

Backgrounder – Auctions for Unallocated Permits

1. Why are there more auctions for retail liquor permits in Saskatchewan?

These auctions are for unallocated permits. The unallocated permit process is when someone expresses interest in a permit in a municipality that qualifies for a permit under the population matrix prescribed in *The Alcohol Control Regulations, 2016*. (SLGA may also auction unallocated permits at its discretion). Auctions for these permits were restarted in 2023 after being suspended during COVID.

2. 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 municipality and the number of existing permits. Municipalities 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 municipality where there is a permit available, the permit will be allocated via an online auction process. An auction can also be held at SLGA's discretion.

3. 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.

4. Which permits are up for auction? How were these municipalities chosen?

Permits are available in the municipalities of Warman (2), Weyburn, White City (3). Permits are also available in the Rural Municipalities of: Biggar #347, Canwood #494 (2), Cupar #218, Estevan #5 (2), Fertile Belt #183, Francis #127, Longlaketon #219 (2), McKillop #220, Moose Jaw #161, Saltcoats #213, Swift Current #137 (2).

5. 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 municipality 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.

If the permit is for a rural municipality, 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.

6. When do the auctions take place?

The auctions begin April 15 and end April 24 on <https://mcdougallauction.com/new>. Auctions will take place in real time with bids visible as they are made.

7. 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.

8. 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.

9. 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 a maximum of \$1,250), permit application fee (\$525) and annual permit fee (\$525 city/\$263 town/\$158 village/hamlet). More information is available on slga.com.

10. 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. (Successful bidders who declined the opportunity to proceed with the permitting process or didn't meet the permitting requirements cannot participate in a future auction for that permit).

11. 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.

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

The auction fee (aka bidder's premium) of 15% to a maximum of \$1,250 (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.

13. What are the permits worth?

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 municipality that qualifies for at least one permit under SLGA's population matrix. It's difficult to speculate whether the interest that was expressed results in many bids.

14. 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 unless further expressions of interest are received, or at SLGA's discretion.

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

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

16. What happens in situations where more than one permit is available in a municipality?

In cases where there is more than one permit available in a municipality, separate auctions will be held for each available permit. For example, in this auction, six municipalities have multiple permits available for bidding.

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

Municipalities 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.

18. Can someone own more than one retail store permit in a municipality?

An individual or business cannot control all of the stores (if there is more than one permit) in a municipality.

19. 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.

20. 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 or municipal bylaws prevent its operation.

21. 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.

22. Is there a list of successful bidders from any of the previous 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.

23. How many liquor retailers are there in Saskatchewan?

There are approximately 600 liquor retailers currently operating in Saskatchewan.

24. Where can people get more information?

Please see slga.com for more information.