Spirit of the west

Everyone's talking about privatized liquor stores in Alberta: prices are higher, selection is down, crime is rampant. Problem is, none of what they're saying is true *By Margaret Swaine*

AROUND THE CORNER from my hotel, Buzzards Café, Calgary's original wine bar, is having a Testicle Festival. How can I resist bull's balls served three different ways—au naturel, Italian stallion and rodeo style. When I arrive, I notice Buzzards also has a good selection of well-priced wines. Wolf Blass Yellow Label is selling at eighteen dollars, not quite double its wholesale price of $9.90. The same wine, if doubled from our LCBO licensee price, would sell at a Toronto bar for more than twenty-six dollars.

I've come out west to discover the truth about Alberta's liquor privatization experience and have just been hit with one of the most obvious. Counter to the myths perpetuated in Ontario reportage, most prices are actually lower after privatization. Moreover, Alberta's restaurants, unlike Ontario's, can buy at wholesale prices and apply a healthy markup without making the consumer pay through the nose.

WHEN PREMIER HARRIS stood outside the LCBO last March and talked about modernizing liquor retailing in Ontario as part of the Common Sense Revolution, he kick-started an avalanche of interest in the cowboy province. Stakeholders in the liquor business quickly formed committees to prepare position papers, using assistance from Alberta industry consultants to help them understand the effect of privatization. The Alberta Gaming and Liquor Commission started getting requests from Ontario for its sixty-page document "A New Era in Liquor Administration: The Alberta Experience." Privatization became a topic for debate around Toronto's dinner tables.

Using Alberta as a model, the Ontario Liquor Boards Employees' Union launched a $2.5-million advertising campaign to warn Ontarians about the dire consequences of privatization. And it seems to be working. Newspaper articles parrot the union statements and allude to studies that show privatization in Alberta benefitted no one. If you believe the OLBEU, total government revenues are down, prices in Alberta have increased by fifteen per cent, selection is down seventy-five per cent, consumption is up 13.8 per cent and liquor store robberies have risen 200 per cent.

DETERMINED TO SEE for myself, westward ho I go. First on the itinerary: tag along with Travis North, a twenty-five-year-old wine agent and recent Lethbridge University management graduate, as he calls on liquor stores in Calgary and Edmonton. It's an important part of the routine of going about sales in the province now that there is more than one buyer, and I welcome the chance to see the scene with a native. Travis has much to show and tell.

Number one is the price thing. As we go from store to store, he points out the cost of several products. At Westmount Liquor Service in Edmonton, Folonari Valpolicella costs $7.60 (the LCBO price is $7.25). Masi Amarone costs $15.95 (LCBO, $19.55). Hennessy XO sells for $112.95 (LCBO, $174.65). And the price tag on Dom Perignon is $84.95 (LCBO, $101.05). With Alberta's flat-tax system, I discover, the low-end products are indeed slightly higher-priced than in Ontario, but only by a few dimes to a dollar. In the eight-to-twelve-dollar range, their prices tend to be about the same or slightly less than ours. And high-end bottles are decidedly less expensive, sometimes shockingly so.

Last Christmas, the lion's share of top champagne and cognac that flew out of Alberta's one central warehouse went to slake thirsts in British Columbia. Apparently, there wasn't much left for Albertans. This grey market is an issue with the producers, who find that irate clients in other provinces don't appreciate the unfair competition. But it's not Alberta's problem—the province still collects its taxes, and all sales are done legitimately.

NEXT STOP, the sin minister, Stephen West, who's responsible for the Alberta Liquor Control Board, lotteries, the racing commission, the gaming commission as well as (oddly) public safety, and the very guy who brought in privatization. A former veterinarian, he speaks passionately and expansively, like a preacher on a pulpit, addressing Travis and me as "you folks." He's a politician who, above all, believes in taking civil servants out of competition with private enterprise and cutting government down to bare-bones tax collectors. Of the OLBEU's claims he says, "They're just bald-faced liars if you're talking about the union statements."

West points to official statistics as outlined in "A

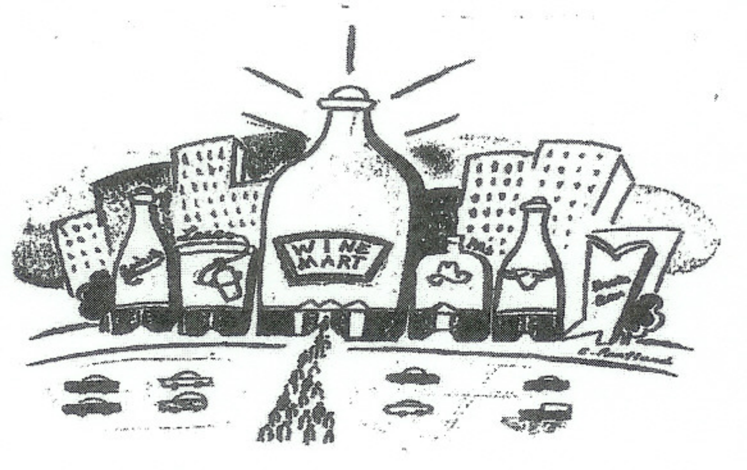

Illustration by Cathy Pentland

New Era in Liquor Administration." The report states that the total number of products, post-privatization, increased by seventy-two per cent to almost 6,000, compared to 3,325 in September 1993 when the ALCB announced its intention to sell its stores. Not all of the products are in every store, of course. Under the old system, ALCB stores stocked from 600 to 2,600 products, depending on the area. The OLBEU based its selection figures on the range of products available in most stores, which are smaller now. Mom-and-pop stores stock an average of only 500 products. But the smallest private chain, the Liquor Depot, sells 1,400 products, and the largest, Royal Liquor Merchants, carries 3,900. Then there are the superstores: Willow Park, located in an affluent area of Calgary, is 33,000 square feet of every product imaginable, including old vintages of burgundies and bordeaux bought from the ALCB sell-off and a walk-in chilled room for beer.

Bottom line on this argument: there's never any shortage of beer or rye around the corner, and, if there's a market for it, the other products will be there.

Claims that the government is losing tax money on this venture don't stand up to scrutiny, either. Alberta's flat-tax markup system was designed to keep revenues at the same level—around $415 million. Irv Kipnes, president of both the Liquor Depot chain and Alberta Liquor Store Association, says he thinks Alberta may lower taxes on alcohol by the spring of next year, because earnings under privatization are better than anticipated. The take for the first fifteen months was $430 million.

Whether or not consumption has increased is difficult to determine, because statistics are no longer available for retail sales. But, given that the number of retail outlets tripled from 202 pre-enterprise to almost 600, just filling the new stores would have caused an increase in movement from the central warehouse (perhaps that 13.8 per cent figure that the LCBO union quotes). The latest sales figures for beer and distilled spirits are actually showing a decrease from warehouse to stores. Many outlets that first stocked up on inventory in anticipation of high returns may be sitting on it now. Who can really say when the product is actually consumed?

With the number of new stores—open twice as long (an average of eighty hours per week; with some until two a.m.)—the potential for increased robberies certainly does exist. The Calgary police department reported nine holdups in 1994, compared with only two in 1993, which, if translated into a percentage increase, can be made to sound impressive. Robberies where thieves smash and steal more than tripled in the time frame to seventy-nine from twenty-four, which also sounds significant. However, most store owners were new to retailing and didn't know much about security. Police and liquor retailing associations have started educating store operators about lighting, barriers and generally beefing up security, and, it appears, things have already improved. One store owner illustrates his savvy by pointing out that the convenience store in his mall has been robbed three times in the past year, while his liquor store has never been touched.

The figure-fighting can go on endlessly. Trying to make sense of it all, Ontario politicians have been calling Stephen West for his opinion on privatization. His advice is straightforward: "Don't set up commissions or you will get a half-baked product. Don't go slow on this. Harris has to take a stand and go with it. Do it right away."

Not everyone out west agrees with him. William Bincoletto, now doing product selection for the Westmount Liquor Store in Edmonton, was the main wine buyer in his city under the Alberta liquor board. He believes the final step came too fast, "like being thrown to the elements and hang the consequences." But even he admits to being surprised at how well things are going. "For all its bugs, only a handful of stores have closed after two years," he says. "Personally, I'm pleased about it. My salary level is lower"—union salaries for bagging bottles averaged fifteen dollars an hour, compared to the current seven dollars and change—"but the potential to make much more is there."

WHAT CAN Ontario learn from all this? "Generally speaking, privatization will benefit people," says Irv Kipnes of the Liquor Depot. "I hope it's done in a sane way so as not to be a free-for-all." Naturally, he looks at Ontario as an opportunity to expand his chain. But he anticipates, from his discussions with Ontario officials, that our privatization will be more restrictive than Alberta's.

Carl Compton, at the Ontario Ministry of Consumer and Commercial Relations, is in charge of pulling together the background work at the ministry to, as he puts it, "make ready for the creation of a commission, or whatever kind of review process is done, to modernize the liquor board in our province." As we discuss various scenarios in other countries and provinces, I correct him on several of his statements about Alberta, having just returned from my own reconnaissance trip. "Our reckoning has been based on reports seen and heard from commercial interests involved," he says, explaining he is learning things from behind a desk. Although no decisions have been made, Compton has no doubt that, at the end of the day, liquor retailing in Ontario will include a degree of privatization.

The various stakeholders in the business have their own proposals. Distillers are pushing for an equal playing field, where taxes and access are the same for spirits, wine and beer. The Addiction Research Foundation wants a strong government monopoly. If the small Ontario agents have their way, we'll privatize it all. LCBO chair Andy Brandt wants an LCBO that is unfettered by a morass of post-Prohibition laws. Today credit cards, tomorrow Sunday and midnight shopping. Brandt, a man who likes his wine as much as I do, becomes circumspect when pushed for an on-the-record quote. After all, it's his job on the line as well as that of close to 5,000 staff. "We've recognized that the privatization of the LCBO has been a possibility for some time now, and we're also aware it's a government decision—which puts the LCBO in the position of having to modernize and accelerate its programs to be as consumer-driven an organization as possible." Whew. In other words, the spectre of privatization is a strong motivation for the staff to work harder and be better.

Whether the LCBO does its job well, though, is not the issue. The selection of products is good—better than the ALCB's was—and ever-improving. The wine consultants are knowledgeable, the consumer hot line is helpful, the stores—the ones that have been modernized—are attractive. The real issue is that government has no business being in retailing at all—whatever the product. Even for liquor, there's no sustainable argument. Why should the LCBO select my wines for me when entrepreneurs can do it just as well if not better, and at no cost to the taxpayer? On the other hand, should there be total privatization, I would sorely miss the product catalogues, Queens Quay (store 217) with its comprehensive selection of all brands and the product notes that the LCBO mails out.

In the end, it's impossible to translate the Alberta experience directly to Ontario. Alberta is a province of ranchers, oil workers and farmers, people with expansive, independent, outdoor lives. Ontario, run by bankers and lawyers, is conservative, protective, slightly uptight. We're comfortable in our pew. Our version of privatization would have to reflect those differences. Even I feel the cloak of eastern thinking descend upon me and decide we should start with partial privatization, instead of diving right in, as Stephen West suggests.

I guess they're a little more ballsy out west. After all, while I had ordered bull's balls at Buzzards Café, I must admit I was relieved when the waitress told me there were no more. The chef had just tossed out the last batch. Too raunchy.