

Policy Position

January 2015

Position on the Future of Liquor Retailing in Saskatchewan

Background

Among the foundational principles of the Saskatchewan Chamber are;

- *The support for the free exchange of goods and opinions in open markets; and*
- *The right to associate and make contracts to advance this exchange.*

The Chamber is also a strong supporter of enhanced private sector growth in the province as this enables increased wealth creation. An openly competitive marketplace for liquor retailing adheres to these ideals while offering the opportunity for sustained revenue sources for government, increased employment opportunities, and broader product selection.

Many of our members are actively involved in liquor retailing and offer an important perspective on the current system and its future.

Issue

Establishing a fully private marketplace offers the opportunity for sustained revenue sources for government, increased employment opportunities, and broader product selection. Furthermore, as the province has been the regulator of liquor sales, the retailer, and the competition to existing private sellers such as off-sales and restaurants, it is continually experiencing conflicting interests that do not always lead to the best policies.

It is time for the government to get out of liquor retailing. The government's participation does not add value, fill a void, or generate revenues through retailing. The SCC believes there is no need for the government to commit resources to an industry in which the private sector is ready, willing and very able to participate.

Specifically the Saskatchewan Chamber sees a private openly competitive marketplace for liquor retailing in Saskatchewan offering the following:

1. More Choice and Product Diversity

The Saskatchewan Chamber fully understands that our province needs to meet a growing and changing liquor demand brought about by our growing and ever changing population. The demand for liquor choice, particularly as it relates to speciality beers, wines and spirits, has never been higher. The provincial government should play no role in either intentionally or unintentionally limiting this product diversity. The private liquor stores currently operating in

Saskatchewan, in addition to offering as many as 2,000 SKUs not currently carried by SLGA, have been inundated with requests for speciality products. This demand was clearly not being met under the government structure. The Chamber is aware that concerns exist regarding the potential availability of a quality liquor selection in rural Saskatchewan under a private system; however the open market will address this by focusing on the opportunity and businesses will find a solution to fill market demand where it exists. Moving to an openly competitive marketplace for liquor retailing enables the private sector to respond to changing demand quickly and serve a market, both rural and urban, that has been ignored in this province for too long.

2. No Geographic Considerations

The Saskatchewan Chamber of Commerce is opposed to any regulations that would limit the exclusive right to retail alcohol in a specific geographic radius. Location viability should be determined based upon business planning as it is with other retailing. The government does not have the expertise to evaluate market demand, niche opportunities, or the internal operations of existing businesses to dictate viability and it is not the role of the government to pick winners and losers in business. The Saskatchewan Chamber believes any potential concerns over the negative impact of an increased number of liquor stores would be largely unfounded. The negative social impact of alcohol is linked to much larger issues which are not directly connected to whether an individual can visit a store as opposed to an off-sale or other retail location and certainly not based on who operates it.

3. Maintaining Revenue

The Saskatchewan Chamber fully supports the government's decision not to invest capital dollars into the construction of new liquor stores as it makes no sense to use public resources to fund a service that can be more effectively provided by private business. We also recognize that the approximately \$250 million from liquor sales plays an important role in the provincial budget and that its preservation is of significant concern to this government. The Saskatchewan Chamber supports the government in moving forward with the establishment of a fully private, competitive marketplace for liquor retailing on a revenue neutral basis. A careful and thorough evaluation of the new system must be completed using internal and external expertise to test the models, timing, structure, commissions and markups to ensure all outcomes are as intended.

Further to this, as Saskatchewan transitions from a quasi-public system to a fully private one, the Saskatchewan Chamber believes that all business structures under the new system should be treated fairly and therefore the province should eliminate tiered discounts. A balanced, competitive market is important for all liquor retailers, but this is especially important for existing operations as new entrants may have a broader array of business models to choose from.

4. Contracted Warehousing Services

Beyond the direct retailing of liquor, the Saskatchewan Chamber believes the Government of Saskatchewan should expand private sector involvement to include the warehousing of liquor.

Similar to Alberta, there is an opportunity to further reduce the government's costs associated with liquor wholesaling. We recommend that the provincial government contract through an open and transparent RFP process one or more private companies to conduct liquor warehousing operations. Contracting a private company would enable the provincial government to continue to potentially own the warehouse, be the importer of record, apply provincial markup, and set provincial policy regarding alcohol sale and consumption, while still encouraging innovation and reduced operating costs through private sector involvement.

5. Fair Regulations

The Saskatchewan Chamber hopes the government will take this opportunity to streamline liquor regulations as the competitive environment is about to change significantly. First and foremost all retailers of liquor should be treated fairly including but not limited to stores, franchises, off-sales and restaurants/bars. In addition to this the government should allow private retail stores to sell product to licensees as their product offerings and service model allows. The current requirement for licensees to have to order through SLGA is cumbersome and lacks efficiency.

We also believe the current regulations regarding hours of operation need to be changed. As our province moves to a fully private system the distinction between private stores, franchises, and off-sales will become increasingly arbitrary and the various hours of operations applied to these classifications will be an unnecessary hindrance. As with all private, competitive environments, business operators should be allowed to determine which hours best suit their goals and clientele.

6. Strategic Implementation

The Saskatchewan Chamber recognizes that the phase-in of this model will be crucial for its success. We understand that while a great deal of the province's liquor retailing is already privately operated, transitioning the government out entirely and eliminating the tiered discounts will take time to avoid revenue shocks and to ensure fluid and consistent service delivery.

We propose that the government immediately allow new private stores or other retailing venues to start entering the marketplace wherever they determine business viability. Parallel to this, the government should start the process to shut down its less efficient stores and look to time store closures with lease expirations or other cost reducing events. The discount rates should also be incrementally changed as the nature of the province's retail system changes.

The Saskatchewan Chamber appreciates that the intricacies of this change will take time and skillful leadership, but we also are keenly aware that private businesses will not embrace a confusing and indefinitely fluctuating environment. Therefore, we encourage the provincial government plan to have the liquor retailing system completely privatized by 2018.

Saskatchewan Chamber of Commerce Recommendation

- 1) That the Government of Saskatchewan move to a completely private liquor retailing structure in an efficient and timely manner.
- 2) That the Government of Saskatchewan allow new retail locations based upon application by business and not limit by artificial geographic boundaries.
- 3) That the Government of Saskatchewan implement a commission and markup structure that is equal to all and that would make the change to fully private revenue neutral for the provincial government.
- 4) That the Government of Saskatchewan allow contract the operation of the warehouse to a qualified private operator.
- 5) That the Government of Saskatchewan allow all licensees to buy their liquor from any licensed Saskatchewan retailer they choose. Also reduce regulation around hours of operation to expand choice by the operator.
- 6) That the Government of Saskatchewan create a strategic and detailed transition plan with a goal of having a private system fully in place by 2018.