



Public Action Management

Testimony of Pamela S. Erickson, Former Executive Director of the Oregon Liquor Control Commission and Current President/CEO of Public Action Management
Before the Senate Law and Justice Committee
Regarding Governor Corbett's Plan for Alcohol Privatization

May 14, 2013

Mr. Chairman and members of the Committee I am a former alcohol regulator who left to join the alcohol and drug abuse prevention community. As a prevention advocate, my admiration of our various states' regulatory systems increased as I immersed myself in the research on how to combat underage drinking and other alcohol problems. My particular mission is to explain alcohol regulations in simple terms and identify how they work to reduce problems. I operate a public education campaign called the "Campaign for a Healthy Alcohol Marketplace" (www.healthyalcoholmarket.com).

Today I have two key messages:

1. **Selling alcohol is not the same as selling other commodities such as bread.** While alcohol can be enjoyed in moderation, overuse comes with a high cost in human pain and suffering. Common sense tells us that alcohol should not be sold like bread. After all no one dies from driving under the influence of bread, teens do not get into trouble from eating too much bread nor do people die from bread poisoning.
 - **In Pennsylvania, 407 people died in alcohol traffic crashes in 2011.** MADD ranks Pennsylvania 35th among states so there is much improvement to be made.
 - **Injuries due to alcohol drive up the cost of health-care. While deaths on our highways have decreased, injuries remain stubbornly high. MADD reports that there were 350,000 injuries in 2011.** To illustrate the high cost of such injuries, I featured a novel in my October newsletter. The novel is based on the life of my friend, Jan Snyder. In 1988, she and her husband were hit by a drunk driver. Her husband and the drunk driver were killed and Jan's body was crushed. For three years, she required 24/7 nursing care. She had to re-learn to walk, talk, stand, feed and dress herself. The total cost of care for such an injury to just one person is in the millions of dollars. **Shouldn't we do everything possible to prevent these tragedies in the first place?**
 - **Today the Food and Drug Administration is investigating energy drinks because 15 people nation-wide have died after consuming these products. Shouldn't we be far more concerned about alcohol which kills an estimated 80,000 annually?**
2. **Selling alcohol in a limited number of special retail stores provides the greatest protection for public health and safety.** After Prohibition, our states evolved systems that have effectively controlled the sale of alcohol which, in turn, has minimized problems. Our systems compare very favorably with other countries. In fact, according to the World Health Organization, the U.S. has one of the lowest rates of drinking in the developed world. How the product is sold at retail makes a big difference. We would be wise to use great care and caution in making changes as the



consequences of a mistake can be costly. Here are factors which indicate the benefit of alcohol specialty stores:

- **Alcohol specialty stores limit or prohibit underage persons from being present.** This means youth are deterred from purchasing and they are not influenced by alcohol store advertising or promotional programs. None of these safeguards exist in grocery and convenience stores.
- **Specialty stores have expertise in alcohol regulations and are skilled at judging age, checking ID, identifying intoxicating behavior and deterring thefts.** Because specialty stores usually do not sell many other products they become experts in the careful sale of alcohol. In many states, there are special training requirements and qualifications for clerks and licensees.
- **Fostering moderation in alcohol consumption is difficult in grocery supermarkets because their business model requires high volume sales.** According to the Food Marketing Institute, the grocery supermarket business is extremely marginal, averaging profits of less than one percent in 2011. Supermarkets make their money from high volume, not mark-up. The widespread use of price reductions to attract buyers increases consumption particularly for price-sensitive youth. Supermarkets can afford reduced profits on an alcohol product because they have so many other products to make up the loss. According to the Food Marketing Institute's "Supermarket Facts," the average number of items carried in a supermarket in 2010 was 38,718. Specialty stores are usually restricted in their ability to sell other products so have a limited ability to use deep discounts to generate business.
- **Convenience stores are poor venues for retailing alcohol because they are similarly marginal and are very thinly staffed.** According to Convenience Store News, the average number of employees per store decreased by one in 2011. Such low staffing often makes convenience stores a magnet for crime and theft of alcohol. It is estimated that one call for police service costs a community \$125. A study of crime and disorder in three Arizona cities found that some convenience stores had several hundred calls for police service in a year. In focus group research by the University of Minnesota, youth admitted that convenience stores are the easiest place to buy alcohol.
- **Specialty stores are usually limited in number and the hours and days of sale are curtailed.** There is substantial research to indicate that increased availability of alcohol is related to a myriad of problems including violence, theft, increased underage drinking and public nuisance crimes.
- **Specialty stores can be public or private. Their effectiveness depends on the controls required including the number of outlets.** Some states, such as Kansas and Minnesota, have tightly controlled systems of specialty stores which are equal to the controls of some "control" states.

Some final points:

- **It is unlikely that most Pennsylvania citizens would benefit from any increased convenience because they drink rarely or not at all.** It is a myth that most Americans are frequent purchasers of alcohol. The Gallup polling organization has been surveying the alcohol consumption habits of Americans since the 1940's. Here are the results of a Gallup poll where respondents were asked how often they drank alcohol:



- 33% never
- 29% only on special occasions such as New Year's or holidays
- 9% less than once a week
- 10% about once a week
- 13% a few times a week
- 7% every day

- **Recent deregulation experiences in the United Kingdom and in Washington State demonstrate that there are often unintended negative consequences.** The United Kingdom gradually deregulated over 40 years to the point where all forms of alcohol are available 24/7 in any kind of store. They have an alcohol epidemic where overall consumption rates have doubled since 1956, underage drinking rates are twice ours, and hospital admissions due to alcohol have doubled in just 10 years. "Bar districts" have so much intoxication that police regularly warn citizens to stay away. There is a wide-spread recognition that cheap alcohol, readily available is the cause of the problem. Very recently, Washington State privatized spirits and deregulated wine. It will take time to assess the full impact, but the increased access in liquor outlets was followed by a major problem with theft. And, many small retail liquor stores are struggling to compete with chain supermarkets.
- **A recent US District Court ruling should be reviewed in light of any proposed changes to your alcohol retail system, as those changes could be adversely impacted.** This is a Kentucky case, *Maxwell's Pic-Pac v. Dehner*, where I served as an expert witness for the intervening defendant, The Party Source. The judge determined that the state had not established a rational basis for prohibiting grocery stores from selling distilled spirits but allowing drug stores to do so. Despite the fact that the 21 Amendment gave the states the responsibility to regulate alcohol, this case suggests it is wise to clearly define the retail controls needed to sell alcohol in a way that fosters public health and safety. As I have described, alcohol specialty stores have such controls.