



Western Convenience Stores Association

Response by
Western Convenience Stores Association
to the
Government of Saskatchewan
Liquor Policy Review

January 30, 2015



Hon. Don McMorris
Minister Responsible for Saskatchewan Liquor and Gaming Authority,
Room 302, Legislative Building,
2405 Legislative Drive,
Regina, SK, S4S 0B3

January 30, 2015

Dear Minister McMorris:

The Western Convenience Stores Association is pleased to respond to the discussion paper recently released by the Government of Saskatchewan entitled, *Future Options for Liquor Retailing in Saskatchewan*.

The convenience store sector is an integral part of the business community of Saskatchewan. Our 1,000 stores employ over 9,000 people in the province, generate over \$2 billion in annual sales and collect over \$150 million in retail sales taxes alone.

Our stores are critical hubs in many communities, providing services in many rural areas that would be otherwise unavailable. Saskatchewan's convenience stores and gas stations provide a wide range of products and services to people of all ages, and from every segment of our society – in fact, a number of people equivalent to one third of the population of Saskatchewan passes through our stores, each and every day.

We believe – as do many of our customers – that the modernization of liquor retailing in many jurisdictions across Canada is long overdue. We believe that changes can be made that can simultaneously enhance consumer choice, experience and convenience, increase financial returns to government and protect public safety.

We sincerely believe that Canadians will someday look back and wonder why it took so long for provinces in Western Canada to allow the sale of beer and wine in local corner stores and markets – a long-familiar practice in Quebec, the United States and Europe.

The reality is that alcohol sales through privately owned neighbourhood stores are not new to this province. In underserved regions, as outlined in the government's discussion paper, 190 franchisee stores in smaller communities already serve as government liquor stores, and have done so successfully for many years.

Through this submission, we encourage the government to adopt responsible liquor laws that more accurately reflect the economic and social realities of today's modern and growing Saskatchewan.

A number of people equivalent to one third of the population of Saskatchewan passes through our stores, each and every day.

We describe how Saskatchewan can retain its existing public liquor distribution and retail model while granting licenses to strictly qualified convenience stores for the sale of beer and wine.

We believe this licensing process should include a full range of conditions and restrictions that place controls on minimum pricing, hours of sale, and promotional and marketing activities.

We recommend that convenience stores be required to meet or exceed safety standards, pass regular safety audits and maintain a “clean” record on age-verification in order to retain and renew their liquor licenses.

We propose a phase-in period where a limited number of licenses throughout the province are issued to ensure a smooth transition. This would allow for initial monitoring while protecting the interests of smaller retailers who cannot adapt as quickly to all the licensing requirements as the larger retail chains.

We believe our recommendations build on existing models and align Saskatchewan’s liquor laws with the lifestyles and values of its residents.

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Controlling access to age restricted products

Convenience stores currently sell a range of age-restricted products including tobacco, lighters, fireworks and lottery tickets.

All Saskatchewan convenience stores have access to free, comprehensive age-testing training through our association’s “We Expect ID” program. The program is offered free of charge to retailers that sign a Code of Conduct (attached) expressing their commitment to proper and effective age-testing.

According to a report prepared for Health Canada, as of 2009, across the nation, convenience stores had an 84.3% rate of compliance in refusing to sell age-restricted products to minors¹. These figures had been steadily improving since the study began in 1996.

Saskatchewan’s average compliance rate over the last five years of the study was 90% (comparing favourably with the a national five-year average of 84%).

Our goal as an association is to achieve 100% compliance across Western Canada. It is our strong view that retailers who intentionally sell age-restricted products to youth should lose their license to sell these products.

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¹Evaluation of Retailers’ Behaviour Towards Certain Youth Access-To-Tobacco Restrictions, Table B. CRG Consulting, 2009. Prepared for Health Canada Controlled Substances and Tobacco Directorate, Healthy Environments & Consumer Safety Branch.

The industry enjoys an efficient, controlled distribution system

The retail distribution system for convenience stores has been refined to a point where many small stores are able to compete with larger retailers on most products currently sold. Product distributors act as wholesalers, and stores are able to offer competitive pricing because of the scale and efficiency of their distribution network. The system has evolved to efficiently distribute products to and from poorly served geographic areas, something that should not be overlooked in rural Saskatchewan.

The security of our existing distribution system already ensures the legal distribution of controlled goods, such as tobacco, and would naturally extend to cover distribution of beer and wine as well. Our system could therefore complement Saskatchewan's existing liquor distribution model while allowing stores to sell beer and wine at competitive prices.

In a manner similar to the collection of provincial tobacco excise taxes, the provincial government could continue to tax liquor at wholesale through private distribution to our stores, and without the Saskatchewan Liquor and Gaming Authority (SLGA) ever having to physically handle the products beyond the distribution facility.

The SLGA already permits some brewers such as Brewers Distributor Ltd., Sleeman and Minhas to deliver their products directly to all retail (public and private) and on-premise channels. Moreover, local producers can sell direct-deliver to consumers at their production facility and farmer's markets. They can also direct-deliver to commercial licensees (bars and restaurants).

However, local producers cannot direct-deliver to public or private retail channels. In this case their products must go through the SLGA distribution centre, either as a regular listed product, or a special order. As discussed below, this is one area where the convenience store industry's distribution system can strengthen domestic production.

Investment, and jobs waiting to happen

Thanks to the convenience store industry's distribution system, access to alcohol products could provide economic benefits for Saskatchewan's smaller, local brewers and vintners. Beer and wine sales in convenience stores would thus strengthen Saskatchewan's small but growing craft beer and liquor distilling industry and attract further investment.

Some local craft breweries and liquor distillers may not produce on a large-enough scale to reliably supply government liquor stores. They face barriers to entry into the larger market due to their small scale of operations. For regular listed products, local suppliers must apply to the SLGA listing committee, like any other supplier. For special orders, it simply requires a retailer or commercial permittee to place an order for distribution. From the local producer's perspective, some constraints might include:

- a. The inventory levels to supply SLGA, and the consumer demand from being listing in anywhere from 10-75 liquor stores, plus franchises and CP's;
- b. The ability to ship larger liquor loads to the distribution centre, depending on purchase orders to meet sales demand;
- c. And perhaps the end retail price, due to the mark-up rates applied (depending on the product category).

Beer and wine sales in convenience stores would thus strengthen Saskatchewan's small but growing craft beer and liquor distilling industry and attract further investment.

These smaller producers could therefore benefit from our distribution network and their products could be made available across a wider local customer base, bolstering the potential for growth in Saskatchewan-made products. Moreover, our distribution system could also facilitate the sale of alcohol products beyond Saskatchewan's borders, providing opportunities for further domestic economic opportunities.

Once again, expanded distribution available to craft breweries and small wineries would not only strengthen domestic production and enhance its sustainability, but would also attract new investment, both in production and in the adaptation and construction of stores to accommodate alcohol sales. For example, in September 2013 one of Canada's largest convenience store chains committed publicly to investing \$54 million to build 27 new, ultra-modern convenience stores in Ontario if convenience stores were granted the right to sell beer and wine in that province². It is safe to assume that many retailers would be willing to invest in the opportunity to expand their product lines in Saskatchewan.

² "Mac's makes case for alcohol sales in Ontario corner stores." The Globe and Mail, June 26, 2013

Increasing government revenue

The SLGA generates government revenues through taxation at the wholesale level. Expanding the distribution network and sales outlets would in and of itself have no impact on government revenue unless accompanied by an increase in consumption.

We do not anticipate any significant increases in domestic consumption. However, each of the economic benefits described above would have the effect of increasing government revenue indirectly through increased employment and associated multiplier effects. As well, the licenses to sell beer and wine would themselves constitute new government revenue.

Moreover, as we hear anecdotally from our members of many tourists who are disappointed to learn that Saskatchewan convenience stores cannot sell beer and wine, the recommended policy changes could have a positive impact on tourism. This would at least marginally increase beer and wine sales among those visiting the province – and with them, the associated tax revenue.

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Public and occupational safety

The existing liquor taxation model is widely regarded as an effective instrument to restrain consumption of alcohol products and transfer the social costs of consumption to the consumer³. The tax increases the price of consumption so that the market price better reflects social costs. It is one reason why we recommend that this model and existing controls on price and hours of sale stay in place.

Expanding the market to allow beer and wine sales at neighbourhood stores will increase convenience and accessibility for consumers. This does not necessarily mean alcohol consumption will increase; merely that those who choose to buy liquor will be better served. Government can (and should) retain control over price through taxation and other restrictions, such as controls on minimum pricing, hours of sale, and promotional and marketing activities.

The convenience store industry has an exceptional safety record that is founded on many years of experience in ensuring the safety of employees and the public. Saskatchewan has new provincial standards that have emerged from this experience, and our association has been highly supportive of the adoption of these standards. The standards include measures that work to protect both employees and the public. They standards cover training and measures to control access to cash, tobacco and lottery tickets. They also cover the physical aspects of the convenience store itself, such as layout, visibility, video surveillance and lighting.

The convenience store industry has an exceptional safety record that is founded on many years of experience in ensuring the safety of employees and the public.

³ Tolhurst and Löfvenberg (2013), British Columbia's Alcohol Control System: Are Government Liquor Stores Redundant? p. 13



In order to promote compliance with these standards we have developed a comprehensive online Crime Prevention training program and are preparing to launch a program to recognize stores that successfully complete a safety audit using an innovative new online tool and resources that have been designed to support the program.

We would strongly support the application of these standards to all stores seeking a license to sell beer and wine as this would provide enhanced assurance of the safe environments of stores that are licensed to sell beer and wine.

Social benefits of a more open, properly regulated market

The opportunity to sell beer and wine under the conditions recommended in this submission would only strengthen incentives for store owners to ensure that employees are properly trained and do not sell to minors. Unlike public liquor stores, convenience stores that sold inappropriately could have their license revoked or suspended, which would significantly harm their business. A more open market would thus encourage more convenience stores to voluntarily attain and maintain higher standards of safety and security, benefitting employees, customers and the public at large while further improving compliance rates with age testing requirements.

Respecting collective agreements and trade agreements

Alcohol sales in convenience stores would preserve the tax system, which conforms with World Trade Organization obligations on internal regulation because it is applied to both domestic and foreign products. It is effective, efficient and legal. Any changes to inter-provincial trade agreements are beyond the scope of this submission and would not be effected by our recommendations.

As we do not recommend any change to the current system of government liquor stores, existing labour agreements would not be effected.



Summary and conclusion

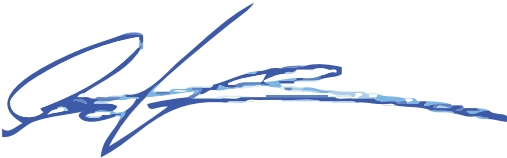
Allowing the sale of beer and wine in convenience stores that meet all required standards would offer more convenience for consumers while protecting public safety, preserving government revenues, and protecting and supporting local economies.

In summary, the Western Convenience Stores Association recommends that Saskatchewan retain the existing public liquor distribution and retail model while granting a limited number of licenses to qualifying convenience stores authorizing them to sell beer and wine.

The licensing process should include controls on minimum pricing, hours of sale, and promotional and marketing activities. As a condition of maintaining licensed status, convenience stores should be required to meet or exceed rigorous safety standards and maintain a “clean” record on age-verification.

We are encouraged by this government’s willingness to reconsider Saskatchewan’s outdated liquor laws. As an association, we are pleased to be working with this government to maintain and improve the industry’s excellent record in both age testing and promoting occupational and public safety, and look forward to supporting the transition to a more modern liquor retail system.

Sincerely,



Andrew Klukas

President,
Western Convenience Stores Association

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