

# State Liquor Store Privatization

**WRA Position:** The WRA supports privatization of state liquor stores provided that: (1) licensees have a reliable source of supply and, (2) the supply and distribution chain does not result in higher costs to licensees.

## Suggested Talking Points:

- Liquor licensees provide jobs and economic activity vital to Washington's economy.
- The WRA will evaluate proposals to privatize Washington's liquor sale and distribution system, against the following principals:
  - Reliability of the supply chain for products necessary to run restaurants, bars and taverns.
  - Competitive pricing of spirits.
  - Reliable, efficient and effective distribution system.

**Background:** Washington is one of just a few states that totally control the sale and distribution of liquor within its boundaries. Although allowing the private sector to engage in the sale and distribution of alcohol (e.g. – privatization) has been analyzed and debated numerous times over the years (under both Gov. John Spellman and Gov. Mike Lowry), little tangible change has occurred.

In 2000, then Gov. Locke appointed a task force to review the Liquor Control Board's retail division and examine options for the appropriate role of the state in the sale and distribution of spirits. This process did lead to the establishment of contract vendors in some areas of the state; however, the fundamental role of the state in the sale and distribution of liquor remained unchanged.

Since 2000, The Legislature has considered numerous proposals to privatize the LCB's retail and/or wholesale operations. None have passed.

**Current Situation:** Due in part to the challenging fiscal situation facing the state, a

number of lawmakers are calling for the sale and distribution of liquor to be privatized. Some legislators are proposing studies to examine both how and in what timeframe to allow the private sector to take over the system. Some proposals incorporate specific recommendations and timeframes, while others call for pilot projects for converting to private distribution channels.

In January, 2010, the state auditor released a report analyzing the impact of six different options for privatizing the wholesale and retail sale of liquor. The auditor's analysis suggests the state could raise more money if certain approaches to privatization are implemented, as opposed to the current state monopoly system.

Accordingly, the WRA expects considerable discussion and debate by legislators on the merits of privatizing some or all aspects of the state's monopoly on the sale and distribution of liquor.