

Speaking notes main estimates

Yukon Liquor Corporation

Minister Pillai

- The Yukon Liquor Corporation's vision is to deliver service excellence that supports a healthy, vibrant and prosperous Yukon.
- We offer our customers legal access to a variety of liquor and cannabis products while considering the wellbeing and economic prosperity of the territory.
- Today I am going to provide an overview of the Corporation's main estimates for the 2022-23 fiscal year, for the Yukon Liquor Fund and Yukon Cannabis Fund.

<Pause>

- Before I begin, I want to acknowledge that the Yukon is experiencing a substance use health emergency.
- Families and communities are struggling.
- The Government of Yukon is working closely with partners to advance a range of harm reduction initiatives in response to the emergency.
- As Minister responsible for the Yukon Liquor Corporation, I must balance:

- Social responsibility;
- the need to return revenue to the Government of Yukon to fund programs and services for all Yukoners;
- and the needs of licensees.
- Today I will touch upon how the Yukon Liquor Corporation strives to meet these needs.

Total proposed transfer

- The total proposed transfer of **\$14.7 million** to the Government of Yukon is comprised of the following:
 - A liquor profit of **\$9.4 million**; and
 - A liquor tax revenue of **\$5.3 million**.
- These funds are transferred to government's general revenue and spent on Yukoners.

Capital Expenditures

- The Yukon Liquor Corporation operates the Whitehorse Liquor Store, five community stores, and a warehouse which supplies those stores and licensees.
- The Corporation's buildings and equipment require regular maintenance.

- For this reason, the Corporation proposes capital expenditures of **\$400 thousand** to be used for the following projects:
 - Store renovations: YLC's Dawson, Faro and Watson Lake stores are aging. The Corporation will upgrade the air conditioning for a cost of **\$100 thousand**;
 - Warehouse and store equipment: the Corporation is looking to spend **\$100 thousand** to continue the replacement of equipment that has reached the end of its useful life.
 - Warehouse renovations: The Corporation will spend **\$100 thousand** to upgrade the aging building, such as the keg cooler and boiler systems.
 - Computer systems and equipment: the Corporation will spend **\$50 thousand** to upgrade computer equipment and systems.
- These improvements will support the Corporation in providing efficient service throughout the territory.

Variances from 2021/22 Mains

- The Yukon Liquor Corporation has the following variances from 2021/22 Mains:

- In fall 2021, the Corporation adjusted its liquor pricing structure to support licensees in their profitability and recovery from the pandemic.
- This represents an investment in business of approximately \$1.16 million for the 2022/23 fiscal year.
- A modernized pricing structure ensures that we are supporting business while also contributing to the fiscal sustainability of government.
- The total increased remittances from 21/2022 mains are \$481,000.
- We expect inflation-related growth of 1.5% to continue in our contributions to general revenue.

Yukon Cannabis Fund

- Let us move on to the Yukon Cannabis Fund.
- As the distributor corporation, YLC sells cannabis to its six private retail licensees across Yukon, and through the government online store, Cannabis Yukon.
- Based on current trends, the forecast for the Corporation's cannabis sales to licensees and online varies between **\$7 million** and **\$8 million**.

- Operating costs have remained stable, and the only growth relates to increased funding for a social responsibility program, which I will come to in a moment.
- Currently no capital expenditures are forecast for 2022-23 fiscal year. Depending on the warehouse capacity, interim changes might be needed in future fiscal years.
- With the current mandate to ensure the lowest wholesale prices possible in order to further reduce the illicit market, the wholesale markup was reduced to 20%.
- The Corporation strives to ensure access to a variety of legal cannabis products at competitive prices.
- This supports our licensees and encourages those customers that choose to consume, to purchase in the legal market.

Social responsibility

- The Corporation partners with government departments, communities and non-government organizations to create activities and messaging that promotes responsible and moderate consumption.
- Alongside the Department of Health and Social Services, we strive to provide information on the risks and safer consumption of liquor and cannabis.

- As I mentioned, we increased the budget for social responsibility activities for cannabis.
- As consumers move away from the illicit market towards legal sources of cannabis, we want to ensure that they consume cannabis responsibly, and understand the risks of the substance.
- For this reason, we dedicate resources to raising public awareness and understanding of safer cannabis consumption through pamphlets, social media and online on Cannabis Yukon.

Closing

- In closing, the Corporation expects a transfer of **\$14.7 million** to the Government of Yukon for the 2022-23 fiscal year.
- This transfer of liquor profit and tax will go towards supporting Yukoners through a variety of government programs and services.
- Thank you.

YUKON LIQUOR CORPORATION

2022-23 Main Estimates

BUDGET SUMMARY

(000s)	2022-23	FTE	2021-22	Change	Change
Cannabis profit	\$0	n/a	\$0	\$0	
Liquor Profit	\$9,397	65.3	\$9,200	\$197	2%
Liquor Tax (Note 1)	\$5,313	n/a	\$5,029	\$284	5.6%
Total	\$14,710	65.3 (Note 2)	\$14,229	\$481	3.4%

Notes:

- 1) The Corporation is required by the Liquor Tax Act to collect 12% liquor taxes on liquor product sales on behalf of the Government of Yukon and remits these taxes on a monthly basis. This is excluded from revenues below, as this is not considered revenue in the Corporations' audited financial statements.
- 2) FTE count approved per Management Board above excludes 5 FTE's added for cannabis operations in 2019. It also excludes 4.3 FTE auxiliary seasonal and casual staff for retail stores and warehouse to ensure backfill coverage

OPERATION AND MAINTENANCE (O&M)

By Program

(000s)	2022-23	Internal Recovery	FTE	2021-22	Change \$	Change %
President's office	\$496	\$(76)	2.00	\$490	(\$70)	(14%)
Corporate Services	\$2,790	\$(473)	14.00	\$2,162	\$156	7%
Head Office	\$252	\$(51)	0.00	\$207	(\$6)	0%
Retail sales and territorial agent services	\$4,781	\$0	34.10	\$4,563	\$218	5%
Regulatory services	\$661	\$(123)	4.70	\$546	(\$8)	0%
Purchasing and distribution	\$1,966	\$(368)	19.8	\$1,610	(\$12)	0%
Cannabis distribution fund	\$278	\$1,091	n/a	\$1,325	\$44	3%
Total	\$11,224	\$0 (Note)	74.6	\$10,902	\$322	3%

Note: Internal recovery for Liquor Fund from Cannabis Fund for salaries, shared service agreements and head office costs.

By Allotment

2022-23 (000s)	Personnel	Other	Transfers	Total
President's office	\$379	\$117	\$0	\$496
Corporate Services	\$1,997	\$733	\$60	\$2,790
Head Office	\$0	\$252	\$0	\$252
Retail sales and territorial agent services	\$3,131	\$1,650	\$0	\$4,781
Purchasing and distribution	\$1,841	\$125	\$0	\$1,966
Regulatory services	\$557	\$104	\$0	\$661
Cannabis distribution fund	\$0	\$278	\$0	\$278
Total	\$7,905	\$3,259	\$60	\$11,224
Full-time Equivalents (FTEs) (approved per MB)	65.3	-	-	-

Highlights/Description By O&M Program

- **President's office**
 - The President of Yukon Liquor Corporation and Secretary of Lotteries Yukon is responsible for corporate leadership and providing a forum for consultation and dialogue with the trade, industry, Yukon Liquor Board, Cannabis Licensing Board, Yukon Lottery Commission, minister and stakeholders on matters affecting the beverage alcohol and recreational cannabis sectors in Yukon. The president is responsible for

administering the *Liquor Act* and *Cannabis Control & Regulation Act* (CCRA); managing the Corporation's daily operations in accordance with the government's legislation, regulations, policies and business plans; and coordinating the work of the corporation with the work of departments of the Government of Yukon.

- Decrease is due to a term position that ended in 2021.

- **Corporate Services**

- Provides leadership on strategic initiatives that support the achievement of YLC objectives and goals, and includes Human resources, Facilities, Finance, Information Management, Policy, Communications and Social Responsibility. There are service level agreements in place for HR, technology and ATIPP services.
- 1 term position for a senior policy analyst in 2022-23 to support the development of *Liquor Act* regulations.

- **Head office**

- The operating and maintenance costs related to the head office and warehouse on 9031 Quartz Road. The building is owned by Yukon government which has provided rent-free occupation to YLC distribution centre in lieu of territorial agent services provided by YLC without recovery of costs incurred.

- **Retail sales and territorial agent services**

- Manages the Corporation's customer front line business and day-to-day activities related to in-store merchandising in Dawson City, Faro, Mayo, Haines Junction, Watson Lake and Whitehorse. It also provides territorial agent services on behalf of other Yukon government departments at the five rural liquor stores.

- **Purchasing and Distribution**

- Manages the Corporation's front line business and day-to-day activities related to product purchasing, pricing administration, warehouse inventory management, program development, logistics and provides wholesale services to licensees and YLC stores.

- **Regulatory Services**

- Provides leadership in compliance services including licensee education, inspections, and monitoring, as well as prepares application summary material for the Yukon Liquor Board and administers all aspects of licensing services and enforces the *Liquor Act* / CCRA and regulations.

- **Cannabis Distribution Fund**

- YLC has been designated as the distributor corporation responsible for the purchase, distribution and responsible sale of cannabis products in Yukon.

CAPITAL

By Program

(000s)	2022-23	Recovery	2021-22	Change \$	Change %
Corporate Services	\$50	\$0	\$42	\$8	0%
Retail sales	\$200	\$0	\$210	(\$10)	0%
Distribution	\$150	\$0	\$125	\$25	20%
Total	\$400	\$0	\$377	\$23	6%

By Object

2022-23 (000s)	Personnel	Other	Transfers	TCA	Total
Renovations	\$0	\$200	\$0	\$0	\$200
Equipment	\$0	\$0	\$0	\$150	\$150
Computer systems	\$0	\$0	\$0	\$50	\$50
Total	\$0	\$200	\$0	\$200	\$400

Highlights/Description by Capital Program

- **Corporate Services**
 - Funds required to replace outdated technology, to reduce unplanned downtime and maintenance costs.
- **Retail sales**
 - YLC owns the Dawson, Faro and Watson Lake stores and will require \$100 thousand to upgrade the air conditioning. All stores need \$100 thousand for ongoing replacement of obsolete equipment that has reached the end of useful lives to ensure adequate health and safety of staff.
- **Distribution**
 - The warehouse will require \$100 thousand to upgrade the battery charging ventilation system and boilers, and \$50 thousand to replace obsolete equipment that has reached the end of their useful lives.

REVENUE AND RECOVERIES

(000s)	2022-23 Mains	2021-22 Mains	Change \$	Change %	2021-22 Supplementary
Liquor sales	\$44,279	\$41,911	\$2,368	5.6%	\$42,792
Liquor cost of goods sold and freight	(\$24,757)	(\$22,887)	\$1,870	8%	(\$24,087)
Liquor license and permit fees	\$131	\$130	\$1	0%	\$130
Cannabis sales and license fees	\$7,248	\$6,865	\$383	5%	\$6,865
Cannabis cost of goods sold and freight	(\$5,880)	(\$5,540)	\$340	6%	(\$5,540)
Total	\$21,021	\$20,479	\$861	4%	\$20,160

Highlights/Description of Revenue and Recoveries

- **Liquor sales**
 - Sale of liquor products to customers at 6 retail store locations and to wholesale licensees.
 - Sales was estimated based on 2021-22 mains estimates and a 3% growth on supplementary estimates, anticipated return to pre-pandemic sales of kegs with a return of tourists.
 - Sales decreased by \$1 million with the implementation of new approved liquor pricing structure with an effective discount of 17% on large producer products and 18% on small producer products.
- **Liquor cost of goods sold and freight**
 - Cost of goods purchased from vendors and the freight into Yukon and to rural locations and sold to customers during the fiscal year.
 - Cost was estimated based on 2021-22 mains estimates and a 3% growth on supplementary estimates.
- **Cannabis sales**
 - Sale of cannabis products to licensees and to retail customers through e-commerce site.
 - Sales was estimated based on 2021-22 mains estimates and a 5% growth.
 - The wholesale markup was reduced to 20% to support a stable, sustainable legal cannabis market.
- **Cannabis cost of goods sold and freight**
 - Cost of goods sold purchased from vendors and the freight into Yukon and sold to licensees during the fiscal year.
 - Cost was estimated based on 2021-22 mains estimates and a 5% growth.
- **License and permit fees.**
 - Fees charged to clients to issue licenses and permits per the regulations.

VOTE 19
YUKON LIQUOR CORPORATION

MINISTER

Hon. R. Pillai

PRESIDENT

D. Berry

CHAIRPERSON, Liquor Board

E. Bidrman

CHAIRPERSON, Cannabis Board

D. Sloan

- To offer customers legal access to a variety of liquor and cannabis products while considering the well-being and economic prosperity of the Yukon.
- To regulate the sale and consumption of liquor and non-medical cannabis products.
- To support rural communities by providing access to the Government of Yukon services through community liquor stores.

FINANCIAL SUMMARY (\$000s)	2022-23 ESTIMATE	<i>Comparable</i>		
		2021-22 FORECAST	2021-22 ESTIMATE	2020-21 ACTUAL
Amounts to be Appropriated				
Operation and Maintenance (Vote 19-1)				
Gross Advances	one dollar	one dollar	one dollar	0
Less Internal Recovery	one dollar	one dollar	one dollar	0
Total Appropriations	0	0	0	0
Revenues				
Liquor Profit	9,397	8,611	9,200	7,959
Liquor Tax	5,313	5,135	5,029	4,979
Prior Years' Revenues	0	0	0	234
Total Revenues	14,710	13,746	14,229	13,172

2022-2023 Yukon Liquor Corporation

Vote 1 - O&M

Location	Program	2022-2023					
		AOC	ASN	CAS	PRM	TRM	Total
Dawson	Retail Sales and Territorial Agent Services	0.78	0.40	0.50	4.32		6.00
	Total Dawson	0.78	0.40	0.50	4.32	-	6.00
Faro	Retail Sales and Territorial Agent Services	0.10		0.30	2.40		2.80
	Total Faro	0.10	-	0.30	2.40	-	2.80
Haines Junction	Retail Sales and Territorial Agent Services	0.80			2.70		3.50
	Total Haines Junction	0.80	-	-	2.70	-	3.50
Mayo	Retail Sales and Territorial Agent Services	0.40		0.40	2.00		2.80
	Total Mayo	0.40	-	0.40	2.00	-	2.80
Watson Lake	Retail Sales and Territorial Agent Services	0.40		1.00	3.60		5.00
	Total Watson Lake	0.40	-	1.00	3.60	-	5.00
Whitehorse	President's Office				2.00		2.00
	Corporate Services	0.25			13.00	0.75	14.00
	Retail Sales and Territorial Agent Services	0.50		1.20	12.30		14.00
	Regulatory Services				4.70		4.70
	Purchasing and Distribution	0.80	0.40		18.60		19.80
	Total Whitehorse	1.55	0.40	1.20	50.60	0.75	54.50
Grand Total		4.03	0.80	3.40	65.62	0.75	74.60