TO: Mayor and Members
Board of Health

WARD(S) AFFECTED: CITY WIDE

COMMITTEE DATE: July 7, 2010

SUBJECT/REPORT NO:
Liquor Control Board of Ontario (LCBO) Privatization BOH10020 (City Wide)

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SIGNATURE:

RECOMMENDATION:

That the Board of Health advocate to the Ontario Ministry of Finance, that the current monopoly on retail alcohol through the LCBO (Liquor Control Board of Ontario) be maintained.

EXECUTIVE SUMMARY

The Ontario provincial government has a monopoly on retail alcohol sales through the LCBO. However, it is reviewing government business assets and is considering full or partial sale of the LCBO¹.

Public control over alcohol sales and distribution is one of the most effective methods available to reduce the deaths, injuries, illness and social costs that result from alcohol misuse. In contrast, a privatized system would result in more stores selling alcohol, longer hours of sale, and more sales to underage and intoxicated individuals. Increased alcohol consumption and alcohol-related problems would also occur. Such negative

consequences of privatization have occurred in Alberta, British Columbia and internationally and are expected in Ontario if the LCBO is privatized.

The BOH can advocate against LCBO privatization by sending a letter to the Provincial Government expressing its concerns. This would build upon action already being taken by other public health organizations and local Boards of Health across Ontario.

Alternatives for Consideration – See Page 8

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

Financial: None

Staffing: None

Legal: None

**HISTORICAL BACKGROUND** (Chronology of events)

Privatization of the LCBO was considered by the Ontario Government in 2004. On April 19, 2004, Hamilton’s Associate Medical Officer of Health sent a letter to Premier Dalton McGuinty expressing concern about the government’s proposal for LCBO privatization. On March 15, 2005 a letter from Hamilton Public Health Services was sent to the Beverage Alcohol System Review Panel strongly encouraging the Ontario government to retain the monopoly on retail alcohol sales through the LCBO.

On March 5, 2010, the Finance Minister confirmed that the provincial government continues to review government business assets, including examining the possibility of fully or partially privatizing the LCBO.

Hamilton Public Health Services supported a letter sent to the Minister of Finance from the Southwest/Central West Ontario Substance Misuse Prevention Network on May 11, 2010. The letter affirmed the Network’s position against any form of privatization of the LCBO. Boards of Health across Ontario are also sending letters and reports opposing privatization. The Ontario Public Health Association, MADD (Mothers Against Drunk Driving) Canada and the Centre for Addiction and Mental Health have all written letters and position papers against LCBO privatization. (Appendix A)

**POLICY IMPLICATIONS**

This recommendation does not impact any City of Hamilton corporate policies.

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In Canada, alcohol is the third highest risk factor contributing to the burden of disease.\(^3\) In 2002, alcohol accounted for $5.2 billion of the health and social costs in Ontario.\(^4\) Alcohol use is associated with increased levels of health and social harms. Alcohol is causally related to over 65 medical conditions.\(^5\) The social harms include traffic crashes, drownings, injuries, fires, suicides, homicides, sexual and physical violence and family and financial problems.\(^6\)

Research by the World Health Organization concludes that one of the most effective ways of reducing alcohol-related problems and consumption is through a government monopoly on retail alcohol sales.\(^6\)

Ontario currently has a mixed model, with LCBO and Agency store networks, Beer Store system (operated by the major brewers) and Ontario winery store outlets.\(^7\)

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Benefits of a Non-Privatized System

In Canada, provincial liquor boards manage access to alcohol and reduce alcohol-related harms by:

- restricting the physical availability of alcohol through hours of sale and the density of outlets\(^8\)
- setting minimum prices (research shows that price affects consumption levels) \(^8\)
- training employees about their responsibilities to uphold the law\(^8\)
- promoting social responsibility programs for protecting and educating the public\(^8\)
- maintaining rigorous enforcement levels of refusal of sales to under age youth and intoxicated customers\(^8\)
- removing the private profit motive for increasing sales\(^9\)

It is easier to uphold these regulations under a non-privatized system.

Impacts of a Privatized System

The elimination of government monopolies can increase total alcohol consumption and alcohol-related harms.\(^9\)

Privatized, non-government alcohol sales systems result in:

- Weakening of controls including:
  - more stores selling alcohol
  - longer hours for selling alcohol
  - increased sales to underage and intoxicated individuals
  - no controls over alcohol pricing\(^10\)
- Less accountability for upholding social responsibility programs\(^10\)
- Increased government investment for training and monitoring of all retail locations to ensure compliance with the law\(^10\) (if there is an increase in locations and hours)

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• Strong incentives to deregulate alcohol controls and focus on the business side at the expense of public health and safety considerations\textsuperscript{11} (due to lobbying and pressures from investors)

Once a privatized system is introduced, it is very difficult to go back to the previous arrangement.\textsuperscript{12}

If a transfer of partial ownership/control of the LCBO occurred, investors would logically want to increase sales and may demand a final say on:
• minimum price
• hours of sale
• number of outlets
• training of employees
• average wages
• degree of emphasis of challenge and refusal\textsuperscript{12}

It is likely that with a system of partial ownership/control that the current system would be eroded over time.\textsuperscript{12}

In Canada, there are several examples of the negative impacts realized by the privatization and semi-privatization of alcohol sales.

• Alberta alcohol retailing system was privatized in 1993, however, their wholesale system is still under government control.\textsuperscript{12} After the privatization of retail sales in Alberta:
  o Alcohol consumption increased, while consumption in British Columbia, Ontario and Quebec decreased.\textsuperscript{13}
  o There was an associated increase in suicide mortality rates of up to 52\%.\textsuperscript{14}
  o There was an associated increase in criminal offences, such as liquor store break-ins and more relaxed enforcement of laws pertaining to underage purchases.\textsuperscript{15}


• In British Columbia, where alcohol sales are semi-privatized (some government operated outlets and some private outlets):
  
  o The number of liquor stores increased from 786 to 1294 from 2002-2008. All of the growth was in licensed private retail, rural agency and ‘other’ liquor stores.\(^\text{16}\)
  
  o The province’s per capita consumption level has been consistently higher than the national average since 2002 when policy changes increased the availability of alcohol.\(^\text{16}\)
  
  o Alcohol consumption rates in British Columbia increased by 16% between 1998 and 2008, whereas alcohol consumption across Canada increased by only 9.3%.\(^\text{17}\)

Studies have projected other negative impacts of privatization:

• A 2008 national study estimated that the privatization of alcohol sales in Canadian provinces would increase the burden due to alcohol (including health care, criminality problems, lost productivity due to disability or premature mortality) by 8-16% and increase alcohol-related costs by 6-12%\(^\text{18}\).

• A report commissioned by the Ontario’s Ministry of Finance for the Beverage Alcohol System Review in 2005 concluded that privatization of the LCBO would likely increase alcohol consumption in Ontario by at least 10%, and that the 10% increase in alcohol consumption would increase deaths resulting from alcohol by 13%.\(^\text{19}\)


Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.
Values: Honest, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
There are also examples of negative impacts of increased alcohol availability in Finland, Sweden, Australia, Iceland and the United Kingdom.\textsuperscript{20, 21} 

**The Local Context-Alcohol Use Statistics in Hamilton**

A report produced by Hamilton Public Health Services showed that rates of binge drinking, problem drinking and alcohol use in youth are already higher in Hamilton than in the province.\textsuperscript{22}

Binge drinking is defined as consumption of more than 5 drinks on one or more occasions in the last year.
- 34.8\% of Hamilton residents 12 years of age and over reported binge drinking (compared to 34.4\% in Ontario)\textsuperscript{22}

Problem drinking is defined as consumption of greater than 14 drinks per week in males and greater than 9 drinks per week for females.
- 5.3\% of females and 10.1\% of males report problem drinking behaviour (compared to 4.9\% and 9.6\% in Ontario)\textsuperscript{22}
- In all problem drinking behaviour categories, the proportion of Hamilton residents is higher than the provincial average.
- 48.7\% of Hamilton’s teenagers (age 12-18) report drinking alcohol regularly or occasionally compared to 41.5\% in Ontario.\textsuperscript{22}
- 27.5\% of Hamilton teens (age 12-18) report behaviour classified as binge drinking compared to 22.1\% in Ontario\textsuperscript{22}

Consumption rates are projected to increase with privatization and it would, therefore, be expected that local rates would increase even further.

**Taking Action**

The Board of Health can act to protect the health and safety of Hamiltonians by sending a letter to the Minister of Finance expressing its concern against privatization of the LCBO and re-encouraging the government to maintain the monopoly on retail alcohol through the LCBO. If the government proposes full or partial sale of the LCBO, the BOH should advocate for very strong regulations to ensure that the need for short-term financial gain does not result in increased health and social harms.

Advocating to maintain the current alcohol retail system is in accordance with Ontario’s Public Health Standards that state “The board of health shall work with community

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\textsuperscript{22} Shubair, Mamdouh and Edgar, Katrice. (2007). Epidemiological Needs Assessment Report for the Tier One Service Delivery Model within the Healthy Living Division’s SAVIP and School Programs. City of Hamilton Public Health Services Department Applied Health Research and Evaluation Branch.
partners, using a comprehensive health promotion approach, to influence the
development and implementation of healthy policies and programs, and the creation or
enhancement of safe and supportive environments that address: alcohol and other
substances." It also builds on the momentum and action already taken on this issue
by other public health units and health organizations across Ontario.

Research over the past 15 years indicates that the public does not want to see alcohol
made more available. A Centre for Addiction and Mental Health (CAMH) study
indicated that Ontario residents are supportive of provincially run liquor stores and
related control measures. Ontario residents generally do not favour increased
marketing of, or greater access to, alcohol products. From the survey, 80% of
respondents believed that the number of places where they can buy alcohol is “about
right” and 73% agreed that “before making legislative or policy changes to the way
alcohol is sold, governments should be required to consult with health experts”.

**ALTERNATIVES FOR CONSIDERATION:**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each
alternative)

The BOH can choose not to send a letter to the Minister of Finance.

Pros: If the BOH does not send a letter, they will avoid criticism from supporters of
LCBO privatization.

Cons: If the BOH chooses not to follow the recommendation and does not send a letter
to the Minister of Finance, the BOH will not be acting upon the evidence and best
practices related to alcohol misuse prevention. If there are not enough concerns raised
regarding privatization, there is a risk that the provincial government may privatize the
LCBO with a resulting increase in alcohol consumption and alcohol-related problems in
Hamilton and across Ontario.

Financial Implications – If the provincial government privatizes the LCBO, a greater
proportion of the Injury Prevention program budget may be needed for alcohol misuse
prevention activities. Furthermore, Alcohol, Drug & Gambling Services, Clinical and
Preventive Services Division, could see an increase in the number of clients accessing
services and an increase in wait time for clients requiring their services.

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24 Centre for Addiction and Mental Health, (2005)“Alcohol and Public Health: The Implications of Change to Ontario’s
Beverage Alcohol System”. Submission to the Beverage Alcohol System Review Panel. (Original: “Public Opinion on
Current Alcohol Policy Issues: international Trade Agreements, Advertising and Access to Alcohol. Findings from a
There are no staffing or legal implications related to this alternative.

This alternative is not recommended.

**CORPORATE STRATEGIC PLAN** (Linkage to Desired End Results)


**Skilled, Innovative & Respectful Organization**
- Council and SMT are recognized for their leadership and integrity
- By sending a letter, the BOH is being proactive and demonstrating leadership by expressing its concern about the negative health and social impacts of privatization.

**Intergovernmental Relationships**
- Influence federal and provincial policy development to benefit Hamilton.
- Maintain effective relationships with other public agencies.
- Action on this recommendation would influence provincial policy development to benefit Hamilton and other communities across Ontario. Sending a letter would build on the existing and current work of other organizations and therefore maintain effective relationships with other public health agencies advocating against privatization.

**Healthy Community**
- Adequate access to food, water, shelter and income, safety, work, recreation and support for all (Human Services)
- Maintaining a government monopoly on alcohol sales effectively manages the built environment as it relates to alcohol availability. Limiting alcohol availability helps to prevent traffic crashes, drownings, injuries, fires, suicides, homicides, sexual and physical assaults, other violence and health problems. Prevalence of alcohol use can be an indicator of overall community well-being. Privatization is expected to increase consumption rates and problem use which would have a negative impact on the City’s well-being.

**APPENDICES / SCHEDULES**

Appendix “A” to Report BOH10020 – Letter from the Ontario Public Health Association, Centre for Addiction and Mental Health and Mother’s Against Drunk Driving Canada to Premier McGuinty
June 2, 2010

The Honourable Dalton McGuinty
Premier of Ontario
Queen’s Park
Toronto, ON M7A 1A1

Dear Premier McGuinty:

We are writing to express our concerns about the potential sale of the Liquor Control Board of Ontario (LCBO). While we understand the need to examine the value of the province’s assets, the sale and distribution of alcohol is different from that of most goods and services. The sale of an alcohol control and distribution system must be viewed from a broad perspective which includes the health and social impacts of alcohol availability and consumption.

We urge an evidence-based approach to alcohol retailing to ensure that the need for short-term financial gain does not result in increased health and social problems.

1. Research has shown that privatizing alcohol sales makes alcohol more accessible and available. Increased levels of alcohol consumption and high-risk drinking are associated with: alcohol-related causes of death and trauma, and chronic diseases.
2. The costs associated with alcohol substantially higher than the current revenue from alcohol sales. According to the National Alcohol Strategy, alcohol-related deaths cost Canada $14.6 billion in lost productivity, health care and law enforcement costs.
3. Several studies have indicated the most adult Ontarians are opposed to alcohol sales in corner stores and are opposed to privatization of government stores.

Health and social risks of privatized alcohol sales persist regardless of the form or degree of privatization. Whether a jurisdiction introduces partial privatization, full privatization or some form of super-corporation of public assets, the end result will be increased alcohol availability, consumption and alcohol-related harm.

We encourage you to maintain the existing system. Canadian and international evidence indicates that government-controlled liquor boards provide society with a reasonable measure of control over alcohol pricing and accessibility and effectively manage alcohol consumption and alcohol-related harm. Provincial liquor boards offer customers high levels of service, quality and selection, along with a strong commitment to social responsibility which benefits consumers and non-consumers alike.

We would welcome an opportunity to meet with you to discuss this in more detail. We have attached a more detailed analysis of the impact of privatization for your information.

Sincerely,

Elizabeth Haugh
President
Ontario Public Health Association

Dr. Catherine Zahn
President & Chief Executive Officer
Centre for Addiction and Mental Health

Andrew Murie
Chief Executive Officer
MADD Canada