

**DO WE STILL NEED RETAIL ALCOHOL MONOPOLIES  
IN THE 21<sup>ST</sup> CENTURY ?**

***THE ANSWER MAY LIE IN FULFILLING SOCIAL RESPONSIBILITY  
BY PROMOTING PUBLIC HEALTH***

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## INTRODUCTION

Alcohol is a product like none other. All over the world, governments regulate its sale and promotion. Many measures restrict the “free trade” of alcohol, such as the requirement of special licences to sell, control of advertising and promotion, laws forbidding sales to minors, etc. In some countries, the alcohol industry imposes its own restrictions through self-regulated codes of ethics.

In the 20<sup>th</sup> century, a number of governments decided to establish retail alcohol monopolies. Today, however, those retail alcohol monopolies seem to exist for two apparently conflicting reasons: to provide revenue to their governments and to protect and promote public health (CAMH, 2004; Room, 2001). Of the two, commercial and economic considerations have prevailed, as increasing emphasis is placed on customer convenience, efficient distribution and higher sales. This trend has been attributed to international pressures for freer markets and undistorted competition (Giesbrecht, 2000; Hauge, 2004; Holder et al., 1998; Room, 1987; Sulkunen et al., 2000), as well as to domestic demands for increased customer satisfaction and pressures for a more “liberal” society with less government control. In fact, retail alcohol monopolies can only exist as long as they are considered desirable by a majority of the people they serve.

However, *alcohol is no ordinary commodity* (Babor et al., 2003). Hence, the rationale for maintaining a public retail system, as opposed to privatizing it, will ultimately depend on the public system’s ability to fulfil its social responsibilities by promoting public health, i.e. the “added value” it provides that the private sector would not. While political and commercial considerations and quality customer service are important, they are not sufficient to ensure the survival of public alcohol monopolies.

The main objective of this paper is to examine, from both a global and a domestic perspective, the importance of retail alcohol monopolies’ public health mission and how to reconcile it with customer satisfaction and government funding. A central argument is that this reconciliation may provide answers to key questions, i.e. why and how to keep retail alcohol monopolies in the 21<sup>st</sup> century.

This paper focuses on the Société des alcools du Québec (SAQ), a state-owned corporation that traditionally has played a limited role in promoting and protecting public health (Demers & Fournier, in press). The conclusions, however, are not exclusive to the SAQ and can be applied to all state-owned alcohol monopolies, especially those reporting to finance ministers rather than health ministers. The paper is structured as follows:

- Part I looks at the role public health plays in international free trade agreements, where it has emerged as the main argument in justifying public retail alcohol monopolies. It also explains why the promotion of public health as a fulfilment of the monopolies’ social responsibility is also an important argument against privatization at the domestic level.
- Based on this, Part II discusses how retail alcohol monopolies can play a role in promoting and protecting public health and still maintain public support.
- Part III elaborates on alcohol policies in Québec and the implications the above discussion should have for the SAQ, i.e. it should remain customer-oriented and financially profitable while playing a greater role in public health, thereby ensuring its own survival.
- Finally, Part IV will review important reasons why state-owned retail alcohol monopolies are worth preserving.

## 1. A GREATER CONCERN FOR PUBLIC HEALTH IS NECESSARY

### a. International context

International free trade agreements tend to erode the ability of governments to control their domestic alcohol markets or to have government-run retail systems (Grieshaber-Otto & Schacter, 2002 in: CAMH 2004). Such agreements make it difficult to justify the existence of state monopolies, which are usually portrayed by their opponents as ineffective from the point of view of price, service and innovation, and are therefore undesirable obstacles to free competition.

One strong objective that justifies the existence of state monopolies is the protection of human health. This is explicitly emphasized in the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) treaties. As regards the continued existence of retail alcohol monopolies, it appears that a specific retail alcohol monopoly can be legitimized and justified from a public health perspective if it helps reduce the level of alcohol-related harm in society. For example, in Sweden, the alcohol retail monopoly was brought before the European Court of Justice after complaints that the monopoly was incompatible with competition regulations in the EU. In the end, in order to make the monopoly compatible with EU regulations, the Swedish government set up an agreement between *Systembolaget* and the Swedish State, which stipulated that in the future, the alcohol retail monopoly would have to conduct its activities in such a way that any harmful effects of a public, social and medical nature arising from the consumption of alcohol would be prevented, inasmuch as is possible. The same arguments and outcome were observed in Norway, when the Norwegian alcohol retail monopoly was brought before the EFTA Court in 1997 (Ugland, 2002).

In order to justify state monopolies, international free trade agreements require strong links between the monopolies and legitimate public health objectives. It is therefore up to national governments to provide evidence that retail alcohol monopolies effectively protect public health. In the cases referred to above, the Courts agreed with the Norwegian and Swedish government arguments about the direct link between the availability of alcoholic beverages and the amount of alcohol-related harm to society.

### b. Domestic context

Throughout Québec history, alcohol has been treated mainly like an ordinary commodity. Although the official reason the government created the quasi-monopoly in 1921 was to control alcohol abuse while respecting individual freedom, the mission changed as it became apparent that profits generated by the Québec Liquor Commission were becoming a major source of revenue for the Québec government (Prévost et al. 1986; Thinel 1971). A few years later, concern for public health was further weakened by the 1971 Thinel report<sup>1</sup> which

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<sup>1</sup> Two strikes by SAQ employees in 1964-65 and 1968 created administrative dysfunctions within the SAQ. As a result, in 1968, the Québec Cabinet created the Thinel Commission with a mandate to assess the development of the alcoholic beverage retailing business since January 1964 and find the most efficient way to oversee this business while maintaining social peace and providing revenue to government (Thinel 1971, 18 in Demers & Fournier, in press). In the 1990s, the Québec government also created the *Groupe de travail sur l'avenir du secteur des boissons alcooliques* with a mandate to examine various options with regard to the future of the alcoholic beverage. The

stated “that there was no relationship between alcohol accessibility and alcohol-related problems” (Thinel 1971, 33-38 in Demers & Fournier, in press). The SAQ as we know it today, i.e., a state-owned corporation reporting to the Minister of Finance (in Canada, most, if not all, alcohol monopolies report to finance ministers) and driven by modern business principles and a service-oriented ideology, was established on the basis of that report.

While this corporate ideology has ensured the development of advanced commercial practices and thus a high level of customer satisfaction, it may have made the monopoly more vulnerable to the threat of privatization. A recent strike by SAQ employees created a fierce media storm, which put SAQ practices in the public eye. Following the strike, the SAQ, which had been Québécois’ 11<sup>th</sup> favourite company in 2003, fell to 109<sup>th</sup> place (Giguère, 2005). This situation might be temporary, but it shows the vulnerability of the “service only” approach. Many articles in major publications carried the idea that the SAQ was “a clear example of the State’s incursion in an area where its presence was irrelevant”<sup>2</sup> (Dubuc, 2004). A strike rarely creates a wave of sympathy, but those remarks and attitudes were probably not unrelated to the fact that the SAQ presents itself as a company whose mission is *to properly serve Québécois by offering a large variety of quality products* (SAQ, 2005).

With a mission that is mainly commercial, the SAQ puts itself in a position where comparisons with the private sector are inevitable. In fact, although it is essential for retail alcohol monopolies to develop attractive offers and propose a range of products that meet the needs and wishes of its customers, these practices are not unique to the public sector. The SAQ needs to add components to its mission to distinguish it in a positive manner from private enterprises, which would more likely earn it greater public support. Fulfilling its social responsibilities by promoting public health – something the private sector rarely does – might be the way to reduce exposure to privatization.

Indeed, making retail alcohol monopolies more socially responsible is one of the most powerful ways to reduce their domestic vulnerability. A report by CAMH in 2004 eloquently specified various factors contributing to the fact that it is more difficult for a system to place a high priority on public health and safety when it is privately run, than when it is run by the state.

This is not insignificant, especially where government covers the costs of health care. It is now known that Thinel was wrong in stating that there was no link between alcohol availability and alcohol-related problems (Brunn et al., 1975, Edwards et al., 1994, Babor et al., 2003). In Québec, in 1992 alone, the social costs of alcohol totalled \$1.7 billion. Not only would a state-owned corporation be expected to promote public health, but this would also give it a purpose that would clearly differentiate it from private companies. In fact, the more Québécois perceive the SAQ as a “vache à lait” (milk cow) whose sole purpose is to make money for the government, the more likely they are to believe that they would be better served by a private system. The SAQ might well need a more comprehensive mission that more openly embraces public health.

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unanimous conclusion in the milieu was that the SAQ should remain as it was.

<sup>2</sup> Our translation.

## 2. PROMOTING PUBLIC HEALTH

Alcohol is a complicated issue, and when national prevention policies are being considered, the economic, social, cultural and historical conditions of each country should be deciding factors (Addiction, 2001; Kortteinen et al., 1989). Alcohol policies cannot be copied, but “have to be tailor-made to suit local conditions” (Kortteinen et al., 1989:41). A recent editorial expressed the idea that since “there is no doubt that alcohol-related problems are far from identical in places such as Spain, Russia, Norway, is it logical to put into the same bag a predominantly Muslim country such as Turkey and a wine culture Christian country such as Italy? Should we set the same strategies for both nations?” (Addiction, 2001:1093).

In Québec, which has a low rate of heavy drinking, despite an average per-person consumption of 7.6 litres of pure alcohol per year, a public health strategy based on the total consumption model might be inappropriate. Québécois, for example, are less likely than Nordic people to drink to the point of intoxication. In fact, the majority of people drink in moderation and the slogan “La modération a bien meilleur goût” (Moderation is always in good taste), which enjoys an awareness rating of over 96%, has become something of a proverb in Québec.

With regard to public health, drinking patterns and drinking culture, i.e. how and when individuals drink, are just as important as total consumption (ECAS, 2002). Since public health strategies must reflect local realities in order to be politically viable, wouldn't it be more appropriate to develop alcohol policies based on the specific drinking patterns of Québécois rather than on the total consumption model, given the fact that most Québécois drink moderately?

In Québec, with proper knowledge about drinking patterns on hand, it might be more valuable to design policies to reduce the harm caused by the dangerous drinking patterns of a subpopulation, or at least to make sure that the problem drinkers are not in any way encouraged to drink more.<sup>3</sup> The health of the general population might be better served if the SAQ developed drinking pattern-based commercial practices that are mindful of those most likely to be problem drinkers.

A huge obstacle to such an approach is that we have no data about drinking patterns and beverage choices in Quebec, while other data presently available support the total consumption model. In fact, Canadian statistics indicate that alcohol sales have increased in Québec over the past few years and Canadian studies show that alcohol-related harm is positively linked to alcohol sales (ECAS, 2002; Norström, 2002; Ramstedt, 2002a, 2002b, 2003; Rossow, 2002; Skog, 2003).

So far, the SAQ has not been alarmed by statistics indicating an increase in total consumption, because it believes the trend is the result of a majority of drinkers having one more drink a day rather than a minority taking up dangerous drinking practices. Given the lack of data reflecting the local reality, it might be dangerous to pursue increased sales based on the conviction that, in Québec, total sales increase in a harmless manner.

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<sup>3</sup> For example, a study on drinking patterns in Québec would most likely show that problem drinkers are mostly young episodic heavy drinkers. Were this information available, the SAQ would undoubtedly avoid such marketing strategies as promoting a free bottle of gin or vodka with the purchase of at least two bottles of spirits. In the present example, the SAQ would recognise this kind of promotion as a danger to public health.

So long as data are unavailable, decisions will have to be seen for what they are, i.e. conviction based rather than science based. In the context of global free trade, such a decision process would not be sustainable in a court of law.

Certainly, some will argue that it is the responsibility of the Ministry of Health to collect data on the subject. However, if this is not done, collecting data might be the only scientifically credible choice for the SAQ. An approach to public health based on drinking patterns might be promising in Québec, where moderation is the norm. However, that hypothesis remains to be verified. There is a critical need for data, as evidence-based knowledge is essential to social planning.

### **3. THE ORGANIZATION AND ADMINISTRATION OF STRATEGIC SOLUTIONS PROMOTING PUBLIC HEALTH**

Since the mid-1990's, there has been a clear shift in the focus of alcohol policies in Finland, Sweden and Norway, from the national to the local level (Karlsson & Tigerstedt, 2004). For example, more attention is being paid to local prevention measures, such as responsible beverage service programs. There has also been a great deal of emphasis on promoting situational sobriety. These new strategic priorities are similar to measures in Québec where, among other things, the population has been exposed to information and education campaigns promoting abstinence for pregnant women, as well as for anyone driving, boating or snowmobiling. With respect to strategic solutions, it would appear that Finland, Sweden, Norway and Québec are very similar.

However, the two regions differ dramatically in the way these strategies are organized and administered. In fact, the biggest difference is probably that in the Nordic countries, alcohol policies are effectively administered, while in Québec, there is not even the appearance of an organized alcohol plan. In fact, it seems that the government has left all the responsibility for alcohol education and primary prevention to Éduc'alcool, a not-for-profit SAQ-supported organization promoting moderate, responsible drinking. No matter what efforts the SAQ makes to promote public health, so long as it acts alone and independently, the impact will be limited.

There is no doubt that the SAQ would gain by positioning itself more as an organization conscientious about public health. But what would be the point if, for example, the SAQ were to ban promotions aimed at younger drinkers, if universities continue to approve alcohol sponsorships and allow brewers to target their students aggressively? What is desperately needed here is a cooperative effort involving all alcohol-related organizations, and the coordination of all strategic measures pertaining to alcohol and drinking. According to Mercy et al., (2003), effective public health actions require collaboration and cooperation across scientific disciplines, civic organizations, societal sectors and most importantly, political entities at all levels. Since governments are ultimately responsible for the health of their populations, they are the keys to ensuring collaborative actions that promote population-wide health improvements (Beaglehole et al., 2004).

The closest thing to cooperation at this point is Éduc'alcool. Although Éduc'alcool brings together the alcoholic beverage industry, the Québec Liquor Licensing Board and the SAQ, and it works with such partners as the Québec Safety League, the Québec Institute of Tourism and Hospitality, school boards and many others, it operates apart from other key entities involved with alcohol and drinking. Most importantly – with the exception of the Alcochoix and the Pregnancy and Alcohol programs, which are endorsed by the Ministry of

Health and Social Affairs – it is not supported by the provincial government. Nevertheless, since Éduc'alcool already exists and is very knowledgeable about alcohol and the industry, it should be used as the foundation of a partnership between government ministries, institutions and industry organizations working together to develop a comprehensive alcohol plan.

#### **4. WHY MAINTAIN ALCOHOL MONOPOLIES IN THE 21<sup>ST</sup> CENTURY?**

This paper has emphasized that a critical way to preserve retail alcohol monopolies is to ensure that they fulfil their social responsibilities by promoting public health. However, public health is not the only reason to maintain the monopolies. Other very important reasons justify their existence in the 21<sup>st</sup> century and should be mentioned.

First, state-owned retail alcohol monopolies report to a public body, are extensively scrutinized and thus do not seek profit at any cost. Retail alcohol monopolies are less likely than privately owned companies to sell to minors and intoxicated people. According to Mosher (1995), privatization would create a marketplace in which there would be very strong economic incentives to discount the price of alcohol, and sell to vulnerable customers. Even though they must deliver financial results to their sole shareholder, the State, public systems are more sensitive to issues of social responsibility.

Accordingly, retail alcohol monopolies place a high priority on educating the population they serve with regard to various matters, such as quality control, responsible drinking and the culture of taste as opposed to the culture of drunkenness. All of this is clearly illustrated in Sweden, where the mission of the retail alcohol monopoly reads: “Our mission is to sell alcoholic beverages and to be at the forefront of developing a healthy drinking culture. We will exceed the customer’s expectations by constantly developing our product range, knowledge, service and responsibilities.” And its vision is as follows: “We promote a healthy drinking culture, in which everyone can enjoy the beverages we sell, without doing harm to themselves or others.”

Second, retail alcohol monopolies provide governments with a political advantage. Monopolies are very powerful tools that can be used to increase taxes on alcohol whenever governments need money to build schools, improve the health system or simply decide to do so in accordance with a specific alcohol policy. When alcohol is sold through privately owned companies, governments can hardly raise taxes without fighting the alcohol industry lobbies – a fight they are most likely to lose. The situation is very different when alcohol is sold through a state-owned corporation, with government free to increase taxes and raise revenues. This was the case in Québec at the beginning of 2005 when the Minister of Finance needed only to ask the SAQ for a higher dividend to achieve his goal.

A third argument for maintaining retail alcohol monopolies is that they already exist, and selling them might be extremely difficult and have major consequences. The SAQ is worth several hundred million dollars; only very wealthy and powerful corporations would be able to buy it. And given the trend towards mergers in the alcohol industry, chances are that the end result would be a privately owned monopoly instead of a public one. This would certainly not be an improvement over the present situation.

These considerations must all be added to the main argument of this paper, which is that the promotion of public health, given the current global context of free trade and the domestic context of privatization, has become a reason and a justification for maintaining retail alcohol monopolies. Fulfilling their social responsibilities by promoting public health is the answer to both why and how to keep the monopolies. It has become vital for alcohol monopolies to reconcile customer satisfaction, government funding and, above all, public health

## **CONCLUSION**

In the 21<sup>st</sup> century, a number of very important reasons continue to justify the existence of retail alcohol monopolies. This paper has focused on one of those reasons: the protection of public health. Public health not only justifies maintaining retail alcohol monopolies, but also protects them from the forces of privatization, both internationally and domestically. The fulfilment of their social responsibilities by promoting public health is what clearly differentiates public corporations from private ones.

If retail alcohol monopolies were privatized, this would most likely create a marketplace in which there would be very strong economic incentives to discount the price of alcohol (Mosher, 1995). The competition for alcohol sales would result in young people being bombarded by even more alcohol advertising, promotions and sponsorships than they are now (Solomon, 1995). It is no coincidence that the brewers of domestic beer - the only product not sold through the SAQ - target young people most aggressively through advertising, promotions and sponsorship. While one cannot say that privatization would result in all other products being promoted that way, the State would certainly lose a great deal of control over the alcohol industry and the way products are sold. Unless resources were to increase dramatically, it would become impossible to enforce existing alcohol laws.

The public interest in general and public health in particular are better served by retail alcohol monopolies.

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