

Backgrounder – Auctions for Unallocated Permits

1. Why are there more auctions for retail liquor permits in Saskatchewan? Are these permits associated with the SLGA Retail Inc. stores that closed in early 2023?

These auctions are for unallocated permits and are not associated with locations where SLGA Retail Inc. stores used to operate. The unallocated permit process is when someone expresses interest in a permit in a community/RM that qualifies for a permit under the population matrix prescribed in *The Alcohol Control Regulations, 2016*. Auctions for these permits were suspended during COVID and while the SLGA Retail Inc. auctions were underway.

2. How many permits are available? How many auctions will there be?

Auctions for unallocated permits (based on SLGA's population matrix) will take place over the coming months. Permits will only be auctioned where people have expressed interest in a specific community/RM that qualifies for an additional permit under SLGA's population matrix. The auctions for the first locations runs June 21 to June 30 on McDougall Auctioneer's website.

3. What do you mean by population matrix?

In May 2019, government announced that new retail liquor store permits would be allocated based on the population of the community/rural municipality (RM) and the number of existing permits. Communities/RMs must have a population base of at least 500 in order to be eligible for a retail liquor store. If someone expresses interest in a community where there is a permit available, the permit will be allocated via an online auction process. Unallocated permit auctions began in late 2019 but were suspended due to the pandemic.

4. Why is the policy population based?

Government committed to establishing a population based matrix as part of the implementation of an expanded private retail liquor system. Population is an objective way to decide on the maximum number of retail liquor stores in communities.

5. Which permits are up for auction? Why were these RMs chosen?

Permits are available in the Rural Municipalities of: Kindersley No. 290 (2 permits), Lajord No. 128, Sherwood No. 159 (2 permits), St. Louis No. 431, Caron No. 162, Churchbridge No. 211, Leask No. 464, Mount Hope No. 279, Nipawin No. 487, North Qu'Appelle No. 187 and Wallace No. 243. These RMs all had expressions of interest and are eligible for at least one permit.

6. Are there rules about where the stores can be located in communities?

A permit can only be used to operate a retail store in the community the permit is associated with. The new operator must meet local zoning requirements regarding the location of their planned liquor outlet and other related bylaws, if any.

The retail liquor store must be located within the municipal boundaries of the RM. The store cannot be located within another municipality that exists within the RM or neighbours the RM. For example, a store for the RM of Kindersley cannot be located within the Town of Kindersley boundaries. The store must be located in the RM of Kindersley's boundaries and not the town boundaries.

7. When do the auctions take place?

The auctions for these permits begin June 21 and end June 30 on <https://mcdougallauction.com/new>. Auctions will take place in real time with bids visible as they are made.

8. What is included with the sale of the permits?

The auctions are for the interest in a retail store permit only. There are no physical buildings or assets included. Note: the winning bidder still has to apply and qualify to hold a retail store permit.

9. How many auctions will there be in total?

There are currently approximately 100 communities where interest has been expressed and auctions will take place over the coming months. As others express interest in a community where there is an available permit, they will be added to the list for a future auction.

10. Why are the permits being sold via online auction?

The online auction format is an objective method to determine a purchaser, giving interested individuals and businesses the ability to follow and participate in the bid process in real time. The successful bidder must still apply and qualify to hold a retail store permit.

11. How do bidders register for these auctions? Is there a deposit required?

Interested bidders must first create an account at <https://mcdougallauction.com/new>. Once the account is created, interested bidders must contact McDougall to preregister (which includes paying a \$5,000 deposit for each permit being bid on). The deposit will be refunded if you are not the successful bidder. Bidders must allow at least 24 hours for the registration process. Contact McDougall by phone at 306-757-1747 to register (hours of operation for registration are Monday to Friday, 8 a.m. to 4:30 p.m.)

Note: The successful bidder must also pay an auction fee (bidder's premium) (15 per cent to maximum of \$750), permit application fee (\$525) and annual permit fee (\$525 city/\$263 town/\$158 village/hamlet). More information is available on slga.com.

12. Who can participate in the auctions?

The auctions are open to anyone interested although the successful bidders will need to meet qualifications of holding a retail store permit.

13. Once an auction ends, what happens?

The highest bid gives the individual/business the opportunity to formally apply for the retail store permit. It's important to note that the prospective retailer must meet regular SLGA liquor licensing requirements to hold a retail store permit. Simply being the highest bidder does not automatically qualify someone to hold a retail store permit.

14. When do the winning bids have to be paid?

The auction fee (aka bidder’s premium) of 15% to a maximum of \$750 (plus GST) must be paid to the auction service within three days of the auction closing.

Payment of the winning bid is as follows:

- Within 30 days after the conclusion of the auction, 25% of the total bid amount must be paid.
- Within 12 months after the conclusion of the auction, an additional 50% of the total bid amount must be paid; and
- At the earlier of 18 months from the conclusion of the auction, or the effective date of the new Retail Store Permit, the remaining 25 per cent of the total bid must be paid.

Note: the bid amount must be fully paid and the permit issued prior to the opening of the bidder’s retail liquor store. Failure to pay on time is a default that will end the bidder’s right to proceed and results in forfeiture of the payments made.

15. What are the permits worth? Do you expect a lot of bidding?

Bidders will determine the value of the permits. The auctions are taking place because someone has expressed interest in obtaining a retail store permit in a community or RM that qualifies for at least one permit under SLGA’s population matrix. That being said, in many cases, significant time has elapsed since interest was originally expressed and people may no longer be interested in pursuing a permit. Therefore it’s difficult to speculate whether the interest that was expressed results in any bids.

16. What if there are no bids for some of these permits?

If no bids are received, the permit remains unallocated. It will not be scheduled for auction again until further expressions of interest are received.

17. Is there any financial information available for interested bidders?

No. These permits are not associated with an actual former store; no financial information exists.

18. What happens in situations where more than one permit is available in a community?

In cases where there is more than one permit available in a community/RM, separate auctions will be held for each available permit. For example, in this auction, two communities have two permits available for bidding.

19. Are these permits for standalone stores or can they be operated with another business (ex. a liquor section within another business)?

Communities/RMs with a population less than 5,000 can operate an integrated or standalone store. For more information, see the Commercial Liquor Permittee Manual, Chapter 8 – Retail Store Permit, available at slga.com. For example, in this round of auctions, all the RSPs may be integrated.

20. Can someone own more than one retail store permit in a community?

An individual or business cannot own/operate all of the stores (if there is more than one permit) in a community.

21. Can a successful bidder sell the permit without opening for business?

The bidder must complete the permit process and open a retail liquor store before they can sell their interest in the permit. The retail store must be opened within 18 months of the auction closing.

22. What if the successful bidder is disqualified during the licensing process? Will any payments made be refunded?

A refund will only be provided if the condition of good character is not met.

23. How are these auctions being advertised?

The auctions are advertised in community newspapers and posted on slga.com. SLGA will also attempt to notify those who originally expressed interest in the permit.

24. Have all of the SLGA Retail Auctions concluded?

Yes, auctions for 10 permits associated with SLGA Retail Inc. liquor store concluded June 7. These permits were re-auctioned after the successful bidders decided not to complete the licensing process.

25. What happened with the empty liquor store buildings and the fixtures, shelves and other assets from SLGA Retail?

The majority of SLGA's empty buildings have been sold, are in the sale process or are being repurposed by other government entities. Items like shelves, fixtures, shopping carts, etc. were disposed of via SaskSurplus.com.

26. Is there a list of successful bidders from the SLGA Retail Inc. auctions held earlier this year?

Applicant names for liquor permits are not considered public until a permit is issued. (Third party commercial information is considered private). Successful bidders have up to 18 months to obtain their permit and open for business.

27. How many liquor retailers are there in Saskatchewan?

There are approximately 600 liquor retailers currently operating in Saskatchewan.

28. Where can people get more information?

Please see slga.com for more information.