-up rates downward in order to maintain revenue neutrality. The same situation emerged in Iowa where the pre-privatization mark-up of 76% was reduced to 60% at the time of privatization and then to 50% one year later. In B.C. increased revenues between 2001/02 and 2003/04 are largely attributed to a 14% increase in total sales. Several jurisdictions noted concerns with keeping prices competitive in order to avoid driving sales to neighboring jurisdictions and/or increasing illegal importation and sales.

The franchise model in West Virginia is interesting. Like other jurisdictions, the stated policy objective of the government was to maintain revenue neutrality, and as a result, annual revenues have not increased significantly. However, the franchise licenses are open to public bids every ten years and result in a significant infusion of revenue. In 1991, the initial offering raised \$22 million for the government.

Looking at selected Canadian jurisdictions (see chart below); government revenues per capita are relatively consistent regardless of the level of government operation. For example, per capita revenues in Alberta are marginally higher than in British Columbia, but are lower than in Nova Scotia. It is also important to note that relative to British Columbia and Nova Scotia, Ontario generates less revenue per litre in all major product categories. On a per litre basis, net revenue to government (after operating expenses, exclusive of sales tax) is considerably higher in three comparison provinces (Alberta, British Columbia and Nova Scotia) than in Ontario.

All figures in thousands unless otherwise noted	Ontario	Nova Scotia	British Columbia*	Alberta
Revenues After Product Cost				
Beer	\$715,706†	\$88,625	\$343,050*	Section not
Wine	\$518,681†	\$40,284	\$230,858*	applicable to
Spirits	\$783,201†	\$86,834	\$321,094*	Alberta's
Coolers	\$70,858†	\$7,833	\$41,534*	structure
Total	\$2,088,446†	\$223,576	\$936,535	
Volume				
Beer	787,718†	62,116	268,845**	231,024
Wine	118,591†	6,175	41,720**	21,858
Spirits	59,337†	5,139	21,597	20,021
Coolers	27,143†	2,586	20,032	14,381
Total	992,789†	76,016	352,194**	287,284
Revenues After Product Cost (\$/litre)				
Beer	\$0.91	\$1.43	\$1.28*	Section not
Wine	\$4.37	\$6.52	\$5.53*	applicable to
Spirits	\$13.20	\$16.90	\$14.87*	Alberta's
Coolers	\$2.61	\$3.03	\$2.07*	structure
Total	\$2.10	\$2.94	\$2.66*	
Operating Expenses (\$000s)	\$548,778	\$56,776	\$215,276	
% of Revenue After Product Cost	26.3%	25.4%	23%	
Total Net Revenue	\$1,539,668	\$166,800	\$721,259	\$558,863
Net Revenue/litre (\$/litre)	\$1.55	\$2.19	\$2.05	\$1.95
Population	12,439,755	938,134	4,209,856	3,212,813
Net Revenue/capita (\$/person)	\$123.77	\$177.80	\$171.33	\$173.95
<i>Note: Population figures represent Statistics Canada's October 2004 estimates</i>				

All figures in thousands unless otherwise noted	Ontario	Nova Scotia	British Columbia*	Alberta
Consumption /capita (litre/person)				
Beer	63.32	66.21	63.86**	71.91
Wine	9.53	6.58	9.91**	6.80
Spirits	4.77	5.48	5.13	6.23
Coolers	2.18	2.76	4.76	4.48
Total	79.81	81.03	83.66**	89.42

†Volumes are provided by the Ministry of Economic Development and Trade. Revenue after product cost is estimated from data provided by the Ministry of Economic Development and Trade and from AGCO remittance fees.

*Product category breakdown of Revenues After Product Cost is estimated from markup structure, volumes and cost of sales data provided by the BC LDB to Grant Thornton LLP and calibrated to the Total Gross Margin reported in the BC LDB 2003/04 annual report.

**Reported volumes include volumes reported in the BC LDB 2003/04 annual report, and volumes sold through land based winery stores and brew pubs (which are not included in the annual report).

Environmental Programs: Bottle deposit programs are more common in control states

Virtually all of the jurisdictions included in our research have some environmental programs in place that encourage environmentally responsible packaging, manufacturing processes (e.g. use of water and electricity) or recycling of containers. Of the sixteen jurisdictions included in our research, we identified seven that have a deposit/refund scheme in place for beverage containers. Of the seven states, five are control or partial control jurisdictions (Nova Scotia, Ontario – beer only, Quebec, Michigan and Iowa), and two are licensing states (California and New York).

Alcohol-Related Crimes: The number of alcohol related crimes does not appear to be dependent on the level of government control in the system

It was very difficult to find comparable statistics across all jurisdictions. Available data from Canadian jurisdictions tends to include the numbers of alcohol offences, but exclude alcohol-related fatalities. The opposite is true for the United States. As a result, we have drawn some conclusions using the data that was available.

	WA	OR	PA	MI	IA	WV	NY	CA
Alcohol use (past month)	56.31%	53.14%	51.10%	53.78%	55.37%	56.31%	54.71%	50.97%
Alcohol-related fatalities (2003)	259	207	618	481	145	148	523	1626
% of total fatalities	43%	40%	40%	37%	33%	37%	35%	38%

These results suggest that there is no direct correlation between the degree of government control, alcohol use and the rate of alcohol-related fatalities in U.S. jurisdictions. A similar conclusion emerges when data regarding impaired driving offences for Canadian jurisdictions are reviewed. There is no clear trend in terms of increased numbers of drunk-driving offences for Canadian jurisdictions. However, the comparative number for New Zealand is 617.5.

	NS	ON	BC	QUE	AB
Alcohol use (past year)	79.0%	78.4%	79.0%	93.3%	79.2
Number of impaired driving offences per 100,000 population	440.6	155.7	282.6	245.5	390.3

Before drawing any conclusions about this section, it is important to note that a variety of policy and enforcement tools may have a direct impact on alcohol-related offences, including the severity of penalties, random spot checks, tighter restrictions for youth or probationary drivers, numbers of police and the availability of alternative transportation (e.g. rural versus urban issues). In addition, the extent to which these findings are driven by retail sales versus bars, taverns and other locations where alcohol is served for on-premises consumption is not known.

Overview of Jurisdictions with System Reform

This section highlights the implications of system changes or reform that have been implemented by jurisdictions captured in this report. This analysis is meant to provide the Review Panel with an understanding of the impacts that could be expected if Ontario were to consider pursuing similar system changes. Again, each jurisdiction is different, and the policy choices made by the Province of Ontario will impact the degree to which these implications emerge in this jurisdiction.

Alberta

In September 1993, the Alberta Government privatized the beverage alcohol industry in the province. All liquor distribution, warehousing and retailing is carried out by the private sector, either independently or under contract with the provincial government. Key features of the system changes include:

- The Alberta Government ceased control of 205 liquor stores;
- A flat tax was introduced to replace the previous mixed ad valorem and volume-based pricing policies (the government committed to freezing revenues for five years following the introduction of the flat tax);
- The Government entered into contracts with the private sector to provide warehousing and distribution services;
- New regulations were introduced to govern private liquor stores
- Restrictions were introduced to the system to control for major changes in access and pricing.

The privatized system has now been in place for more than ten years. Over this period, the known impacts of the change include:

- Modest increases in government revenues from \$402.8 million in 1993/1994 to \$559 in 2003/04 reflect the Government's stated policy objective for the privatization of retail sales to be revenue neutral and its decision to adjust the flat mark-up downward.
- Increase in the number of points of sale from 304 in 1993/94 to 1,087 in 2003/04.
- Increase in product selection per store from an average of 950 products in 1993/94 to 12,000 available province-wide currently (store averages are not available). At the time of privatization, there were 1,957 SKUs listed in the province's stock. By December 1994, the number had increased to 3,857 and by 1995 had increased again to 4,513. Some product categories (wine, scotch, and rum) have doubled

the number of SKUs in 1995, while others (beer, gin/tequila/other spirits) more than doubled. The biggest increase was in beer, where the number of SKUs quadrupled.

- Employment in retail operations has increased from 1300 in 1993/94 to 4000 currently.
- No noticeable change in drinking-driving fatalities – the percentage of Alberta drivers involved in injury or fatality collisions has remained constant since 1996.
- Except for a slight increase in 2001, impaired driving rates have declined since 1990.
- The proportion of spousal abuse incidents where alcohol was a contributing factor has increased since 1994.
- Consumption has increased and heavy drinking incidents have increased.
- Studies suggest that prices for consumers increased by approximately 8%.

British Columbia

Over the past thirty years, the Government of British Columbia has introduced new rules to allow private retailers to sell beverage alcohol products. Key features of the changes that were introduced include:

- Introduction of the Rural Agency Stores (RAS) program in 1975;
- Introduction of the Licensee Retail Store (LRS) program in 1985;
- Establishment of twelve independent wine stores in 1987;
- Expanded role of the private sector since 2002, including increased space allowance of LRS outlets and lifting of a moratorium on LRS license applications.

It should also be noted that the Government of British Columbia announced its intention to exit the liquor retail business in 2002. The following year, the Province launched the Liquor Reform Project to review the role of government in the sector. Results to this point include a decision to remain in the retail business.

The implications of these evolving changes in the British Columbia system include the following:

- Increase in government revenues from \$636.7 million in 2001/02 to \$726.7 million in 2003/04.
- 14% increase in retail sales of beverage alcohol products between 2001/02 and 2003/04.
- Increase in the total points of sale from 796 in 2001/02 to 1029 in 2003/04.

- No known impact on product selection.
- Decline in the number of collisions with alcohol as a factor, including decline in personal injuries and fatalities between 1993 and 2004.
- Increase in alcohol use from 76.2% in 1994 reporting consumption in the previous year to 79% reporting consumption in the previous year in 2004.

West Virginia

In 1990 the state of West Virginia announced a decision to sell-off ninety-eight “market zones” that would give “franchisees” the exclusive rights to sell spirits within the zone for a ten-year term. A competitive bidding process was introduced and opened to public in August 1990, January 1991 and May 1991. Market zones were awarded to the highest bidder. A second round of open bids took place in 2000, including five rounds of bidding. During the second round, the state established a minimum bid for existing franchisees. If the franchisees wanted to renew their contract, they were required to submit the minimum bid. If any other parties wanted to place a bid, they would have to out-bid the franchisee. If this competition did emerge, the franchisee was given an opportunity to out-bid their competitors. There were a couple of market zones where there were no competitive bids (largely in rural areas).

Implications of this change include:

- A decrease in the number of spirits retailers from 160 in 1990 to 153 following the first round of bidding.
- The initial offering of franchisee licenses resulted in \$22 million in government revenue. The government’s objective was for the initiative to be revenue-neutral so that there would be no significant increase in consumer prices.
- The government’s mark-up is 25% of the wholesale cost.
- Average retail mark-up by franchisees is 30%.

At the same time these changes were being introduced, West Virginia adopted a bailment system in the state-owned and operated warehouse. This essentially means that the supplier stores their products in the state warehouse and does not receive payment until the state receives an order and the products are shipped to the franchisee. This increased product selection from 700 products to 2,200 products. The state made \$5.5 million selling off their state owned inventory when they moved to a bailment system.

Iowa

Effective May 1987, the state of Iowa privatized retail operations. Other features of the system changes include the following:

- 207 (1987) government-run retail stores for the sale of spirits were sold and replaced by 482 private retailers of spirits (2004). Note that beer and wine sales were already run by the private sector.
- Government regulates and controls the wholesale and distribution (warehousing) of spirits.
- Longer opening hours for retailers.
- Sunday openings.
- Access was expanded to include grocery stores.

The implications of these changes include:

- Government revenues remained stable.
- Alcohol related fatalities have increased from 208 in 1993 to 441 in 2003.
- Product prices increased for consumers by 10%.
- Total points of retail sale increased from 207 to 410.
- Total consumption declined minimally between 1987 and 2002.
- Increased enforcement activities are viewed as being more important in order to prevent sales to minors.
- Grocery stores stock top brand-name products which increased access to product selection.
- Larger independent stores have a larger selection of products, while smaller independent stores provide customized service (i.e. order and stock specialty products).

Michigan

In the early 1990s, the Governor announced a decision to privatize the warehousing and distribution of spirits. Changes were introduced over a period of seven years. Key features of the changes include:

- The introduction of three authorized distribution agents (ADAs) who are licensed by the government to warehouse and distribute beverage alcohol products - one ADA carries spirits only; one carries wine and spirits; and one carries beer, wine and spirits. Initially, private retailers were required to call each of the three agents to order products. Currently retailers can go to one centralized ordering system (on-line or phone) to order all products. When this change was introduced, pre-existing private sector wholesalers and distributors of wine and beer took over responsibility for the distribution of spirits from the government.

The implications of these changes include:

- No negative impact on government revenue.
- Product selection increased from 1,700 to 5,100 items.
- Instead of private retailers being required to go directly to state-run warehouses to pick up their product orders, the products are now delivered by the Authorized Distribution Agents (ADAs).
- No significant impact on consumer prices.

Innovations and Trends

Our research points to a number of innovative approaches that have been introduced in jurisdictions around the world. This section highlights some of these approaches for consideration by the Review Panel.

Out-sourcing of Warehousing and Distribution Functions

A number of jurisdictions (Pennsylvania, Alberta, Michigan, Iowa, Ontario and Quebec - beer) have retained government control and ownership of warehousing functions, but have out-sourced these activities to the private sector.

Bailment System

Five of the six U.S. control states reviewed in this study have adopted a bailment system in the state-owned and operated warehouse. This essentially means that the suppliers store their products in the state warehouse and do not receive payment until the state receives an order and the products are shipped to retailers. Pennsylvania is the only control state in the U.S. that was reviewed in this study that has not adopted this model.

Sale of Packaged Alcohol in Bars, Restaurants, Hotels

Some jurisdictions (e.g. New Zealand, Australia) allow for the sale of packaged alcohol (sealed and unopened) for consumption off-premises. Typically these licenses are granted to bars, restaurants and hotels who typically sell alcohol for consumption on the premises.

Requirement for 'Personal' Licenses

Several jurisdictions outside North America require personal licenses (including training) for individuals who will be selling beverage alcohol to the public. In the U.K. for example, all premises (including wholesalers and producers) that are licensed to sell beverage alcohol to the public require a "designated premises supervisor".

On-line Ordering

Several jurisdictions allow for easy access to on-line purchasing and home delivery of products. Examples include Pennsylvania (a control state) that offers on-line access to more than 1500 different products, and South Australia that has a direct sales license that allows for mail, phone and internet sales but does not allow for on-site purchases of products. Typically, jurisdictions that allow for on-line or remote sales and delivery of products require proof of age for purchase and delivery. Many jurisdictions also restrict the hours for delivery.

One-Stop Shopping

Nova Scotia, Pennsylvania and Oregon are examples of control jurisdictions that operate government-run retail stores within a privately-owned grocery store.

In December 2003, Pennsylvania introduced its most significant system change in over thirty years with the establishment of new “one-stop shop” liquor stores located within grocery stores but operated by state employees. The Governor of Pennsylvania views this initiative as a critical step in increasing customer service and convenience.

In Nova Scotia, there are currently nine of these large scale partner stores and another 23 are planned to begin operations in the next year to 16 months. These stores are generally replacing other existing stores on leased properties that are poorly located, and will not increase the number of outlets overall.

Oregon has announced plans to introduce six “stores within a store” over the next three years. This model was launched with three pilot sites. The criteria for choosing the location for the six stores include: tourism or population growth; distance to the nearest stores; or requests for new liquor stores by the general public.

Overview of Research Findings by Jurisdiction

As an introduction to the individual templates that follow, the chart below provides a high level overview of the key characteristics of each jurisdiction included in the scope of our research.

<i>Jurisdiction</i>	<i>Type of System</i>	<i>Retail sale</i>	<i>Wholesale</i>	<i>Warehousing</i>	<i>Government Net Revenue</i>	<i>Different treatment for beer, wine or spirits</i>	<i>Consumption (litres per person) – total pop unless noted</i>	<i>Population by access point</i>
<i>Nova Scotia</i>	Full gov't operation	Government only: Nova Scotia Liquor Commission	Government only: Nova Scotia Liquor Commission	Government only: Nova Scotia Liquor Commission	\$166 million <u>Sources:</u> Mark-ups	4 private wine and specialty stores; 6 on-site retailing wineries; 5 beer retail outlets	Spirits: 5.48 Wine: 6.58 Beer: 66.21	7,627
<i>Ontario</i>	Full gov't operation	Government-owned stores; agency stores; private beer stores; private wineries/stores	Government – Liquor Control Board of Ontario	Government – Liquor Control Board of Ontario; Brewers' Retail for beer distribution	\$1,539 million <u>Sources:</u> Mark-ups; fees; service charges; levies	Beer stores are owned by the private sector (breweries) and operate their own distribution sites	Spirits: 4.77 Wine: 9.53 Beer: 63.32	7,431
<i>British Columbia</i>	Full gov't operation	Private and Government	Government only: Liquor Distribution Branch	Government only: two warehouses	\$721 million <u>Sources:</u> Mark-ups; service charges; fees	Domestic breweries, import breweries and BC wineries may ship directly to private retailers	Spirits: 5.13 Wine: 9.91 Beer: 63.86	4,087

<i>Jurisdiction</i>	<i>Type of System</i>	<i>Retail sale</i>	<i>Wholesale</i>	<i>Warehousing</i>	<i>Government Net Revenue</i>	<i>Different treatment for beer, wine or spirits</i>	<i>Consumption (litres per person) – total pop unless noted</i>	<i>Population by access point</i>
<i>Quebec</i>	Full gov't operation	Government-owned stores; agency stores; beer/wine in corner stores	Government	Government for wine and spirits; private breweries for beer	\$895.8 million <u>Sources:</u> Retail profit margin	Yes. Grocery/corner stores sell selected beer and wine;	Spirits: 2.9 Wine: 16.3 Beer: 93.3 (population 15+)	754
<i>Washington</i>	Full gov't operation	Government-owned stores; agency stores; beer/wine in private retail; grocery and gas bars Note: Bars and restaurants can sell package alcohol for off-premises consumption (beer and wine only).	Government - Washington State Liquor Control Board	Government – Washington Liquor Control Board – one state-owned warehouse Bailment system – yes Contract-out delivery – yes	US\$261.02 million <u>Sources:</u> Excise taxes; mark-ups; license fees; liquor tax; sales		Spirits: 5.04 Wine: 11.03 Beer: 75.8	1,204
<i>Oregon</i>	Full gov't operation	Agency stores and 86 non-exclusive liquor stores which are operated in conjunction with	Government: Oregon Liquor Control Commission	Government – Oregon Liquor Control Commission – one state-	US\$119.2 million <u>Sources:</u> Excise taxes;		Spirits: 5.12 Wine: 11.48 Beer: 83.76	866

<i>Jurisdiction</i>	<i>Type of System</i>	<i>Retail sale</i>	<i>Wholesale</i>	<i>Warehousing</i>	<i>Government Net Revenue</i>	<i>Different treatment for beer, wine or spirits</i>	<i>Consumption (litres per person) – total pop unless noted</i>	<i>Population by access point</i>
		<p>other business (e.g. hardware, drug or grocery) in rural areas only.</p> <p>Wine and beer is available for off-premise consumption at private retail, grocery and gas bars</p> <p>Note: Some bars and restaurants can sell package alcohol for off-premises consumption (beer and wine only).</p>		<p>owned warehouse</p> <p>Bailment system – yes</p>	<p>mark-ups;</p> <p>license fees;</p> <p>sales</p>			
<i>Pennsylvania</i>	Full gov't operation	Government-owned stores (wine & spirits); private beer stores;	Government – Pennsylvania Liquor Control Board	Government owned, but operated by the private	<p>US\$402.3 million</p> <p><u>Sources:</u></p>	US jurisdictions traditionally treat spirits differently than beer and wine	<p>Spirits – 3.90</p> <p>Wine – 5.61</p> <p>Beer – 82.24</p>	824

<i>Jurisdiction</i>	<i>Type of System</i>	<i>Retail sale</i>	<i>Wholesale</i>	<i>Warehousing</i>	<i>Government Net Revenue</i>	<i>Different treatment for beer, wine or spirits</i>	<i>Consumption (litres per person) – total pop unless noted</i>	<i>Population by access point</i>
		private wineries/stores (native wine only) Note: Bars and restaurants can sell package alcohol for off-premises consumption (beer only).		sector: 2 private sector and 1 government warehouses Bailment system – no	Excise tax; sales; mark-up; license fees; sales & use tax; liquor tax	–government has tended to have stricter control over the retail sale and warehousing of spirits with a greater role for the private sector for beer and wine		
<i>Alberta</i>	Partial gov't operation	Private sector	Government only: Alberta Gaming and Liquor Commission	Government owned, but operated by the private sector	\$558.9 million <u>Sources:</u> Wholesale mark-ups	No	Spirits: 6.23 Wine: 6.80 Beer: 71.91	2,955
<i>Michigan</i>	Partial gov't operation	Private sector Liquor, wine and beer are available for off-premise consumption from private retail, grocery and limited number of	Michigan Liquor Control Commission	Private sector – 3 MLCC appointed Authorized Distribution Agents receive, store and deliver on behalf of the	US\$300 million <u>Sources:</u> Mark-ups; sales; liquor tax; substance abuse tax; excise tax;		Spirits: 5.42 Wine: 6.41 Beer: 78.83	1,377

<i>Jurisdiction</i>	<i>Type of System</i>	<i>Retail sale</i>	<i>Wholesale</i>	<i>Warehousing</i>	<i>Government Net Revenue</i>	<i>Different treatment for beer, wine or spirits</i>	<i>Consumption (litres per person) – total pop unless noted</i>	<i>Population by access point</i>
		gas bars. Note: Bars and restaurants can sell package alcohol for off-premises consumption (beer and wine only).		state. The Agents do not stock competing brands.	license fees			
<i>Iowa</i>	Partial gov't operation	Private sector Spirits is available from one of 482 private retail stores or the grocery store. Wine and beer is available from private retail, grocery and gas bars Note: Bars and restaurants can sell	Government only: Iowa Alcoholic Beverages Division	Private sector warehousing contractor receives stores and delivers on behalf of the state. Warehouse ownership – 1 state owned Bailment system – yes	US\$75.7 million <u>Sources:</u> Sales; excise taxes; mark-ups; license fees		Spirits: 4.02 Wine: 3.56 Beer: 94.37	188

<i>Jurisdiction</i>	<i>Type of System</i>	<i>Retail sale</i>	<i>Wholesale</i>	<i>Warehousing</i>	<i>Government Net Revenue</i>	<i>Different treatment for beer, wine or spirits</i>	<i>Consumption (litres per person) – total pop unless noted</i>	<i>Population by access point</i>
		package alcohol for off-premises consumption (beer only).						
<i>West Virginia</i>	Partial gov't operation	Franchise (private sector licenses)	West Virginia Alcohol Beverage Control	West Virginia Alcohol Beverage Control – 1 state-owned warehouse Bailment system - yes	US \$18.42 million <u>Sources:</u> Excise tax; mark-up; license fees	Variations in excise tax rates	Spirits: 3.0 Wine: 2.5 Beer: 88.7	869
<i>New York</i>	Licensing	Private sector	Private sector	Private sector	US\$217.8 <u>Sources:</u> Alcohol Excise tax; licensing fees; penalties		Spirits: 4.62 Wine: 9.55 Beer: 63.67	912
<i>California</i>	Licensing	Private sector	Private sector	Private sector	US\$294 million	No	Spirits: 4.81 Wine: 11.71 Beer: 69.36	1,310

<i>Jurisdiction</i>	<i>Type of System</i>	<i>Retail sale</i>	<i>Wholesale</i>	<i>Warehousing</i>	<i>Government Net Revenue</i>	<i>Different treatment for beer, wine or spirits</i>	<i>Consumption (litres per person) – total pop unless noted</i>	<i>Population by access point</i>
					<u>Sources:</u> Excise taxes; penalties			
<i>United Kingdom (England and Wales)</i>	Licensing	Private sector : note that all premises licensed to sell alcohol require a “designated premises supervisor” with a personal license	Private sector	Private sector	£7,582 million <u>Sources:</u> UK Excise duty; Licensing fees	Beer and spirits are taxed according to alcoholic content; wine is subject to volumetric duties	Spirits: 1.7 Wine: 19.6 Beer: 100.6	1,133
<i>Australia</i>	Licensing	Private sector	Private sector	Private sector	AU\$3,537 million <u>Sources:</u> Licensing fees (state) Wine equalization Tax (federal) GST (federal) Excise taxes	Wine Equalization Tax (WET)	Spirits: 9.84 Wine: 26.9 Beer: 114.7 (population 15+)	1,790
<i>New Zealand</i>	Licensing	Private sector	Private sector	Private sector	NZ\$10.3	Alcohol levy varies	Spirits: 1.4	1,227

<i>Jurisdiction</i>	<i>Type of System</i>	<i>Retail sale</i>	<i>Wholesale</i>	<i>Warehousing</i>	<i>Government Net Revenue</i>	<i>Different treatment for beer, wine or spirits</i>	<i>Consumption (litres per person) – total pop unless noted</i>	<i>Population by access point</i>
					million <u>Sources:</u> Licensing fees (40% to national government; remainder to local councils); Alcohol levy; GST on point of sale	for different products – highest fees are on spirits with greater than 23% alcohol; lowest fees on beer	Wine: 18.9 Beer: 77.8	

Contacts

A list of key contacts and sources for each jurisdiction are provided below.

British Columbia:

BC Liquor Distribution Branch (LDB)

Gordon Hall, Director, Corporate Policy – 604-252-3035

Christine Dacre, Comptroller, Financial Planning and Reporting – 604-252-3156

Alberta:

Alberta Gaming and Liquor Commission (AGLC)

Lisa Shankaruk, Communications Officer – 780-447-8743

Andrea Kicia, Product Information Supervisor – 780-447-8735

Brant Murdock, Manager, Advertising and Product Promotion – 780-447-8858

Alberta Alcohol and Drug Abuse Commission (AADAC)

Darlene James, Policy and Business – 780-422-1213

John Butler, Bryan and Company – 780-420-4734

Ontario:

Liquor Control Board of Ontario:

Gerry Ker – 416-864-6818

Patrick Ford – 416-864-2496

Ministry of Economic Development and Trade:

Ian Loadman, Policy Lead LCBO – 416-212-1678

The Beer Store Inc.
Erin Jennison, Communications – 905-361-1005

Nova Scotia

Nova Scotia Liquor Corporation
Greg Beaulieu, Corporate Secretary
(902) 450-5803
Brad Doell, Operations Manager
(902) 450-6752

Quebec

Ministère des Finances du Québec
Mr Jacques Delorme, information agent,
(418) 528-9323
Information about government revenues from alcohol

Régie des alcools, des courses et des jeux du Québec
Mr Réjean Thériault, Public Relations Manager
(418) 646-4151
Information about alcohol permit holders

Revenu Québec (Provincial Revenue Agency)
Mrs Sylviane Trudel, information agent
(450) 928-8820
Information about alcoholic beverages taxation

Société des alcools du Québec (SAQ)
Mr Luc Vachon, Vice-President, logistics
(514) 253-6172
Information about logistics and distribution

Société des alcools du Québec (SAQ)
Mr Jean-François Thériault, General Manager logistics
(514) 253-6195
Information about logistics and distribution

Société des alcools du Québec (SAQ)
Mr Normand Boucher, Manager, distribution, Montreal area
(514) 253-6321,
Information about logistics and distribution

Société des alcools du Québec (SAQ)
Maître Gilles Jolicoeur, Chief legal officer
(514) 873-2164
Information about alcoholic beverage regulations and laws

Société des alcools du Québec (SAQ)
Mr Alain Levasseur, General Manager, purchasing and merchandising
(514) 253-6172
Information about purchasing and merchandising

Société des alcools du Québec (SAQ)
Mr Jacques Tremblay, Cost accountant
(514) 873-4286
Information about commercial margin fixation

New York:

New York State Liquor Authority:

Mark Anderson, Deputy Commissioner of Administration – fax 518-402-4015

New York State Department of Taxation and Finance:

Bill Casey, Tax Policy Analysis – 518-457-2990

Empire State Development:

Jim Jacob, Food Products Division – 518-298-5200

California:

California Department of Alcoholic Beverage Control (ABC):

Patrick Deasy, Chief of Business Practices – 916-419-2574

Kathleen Rodriguez, Director's office – 916-419-2510

Larry Mills, Fiscal Officer – 916-419-2595

California Board of Equalization:

Caroline Hoffman – 916-324-2164

Iowa:

Jim Kuhlman – Operations Manager/Assistant Director

jkuhlman@iowaabd.com

Tel – 515-281-7407

Fax – 515-281-7385

Tel 515-281-7406

www.iowaabd.com

West Virginia

West Virginia Alcohol Beverage Control Commission

Ron Moats, Special Projects Manager

Rmoats@abcc.state.wv.us

Michigan:

Ken Wozniak
Director of Executive Services
Phone: (517) 322-1345
Fax: (517) 322-5188
517-322-1390
www.michigan.gov/cis

Oregon

Oregon Liquor Control Commission
9079 S. E. McLoughlin Blvd
Milwaukie, OR 97222
Tel: (503)872-5000 or toll free: 1-800-452-6522
<http://www.olcc.state.or.us>

Pennsylvania

Contact: Molly McGowan
Deputy Director Communications
Phone: (717) 783-7637
Fax: (717) 772-3714
Phone: (717)-783-8864
<http://www.lcb.state.pa.us/>

Washington

Washington State Liquor Control Board
3000 Pacific Avenue SE
Olympia, WA 98504

Contact: Bob Burdick, Director of Communications

Direct: (360) 664-1774

Phone: (360) 664-1600

Fax: (360) 586-3190

<http://www.liq.wa.gov/default.asp>

U.S. Contacts of Interest

The National Institute on Alcohol Abuse and Alcoholism (NIAAA): <http://www.niaaa.nih.gov/>

National Highway Traffic Safety Association (NHTSA) <http://www.nhtsa.dot.gov/>.

The National Liquor Law Enforcement Association, www.nllea.org. On the NLLEA site is a report on Alcohol Beverage Control enforcement <http://www.nllea.org/reports/ABCEnforcementLegalResearch.pdf>

The National Alcohol Beverage Control Association (NABCA) www.nabca.org. The NABCA Survey Book

Distilled Spirits Association - DISCUS. DISCUS website, has links to state agencies, http://www.discus.org/govt_affairs/state_govt/.

Beer Association – The Beer Institute. Brewers Almanac, <http://www.beerinstitute.org/brewalmanac.htm>

Contact: Lester Jones, Director

Statistical and Information Services

Beer Institute

202-737-2337 (Business)

202-441-1752 (Cell)

Wine Association – The Wine Institute, www.wineinstitute.org

Alcohol Policy Information System.

<http://alcoholpolicy.niaaa.nih.gov/index.asp?SEC={B4296FE1-6F35-4175-B85D-17D5A53EE062}&Type=NONE>

Contact: Chuck Tremper, JD, PhD

APIS Deputy Director

The CDM Group, Inc.

831-621-7937

New South Wales

Department of Gaming and Racing

Liquor – various

<http://www.dgr.nsw.gov.au/HTML/LIQUOR/liquor.html>

Liquor policy, licensing, and Responsible Service of Alcohol program

Department of Gaming and Racing – Legal & Licensing Branch

Avi Kumar, Legal Clerk – Tel: 61-2-9995-0746

Department of Gaming and Racing – Policy Department

Ross McCulloch,

Tel: 61-2-9995-0651

State legislation

<http://www.legislation.nsw.gov.au/>

Miscellaneous NSW

www.nsw.gov.au

Environment Protection Authority – environmental and recycling issues

<http://www.environment.nsw.gov.au/waste/epr/faq.htm>

Extended Producer Responsibility (EPR)

<http://www.environment.nsw.gov.au/waste/epr/faq.htm>

Summit on Alcohol Abuse 2003

Geoff Barden

NSW Office of Drug & Alcohol Policy

Geoff.BArden@mail.cabinet.nsw.gov.au

www.alcoholsummit.nsw.gov.au/response

Victoria

Consumer Affairs Victoria – licensing guidelines

Tel: 61-3-9655-6696

www.consumer.vic.gov.au

Simon Willshire, Acting General Manager

Consumer Affairs Victoria

Tel: 61-3-9655-6097

Simon.Willshire@justice.vic.gov.au

Environment & Recycling:

EcoRecycle Victoria

www.ecorecycle.vic.gov.au/www/default.asp?casid=2495

Tel: 61-3- 9639-3322

Email: mailbox@.ecorecycle.vic.gov.au

Container Deposit Legislation: www.ephc.gov.au/ephc/mail_list.html

South Australia

Container deposit legislation - www.environment.sa.gov.au/epa/waste.html#cdl

Office of the Liquor and Gambling Commissioner
www.olgc.sa.gov.au/splash.shtm
Tel: 61-8-8226-8410
olgc@agd.sa.gov.au

Western Australia

Department of Racing, Gaming and Liquor – various
Tel: 61-8-9425-1888
Mick Connolly
Manager, Inspections
Department of Racing, Gaming and Liquor
Tel: 61-8-9425-1829
Michael.Connolly@rgl.wa.gov.au

Drug and Alcohol Office
www.dao.health.wa.gov.au/index.cfm?section=pubs

Environmental Waste: beverage containers
Margaret Turpin
National Packaging Covenant
Telephone: 08 9278 0935
Facsimile: 08 9325 7259
Email: margaret.turpin@environment.wa.gov.au
WA National Packaging Covenant - <http://www.deh.gov.au/industry/waste/covenant/>

Australia – National Contacts

Treasury – Revenue Statistics:

Simon Milnes

Revenue Analysis Unit

Tax Analysis Division

Revenue Group

61-2-6263-4318

SMilnes@treasury.gov.au

Tony Webster

Senior Advisor

Tax Analysis Division

Tel: 61-2-6263-3297

Twebster@treasury.gov.au

Excise tax (alcohol) - <http://www.ato.gov.au/content/downloads/2002EXC05.pdf>

Wine equalisation tax - <http://www.ato.gov.au/content/downloads/2002GST04.pdf>

Alcohol national guidelines - <http://www.alcoholguidelines.gov.au>

Australian Wine and Brandy Corporation – various (producers, standards):

www.awbc.com.au

Telephone: +61 8 8228 2000

E-mail: awbc@awbc.com.au

National Competition Policy Review

National Competition Council

www.ncc.gov.au/

Telephone: 61-3-9285-7474

Legislation – various

Australian Legal Information Institute - <http://www.austlii.edu.au/>

Australian Associated Brewers Inc

[www.business.gov.au/Business+Entry+Point/GB+Directory/Australian+Associated+Brewers+Inc+\(AAB\).htm?index=A](http://www.business.gov.au/Business+Entry+Point/GB+Directory/Australian+Associated+Brewers+Inc+(AAB).htm?index=A)

Tel: 61-2-6295-7199

Liquor statistics - www.liquormerchants.org.au/frames.html?statistics

Tel: 61-2-9415-1199

E-mail: info@liquormerchants.org.au

Beverage Industry Environment Council - www.biec.com.au/containerdep.html

Food Standards:

Food Standards Australia New Zealand

www.foodstandards.gov.au/

Information Officer: info@foodstandards.gov.au

National Drug Research Institute

www.curtin.edu.au/curtin/centre/ndri/

Tel: 61-8-9266-1600

Email: enquiries@ndri.curtin.edu.au

New Zealand

Kevin Forde
Investigating Officer
Liquor Licensing Authority, Department of Justice
Kevin.Forde@justice.govt.nz

Josh Gluckman
Adviser – Sustainable Industry Group
Ministry for the Environment
Josh.Gluckman@mfe.govt.nz

Thomas Chin
CEO, Distilled Spirits Association of New Zealand
tchin@distillers.co.nz

Tracy Lloyd
Beer, Wine and Spirits Council
bwsc@xtra.co.nz

United Kingdom

Simon Richardson
Department of Culture, Media and Sport

Policy Administrator, Licensing Policy Branch
Simon.Richardson@culture.gsi.gov.uk

Robert Gould
Strategy Unit, Cabinet Office
Robert.Gould@cabinet-office.x.gsi.gov.uk

Judith Hind
Department of Health
Judith.Hind@doh.gsi.gov.uk

Nigel Lawrence
Home Office
Nigel.Lawrence@homeoffice.gsi.gov.uk

David Sheen
Beer and Pub Association
Statistician
dsheen@beerandpub.com

David Tromans
The Wine and Spirits Association
David@wsa.org.uk

Carol Gardner
Customs and Excise
Glasgow.enquiries_sco@hmce.gsi.gov.uk