

APPENDIX D:
YUKON LIQUOR CORPORATION



Community Services
Yukon Housing Corporation
Yukon Liquor Corporation

January 23, 2004

Todd Hardy, MLA
Chair of the Standing Committee of Public Accounts
Yukon Legislative Assembly
Box 2703
Whitehorse, Yukon, Y1A 2C6

Dear Mr. Hardy:

On December 15, 2003 you asked me three questions on behalf to the Public Accounts Committee about the Yukon Liquor Corporation. Please accept this letter as my written reply. As President and CEO of the Liquor Corporation, I appreciate this opportunity to provide you with information on the operation of the Corporation, and the work of its many dedicated employees.

Yours truly,

A handwritten signature in black ink, appearing to read "Marc Tremblay". The signature is fluid and cursive, with a long, sweeping horizontal line extending to the right across the page.

Marc Tremblay, President & CEO,
Yukon Liquor Corporation

1. What is the mandate of the Yukon Liquor Corporation? In responding to this question, please describe how your mandate has changed since the Yukon Liquor Corporation was formed and why such change has taken place.

The principle legislation pertaining to the mandate of the Yukon Liquor Corporation (YLC) is:

- *Liquor Act & Regulations*
- *Liquor Tax Act*
- *Public Lotteries Act*
- *Corporate Governance Act*

Section 7 of the *Liquor Act* provides that the Corporation shall administer the *Liquor Act*. Subsection 8(1) details the 'Powers of the Corporation' and specifically and generally establishes the various areas where the Corporation has sole power and jurisdiction on matters pertaining to liquor purchases, importation, distribution, sale, and associated enforcement and licensing pertaining to beverage alcohol in Yukon. Under the provisions of the *Corporate Governance Act* (2002) and corresponding amendments to the *Liquor Act* (section 9) the Minister may also issue directives to the Corporation with respect to the exercise of its powers and functions.

The *Liquor Tax Act*, Section 2, requires that the Corporation levy a 12% tax on all liquor products it sells. The amount collected is to be remitted to the Department of Finance on a monthly basis.

Section 12 of the *Public Lotteries Act* specifies that the Yukon Lottery Commission is responsible for the conduct and management of public lotteries, and, subject to the regulations, the allocation of profits of public lotteries. In December 2001, the Commission was advised of the Yukon Government's decision that:

- the Minister Responsible for the Yukon Liquor Corporation would also be responsible for the Yukon Lottery Commission; and
- the administrative and operational roles of the (Lottery Commission) Manager and employees would be combined with the operations of the Yukon Liquor Corporation and directed by the President of the Yukon Liquor Corporation.

These changes, effected for financial and administrative accountability purposes, provide the opportunity for changes in the government's organizational and governance structure.

Subject to the Act and regulations, the Lottery Commission (Board) retains responsibility for the allocation of public lottery profits, and under Section 14, for advising the Minister respecting existing or proposed agreements and regulations under the Act, as well as any other matter it considers advisable respecting public lotteries.

The YLC's Corporate Objectives are consistent with its legislative mandates and are detailed in the Yukon Government's *Main Estimates*. For the 2003-2004 budget year, the five objectives are to:

- I. provide for and regulate the purchase, importation, distribution, and retail sale of alcoholic beverages in Yukon;
- II. encourage social responsibility in the sale and consumption of alcoholic beverages in Yukon;
- III. provide for the return and, where possible, recycling of beverage containers;
- IV. provide the services of Territorial Agent in rural communities where a liquor store is located; and
- V. manage public lotteries and provide support to the Yukon Lottery Commission.

While YLC is not specifically mandated through legislation to provide Territorial Agent Services it does so as part of an administrative efficiency strategy to directly offer government services to residents outside of Whitehorse where possible.

The Lottery Commission's objectives are to:

- I. achieve maximum profits through the efficient management of public lotteries in the Yukon;
- II. utilize lottery profits for the benefit and development of sport, arts culture and recreation in the Yukon; and
- III. ensure that all eligible Yukoners have equal opportunity to apply for grants, and that grants are allocated in a consistent manner.

Yukon Liquor Corporation – Evolution

The entity now known as the Yukon Liquor Corporation is the product of organizational evolution and territorial political maturity over the years. Originally, the Liquor Control Board fell under the jurisdiction of the Yukon Legislative Assembly, headed by the Commissioner of the Yukon Territory, with the Director of the Liquor Control Board administering the day to day operations.

The 1970's saw the election of the Yukon's first partisan government and on April 1, 1977, the Yukon Liquor Corporation came into existence as a result of amendments to the *Liquor Act*. The separation as a corporate entity resulted in increased responsibilities and full accountability in the areas of finance and accounting. The Director was re-designated as General Manager, who was also a Deputy Head, and considered to be the Chief Executive Officer for the Yukon Liquor Corporation. The General Manager title was later changed to President. The President was charged with the general business of the Corporation, and the administration of the Act under the general direction of the Liquor Board. This five member discretionary Board was appointed with authority to approve license applications and rule on hearings of appeal on license suspensions.

In 1992 the *Act* was amended to place the President under the general supervision of the Minister, rather than the Board, unless the Minister so directed. At the same time it clarified that the Board, in the performance of its duties in relation to the issuance, cancellation, and suspension of licenses and permits, is not accountable to the Minister.

YLC's first significant 'social responsibility' initiative was in 1991, with the introduction of the FAS/FAE warning labels placed on liquor containers or its associated packaging. Changes to the *Liquor Act* in 1992 were made to specifically include in the list of types of expenses permitted by YLC, "expenditures to promote reasonable use of liquor [and] to mitigate the effects of the abuse of liquor." At the same time the *Act* was changed to list as specifically permitted expenditures, those required to "encourage or administer programs for the recycling of the containers in which the liquor is stored or sold." These legislative changes reflect past and current efforts to have the applicable legislation reflect the nature of the Corporation's evolving role within the community.

Yukon Lottery Commission – Evolution

The Yukon Lottery Commission has evolved in accordance with changes in public lottery regimes and practices across the country. Its presence in the territory has expanded, especially as a fund source for community groups. As such, the *Public Lotteries Act* does not fully encompass current operations.

Lottery operations prior to 1987 were administered under contract. A Commission member served as treasurer and monitored financial transactions between Western Canada Lottery Corporation, the lottery ticket contractor, and Government, to produce financial statements. A Commission member served as secretary and recorded meeting minutes.

The Commission's current make-up reflects the recommendations of a 1987 review of financial procedures, reporting, and accountability. Changes have also been introduced to accommodate the introduction of computerized lottery games, and shifting licensing requirements.

In 1988 the Government of Yukon, Western Canada Lottery Corporation and the Yukon Lottery Commission formalized an agreement whereby the Commission assumed responsibility for provision of services previously provided by local contractors.

2. How is this mandate being met? In responding to this question describe how you measure compliance with your mandate and how you assess the degree to which you are complying with your mandate.

To deliver on its mandate, the Yukon Liquor Corporation (YLC) operates under the direction and guidance of:

- the President, reporting to the Minister Responsible and serving as chief administrative liaison to the Board. Under the provisions of the *Corporate Governance Act* (SY 2002, c 2) and corresponding amendments to the *Liquor Act*, the deputy head of the Department of Community Services is ex officio the president of the Corporation; and
- the Yukon Liquor Corporation Board of Directors, in the performance of its powers and duties related to the issuing, canceling, and suspending of licenses and permits. The Board can not be less than three members, one of which shall be the Chair, and their appointments shall not exceed three years. A retiring board member is eligible for reappointment. Currently there are five board members. Meetings are typically held monthly.

To deliver on its mandate, the Yukon Lottery Commission operates under the direction and guidance of:

- the Lottery Commission (Board of Directors) in the performance of their powers and duties related to the conduct and management of public lotteries and allocation of the profits. The Commission consists of up to 12 members, including the Chair and Vice-Chair, appointed by the Minister. Member appointments are for a two-year term. The Commission typically conducts six weekend meetings per year. The Executive Committee meets monthly.

The *Corporate Governance Act* (2002) established the Minister of Community Services as the Minister Responsible for the Corporation.

Sections 2(d) and 2(e) of the *Act* state:

2(d) "it is important that the work of government corporations be co-ordinated with the work of other departments of government; and

2(e) co-ordination will be facilitated by establishing long-term relationships and understandings between a corporation and a department whose responsibilities are similar and by each having a common Minister who can ensure that the department and corporation have, and carry out, a common understanding of how to co-ordinate their policies and program delivery."

The *Act* requires the annual negotiation of a protocol agreement between the Minister Responsible and the Corporation, setting out performance expectations for the Corporation and the roles of the Minister, Board, and President in the work of the Corporation.

The *Act* also enables the Commissioner in Executive Council to issue directives to the Corporation with respect to the powers and functions of the Corporation. Directives are regulations within the meaning of the *Regulations Act*.

Corporate Services support in the areas of human resources management, policy and communications, and finance, systems and administration is being provided through a new shared services model of delivery encompassing the following agencies: Yukon Liquor Corporation (and Yukon Lottery Commission); Yukon Housing Corporation and Department of Community Services. Human Resources was the first area to be fully and successfully implemented. Policy and Communications support implementation is in progress and considered to be in effect. Finance, Systems and Administration support implementation is in progress.

Financial Activity

Liquor

The two principle sources of liquor related revenue are the sale of liquor and the collection of liquor licence and permit fees. The amounts are deposited to the Corporation's bank account, which forms part of the government's consolidated revenue fund. From these revenues the Corporation pays its related operating expenses, acquires capital as required including land, and remits the balance, or net revenue to the Department of Finance on a monthly basis.

Prior to April 1, 1990 the Corporation was allocated through the Government's budget approval process specific amounts for capital. After that date, the amount that the Corporation required for capital expenditures was directly financed from earned revenue. The budget approval process thereafter focused on the amount of net revenue that would flow to the Yukon Government after adjusting for capital. In 1992 the *Liquor Act* was amended to reflect this change by clarifying that "net revenue means net revenue before depreciation, less amounts spent on capital."

Liquor Tax

Liquor Tax at the rate of 12% is collected by the Corporation on all liquor sold, and remitted to the Department of Finance on a monthly basis.

Costs of providing Territorial Agent Services

These services, with an estimated value of about \$390,000 per annum, are included in the expenses of the Corporation. This amount is offset by an estimated \$550,000 in services provided by the Yukon Government to the Corporation at no charge. This includes

services provided by the Public Service Commission, no rental fee charges for the central liquor warehouse facility, and other centralized services such as postage and mail handling.

Public Lottery Revenue

Lottery revenue is earned through an agreement between Government of Yukon, Western Canada Lottery Corporation (WCLC) and the Yukon Lottery Commission as service provider. WCLC is the authority through which member provinces and affiliate territories operate joint games with common prizes. WCLC provides efficiencies of scale in operations and prize structures and provides an equitable share in the economic benefits resulting from lottery operations. Net revenue is distributed to member provinces and territories based on percentage of sales.

Revenue is distributed by the Yukon Lottery Commission after payment of the expenses incurred in the conduct and management of public lotteries. Net revenue is distributed as authorized in the Public Lottery Regulations.

Reimbursement of Payroll Related Expenditures

Employees working in either the liquor or lottery streams are employees of the Yukon Government and receive their pay through the Department of Finance. The Corporation and Commission are each invoiced by the Department of Finance on a monthly basis for these costs. The Corporation and Commission pay this amount from their respective bank accounts.

Services and Activities

Regulate the purchase, importation, distribution, and retail sale of alcoholic beverages in Yukon.

All beverage alcohol for sale or distribution in Yukon must flow through the Yukon Liquor Corporation. The Corporation is responsible for the initial purchase of all beverage alcohol from its wholesale suppliers. Liquor received and centrally-warehoused in Whitehorse is subsequently distributed to Liquor Licensees and six government liquor stores for sale to individual customers. Approximately 50% of liquor sales are generated through liquor licensees.

Licensee activity is monitored on a regular basis. Full premises inspections focus on the physical capacity to provide liquor service in a safe and healthy manner. Operating inspections focus on compliance to various limitations in the actual sale and service of beverage alcohol.

Encourage social responsibility in the sale and consumption of alcoholic beverages in Yukon.

The Corporation offers responsible server training to liquor licensees and their staff. Where possible the Corporation also works with non-government organizations with similar social responsibility objectives. The Corporation utilizes a variety of media and promotional approaches in its social responsibility work, such as rolling TV advertisements, posters, messaging on liquor bags, advertisements in newspapers, special event brochures, and distribution of the monthly Licensee Bulletin.

Examples of non-government organization collaboration includes:

- support for MADD (Mothers Against Drunk Driving) initiatives at both the local and national level;
- involvement and support in annual NAAW (National Addictions Awareness Week) activities; and
- involvement in support of initiatives generated by the Substance Abuse Prevention Coalition.

The Corporation also works with other Canadian liquor jurisdictions as a partner in addressing issues of national concern or scope.

Provide for the return and, where possible, recycling of beverage containers.

The Corporation acts as a refund depot in the rural communities with government liquor stores. On behalf of the Recycling Fund under the Beverage Container Regulations of the *Environment Act*, the Corporation imposes, collects, and remits both refundable and non-refundable deposit components on all non-refillable liquor bottles. The Corporation also assumes a recycling responsibility by ensuring that refillable beer/cider/cooler bottles are returned to the respective suppliers for re-use.

Provide the services of Territorial Agent in rural communities where a liquor store is located.

On behalf of various Yukon government departments the Corporation offers Territorial Agent Services in the 5 rural communities with a government liquor store. The store/office at each of those locations has been configured to permit individuals to be served without having to enter the liquor store retail area. The types and level of service these customers can expect are generally the same as can be expected from government service counters in Whitehorse.

Manage public lotteries and provide support to the Yukon Lottery Commission.

The Commission operations are administered from a storefront office in Whitehorse. Staff efforts are directed to meeting the obligations of the Commission's agreement with WCLC, including licensing and provision of training and services to retailers, and participation within WCLC regarding all operational activities. The office handles all administrative functions and financial reporting requirements of the Commission for the

distribution of revenue, information requirements and decisions making processes. The office also provides the public with information respecting public lotteries and access to funding programs, application processes and accountability requirements.

Distribution of Lottery Proceeds

The Public Lottery Regulation (1986/142) define how the Yukon Lottery Commission may distribute the profits of public lotteries:

Section 2 (1)

- to local authorities, municipalities and recreation or arts organizations for recreation or arts purposes;
- to the Minister for the *Recreation Act* and the Minister for the *Arts Act* for expenditure under sections 21, 23 and 24 of the *Recreation Act* and under section 15 and 16 of the *Arts Act*; and
- to other arts and recreation projects.

Section 2(2) specifies that the amount or the formula for determining the amount of a grant under subsection (1) shall be determined by the Commission.

Funding to municipalities and community local authorities is reviewed annually for compliance with the Commission's mandate. The funding formula is reviewed twice-yearly to reflect changes in the Commission's financial position and evolving community needs. Detailed expenditure reports of lottery revenues and submission of annual financial statements ensure compliance with funding policies.

Under an agreement with Government of Yukon, 48% of the revenue available for distribution by the Commission is provided to supplement expenditures under sections 21, 23 and 24 of the *Recreation Act* and under section 15 and 16 of the *Arts Act*.

3. How does the Yukon Liquor Corporation account to: a) the legislative assembly, b) individuals who use your service directly, and c) taxpayers generally? In responding to this question, please describe the nature of this accountability and how it is communicated to those listed.

A) Legislative Assembly

The Yukon Liquor Corporation reports on its financial and other activities in a manner similar to that of other government departments. Performance in term of revenue generated from net income on the control and sale of liquor, and the collection of liquor tax, is reported through variance reports and the public accounts processes.

Yukon Lottery Commission financial activity occurs within its legislative framework of a trust fund. The Commission's annual budget and variance amounts are not subject to approval by the Legislature.

The annual audit processes conducted by the Office of the Auditor General in respect to liquor, and as conducted by a public accounting firm for the Yukon Lottery Commission, provide for independent review of the financial practices and affairs of Corporation and Commission, including recommendations for improvement in financial administration.

As required by the *Liquor Act*, the Corporation annually prepares an annual report for tabling in the Legislature. This report highlights both the financial and operational aspects of the Corporation.

The Lottery Commission also prepares an annual report, which by convention is also tabled in the Legislature by the Minister. The report includes a detailed disclosure of all lottery proceed funds allocated or committed.

The Commission makes regular reports to the Minister by copy of (Board) minutes and regular meetings between the Minister and the Commission Executive. The Minister also attends a minimum of one Commission meeting annually.

B) Clients/Customers

Individual customers of the Corporation enjoy the same rights afforded to the public on matters of government products and services. The Corporation encourages and appropriately responds to feedback at all organizational levels and locations. Product and service information is available at all office locations, and through the Corporation's comprehensive web-site. Various liquor and lottery stakeholder groups are kept informed on matters of general interest and issues through the regular distribution of separate information bulletins on matters of liquor, and lotteries.

The Yukon Liquor Board of Directors values input from the public on all liquor licensing matters through public notice in the newspapers, and is held accountable for its independent licensing and appeal decisions. If a party does not agree with a decision by the Board, they may appeal that decision through the court system. The Board's decisions are communicated through the Corporation's monthly *Licensee Information Bulletin*.

The Lottery Commission's annual report is widely distributed throughout the Yukon to: lottery ticket retailers; funding recipients; municipalities and local authorities; community recreation directors; First Nation governments; and the public. Media releases inform the Yukon public of policy and funding decisions of the Commission. Accountability is further provided to Municipalities and Community Local Authorities by an annual letter following budget review and approval, and a twice-yearly review of the funding to communities undertaken by review of submissions.

The Commission as a whole reviews any complaints and hears any appeals from licensed lottery retailers, members of the lottery-playing public, and lottery proceed applicants and beneficiaries.

C) Taxpayers Generally

Prudent management of Corporation and Commission resources optimizes the revenue available for public purposes.

The public is encouraged to bring forward their requests, suggestions, issues, or concerns by the means they prefer i.e. in person, mail, telephone, fax, or e-mail.

Individuals who require or desire information that is not otherwise readily available can request the information. More complex matters may be addressed through the Access to Information & Protection of Privacy legislative procedures.