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Temperance comes with a price discount

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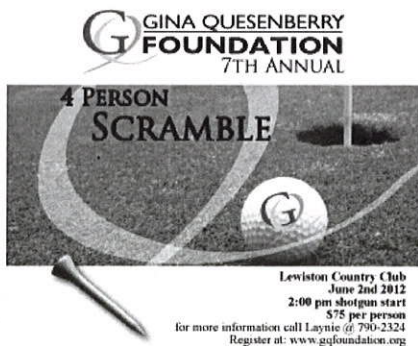
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Marty Trillhaase |

So you expected to pay less when Washington privatized its liquor sales.

What were you thinking?



That big chains such as Costco, Walmart, Safeway and Albertsons could cut costs and pass the savings on to the consumer? If a supermarket can sell bread and potato chips cheaply, why not Jim Beam? Why else would you have voted last fall for the Costco-backed initiative that ended a system dating back to the post-Prohibition days?

Surprise.

Not only are prices not falling, they might rise.

For instance, the Seattle Times quotes wholesalers predicting a 15 percent to 35 percent price hike.

Says the Associated Press: That 750-ml bottle of Absolute Citron vodka you picked up at a state store for \$22.95 could cost you \$33.74 at a supermarket.

And that 750-ml bottle of 151-proof Bacardi rum that cost you \$26.95 at a state store could run \$34.73 at a grocery store.

What's going on here?

Call it the oops factor. Initiative sponsors were so eager to get something passed, they may not have thought everything through. For instance, Initiative 1183 is supposed to generate at least as much money for the state as the old chain of liquor stores.

That means imposing hefty license fees to distributors and retailers, and directing distributors to pay another \$90 million or so by March

1. Rather than eat it, distributors are charging retailers higher prices. Those costs trickle down to the consumer.

Over time, the initiative was supposed to allow retailers to deal directly with manufacturers, the first time that's happened anywhere. Young's Market Co. and Southern Wines and Spirits have exclusive distribution contracts for about 85 percent of the product on the market, according to Erik Smith of Washington State Wire.

By cutting out the middle man, retailers figured they'd pass the savings along to you.

Instead, the Liquor Control Board seems prepared to resolve any ambiguity in I-1183 in favor of helping distributors retain their dominant position over distribution and pricing.

"What we've done is take the state monopoly and give it to Young's and Southern's," Mason County restaurant manager Max Mesmer complained.

It's early yet. Nobody's really sure what to expect once the conversion begins Friday. Will stores offer booze at cost or even below cost as a loss-leader? Will competition among retailers drive prices lower than now expected?

Will initiative sponsors turn to legislators or even the voters to tweak privatization more to their liking?

Here's one clue: Prices didn't instantaneously drop when airlines and telecommunications were cut loose from the regulators. Over time, those sectors reorganized. Some companies prospered. Others failed. The consumer benefited most of all.

Still, this has got be amusing to the people selling liquor in Idaho's state stores. Here they are offering one product line at one price, working with higher operating costs and bureaucratic bloat - in a state that constantly rails about the proper role of government.

Now, they may outperform private sector retailers and lure bargain-seeking Washingtonians across the border.

If that's not ironic, how about this: Idaho liquor stores, established at the end of Prohibition to promote temperance, somehow manage to meet this goal by selling booze at a discount. - M.T.

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