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EDITORIAL

The case for government-run liquor stores in the Australian Northern Territory: Looking outside the box in regulating the supply of alcohol

The Northern Territory (NT) stands out compared with the rest of Australia in terms of rates of alcohol-related harms. A dramatic example is the rate of deaths attributable to alcohol—3.5 times as high as the national rate, including twice as high for the non-Indigenous population [1]. An intrinsic element in the problem is that the level of alcohol consumption per person aged 15+ years in the NT is higher than elsewhere in Australia. In 2014, NT consumption, at 12.30 l of pure alcohol per year [2], was the highest in any Australian jurisdiction—26.7% higher than the 9.71 average for Australia as a whole [3].

In these circumstances, it is highly appropriate that the NT government has commissioned a review of 'how we manage and regulate the supply of alcohol' [4]. An option which should be considered is for the NT government to take over all off-premise sales of alcohol. Outside of Australia, there is a long history, stretching back to the mid-19th century, of governments monopolising the sale of alcohol because of public health and order concerns [5]. Canada has had provincial monopolies of off-premise sales since the early 1920s, and Norway's monopoly dates from the same era. The current monopolies in 18 states of the USA mostly date from the repeal of alcohol prohibition in the USA in 1933. Sweden has had alcohol monopolies at the community level since 1850; they were consolidated into a national monopoly over 50 years ago.

Australia also has had a history of public alcohol monopolies, but only at the community or municipal level. In a forthcoming book, Brady [6] covers not only the history of community-operated clubs in Indigenous communities (also discussed in [7]), but also the history of municipal hotels in towns along the Murray River in South Australia. A few of the South Australian community hotels still exist, though often they have lost their local monopoly on sales; and there are still some communally owned clubs in remote Indigenous communities. With respect to effects on public health and order, as discussed below, the Australian history is mixed—there are lessons to be learned from it.

The effectiveness of a government monopoly as a prevention strategy

Government operation of alcohol sales can make a substantial contribution to reducing levels of heavy drinking and alcohol-related problems. In 2012, the US Centers for Disease Control published a systematic review of studies of the effects of replacing a monopoly with a licensing system [8], finding 'strong evidence that privatization of retail alcohol sales leads to increases in excessive alcohol consumption'. There is evidence also from modern changes in the opposite direction—of decreases in consumption and alcohol-related health and social problems from monopolisation (e.g. [9]). On the basis of such evidence, modelling studies of the effects of privatising a monopoly system show substantial increases in alcohol consumption and rates of alcohol-related problems (e.g. [10,11]).

Advantages for the NT of a monopoly system

There is thus substantial evidence, particularly from North America and the Nordic countries, that government retail alcohol monopolies are effective as a public health measure. For the NT, they have a variety of potential advantages over a licence system for off-premise sales [5]:

1. The government, as owner of the stores, could set the retail price of off-premise sales without a fuss, just as any retailer does. For instance, it could decide on a minimum price per unit of alcohol, and not sell any beverage for less than that price. Some Canadian provinces do this; this is why the small literature we have on the actual effects of minimum unit pricing is from Canada (e.g. [12]). This is thus a way to accomplish a minimum unit price policy with the government gaining any extra revenue from it—a legal way to accomplish the reduction in problematic drinking that the NT Levy accomplished during the former Living with Alcohol program [13], before it was disallowed by the courts.
2. Such a monopoly tends to be quite profitable, even if the retail prices are set no higher than in adjacent jurisdictions with private off-sales. (This is a major factor in the survival of the monopolies in the USA, even through a neoliberal era—state governments would lose too much revenue if the monopoly is privatised.) Monopolies function with a smaller

network of stores, not competing with each other, and usually with shorter opening hours. The retail-level profit margin (and potentially also the wholesale-level) will accrue to the NT government.
3. A monopoly system for off-sales would mean that only government employees would need to have access to the electronic records system of the Banned Drinker Register [14,15], enabling better protection of privacy.
4. The experience elsewhere is that well-paid government liquor store employees are much more observant than employees in privately owned stores of regulations about not selling to the under-aged, to someone who is already drunk, and presumably to someone on the Banned Drinker Register.

Organising a monopoly to act in the public interest

There are lessons from experience overseas (and also from the Australian experience with community-level monopolies) concerning how to organise an alcohol monopoly system in the interests of public health and order. The best experience has been to organise it as a freestanding government corporation, with a clear mandate that, while it should provide good service to customers, its priority is to be on maximising the interests of public health and public order. In terms of cabinet responsibility, the corporation should report to a ministry concerned with public health or order—a ministry responsible for health or justice or family welfare. It would be a mistake to place it under the treasury or a ministry of finance, which inevitably brings a priority on revenue. The Australian experience with community monopoly stores has shown that if the store is run with the primary goal of raising revenue, it has adverse effects on health and public order [6,7].

Another critical question is whether off-sales of all alcoholic beverages are monopolised, or only some. None of the US state monopolies include beer (it was falsely argued when they were set up that beer was not intoxicating). The Swedish monopoly includes all alcoholic beverages other than beer below 3.5% in strength, which is sold in grocery stores. The basic public health position now is that for most adverse consequences what matters is the amount of pure alcohol consumed, no matter in what form it comes, so any exclusions should be carefully considered. The patterns of drinking and harm in the NT suggest that all alcoholic beverages should be included.

There is substantial historical experience, particularly from the Canadian and Nordic monopolies, with individualised controls on purchasing to draw on which is relevant to the NT's Banned Drinker Register. Until 1955, for instance, the Swedish system assigned a monthly ration as the maximum that could be purchased by a family, and denied any ration at all to about 10% of the families which applied, on the basis of previous misuse. This required individual-level decisions about and surveillance of particular customers. That the system was effective in holding down consumption by heavy drinkers is shown by the fact that cirrhosis mortality rose by one-third the year after restrictions on heavy drinkers were removed by the abolition of the rationing system [16].

In the longer run, one way in which a government monopoly serves the interests of public health and order is that it occupies a market position otherwise occupied by private interests which have a permanent interest in 'growing the market' by lobbying to reduce controls [5].

Community consultation and involvement

This editorial is written by a non-Indigenous person not resident in the NT. I recognise that there is a long history of 'solutions' imposed from the outside on Indigenous communities in the NT, often with deleterious effects [14], and that justice as well as historical experience calls for wide consultation with Indigenous communities about such a proposal. A government alcohol monopoly with public health and interest as primary aims can be more responsive than private interests to community sentiment, for instance on whether there is a sales outlet in the community. It should also be noted that NT alcohol policy is not just about Indigenous drinkers; there are high rates of alcohol consumption and of alcohol-related problems also in the non-Indigenous NT population.

Conclusion

With its levels and patterns of alcohol consumption resulting in high rates of health and social harm, the NT needs to think outside the normal Australian range of policy options. A territorial government retail monopoly on off-sales of alcohol has the potential to substantially reduce the rates of harm.

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