

# Privatization: What the research literature says

Presentation to Montgomery County  
Ad Hoc Committee on Liquor Control

David H. Jernigan PhD

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# Disclaimer

- Testifying today as a private citizen, and my testimony does not necessarily represent the views of the Johns Hopkins University

# Background: Alcohol and Public Health

- Alcohol is the third leading actual cause of death and disability in the US (WHO, Mukhdad et al.)
- Responsible for 88,000 deaths per year (CDC)
- Leading drug among young people in Maryland (CDC):
  - 61% of Maryland high schoolers have tried alcohol
  - 31% drank in the past month
  - 17% binged (5+ within 2 hours) in the past month
- “No ordinary commodity”

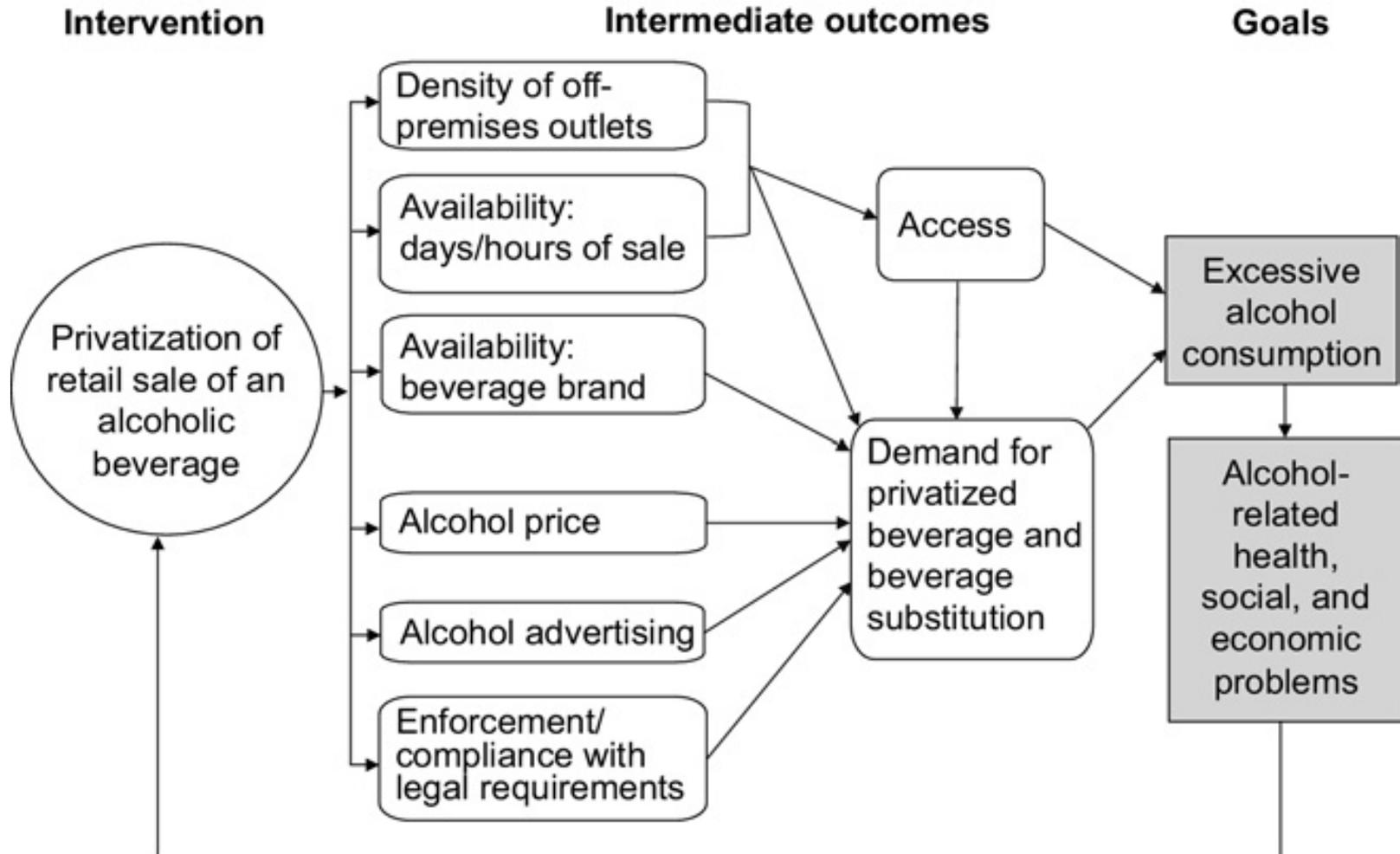
# Background: Alcohol and the Economy

- Cost of alcohol (annual) to Maryland (CDC):
  - \$4.17 billion
  - \$1.96 per drink
  - \$2.9 billion in lost productivity
  - \$470 million from underage drinking
- Cost of alcohol to MD governments:
  - \$1.86 billion,
  - \$.87 per drink
  - \$331 per capita

# Current Montgomery County Statistics

- 2<sup>nd</sup> lowest alcohol treatment admissions rate per 1000 population in the state
- 2<sup>nd</sup> lowest rate of alcohol-related crashes as percentage of all motor vehicle crashes (all ages)
- Below the state average for binge drinking among 12-20 year-olds
- Well below the state average for alcohol-related inpatient hospitalizations and ED visits per 100 events

# Privatization – what happens?



Hahn et al., *AJPM* 2012

# CDC Summary of Studies on Privatization

- 17 studies of sufficient quality looked at effects of privatization; one looked at re-monopolization
- Median increase in per capita sales of the privatized beverage across studies was 44.4%
- Median decline in sales of non-privatized beverage was 2.2%

# Privatization: health and economic consequences

- Privatization associated with increased liver cirrhosis and drinking-driving mortality; harmful effects decline substantially with re-monopolization
- One study looked at economic effects – concluded that costs of privatization exceeded the tax and mark-up revenue from increased sales of the privatized beverage

# Privatization and price

- Many studies find prices *increase* after privatization – possibly because of relative inefficiencies of scale, such as change in overhead costs, more small outlets, etc.
- Does this mean price is not a variable in increased consumption of alcohol after privatization?
- Comparisons of prices between control and license states poor and usually based on very few brands

# Privatization and price: Siegel et al.

## *Addiction, 2013*

- Looked at average prices for 74 brands of distilled spirits found to be available in 13 control states and a sample of 50 stores from 17 of the 32 license states and the District of Columbia
- Used on-line prices with random in-store validity check
- Mean price in control states was \$29.82; mean price in license states was \$27.79
- Difference in mean price was approximately \$2.00, and was statistically significant
- Price may be a mediating variable in holding down alcohol consumption in control states
- PUBLIC HEALTH IMPACT: more drinking, more underage drinking

# Privatization, price and products



New study: Young drinkers who consume supersized alcopops more likely to report heavy episodic drinking, injuries after drinking.

Source: Albers et al. 2015

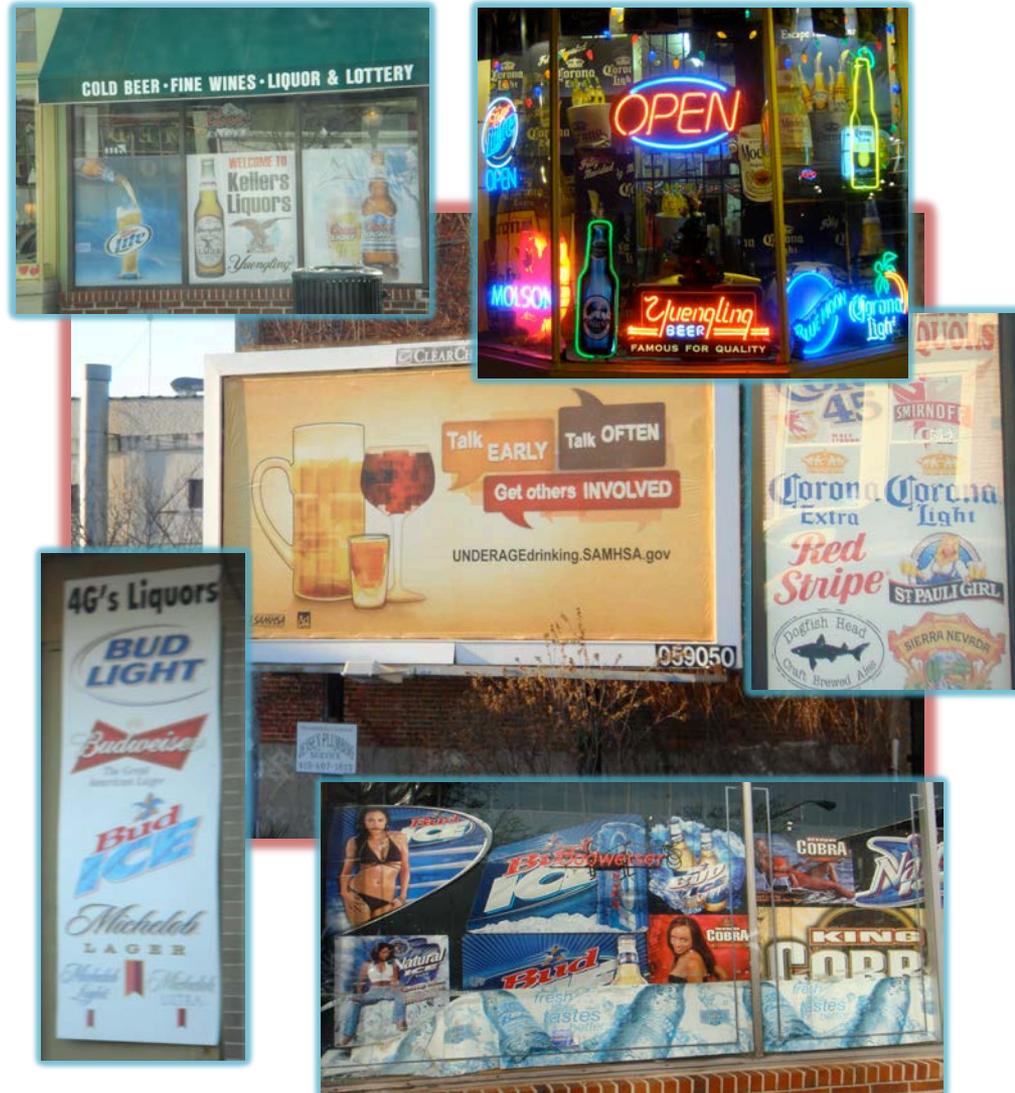


# Privatization and availability

- Privatizing commonly results in increases in the number of off-premise outlets and days and hours of sale, all of which have been shown to be associated with increases in excessive alcohol consumption and related harms.
  - Washington State privatized in 2012 and the number of off-premise outlets increased from 328 to 1,415.
- **PUBLIC HEALTH IMPACT:** Increased outlet density is also associated with increases in social harms, including interpersonal violence and vandalism.

# Alcohol outlet density and underage drinking

- Paschall et al. (2012- 50 California cities)
  - Adolescent alcohol use and heavy drinking appear to be influenced by enforcement of underage drinking laws, alcohol outlet density, and adult alcohol use.
- Chen et al. (2009 - California)
  - Zip code alcohol outlet density significantly and positively related to likelihood and frequency of getting alcohol
- Treno et al. (2003 – Oregon)
  - Alcohol outlet density associated with both youth drinking and driving and riding with drinking drivers, especially for . younger and female respondents
- Other studies in university neighborhoods, New Zealand, Switzerland.
- BALTIMORE: Alcohol outlets in communities are strongly related to poor outcomes for youth (e.g., school performance, violence exposure, and drug use; Milam, et al, 2013)



# Village

## LIQUORS

	<b>SELF SERVICE LIQUOR MART</b>				<b>SELF SERVICE LIQUOR MART</b>		
<b>STOUT</b>	<b>OLIFANT VODKA</b> BEST VALUE <b>\$22.99</b> 1.5L	<b>MATTEO'S PENCH</b> <b>\$49.899</b> 100% GRAPE	<b>SEAGRAM'S GIN</b> <b>\$19</b>	<b>WINE 2 For \$7.99</b>		<b>\$18.99</b>	<b>\$10.99</b>
							
							



# Privatization – what happens to enforcement of alcohol laws?

- If enforcement resources are not increased to reflect the increase in the number of licensed outlets, there will be less vigilant enforcement of sales regulations, including enforcement of the minimum legal drinking age.
- PUBLIC HEALTH IMPACT: more youth drinking

# Specific examples

- Iowa, Alabama, Idaho, Maine, Montana privatized wine sales
  - Increase in wine sales ranged from 42% to 150%
  - In some cases beer and spirits sales affected, but never enough to counter the increase in wine sales – bottom line is consistently led to greater alcohol consumption
- Finland privatized beer sales
  - 242% increase in beer sales
- Sweden – took medium-strength beer *out* of grocery stores
  - Alcohol problems in young people declined significantly

# CONCLUSION

- County control appears protective of public health in Montgomery County
- Studies from other jurisdictions show that privatization generally leads to:
  - Lower prices
  - Less control over dangerous products
  - More outlets
  - Enforcement more thinly stretched
  - More drinking and alcohol-related problems, including among youth

# Questions?

## Contact information:

David H. Jernigan PhD

1 410 502 4096

[djernigan@jhu.edu](mailto:djernigan@jhu.edu)