

Embracing Competition:

Recommendations for reforming liquor retailing in Saskatchewan

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Foreword

To many in Saskatchewan, “privatization” is a dirty word. For our province, it is a word that can win or lose elections. Politicians and organizations avoid using this word to sidestep the emotional reaction it stirs, choosing instead to describe initiatives aimed at relinquishing state control of assets or operations as “public private partnerships” or “monetization.”

In this report we embrace privatization as a legitimate public policy option. We recommend the wholesale privatization of Saskatchewan’s retail liquor operations, not out of blind ideology, but in the interest of economic development.

Selling our publicly-owned liquor stores and allowing the free market to sell liquor in Saskatchewan would result in real economic growth. Hundreds of new private businesses and jobs would be created. The provincial treasury would see net savings of nearly \$8 million annually. Consumers would have more choice, convenience and better prices than ever before.

Perhaps most importantly, more people would experience the satisfaction and freedom that comes with business ownership.

We believe that liquor privatization, if undertaken by our government, will be a boon for Saskatchewan, but are cognizant of the inherent political challenges of such a policy. Organizations such as the Saskatchewan Federation of Labour and the Saskatchewan Government Employees Union (SGEU) forcefully oppose any challenges to the status quo. Indeed, they go to great lengths to discredit any efforts to curb government influence on our day to day lives.

They’ll even go as far as to say that people will die on our highways if the government relinquishes some of its control of beverage alcohol, in addition to many other false or misleading statements.

Who's minding the store...
is a matter of life and death.

**KEEP LIQUOR UNDER
REAL CONTROL**

**Reject the expansion
of Private Liquor Sales**

A message from the men and women who work in
Saskatchewan Liquor Stores
A government service owned and operated
by the people of Saskatchewan

SGEU
Saskatchewan Government Employees Union

In this report we show that crime does not increase as a result of liquor privatization. Liquor consumption and the related social problems do not rise as a result of privatization. Government does not necessarily lose revenues as a result of privatization, and consumers benefit from lower prices.

We also show that 72 per cent of Saskatchewan residents believe the government should have no role whatsoever in liquor retailing, or that that role should be limited to wholesaling.

We ask that Saskatchewan residents and politicians weigh the facts on liquor privatization and consider it as a policy option aimed at creating new economic growth. We're confident that after careful consideration, most will agree that liquor privatization would be a net benefit for the province.

Conclusions and Recommendations

- Liquor prices do not rise as a result of privatization. In fact, partly due to the competitive liquor market, consumers in Alberta can almost always find products cheaper in Alberta than they can in Saskatchewan.
- In Alberta, there is little difference between liquor prices in urban centers and those in remote rural areas because of rigorous competition.
- In a competitive market, consumers enjoy better selection and more convenient hours and locations. In Alberta, the ratio of residents per full-service store is 3400:1, in Saskatchewan that ratio is 12,346:1.
- Increased liquor availability as a result of privatization has not increased the rate of liquor related crimes, including impaired driving.
- Government spending on the existing Saskatchewan liquor monopoly has jumped 20 per cent since 2000 – largely due to unsustainable payroll increases.
- Salaries at government liquor stores are significantly higher than those in other industries in similar job descriptions.
- Expenditures of \$8.5 million on major and minor liquor store construction projects, leasehold improvements and renovations since 2000 are misused tax dollars and not a core function of government.

- Liquor privatization would boost Saskatchewan's economy as a whole, and particularly benefit smaller communities.
- Liquor privatization would result in hundreds of new entrepreneurs, hundreds of new jobs, and increased demand for store space, business supplies and services, computers, software, coolers, insurance, telephone and utilities, shipping services, vehicles sales and leases, advertising, security systems, and real estate.
- The CTF-recommended model would result in net savings of \$7.7 million for taxpayers *annually*.
- A majority of Saskatchewan residents feel the government should no longer be involved in liquor retailing.
- In the 12 month period following the passage of budget 2005, SLGA liquor stores should be sold and licenses issued to prospective liquor store operators.
- Licenses and current liquor store locations should be offered to current SLGA employees before being placed on the market.
- The privatization process should be guided by the following principles:
 - Relative revenue neutrality for government
 - Maintaining a level playing field for all new entrants into the market
 - Increased convenience and choice for consumers
 - No long term increase in the price of beverage alcohol
 - Maximum job and economic growth
 - Continued emphasis on social responsibility
- The province should enter in to a public/private partnership to manage the liquor supply chain.
- Proceeds from the sale of assets should be put toward the provincial debt.
- Prospective operators should be required to operate liquor stores in locations that are separate and distinct from pre-existing retail operations.
- The current *ad valorem* system should be replaced with a base tax on beverage alcohol products.
- The total government markup on beverage alcohol should be reduced by 15 per cent, or \$27,060,000 annually, based on 2003/04 SLGA Annual Report figures.
- Private retail operators should be permitted to have the same operating hours as bars and taverns, subject to local approval.

Liquor Retailing in Saskatchewan

Saskatchewan's liquor retailing system currently consists of 81 Liquor Board stores in 64 communities. In addition, the Saskatchewan Liquor and Gaming Authority (SLGA) licenses 189 businesses to sell beverage alcohol on its behalf. The system is complimented by 485 hotels and brew pubs that can sell beverage alcohol for off-site consumption.

The Saskatchewan Liquor and Gaming Authority, the regulatory and operations body for gambling and regulatory and retailing body for beverage alcohol currently has 693 full time equivalents (FTEs).

The final price of beverage alcohol consists of four charges:

- Base price set by government that includes the wholesale cost of the product and a government markup. The government markup is a complex formula that varies by product. Essentially, the province uses an *ad valorem* (a tax in proportion to value) system.
- GST, which applies only to the base price
- Liquor Consumption Tax of 10 per cent which applies to base price of the beverage, and replaces the seven per cent PST.
- Environmental Handling Charge, which ranges from five cents for metal cans to seven cents for larger glass containers (included within the base price).

Table 1: Liquor Consumption Tax - Historical Revenues	
1994 - 95	\$29,167,000
1995 - 96	29,955,000
1996 - 97	30,442,000
1997 - 98	31,803,000
1998 - 99	32,107,000
1999 - 00	34,340,000
2000 - 01	34,897,000
2001 - 02	35,472,000
2002 - 03	50,002,000
2003 - 04	54,618,000

Source: SLGA

Alcohol Prices after Privatization

Whether consumers wind up paying more in a free market is the million dollar question. And on this, the available research is almost unanimous. A variety of price comparisons, ranging from small and rather subjective, to exhaustive and meticulous, have found similar results: Prices are generally lower in privatized Alberta.

Price comparisons have been conducted from a variety of perspectives. It has been sought to determine whether there is a price disparity between rural and urban areas in Alberta, and as a whole between British Columbia (with a state-run system) and Alberta. But to date, little has been written comparing Saskatchewan and Alberta. For the purpose of this report, we have undertaken such a comparison.

As for the urban/rural question, the BC division of the Consumers' Association Canada conducted an extensive survey of Alberta liquor prices in 2003. The *Privatization of BC's Retail Liquor Store System: Implications for Consumers* report indicates that there wasn't much of a difference in price between the smallest town and the biggest city.

"Prices for beverage alcohol sold at private liquor stores in Alberta do not vary significantly between small towns and large cities in Alberta."

~BC Division of the Consumers' Association of Canada, May 2003

The Canadian Taxpayers Federation has compared 117 Saskatchewan Liquor and Gaming products with those from OK Liquor, in Calgary. We chose OK Liquor as they make their products available online to the entire region – not just to Calgary. As they are one of Calgary's largest liquor retailers, they serve as a good price indicator for Calgary. Due to the BC Consumer Association's 2003 finding that there is little price variance between larger urban centers and rural areas, we're confident this comparison accurately reflects the differences between Saskatchewan prices, and Alberta's.

Highlights from CTF Saskatchewan/Alberta price comparison: (See Appendix 1 for full product listing)

- Without exception, all brands of beer were cheaper in Alberta.
- 93 per cent of products surveyed were cheaper in Alberta
- 72 per cent of wines surveyed were cheaper in Alberta
- All brands of whiskey, rum and gin are cheaper in Alberta
- 94 per cent of single malt scotches, and 80 per cent of blended scotches are cheaper in Alberta

It's important to note that all of the products in Alberta can be found at a lower price in some locations, and a higher price in others.

The SGEU and others opposed to private liquor retailing make two distinct mistakes. First, they make the claim that prices are higher in Alberta's private market. Second, they attribute higher prices to the profits taken by liquor store operators.

Product Selection

The argument is often made when defending the provincial monopoly on liquor that our system offers better product selection. Premier Calvert, in recent statements to the media, identified selection and service as great selling features of the public system.

In terms of product selection, nothing could be farther from the truth. According to Alberta Liquor and Gaming, Alberta currently lists nearly 19,000 alcoholic beverages for sale. In Saskatchewan, they list a paltry 2,100 – that's a difference of nearly 17,000.

More than 1,400 new products were introduced into the Alberta marketplace by liquor agents since privatization was announced.

~A New Era in Liquor Administration, Alberta Liquor Control Board, 1996

Of course, not all of Alberta's listed products are found on any single store's shelves, and neither are all of Saskatchewan's 2,100 listed products on the shelves of any one store. Nor should they be. One of the advantages of the private system is that vendors aren't forced to take a one-size-fits-all approach. Most liquor stores need stock only the barest essential items such as beer, gin, rum and whiskey to maintain a high volume of sales. To have row upon row of shelves stocked with low-demand items is essentially a waste of time, space, and ultimately tax dollars.

Saskatchewan's big city government stores are spacious and have ample selection, but in 2004, to say that Alberta's stores do not compare seems parochial. After years of full competition, there are liquor stores to match any product niche. If the consumer wants to pick up some beer on the way to the lake, there are plenty of stores that offer no-frills service and limited product selection.

If the consumer desires a fine scotch, there are specialty stores with infinitely knowledgeable staff to help you make a selection, and they may offer a fine cigar as well.

Saskatchewan cookie-cutter liquor store approach in Saskatchewan is inherently flawed. From the efficiency perspective, it's undeniably wasteful to have a massive store where a high percentage of the products stocked rarely leave the store. From the point of view of the consumer, the large government stores are inconvenient. They are sparsely located,

and the most popular product – beer – is located at the very back of the store. In Alberta, such inconveniences are unknown.

Privatization and Consumption

Privatization of liquor retailing leads to more stores and longer hours. The question is whether the increased convenience of purchasing alcohol causes the population to consume more alcohol, and therefore create more social challenges relating to problem drinking such as property and physical crime and impaired driving.

Statistics Canada data shows that Alberta per capita alcohol sales are actually lower than they were in 1989, while most provinces have seen significant increases in alcohol consumption.

Saskatchewan	11.10%
Quebec	5.74%
Prince Edward Island	10.67%
Ontario	-7.48%
Nova Scotia	6.16%
Newfoundland	7.49%
New Brunswick	66.78%
Manitoba	-1.14%
British Columbia	-24.62%
Alberta	-3.41%

Source: Statistics Canada

Among some camps, the idea that increased availability increases overall consumption is accepted as fact. Some go as far as to say that scientific literature on the subject draws that conclusion, when this is not the case.

For the purposes of the public policy question before us, we should rely on the province of Alberta as a guide – the only Canadian liquor market to be fully privatized. Statistics Canada data clearly shows a long-term downward trend in alcohol sales since 1989. In

more recent years, Alberta consumption has increased alongside disposable income and a younger population.

As a whole, we can expect that privatization of liquor retailing in Saskatchewan would have a negligible effect on overall consumption rates.

Crime and Other Social Problems

Opponents of privatization often cite an “increase” in crime at liquor stores in Calgary. A cursory look at crime statistics does show an increase in the years during and after privatization. While the number of liquor store crimes may have increased in Calgary, the Calgary Police Service, in a letter to the Canadian Taxpayers Federation British Columbia Director in 2002, advised caution when interpreting crime statistics.

“In short, the report concludes that the number of offences at liquor stores increased following privatization. Despite the increase in the number of offences across all three broad categories, only the Person Crimes rate has risen substantially since privatization. This rise is largely due to the increase in the number of commercial robberies. The offence rates for property and other Criminal Code offences have declined or remained relatively constant since privatization.

A review of the figures for 2000 indicates the substantial rise in person crimes observed in 1999, specifically commercial robberies, was an anomaly. The number and rate for person crimes in 2000 returned to values similar to years leading up to 1999. This result suggests the substantial increase in the rate of person offences noted in the original report may have been somewhat overstated.

*The findings of the original report and the most recent figures for liquor store related offences indicate that while the **number** of offences has increased, the **rate** of offences has generally fallen since privatization. This suggests that while the volume of offences has increased, the relative risk of an offence occurring at a liquor store has decreased. It should be stressed, however, that more research is required to determine if privatization has made liquor stores more or less vulnerable to specific types of crime.”*

~ Calgary Police Service, January, 2002

Douglas West, of the University of Alberta Department of Economics, in his 1997 Fraser Institute study *The Privatization of Liquor Retailing in Alberta*, observes that provincial-

statute liquor-related crime rates increased moderately from 1991 to 1995, during the years of privatization. However, liquor-related traffic offenses dramatically dropped over that same time.

“Again, it is not known to what extent the reduction in reported liquor-related traffic offenses is related to enforcement activity. There has clearly been no increase in liquor related traffic offenses that could be tied to the privatization of stores.”

~ Doug West, The Privatization of Liquor Retailing in Alberta

Table 3: Crime in Edmonton: Liquor and Traffic Offenses					
Liquor Offenses	1995	1994	1993	1992	1991
Liquor Act Generally	134	124	147	121	111
Consume in Public Places	346	341	246	283	330
Conveying Motor Vehicle	716	559	474	498	644
Illegal Possession	2	5	29	14	52
Intoxication	552	521	728	590	555
Minor - Licensed Premise	94	80	34	37	30
Minor - Obtain Liquor	78	70	37	43	53
Supply to Minors	11	5	6	7	6
Sale and Keep for Sale	63	11	13	12	76
Total	1,996	1,716	1,714	1,605	1,857
Traffic Offenses					
Impaired Driving Death	3	2	1	1	1
Impaired Driving Bodily Harm	29	45	39	42	37
Drive While Impaired	2,302	2,913	3,554	3,939	4,004
Blood/Alcohol Exceed 0.08	1,859	2,346	2,862	3,118	3,197
Refuse Breathalyzer	374	495	573	734	702
Refuse Roadside Screening	65	90	145	159	156
Refuse Blood Sample	11	12	23	14	18
Total	4,643	5,903	7,197	8,007	8,115

Source: Edmonton Police Service Statistical Reports 1991 - 1995

Recent Statistics Canada data shows that, since privatization, Alberta has led the nation in the reduction of impaired driving charges. In fact, the biggest year-over-year reduction occurred during the privatization years. From 1993 to 1995, the years in which the number of liquor stores tripled, impaired driving incidents dropped by 54.0 per cent.

Table 4: Impaired driving charges per 1000 population

Year	Canada	NL	PEI	NS	NB	PQ	ON	MB	SK	AB	BC
1986	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1987	-2.50%	20.10%	-13.90%	0.40%	-10.50%	2.70%	-6.70%	-13.90%	3.70%	0.70%	-5.20%
1988	-4.00%	0.20%	-22.40%	-1.60%	-11.90%	-6.30%	-3.20%	-12.90%	-7.50%	-2.10%	-3.30%
1989	-1.00%	-3.80%	-16.20%	-15.10%	10.80%	-7.40%	1.30%	-4.40%	5.10%	7.60%	-4.40%
1990	-8.80%	-20.40%	-9.40%	1.60%	2.20%	-6.80%	-14.50%	-8.70%	3.60%	-7.00%	-9.20%
1991	0.00%	1.10%	20.60%	-3.50%	-0.10%	3.10%	-7.50%	1.80%	10.00%	2.00%	0.80%
1992	-7.10%	-8.10%	-18.00%	-2.60%	-4.80%	1.30%	-2.10%	-5.70%	-3.40%	-21.80%	-3.60%
1993	-12.20%	-13.90%	6.90%	-17.20%	-10.60%	-8.10%	-17.40%	-15.10%	-10.20%	-10.30%	-10.20%
1994	-9.40%	1.10%	-17.20%	-5.90%	-5.50%	-1.00%	-2.50%	1.70%	-3.00%	-26.00%	-19.60%
1995	-6.10%	-16.90%	6.90%	-12.90%	-14.10%	2.60%	-2.20%	-4.20%	2.50%	-18.60%	-12.70%
1996	-6.90%	6.40%	12.80%	-13.60%	-7.50%	-10.80%	-5.10%	-11.10%	-0.10%	-6.60%	-8.20%
1997	-7.40%	-28.80%	-19.60%	-5.80%	-0.50%	-6.80%	-16.80%	8.50%	4.10%	-1.50%	-6.40%
1998	-3.60%	-0.50%	-22.00%	5.40%	-1.40%	-0.70%	-4.50%	4.40%	-3.60%	-10.90%	-3.50%
1999	-2.70%	0.90%	17.20%	4.30%	4.60%	-3.30%	2.30%	-3.10%	-15.60%	-4.30%	-2.00%
2000	-8.70%	-16.60%	-5.30%	-19.00%	-24.60%	-9.80%	0.60%	-24.70%	-19.00%	-4.60%	-6.30%
2001	3.40%	-1.00%	-2.80%	7.40%	-6.90%	6.70%	-7.50%	0.30%	3.80%	9.50%	19.60%
2002	-4.10%	-9.30%	0.90%	-9.90%	-2.40%	2.70%	-5.80%	-6.40%	-9.10%	-9.60%	-0.60%
2003	-4.60%	-4.00%	10.70%	3.50%	-10.70%	-6.90%	-8.60%	-8.20%	-7.30%	-0.20%	3.00%
Since 1994	-50.00%	-68.60%	-18.30%	-46.50%	-69.00%	-27.30%	-50.00%	-42.80%	-47.40%	-73.00%	-36.60%

Source: Statistics Canada

The question of whether increased availability inherent in privatization will result in increased consumption is an important one. The accepted truth by many organizations and individuals opposed to free market liquor retailing is that drinking will increase and therefore overall crime rates will increase. The available research does not support this conclusion.

Crime related to liquor stores remained constant in Calgary throughout and after the privatization years. Edmonton's impaired driving rates declined dramatically during that time, and the province's impaired driving charges have declined by 73 per cent since privatization – the biggest drop in Canada.

The bottom line is there is no causal relationship between privatization and alcohol-related crime. If there was, then Saskatchewan residents ought to be concerned, as we have not seen the same decline in impaired driving charges as other provinces have.

The Rising Cost of Liquor Retailing in Saskatchewan

Another important consideration when looking at Saskatchewan's liquor retailing system is the cost of that system. With each passing year, Saskatchewan's government liquor stores get more expensive to run, while serving fewer people.

Since the 2000/01 budget year, the total cost of the liquor retailing system has increased by 20 per cent – twice as fast as inflation (Table 5). While costs have dramatically increased in all categories much faster than inflation, the single biggest culprit is the SLGA payroll. It's important to note that over this same period of time the population and customer base has declined.

One of the inherent contradictions with government-run liquor stores is the reality of spending large sums of money on liquor stores when hospital beds are being closed and the province's highway system continues to decay. While such comments could be written off as demagoguery, they shouldn't be. There is a very real contradiction when the government is raising taxes in general, and spending millions on renovating or building new liquor stores.

Since 2000, the province has spent \$8.5 million on major and minor liquor store construction projects, leasehold improvements and renovations. Since 2002, the government has been running deficits, raising taxes and closing hospital beds.

Most individuals find these expenditures questionable, regardless of whether the government is experiencing tough fiscal challenges or not.

	2000/01	2001/02	2002/03	2003/04	Percent Increase
Stores					
Salaries & Benefits	17,758,420	18,668,968	19,631,511	20,970,771	18%
Expenses	7,644,626	8,258,232	8,096,914	9,167,200	20%
Warehouse					
Salaries & Benefits	948,291	949,170	1,139,532	1,148,416	21%
Expenses	147,034	154,401	66,136	216,286	47%
Head Office					
Salaries & Benefits	1,265,025	1,442,666	1,700,723	1,772,489	40%
Expenses	587,420	682,450	615,977	730,405	24%
Major Construction (\$20,000 and over)					
SLGA Owned Buildings	1,347,556	293,016	215,797	3,212,405	
Leasehold Improvements	1,314,418	1,511,883	31,392	0	
Minor Construction/Maintenance Repairs (Under \$20,000)					
Minor Reno. for All Properties	277,767	258,782		85,175	
Grand total	\$31,290,557	\$32,219,568	\$31,497,982	\$37,303,147	20%

Source: Saskatchewan Liquor and Gaming Authority Annual Report

SLGA pays their liquor store employees above-market wages for the jobs they perform. These wage premiums are paid by all taxpayers and, again, by consumers.

Salaries for Retail Store Positions	Hourly Rate
Customer Service Representative I	\$14.45 - \$17.17
Customer Service Representative II	16.36 - 18.61
Liquor Store Assistant Manager I	17.75 - 20.35
Liquor Store Assistant Manager II	18.70 - 21.52
Store Manager I	17.28 - 21.59
Store Manager II	18.20 - 22.77
Store Manager III	19.60 - 24.50
Store Manager IV	21.82 - 27.70
Store Manager V	23.44 - 29.75
Salaries for Distribution Centre Positions	Hourly Rate
Warehouse Person	\$15.12 - \$17.17
Machine Operator	15.74 - 17.91
Assistant Warehouse Manager	16.38 - 18.73
Warehouse Manager	28.49 - 37.04

Source: SLGA

For this report, we obtained average salaries from Statistics Canada for comparable occupations. It's noteworthy that customer service employees at SLGA stores earn more than twice as much as the national average for similar occupations. The vast majority SLGA employees are paid significantly higher wages than what can be attained in the private sector.

	Customer Service	Assistant Manager	Manager	Warehouse person	Machine operator	Warehouse Manager	Average
Average Annual SLGA Salary	28,928	34,361	44,923	28,254	30,319	57,339	37,354
	Accommodation & Food Services	Food & Beverage	Retail Trade	Storage & Warehouse	Amusement & Recreation	Management Consulting	Canadian Average
Average Annual Salary	12,220	15,705	18,644	34,195	20,492	39,682	34,483
Percent Difference	136.7%	118.8%	141.0%	-17.4%	48.0%	44.5%	8.3%

Source: Statistics Canada

- Expenditures on Saskatchewan's government-run liquor stores are rising at twice the rate of inflation. Certainly, there are higher or more pressing priorities for government.
- Expenditures of \$8.5 million on major liquor store construction projects, leasehold improvements and renovations since 2000 are inappropriate and not a core function of government, and therefore a waste of tax dollars.
- Operating liquor stores is outside the core functions of government and diverts resources and attention away from core government services.
- Salaries and benefits paid to government liquor store employees are much higher than similar jobs in the other sectors. In addition, the SLGA liquor payroll is rising twice as fast as inflation.

The Economic Benefits of Privatization

Privatization in Alberta has been an unmitigated success. In August, 1993, there were 205 Alberta Liquor Control Board (ALCB) stores and 53 beer and wine stores before privatization. By December 1, 1995 the number had increased by 134 per cent to 605. There were 41 cities in Alberta that had no government stores before privatization, but came to have at least one private store after the change.

By 2001 the total number of stores increased by 318 per cent to 858. The number of stores serving areas outside the large urban centers of Edmonton and Calgary increased by 213 per cent from 158 to 495. In 2001, Calgary had nine times as many stores as they did in '93, and Edmonton had nearly seven times as many.

We can reasonably expect similar results if privatization were pursued in Saskatchewan because the former ALCB and SLGA have very similar operations. Both appear to endeavor to meet the needs of the community with the fewest number of stores, and (arguably) the lowest possible cost.

In Saskatchewan we currently have 81 liquor stores serving 64 communities.

In 2002, the Alberta ratio of population per store was 3400:1. The ratio of stores in Saskatchewan currently stands at 12,346:1. If privatization in Saskatchewan mimics the Alberta experience, we can expect that number of stores would multiply by 3.6.

That means our communities would have more than 200 new or expanded independent property taxpayers, hundreds of new entrepreneurs, hundreds of new jobs, and increased demand for store space, business supplies and services, computers, software, coolers, insurance, telephone and utilities, shipping services, vehicles sales and leases, advertising, security systems, and real estate.

Communities across the province which currently have no liquor retailer would have one, or maybe two. Dozens or perhaps hundreds of communities that have only a handful of remaining businesses would have one or even two more.

If the Alberta experience holds true for Saskatchewan, the number of individuals working at liquor stores would also triple.

Recommendations for Reforming Liquor Retailing

The CTF's recommends the privatization of Saskatchewan liquor stores be guided by the following principles:

- Relative revenue neutrality for government
- Maintaining a level playing field for all new entrants into the market
- Increased convenience and choice for consumers
- No long term increase in the price of beverage alcohol
- Maximum job and economic growth
- Continued emphasis on social responsibility

Revenue Neutrality

Given the current deficit position of government finances, the CTF recognizes the need for changes to the liquor retailing system to be as revenue neutral as possible, while still maximizing the public benefit of a private retailing system.

Opponents to privatization make the claim that the Alberta government “lost” revenues to pay for schools, roads and hospitals as a result of privatization. The Alberta government took in \$431 million in 1992. In 2002 the province took in \$482 million in liquor revenue – despite having cut taxes on liquor four times in the interim years.

It should be noted that any “reduction” in government revenues was offset by the quadrupling of retail locations and employment. Furthermore, business taxes and economic spin-off generated by privatization should not be underestimated.

	2004		2003
	Budget	Actual	Actual
	(000s)	(000s)	(000s)
Revenues:			
Liquor Sales	\$364,412	\$376,210	\$353,723
Licenses, Permits and Other Income	2,948	4,165	3,568
	367,360	380,375	357,291
Expenses:			
Cost of Liquor	188,849	197,472	185,293
Administration and Regulation	N/A	2,503	2,317
Net Revenue from Liquor Sales	\$178,511	\$180,400	\$169,681

Source: SLGA 2003-04 Annual Report, SLGA records

For the purpose of our recommendations in this report, we rely on financial information provided in the SLGA 2003-04 annual report, and additional data provided by SLGA. The province’s revenue from their liquor operations come from the sale of alcohol.

Shifting toward a private liquor distribution system would mean that private operators bear all of the costs of retailing beverage alcohol, which means a privatized model would have to provide mark-up room for the private operator to cover costs and earn profit. Government would remain in control of all regulation, monitoring and enforcement.

The CTF proposes that the SLGA shift to a base tax model and reduce the government mark-up by 15 per cent. That would mean the government would reduce their take on liquor by \$27,060,000 annually. A 15 per cent reduction in government mark-up will provide retailers room to recoup their costs and make a profit without forcing consumers to pay more for beverage alcohol.

Based on 2003/04 budget information on the operating cost of government liquor sales, the sale of liquor stores and the corresponding payroll reductions would save taxpayers \$34,800,147 annually. This figure takes in to consideration \$2.5 million in administration costs currently reported by SLGA. Under our proposed model, the government would maintain its role as regulator, and would therefore incur similar expenses.

This cost reduction would more than offset the government’s foregone mark-up revenues, resulting in net savings to taxpayers in excess of \$7.7 million annually.

Another benefit for taxpayers would be the sale of physical assets relating to liquor retailing. SLGA as a whole owns buildings all over Saskatchewan with a current net book value of \$13.7 million. The portion of those buildings dedicated to liquor retailing is not known, but the sale of these assets would be committed to provincial debt reduction.

A “base tax” (replacing government *ad valorem* mark-up system) is preferable for retailers and government alike because it is simple. Details of the base tax system will have to be determined after a consultation period, but the end result would be that government revenues would remain constant, or even grow once liquor store overhead is eliminated.

Maintaining a Level Playing Field

In the interest of economic development and fairness we recommend that there be no limit on the number of licenses granted to operate liquor stores. We also recommend that SLGA not permit grocery stores or other retail operations to sell beverage alcohol within pre-existing location. If existing retail operations wish to enter the market, they should buy or build a separate location. Stores should be permitted to remain open as long as bars and restaurants.

Government should enter into a public/private partnership to operate a central provincial warehouse that would oversee the distribution of product. This would enable the province to continue acting as a strong regulator of alcohol distribution.

Summary of Reform Recommendations

- In the 12 month period following the passage of budget 2005, SLGA liquor stores should be sold and licenses issued to prospective liquor store operators.
- Licenses and current liquor store locations should be offered to current SLGA employees before being placed on the market.
- The province should enter in to a public/private partnership to manage the supply chain.
- Proceeds from the sale of assets should be used as a payment on the provincial debt.
- Prospective operators should be required to operate liquor stores in locations that are separate and distinct from pre-existing retail operations.

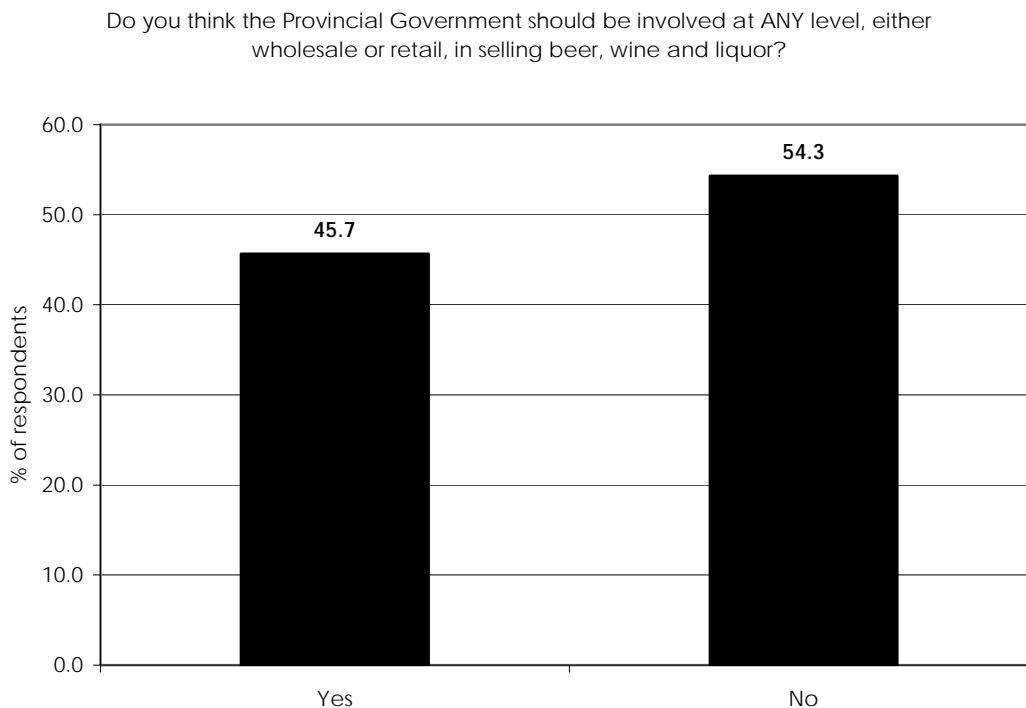
- The current *ad valorem* system should be replaced with a base tax on beverage alcohol products.
- The total government markup on beverage alcohol should be reduced by 15 per cent, or \$27,060,000 annually, based on 2003/04 SLGA Annual Report figures.
- Private retail operators should be permitted to remain open the same number of hours as bars, so long as such hours are permitted at the municipal level.

Saskatchewan Residents Support Privatizing Liquor Retailing

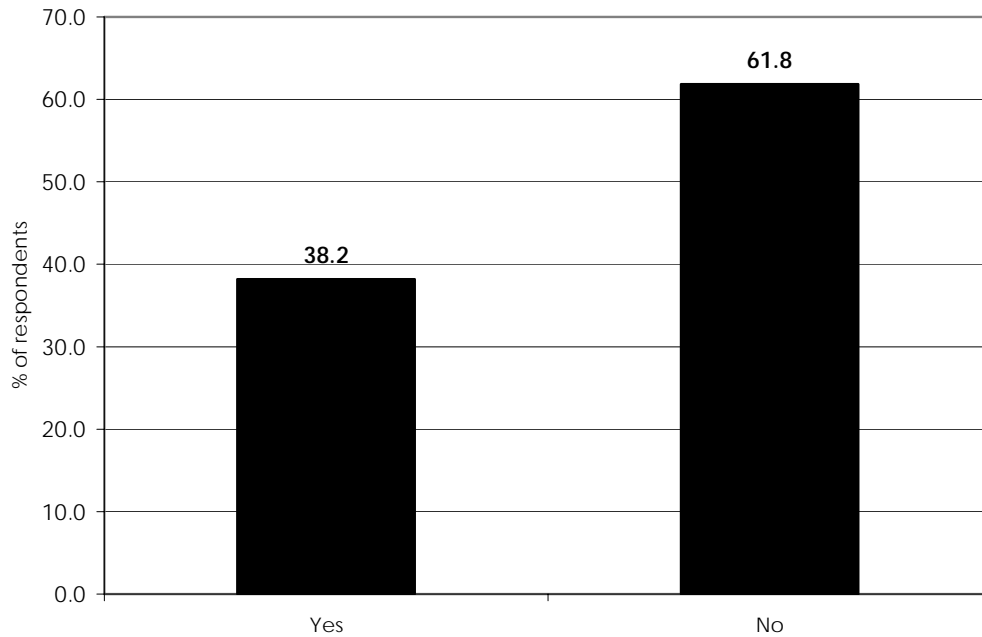
In order to determine the level of public support for liquor privatization, the CTF commissioned a poll between June 7 and June 11, 2004. The sample consisted of 693 completed interviews, and is accurate within 3.7 per cent, 19 times out of 20.

Over half the respondents (54.3 per cent) indicated that they felt the provincial government should not be involved in the sale of beverage alcohol at any level.

Among the 45.7 per cent of respondents who indicated the government **should** play a role, 38.2 per cent would limit that role to the wholesale level.

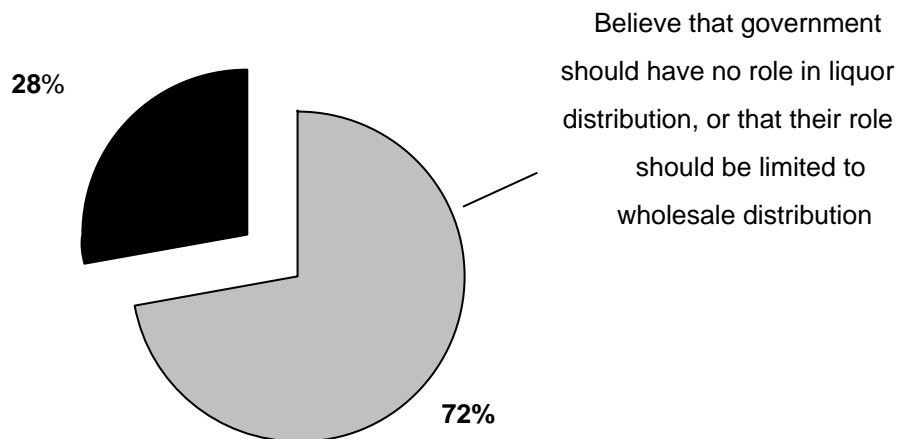


Do you think the Provincial Government should limit its role to selling liquor at the wholesale level and turn retail sales over to private store operators?



It's clear from the data that Saskatchewan residents are ready for a change in liquor retailing. These results show a willingness to privatize our liquor retailing business without being "pitched" an idea, and without any sort of preamble. The data shows that on any given day, more than half the province feels government should have no involvement in retailing alcohol.

Of those who said government should be involved, more than 38 per cent felt it should be limited to wholesaling. All told, 72 per cent of Saskatchewan residents feel that government should have no role in liquor retailing, or that the government role should be limited to the wholesale level.



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Saskatchewan Liquor and Gaming Authority Interim Price List, Effective: April 2004

Appendix I

Liquor Price Comparison

Whiskey – 20 Products

Product	Size (mL)	Saskatchewan				Alberta			Total Price SK	Total Price AB
		Base Price	GST	LCT	Contr. Dep.	Base Price	GST	Contr. Dep.		
Alberta Premium	750	18.59	1.30	1.86	0.20	18.60	1.30	0.05	21.95	19.95
Alberta Springs Sipping Whiskey	750	19.45	1.36	1.95	0.20	20.46	1.43	0.05	22.96	21.94
Black Velvet	750	18.59	1.30	1.86	0.20	18.60	1.30	0.05	21.95	19.95
Corby Royal Reserve	750	18.59	1.30	1.86	0.20	18.60	1.30	0.05	21.95	19.95
Gibson Finest Rare 18 Year Old	750	33.97	2.38	3.40	0.20	33.55	2.35	0.05	39.94	35.95
Gibson's Finest Sterling Edition	750	19.45	1.36	1.95	0.20	20.47	1.43	0.05	22.96	21.95
Golden Wedding	750	18.59	1.30	1.86	0.20	18.59	1.30	0.05	21.95	19.94
Highwood Whiskey	750	18.67	1.31	1.87	0.20	17.66	1.24	0.05	22.04	18.95
McGuinness Silk Tassel	750	18.67	1.31	1.87	0.20	18.60	1.30	0.05	22.04	19.95
Meagher 1878	750	18.67	1.31	1.87	0.20	17.66	1.24	0.05	22.04	18.95
Schenley OFC	750	19.45	1.36	1.95	0.20	17.66	1.24	0.05	22.96	18.95
Seagram 5 Star	750	18.59	1.30	1.86	0.20	18.60	1.30	0.05	21.95	19.95
Seagram Crown Royal	750	22.01	1.54	2.20	0.20	23.27	1.63	0.05	25.95	24.95
Seagram VO	750	19.45	1.36	1.95	0.20	19.53	1.37	0.05	22.96	20.95
Walker Canadian Club	750	19.45	1.36	1.95	0.20	19.53	1.37	0.05	22.96	20.95
Walker Canadian Club Classic	750	22.01	1.54	2.20	0.20	19.53	1.37	0.05	25.95	20.95
Walker Special Old	750	18.59	1.30	1.86	0.20	18.60	1.30	0.05	21.95	19.95
Windsor Canadian Whiskey	750	18.67	1.31	1.87	0.20	14.99	1.05	0.05	22.04	16.09
Wiser's Deluxe 10	750	20.30	1.42	2.03	0.20	20.47	1.43	0.05	23.95	21.95
Wiser's Special Blend	750	18.59	1.30	1.86	0.20	18.60	1.30	0.05	21.95	19.95

Average

23.62 21.11

Higher \$ in SK	20
Higher \$ in AB	0
Total	20

100% of the whiskeys surveyed are less expensive in Alberta

Bourbon – 4 Products

Product	Size (mL)	Saskatchewan				Alberta			Total Price SK	Total Price AB
		Base Price	GST	LCT	Contr. Dep.	Base Price	GST	Contr. Dep.		
Gentleman Jack Rare Whiskey	750	34.01	2.38	3.40	0.20	27.94	1.96	0.05	39.99	29.95
Knob Creek Bourbon	750	33.97	2.38	3.40	0.20	45.70	3.20	0.05	39.94	48.95
Jack Daniels Old No. 7 Brand	750	23.33	1.63	2.33	0.20	22.33	1.56	0.05	27.50	23.94
Jim Beam Kentucky Straight Bourbon	750	19.54	1.37	1.95	0.20	19.53	1.37	0.05	23.06	20.95
Average									32.62	30.95
Higher \$ in SK		3								
Higher \$ in AB		1								
Total		4								

75% of the bourbons surveyed are less expensive in Alberta

Single Malt Scotch – 16 Products

Product	Size (mL)	Saskatchewan				Alberta			Total Price SK	Total Price AB
		Base Price	GST	LCT	Contr. Dep.	Base Price	GST	Contr. Dep.		
Bowmore 12 Year Old Islay	750	43.24	3.03	4.32	0.20	35.42	2.48	0.05	50.79	37.95
Cardhu Highland 12 Year Old	750	47.65	3.34	4.77	0.20	47.57	3.33	0.05	55.95	50.95
Cragganmore Highland 12 Year Old	750	51.07	3.57	5.11	0.20	42.90	3.00	0.05	59.95	45.95
Dalmore 12 Year Old	750	42.15	2.95	4.22	0.20	30.75	2.15	0.05	49.52	32.95
Dalmore Cigar Malt Scotch	750	45.54	3.19	4.55	0.20	42.89	3.00	0.05	53.48	45.94
Glen Keith 10 Year Old	750	33.97	2.38	3.40	0.20	39.16	2.74	0.05	39.94	41.95
Glenfiddich	750	34.27	2.40	3.43	0.20	30.75	2.15	0.05	40.30	32.95
Glenmorangie Highland 10 Year Old	750	37.39	2.62	3.74	0.20	32.62	2.28	0.05	43.95	34.95
Highland Park 12 Year Old	750	45.90	3.21	4.59	0.20	37.29	2.61	0.05	53.90	39.95
Lagavulin 16 Year Old	750	72.44	5.07	7.24	0.20	53.18	3.72	0.05	84.95	56.95
Laphroaig Islay 10 Year Old	750	42.94	3.01	4.29	0.20	30.74	2.15	0.05	50.44	32.94
Oban 14 Year Old	750	72.44	5.07	7.24	0.20	53.18	3.72	0.05	84.95	56.95
Talisker Skye 10 Year Old	750	51.07	3.57	5.11	0.20	42.90	3.00	0.05	59.95	45.95
The Balvenie Doublewood 12 Year Old	750	43.24	3.03	4.32	0.20	40.09	2.81	0.05	50.79	42.95
The Balvenie Founders Reserve 10 Years Old	750	37.82	2.65	3.78	0.20	33.55	2.35	0.05	44.45	35.95
The Glenlivet 12 Year Old	750	34.57	2.42	3.46	0.20	30.75	2.15	0.05	40.65	32.95
Average									54.00	41.76
Higher \$ in SK		15								
Higher \$ in AB		1								
Total		16								

94% of the single malt scotch surveyed are less expensive in Alberta

Blended Scotch – 5 Products

Product	Size (mL)	Saskatchewan				Alberta			Total Price SK	Total Price AB
		Base Price	GST	LCT	Contr. Dep. SK	Base Price	GST	Contr. Dep.		
Chivas Regal 12 Year Old	750	38.25	2.68	3.83	0.20	32.62	2.28	0.05	44.95	34.95
J&B Rare	750	20.99	1.47	2.10	0.20	24.21	1.69	0.05	24.76	25.95
Johnnie Walker Gold Label 18 Year Old	750	52.78	3.69	5.28	0.20	55.04	3.85	0.05	61.95	58.94
Johnnie Walker Red Label	750	22.52	1.58	2.25	0.20	24.21	1.69	0.05	26.55	25.95
The Famous Grouse	750	23.73	1.66	2.37	0.20	22.34	1.56	0.05	27.96	23.95
Average									37.24	33.95
Higher \$ in SK		4								
Higher \$ in AB		1								
Total		5								

80% of the blended scotch surveyed are less expensive in Alberta

Gin – 7 Products

Product	Size (mL)	Saskatchewan				Alberta			Total Price SK	Total Price AB
		Base Price	GST	LCT	Contr. Dep.	Base Price	GST	Contr. Dep.		
Beefeater	750	20.30	1.42	2.03	0.20	19.53	1.37	0.05	23.95	20.95
Bols Geneva Gin	750	19.45	1.36	1.95	0.20	18.6	1.30	0.05	22.96	19.95
Bombay Sapphire	750	21.41	1.50	2.14	0.20	22.34	1.56	0.05	25.25	23.95
Gilbey Lemon Gin Collins	750	18.67	1.31	1.87	0.20	19.53	1.37	0.05	22.04	20.95
Gilbey London Dry	750	19.87	1.39	1.99	0.20	19.53	1.37	0.05	23.45	20.95
Gordon London Dry	750	19.87	1.39	1.99	0.20	19.53	1.37	0.05	23.45	20.95
Tanqueray Special Dry	750	20.30	1.42	2.03	0.20	20.47	1.43	0.05	23.95	21.95
Average									23.58	21.38

Higher \$ in SK	7
Higher \$ in AB	<u>0</u>
Total	7

100% of the gins surveyed are less expensive in Alberta

Rum – 18 Products

Product	Size (mL)	Saskatchewan				Alberta			Total Price SK	Total Price AB
		Base Price	GST	LCT	Contr. Dep.	Base Price	GST	Contr. Dep.		
Appleton Estate V/X	750	20.30	1.42	2.03	0.20	20.47	1.43	0.05	23.95	21.95
Bacardi 151 Amber	750	32.73	2.29	3.27	0.20	27.94	1.96	0.05	38.49	29.95
Bacardi 1873	750	20.34	1.42	2.03	0.20	20.47	1.43	0.05	24.00	21.95
Bacardi Black	750	19.45	1.36	1.95	0.20	19.53	1.37	0.05	22.96	20.95
Bacardi Gold	750	19.45	1.36	1.95	0.20	20.47	1.43	0.05	22.96	21.95
Bacardi Limon	750	20.31	1.42	2.03	0.20	20.47	1.43	0.05	23.96	21.95
Bacardi White	750	19.45	1.36	1.95	0.20	20.47	1.43	0.05	22.96	21.95
Captain Morgan Black	750	19.45	1.36	1.95	0.20	19.53	1.37	0.05	22.96	20.95
Captain Morgan Deluxe	750	21.15	1.48	2.12	0.20	21.4	1.50	0.05	24.95	22.95
Captain Morgan Spiced	750	20.30	1.42	2.03	0.20	20.47	1.43	0.05	23.95	21.95
Captain Morgan White Label	750	18.59	1.30	1.86	0.20	18.6	1.30	0.05	21.95	19.95
Cockspur Barbados Rum	750	19.57	1.37	1.96	0.20	19.53	1.37	0.05	23.10	20.95
Havana Club 7 Year Old	750	23.46	1.64	2.35	0.20	23.27	1.63	0.05	27.65	24.95
Lamb Palm Breeze Light	750	19.45	1.36	1.95	0.20	19.53	1.37	0.05	22.96	20.95
Lambs Navy	750	19.45	1.36	1.95	0.20	18.53	1.30	0.05	22.96	19.88
Lambs White	750	18.59	1.30	1.86	0.20	19.53	1.37	0.05	21.95	20.95
Lemon Hart Demerara	750	19.45	1.36	1.95	0.20	20.47	1.43	0.05	22.96	21.95
Newfoundland Screech	750	19.71	1.38	1.97	0.20	19.53	1.37	0.05	23.26	20.95

Average

24.33

22.06

Higher \$ in SK

18

Higher \$ in AB

0

Total

18

100% of the rums surveyed are less expensive in Alberta

Vodka – 14 Products

Product	Size (mL)	Saskatchewan				Alberta			Total Price SK	Total Price AB
		Base Price	GST	LCT	Contr. Dep.	Base Price	GST	Contr. Dep.		
Absolut	750	20.30	1.42	2.03	0.20	20.47	1.43	0.05	23.95	21.95
Alberta Vodka	750	18.67	1.31	1.87	0.20	18.60	1.30	0.05	22.04	19.95
Banff Ice	750	19.45	1.36	1.95	0.20	19.53	1.37	0.05	22.96	20.95
Finlandia	750	19.87	1.39	1.99	0.20	19.53	1.37	0.05	23.45	20.95
Luksusowa Potato Vodka	750	19.87	1.39	1.99	0.20	19.53	1.37	0.05	23.45	20.95
Moskovskaya	750	18.59	1.30	1.86	0.20	19.53	1.37	0.05	21.95	20.95
Polar Ice	750	19.45	1.36	1.95	0.20	20.47	1.43	0.05	22.96	21.95
Russian Prince	750	18.67	1.31	1.87	0.20	17.66	1.24	0.05	22.04	18.95
Silent Sam	750	19.45	1.36	1.95	0.20	20.47	1.43	0.05	22.96	21.95
Skyy Vodka	750	20.08	1.41	2.01	0.20	20.47	1.43	0.05	23.69	21.95
Smirnoff	750	19.45	1.36	1.95	0.20	20.47	1.43	0.05	22.96	21.95
Stolichnaya Vanil	750	19.45	1.36	1.95	0.20	20.47	1.43	0.05	22.96	21.95
Troika	750	18.59	1.30	1.86	0.20	18.60	1.30	0.05	21.95	19.95
Wyborowa	750	19.45	1.36	1.95	0.20	18.60	1.30	0.05	22.96	19.95

Average

22.88

21.02

Higher \$ in SK
Higher \$ in AB
Total

14
0
14

100% of the vodkas surveyed are less expensive in Alberta

Beer – 20 Products

Product	Size (mL)	Saskatchewan				Alberta			Total Price SK	Total Price AB
		Base Price	GST	LCT	Contr. Dep.	Base Price	GST	Contr. Dep.		
Labatt Blue	12 Bottles	15.17	1.06	1.52	1.20	15.69	1.10	1.20	18.95	17.99
Budweiser	12 Bottles	15.17	1.06	1.52	1.20	15.69	1.10	1.20	18.95	17.99
Bud Light	12 Bottles	15.17	1.06	1.52	1.20	15.69	1.10	1.20	18.95	17.99
Molson Canadian	12 Bottles	15.17	1.06	1.52	1.20	15.69	1.10	1.20	18.95	17.99
Canadian Ice	12 Bottles	15.17	1.06	1.52	1.20	15.69	1.10	1.20	18.95	17.99
Coors Light	12 Bottles	15.17	1.06	1.52	1.20	15.69	1.10	1.20	18.95	17.99
Extra Old Stock	12 Bottles	13.72	0.96	1.37	1.20	14.71	1.03	1.20	17.25	16.94
Kokanee Gold	12 Bottles	15.17	1.06	1.52	1.20	16.58	1.16	1.20	18.95	18.94
Kokanee Gold	12 Bottles	15.17	1.06	1.52	1.20	15.69	1.10	1.20	18.95	17.99
Labatt Genuine Draft	12 Bottles	15.17	1.06	1.52	1.20	14.71	1.03	1.20	18.95	16.94
Labatt Lite	12 Bottles	15.17	1.06	1.52	1.20	15.69	1.10	1.20	18.95	17.99
Molson Special Dry	12 Bottles	15.17	1.06	1.52	1.20	15.69	1.10	1.20	18.95	17.99
Pilsner	12 Bottles	15.17	1.06	1.52	1.20	14.71	1.03	1.20	18.95	16.94
Wildcat Strong	12 Bottles	14.06	0.98	1.41	1.20	12.85	0.90	1.20	17.65	14.95
Alexander Keith's	12 Bottles	16.45	1.15	1.65	1.20	15.65	1.10	1.20	20.45	17.95
Heineken	12 Bottles	20.56	1.44	2.06	1.20	16.51	1.16	1.20	25.25	18.87
John Labatt Classic	12 Bottles	16.03	1.12	1.60	1.20	14.72	1.03	1.20	19.95	16.95
Miller Genuine Draft	12 Bottles	17.36	1.22	1.74	1.20	15.65	1.10	1.20	21.51	17.95
Grasshoper	12 Bottles	16.88	1.18	1.69	1.20	15.65	1.10	1.20	20.95	17.95
Traditional Ale	12 Bottles	16.88	1.18	1.69	1.20	15.65	1.10	1.20	20.95	17.95

Average

19.64

17.68

Higher \$ in SK

20

Higher \$ in AB

0

Total

20

100% of the beer surveyed are less expensive in Alberta

Wine – 18 Products

Product	Size (mL)	Saskatchewan				Alberta			Total Price SK	Total Price AB
		Base Price	GST	LCT	Contr. Dep.	Base Price	GST	Contr. Dep.		
Gato Blanco Sauvignon Blanc	750	8.26	0.58	0.83	0.20	7.38	0.52	0.05	9.86	7.95
Jackson Triggs Cabernet Sauvignon	750	7.51	0.53	0.75	0.20	7.38	0.52	0.05	8.99	7.95
Jackson Triggs Merlot	750	7.51	0.53	0.75	0.20	7.38	0.52	0.05	8.99	7.95
Jackson-Triggs Okanagan Blanc de Noir	750	6.55	0.46	0.66	0.20	7.38	0.52	0.05	7.86	7.95
Le Piat Red	750	8.76	0.61	0.88	0.20	7.37	0.52	0.05	10.45	7.94
Le Piat White	750	8.76	0.61	0.88	0.20	7.37	0.52	0.05	10.45	7.94
Merlot Santa Isabella	750	6.47	0.45	0.65	0.20	7.38	0.52	0.05	7.77	7.95
Mission Ridge Premium Red	750	6.23	0.44	0.62	0.20	6.45	0.45	0.05	7.49	6.95
Mission Ridge Premium White	750	6.23	0.44	0.62	0.20	6.45	0.45	0.05	7.49	6.95
Peller Estates Cabernet Sauvignon	750	7.41	0.52	0.74	0.20	7.38	0.52	0.05	8.87	7.95
Peller Estates Chardonnay	750	7.23	0.51	0.72	0.20	7.38	0.52	0.05	8.66	7.95
Peller Estates Red	750	5.57	0.39	0.56	0.20	6.45	0.45	0.05	6.72	6.95
Peller Estates Sauvignon Blanc	750	7.07	0.49	0.71	0.20	7.38	0.52	0.05	8.47	7.95
Peller Estates White	750	5.57	0.39	0.56	0.20	6.45	0.45	0.05	6.72	6.95
Peller Estates Merlot	750	7.41	0.52	0.74	0.20	7.38	0.52	0.05	8.87	7.95
Sawmill Creek Chardonnay	750	6.38	0.45	0.64	0.20	7.38	0.52	0.05	7.66	7.95
Sawmill Creek Merlot	750	6.67	0.47	0.67	0.20	7.38	0.52	0.05	8.00	7.95
Sawmill Creek Sauvignon Blanc	750	6.32	0.44	0.63	0.20	6.45	0.45	0.05	7.59	6.95
Average									8.38	7.67
Higher \$ in SK									13	
Higher \$ in AB									5	
Total									18	

72% of the wines surveyed are less expensive in Alberta