

**Session Briefing Note****Fall 2022****Cannabis Legislation**Yukon Liquor Corporation

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**Recommended response:**Discounts and loyalty programs

- Cannabis is highly regulated and promotional activities such as discounts and loyalty programs are regulated at both the federal and territorial levels.
- Complaints relating to discounts and loyalty programs offered by the Yukon's cannabis retailers have been driven by licensees. The Corporation has consistently enforced the Regulation.
- The Corporation recently held a meeting with licensees to discuss their concerns and work towards a common approach within existing rules.

E-commerce

- We have closed the Cannabis Yukon website. We authorized e-commerce with delivery options for private retailers in May 2022 and are pleased that they are now offering these options to Yukoners.
- Information about the responsible use of cannabis is still available on Yukon.ca.

Five-year review

- The five-year review of the Yukon's *Cannabis Control and Regulation Act* is upcoming, and more information will be available next year.
  - The federal government's three-year review on the Cannabis Act is open for public comment. The Yukon Liquor Corporation has been participating in a federal/provincial/territorial working group on the five-year review and will continue to provide input.
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**Context—this may be an issue because:**

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- The Yukon Liquor Corporation frequently receives complaints from licensees who believe other licensees have violated the legislation for discounts or loyalty programs. The Corporation has tried to open up a dialogue with all licensees to ensure compliance and reduce complaints in this area.
  - A small number of Cannabis Yukon customers may be surprised by the site's closure.
  - Licensees are aware of Yukon's five-year review and want to know when it starts.
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**Background:**Discounts and loyalty programs

- Loyalty programs are in use across other jurisdictions as one of the few available marketing options for cannabis. There is a specific prohibition on loyalty programs in the Yukon's legislation.
- Cannabis promotion and marketing are regulated under federal law, with additional Yukon regulations for loyalty programs.
- The main purpose of regulating promotion is to prevent retailers from encouraging current users into heavier consumption.
- YLC's enforcement of the regulation has focused on protecting vulnerable Yukoners. All enforcement to date has been based on complaints from licensees, against other licensees.

E-commerce

- To date, five out of six Yukon licensees have implemented online sales, with one retailer offering delivery across the territory.

Five-year review

- At least once every five years, the Minister must cause a review of the Cannabis Control and Regulation Act and must submit a report to the Legislative Assembly within a year of the start of the review.
- The federal cannabis Act review began on September 22. The online engagement period will run until November 21, 2022.

**CONFIDENTIAL**

0003

**LQ-01**

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**Fall 2022**

**Cannabis Legislation**

Yukon Liquor Corporation

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Approved by:

Dennis Berry

10/17/2022

President, Yukon Liquor Corporation

Date

**Session Briefing Note****Fall 2022****Cannabis Operations**Yukon Liquor Corporation

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**Recommended response:**

- The Corporation meets weekly with licensees to discuss operations and address any questions or concerns they choose to raise.

Sales

- The Yukon has strong cannabis sales overall. Every retailer will feel this differently depending on their market share.
- Cannabis retail sales in the Yukon experienced 13% year-over-year growth for the first half of 2022.
- Looking at Statistics Canada, Yukon has the highest per capita sales across Canada. Cannabis sales in Yukon are slightly more than double the national average, and 46% greater than Saskatchewan.

Pricing

- The Corporation reduced pricing and cost of service last year in consultation with licensees.
- The Yukon had an average retail price of \$8.52 per gram in July 2022. This is a 14% price decrease from July 2021.
- The Corporation forecasts sales and expenses every year for this evolving industry. Any surplus is returned to the Government of Yukon to contribute to services and programs for all Yukoners.

Supply

- The Corporation is actively working with our suppliers to re-establish strong edible and beverage inventory levels.
- The Corporation invests in approximately 1 million dollars of inventory to ensure licensees always have access to up to 8 weeks' worth of

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products in the territory. This helps to support licensees limited by space and cash flow for purchasing product.

- 8 weeks of inventory in the warehouse provides security to licensees that product is available in the event of supply chain disruptions such as road closures.
- As the cannabis distributor, the Yukon Liquor Corporation leads price negotiations with suppliers signed-on in close consultation with the licensees.

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#### **Context—this may be an issue because:**

- Licensees have complained about perceived high prices and slow sales.
- Some have suggested a privatized model would improve the state of the industry.
- There are concerns about supply in other jurisdictions such as B.C., which may lead to questions about the Yukon's supply.

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#### **Background:**

- During summer 2022, the Corporation had a large amount of inventory because YLC reviewed retailer forecasts, risk managed potential supply chain disruptions and has grown the number of producers resulting in more product selection, requiring inventory to be carried on-hand. In driving down overall inventory levels, beverage and edibles have gotten down to lower levels than the market has demanded.
- During the public engagement at legalization, 28% of respondents thought government-licensed private distributors should oversee and manage cannabis distribution within the Yukon. 24% thought retail operators should be required to purchase wholesale from a government supplier. 17% were in favour of government distribution to government-run stores, and 24% thought cannabis producers should be allowed to sell directly to retail stores.

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### **Cannabis Operations**

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- Of Canada's 13 provinces and territories, only Saskatchewan has a privatized cannabis model. Saskatchewan registers licensed producers and issues permits for wholesalers. Both are required to pay a fee.
- In 2019, smaller, independent retailers in Saskatchewan felt compelled to launch the Weed Pool Cannabis Cooperative to create a shared buying power and secure better pricing and product selection from producers.

#### Sales

- According to Statistics Canada figures, the Yukon had the highest per capita retail sales for the first half of 2022. Yukoners over the age of 18 spent on average \$145 on cannabis during that time. By comparison, Albertans spent slightly less at \$110, people in Saskatchewan spent approximately \$99, and nationally Canadians spent about \$69 per person over the same period.

#### Pricing

- The Yukon Liquor Corporation reviewed cannabis pricing, together with licensees and a consulting firm. Cost of service was revised from a per-gram to a per-unit basis. Under the previous cost of service rate, large formats such as 28-gram bags had a cost-of-service charge to licensees of \$14 per unit. Under the new rate, the cost-of-service for the 28-gram bag is \$2.15. Rates will be adjusted annually based on actual expenses and units sold in the prior year.
- The wholesale markup was adjusted from 22% to 20% in December 2021 to further support licensees.

#### Supply

- The Corporation had over 1,000 different products available for retailers to purchase during the first half of 2022.
- Retailers purchased 898 different products from 56 different suppliers during the first half of 2022.

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Approved by:

Dennis Berry11/01/2022

President, Yukon Liquor Corporation

Date

# **CONFIDENTIAL**

## **Session Briefing Note**

### **Cannabis Zoning Exemption Request**

0008  
**LQ-03**  
**Fall 2022**

Yukon Liquor Corporation

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#### **Recommended response:**

- The Government of Yukon takes its responsibility to protect youth very seriously.
- The Yukon's legislation on cannabis stores near schools empowers communities to consider their unique situation. The City of Dawson, for example, adjusted their bylaw in 2019.
- All those involved in developing or administering the cannabis industry must follow the processes and rules, including requirements in place to help protect youth.
- The *Cannabis Control and Regulation Act* and Regulations have many provisions to protect Yukon youth, such as ID checks and preventing passers-by from seeing or hearing activity inside the store.

#### **Additional response**

- Municipalities have the ability to regulate setbacks should the community wish. The City has the ability under the Act to change the distance.
- The Corporation neither supported nor opposed the zoning amendment.

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#### **Context—this may be an issue because:**

- A potential cannabis applicant ran into zoning issues for their proposed cannabis retail store, which is close to a school, and requested that the City of Whitehorse (CoW) amend the zoning bylaw.

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## Session Briefing Note

### Cannabis Zoning Exemption Request

0009  
**LQ-03**  
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Yukon Liquor Corporation

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- CoW held a public hearing on this proposed zoning amendment on September 12, 2022, in Council Chambers. The amendment was defeated at a Regular Council Meeting on October 11.
  - There has been media coverage of the issue, with retailers interviewed.
  - YLC has received requests from licensees for information and clarifications on this specific application and process.
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#### Background:

- Under the *Cannabis Control and Regulation Act*, cannabis retail stores must have a setback of at least 150 meters from schools.
- The Individual Learning Centre, which is a secondary school, is based at NVD Place which is 112 meters from the proposed cannabis retail store.
- The territorial 150-metre setback may be amended by municipalities where they deem appropriate for their respective communities. Dawson City completed a similar zoning bylaw amendment in 2019.
- CoW currently regulates the proximity of cannabis retailers to parks and places that serve youth and vulnerable people but does not restrict proximity to schools. Their documentation states that people should contact YLC for information on school buffer zones.
- The proponents were advised of the school setback regulations prior to signing their lease and submitting their application.
- CBC recently quoted one of the proponents stating that, 'the city provided him with an incomplete map, which appears to show a 100-meter buffer zone for pot stores operating in downtown Whitehorse'.
- The Cannabis Licensing Board has not yet considered the licence application, pending completion of the application process.

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**Cannabis Zoning Exemption  
Request**

0010  
**LQ-03**  
**Fall 2022**

Yukon Liquor  
Corporation

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Approved by:

Dennis Berry

Deputy Minister, Department

10/12/2022

Date

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**Session Briefing Note**

**Liquor Legislation**

0011  
**LQ-04**

**Fall 2022**

Yukon Liquor Corp.

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**Recommended response:**

Liquor legislation

- As with every review of legislation falling under its responsibility, the Yukon Liquor Corporation considers matters relating to:
  - Social responsibility, (see LQ 06)
  - The needs of licensees including local producers, and
  - The need to return dollars to the Government of Yukon to fund programs and services for all Yukoners.
- We are also taking into account the considerable feedback received during public engagement, as well as changes for business since the pandemic. For example, we heard that liquor server training should be mandatory, and it will be with the new legislation.
- The legislation will be completed as soon as practicable.

Proximity of off premises to sensitive sites (schools, daycare, etc.)

- The Yukon Liquor Board already considers proximity when granting an off-premises licence, and Yukoners can raise an objection to a licence application through the public notification period.
- The Board is independent from the Government of Yukon including the Yukon Liquor Corporation.

Direct-to-consumer task force

- Any proposed agreement by this federal/provincial/territorial working group would require further discussion and approval by the Government of Yukon before implementation in the territory.

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Yukon Liquor Corp.

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**Context—this may be an issue because:**

- YLC received a media inquiry in August about the status of the new liquor legislation and whether it addresses the substance use emergency and the recommendations of the Putting People First report.
- At a City of Whitehorse public hearing on the zoning of a cannabis store, Kate White MLA mentioned a desire to see minimum distance rules for liquor like those that exist for cannabis retail stores to schools. This request was repeated by Ms. Tredger in the House on October 17 following the Ministerial Statement on cannabis.
- Some may be aware of a cross-jurisdictional working group on direct-to-consumer issues and be curious about implications for licensees or consumption.

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**Background:**Liquor legislation

- Given the *Liquor Act* is over 40 years old, the Yukon Liquor Corporation undertook a *Liquor Act* review, which started in 2017.
- Public engagement began in November 2017 and continued into 2019.
- The project received input from First Nations and municipal governments, industry, stakeholders, and the public.
- The analysis was also based on reviewing the National Alcohol Strategy as well as the last major *Liquor Act* review in 2001.
- The new *Liquor Act* received assent in 2019, prior to the pandemic. The socioeconomic context has since changed significantly. The Corporation is reviewing the legislation taking into account the change.

Liquor licence proximity to sensitive sites

**CONFIDENTIAL****LQ-04****Session Briefing Note****Fall 2022****Liquor Legislation**

Yukon Liquor Corp.

- Section 37 of the current *Liquor Act* mandates the board to consider a number of factors when considering whether or not to grant a new licence of any type.
- When considering an off-premises licence application, the Board will consider density and proximity targets for an area:
  - Density target: a maximum of 1 off premises licence approved for every 1,000 persons within the defined area.
  - Proximity target: minimum of 150 meters away from a public park, school, daycare, youth center, alcohol/treatment facility, existing offsales licensee, YLC Store, or other areas considered by the Board to pose a potential conflict, including those frequented by children, youth or other vulnerable persons.
- Sometimes, sensitive sites choose to use a building near an off premises after the potential licensee has received an approval in principle or its licence.

Direct-to-consumer sales

- The Direct-to-Consumer Task Force was established at the direction of Federal, Provincial, and Territorial Ministers responsible for Internal Trade to accelerate work toward the implementation of an interprovincial direct-to-consumer sales of alcohol system in participating Canadian provinces and territories.
- The task force is aware that Canadian consumers are seeking more choice and availability of alcoholic beverages while liquor producers are seeking greater access to consumers across the country.

**Approved by:**Dennis Berry

President, Yukon Liquor Corporation

10/03/2022

Date

## **Session Briefing Note**

**Fall 2022**

### **Liquor Operations**

Yukon Liquor Corporation

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#### **Recommended response:**

- As Minister responsible for the Yukon Liquor Corporation, my goal is to find an appropriate balance between:
  - the needs of licensees.
  - the need to return dollars to government to fund crucial services for all Yukoners; and
  - social responsibility.

#### Shipping / Tenders

- Business continuity is essential to ensuring Yukon licensees and consumers have access to product. YLC builds into its southern shipping contract tenders the ability to extend contracts with two, one-year options to renew.
- The Corporation recently extended the contract of a Yukon-based company, MyCan Ventures Ltd, for products shipped from Alberta with no changes to the freight charge. Fuel surcharge amounts are estimated separately.
- The Corporation works with the Government of Yukon Procurement Support Centre to follow appropriate procurement procedures, and to improve supply and service agreements.

#### YLC Liquor Stores

- Currently there are no plans to close YLC Liquor Stores.
- Our existing model is not hindering the Yukon's licensees—there are large private sector investments taking place in Whitehorse.
- The Corporation is alive to its position in the marketplace and is working to reduce red tape and overhead costs.
- The Corporation has worked closely with licensees to support them during the pandemic, including discounts, pricing structure

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### **Liquor Operations**

Yukon Liquor Corporation

adjustments, and licence fee rebates. We continue to have dialogue and strive to meet licensee needs wherever possible.

- YLC Liquor Stores provide important territorial agent services to Yukoners in communities, such as hunting licenses, drivers licenses and many other important Yukon Government services.

#### Pricing

- Liquor licensees were charged retail price instead of wholesale price for a few days, due to a system error. The error has been corrected, and refunds are being issued to affected licensees.
- A new pricing structure was implemented in October 2021. This adjustment to our wholesale price from a 12% wholesale discount to a 17% discount represents approximately \$1.1 million more revenue per year in licensee pockets.

#### Inflation

- The Corporation assumes the risk of inflation over the short-term, by updating prices only twice a year in spring and fall.
- The price updates are limited to actual cost changes including changes in vendor prices, shipping costs and warehousing costs.
- These price fluctuations are like other retail products that consumers purchase.

#### “Escalator tax”

- The excise duty paid on alcoholic beverages is a federal matter.
- The Corporation’s markups are not indexed against the Consumer Price Index.

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#### **Context—this may be an issue because:**

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- Local transportation companies may have concerns about how contracts are being awarded and extended because tender dollar values differ to final contract amounts due to fuel surcharge estimates.
- An error in the pricing management system on October 26<sup>th</sup> resulted in liquor licensees being charged retail prices instead of wholesale prices. The error was corrected October 31<sup>st</sup>. This may lead to questions.
- The Government of Saskatchewan announced its decision to close all remaining government liquor retail stores by no later than March 31, 2023. This may lead to questions as to whether the Yukon Liquor Corporation would do the same.
- Liquor store customers and licensees are sensitive to liquor price increases. This could lead to questions around whether discounts or relief measures will return.
- Licensees worked with the Yukon Liquor Corporation on the pricing structure in 2021. Product pricing is complex, and no single solution can work well for all licensees, who each have different business models and practices.
- Media recently covered the “escalator tax” on alcoholic beverages. Industry, Opposition, and licensees brought up the annual excise tax as a concern in spring 2021.

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**Background:**Shipping/tenders

- The Alberta truckload contract was extended in September 2022 to MyCan Ventures Ltd. Both parties agreed to extend the contract at the same terms and conditions. The estimated hauls and fuel surcharge increased based on revised forecasted numbers. The contract allows for two, one-year extensions.
- The Corporation maintains approximately 8 weeks of liquor inventory on hand.
- The Corporation sources approximately 30% of its liquor products from British Columbia and 70% from Alberta.
- Inbound freight from BC and Alberta must go out for public tender because of the contract value. The Alberta contract was recently renewed for another one-year term expiring September 30, 2023. The BC contract expires January 31, 2023 and will go out to public tender.

Closure of Saskatchewan liquor stores

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Yukon Liquor Corporation

- The Government of Saskatchewan will complete the transition of liquor retailing to the private sector in 2023. It reported declines in net revenue for government liquor retail and conducted public engagement on potential closure as long ago as 2014-15. In 2016, legislative changes allowed government to convert their stores to private stores. 40 stores were initially converted.

Pricing/inflation

- Due to the error in the pricing management system, staff are reviewing invoices with the incorrect prices. Refunds will be issued in the coming days for the price difference and system changes are being implemented to reduce the risk of this happening in the future.
- In 2015, YLC implemented a wholesale discount of 10% from YLC retail prices for licensees. The discount was increased to 12% in 2019 and 17% October 1, 2021.
- Wholesale and retail prices are updated bi-annually in fall and spring, allowing licensees to have consistent pricing during busy summer and winter seasons. For example, restaurants can select their wines and print menus during the spring knowing that their wholesale prices will not fluctuate throughout summer.
- Freight rates are updated bi-annually to account for new shipping contracts and a fluctuation to fuel surcharge.

“Escalator tax”

- The federal government collects tax under the Excise Act for alcoholic beverages. The rates are indexed to the Consumer Price Index and adjusted each April.
- Critics have called this an “Escalator Tax” and industry has tried to lobby against this measure since its inception in 2017.

**Approved by:**Dennis Berry

President, Yukon Liquor Corporation

11/16/2022

Date

## **Session Briefing Note**

**Fall 2022**

### **Social Responsibility**

Yukon Liquor Corp.

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#### **Recommended response:**

##### Alcohol labelling and the new low-risk drinking guidelines

- The Government of Yukon supports a federal approach to alcohol labelling. We have communicated this to Health Canada and are pleased to see this important topic being discussed in the Parliament of Canada.
- Once the new low-risk guidelines are finalized, the Corporation will also adjust its materials and messaging to reflect them.

##### Getting home safely

- Information is available right now on Yukon.ca around safety while drinking and the Corporation will be amplifying its messaging to the public.
- The Corporation is working on legislation to make “Be a Responsible Server” Liquor Training mandatory. In the past year, more than 100 training certificates were issued.
- While this work continues, the Corporation is moving the training to an improved online platform to make it even more accessible.

##### Substance use emergency

- In July of this year, the Yukon Liquor Corporation together with the Health and Social Services, provided \$46,000 to the Fetal Alcohol Syndrome Society Yukon for a Healing Camp in Jackson Lake.
- The Corporation raises awareness of responsible consumption, lower risk drinking behaviours, and supports programs that focus on reducing alcohol-related harms.

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**Fall 2022**

### Social Responsibility

Yukon Liquor Corp.

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**Context—this may be an issue because:**

- There may be concern about liquor consumption since the pandemic, the declaration of a substance use health emergency, and COVID-19's impacts on licensees.
- The Canadian Centre on Substance Use and Addiction has released low risk drinking guidelines for public comment. These guidelines recommend reducing consumption to just 1-2 standard drinks per week to reduce health risks. They also made a recommendation to Health Canada to implement alcohol labelling.
- Bill s-324, An Act to amend the Food and Drugs Act (warning label on alcoholic beverages), has been introduced in the Senate and passed first reading.
- YLC received a media inquiry in August about the status of the liquor legislation and whether it addresses the substance use emergency and the recommendations of the Putting People First report.

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**Background:**Alcohol warning labels

- The proposed amendment to The Food and Drugs Act introduced in the Senate requires a label warning on alcoholic beverages against the risks of alcohol consumption to the health of consumers, including:
  - (a) the volume of beverage that, in the opinion of the Department (Government of Canada's Department of Health), constitutes a standard drink;
  - (b) the number of standard drinks in the package;
  - (c) the number of standard drinks that, in the opinion of the Department, should not be exceeded in order to avoid significant health risks; and
  - (d) a message from the Department that sets out the direct causal link between alcohol consumption and the development of fatal cancers.

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Yukon Liquor Corp.

Getting home safely

The Corporation works with liquor licensees and Yukoners to promote safe liquor consumption. Existing campaigns and messaging include:

- Information on Yukon.ca and social media around safety while drinking, including getting home safely.
- Rethink that drink, to raise awareness of standard drink sizes; and
- Check 30 identification campaign.

Substance use emergency

- In 2021-22, the Yukon Liquor Corporation provided approximately \$25,000 to the Prevent Alcohol and Risk Related Trauma in Youth program. The program helps Yukon youth to recognize and minimize the risk of alcohol and make informed choices about risky activities.
- Every year, the Yukon Liquor Corporation Funds Safe Grad, to support a substance free graduation for students.
- Information regarding the health risks associated with alcohol consumption is available on Yukon.ca. In Corporation Liquor Stores, this includes in-store tv advertising, information on receipts, messaging in shopping carts, and educational pamphlets.
- The Corporation continues to apply orange pregnancy warning labels to bottles in YLC Liquor Stores.

**Approved by:**Dennis Berry

President, Yukon Liquor Corporation

10/03/2022

Date

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