

Saskatchewan Liquor and Gaming Authority



Plan for 2014-15

Statement from the Minister



*The Honourable
Donna Harpauer
Minister Responsible for
the Saskatchewan Liquor
and Gaming Authority*

On behalf of the Saskatchewan Liquor and Gaming Authority (SLGA), I am pleased to present SLGA's Plan for the upcoming year. The Government's Direction and Budget for 2014-15 are built on the principle of *Steady Growth* to support a continued focus on sound economic growth and shared prosperity.

SLGA's 2014-15 Plan focuses on continuous improvement across the organization with the goal of advancing both customer service and financial performance. SLGA's net income is essential to providing sustainable funding in support of Government programs and services and this Plan is committed to promoting financial growth in a socially responsible manner. The Plan supports stronger collaboration with partners and stakeholders and allows new business opportunities by furthering private sector involvement in the Province's blended retail liquor network. Improving efficiency and effectiveness of program delivery and promoting a safe and engaged workforce will continue to be key priorities in 2014-15.

I am committed to being accountable to the people of Saskatchewan and accept responsibility for furthering Government's commitments while ensuring SLGA is managed with integrity and professionalism. I will report on progress made toward this Plan in the 2014-15 Annual Report.

Response to Government Direction

The Government is committed to establishing Saskatchewan as the best place to live, work and raise a family.

In October 2013, the first progress report on the *Saskatchewan Plan for Growth – Vision 2020 and Beyond* was released. Saskatchewan's growth is strong and steady. As Saskatchewan continues to move forward, the Government will support growth in 2014-15 through investing in people and needed infrastructure, encouraging economic growth, and through sound policy and financial decisions.

Saskatchewan's Vision

"... to be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life."

Sustaining growth and
opportunities for Saskatchewan
people

Meeting the challenges
of growth

Securing a better quality
of life for all
Saskatchewan people

Delivering responsive
and responsible
government

Government's vision and four goals provide the framework for ministries, agencies and third parties to align their programs and services to these priorities and meet the needs of Saskatchewan's citizens.

All ministries and agencies will report on progress in their 2014-15 annual reports. This supports Government's commitment to keep its promises and ensures greater transparency and accountability to the people of Saskatchewan.

Mission, Strategies and Actions

Mission Statement

Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation and regulation of liquor and gaming products.

Strategy

Support economic growth in liquor and gaming industries and associated sectors

Key Actions

- ⇒ Build a new distribution facility to meet growing volumes, increase product selection, and improve efficiencies and customer service. The distribution centre is expected to be completed in 2015-16.
- ⇒ Continue to review and develop options for the public-private liquor retail model to address capacity issues and meet future volume growth requirements, including the launch of four full-line private liquor stores in Saskatoon and Regina.
- ⇒ Review and monitor the changing Video Lottery Terminal (VLT) and casino markets to ensure revenue sustainability.
- ⇒ Continue to support the charitable gaming industry through the charitable gaming grant program.

Strategy

Reduce adverse consequences of liquor and gaming products through socially responsible sales and distribution

Key Actions

- ⇒ Continue to participate on the Interprovincial Lottery Corporation Responsible Gaming Sub-committee, leveraging resources from across jurisdictions for responsible gambling programs, focused on evidence-based initiatives.
- ⇒ Continue to work on the development of responsible gambling initiatives in collaboration with members of the Saskatchewan Partnership for Responsible Gambling.
- ⇒ Continue to partner with Saskatchewan Government Insurance (SGI), government organizations, national groups and industry stakeholders to deliver provincial responsible use campaigns.
- ⇒ Continue to provide liquor and gaming responsible use training to SLGA employees.

Strategy

Support and strengthen collaboration between SLGA and its liquor and gaming partners

Key Actions

- ⇒ Continue to work collaboratively with the Federation of Saskatchewan Indian Nations (FSIN) to fulfill commitments under the Gaming Framework Agreement (GFA) and the Saskatchewan Indian Gaming Authority (SIGA) to fulfill commitments under the Casino Operating Agreement.
- ⇒ Work toward transitioning on-reserve gaming registration responsibilities to Indigenous Gaming Regulators (IGR).
- ⇒ Work with the new private sector partners to successfully integrate four full-line private liquor stores in Saskatoon and Regina.
- ⇒ Work with Commercial Permittees and Franchisees to pilot a new online ordering process that will be part of a new wholesale customer delivery model. The delivery model will be implemented in conjunction with the new liquor distribution centre.



Photo Credit: Saskatchewan Watershed Authority, photo by Vicki East, Rafferty Reservoir

Strategy

Ensure continuous improvement in internal operational efficiency, productivity and program effectiveness

Key Actions

- ⇒ Strengthen SLGA's corporate culture focused on continuous improvement including the ongoing application of Lean methodology.
- ⇒ Improve internal operational efficiency and provide greater information sharing capability through replacement of the Warehouse Management/Supply Chain system and the Regulatory Services system.
- ⇒ Ensure program effectiveness by continuing multi-year program reviews on an ongoing basis.
- ⇒ Build a new liquor distribution centre to process orders more efficiently.
- ⇒ Alleviate some labour and retail capacity pressures in major centres by developing a new delivery model that redirects large wholesale purchases from SLGA stores to the warehouse.
- ⇒ Enhance corporate planning and reporting frameworks and integrate with Enterprise Risk Management practices.

Strategy

Provide responsive and high quality services to customers and stakeholders

Key Actions

- ⇒ Develop a customer service and stakeholder engagement strategy.
- ⇒ Expand online services to customers and stakeholders by completing the replacement of the Warehouse Management/Supply Chain system and the Regulatory Services system, to be supported by a new external website.
- ⇒ Improve convenience, customer service and product selection through enhancements to the existing public-private retail network.

Strategy

Promote growth, development and a safe working environment to engage and empower employees

Key Actions

- ⇒ Reduce workplace injuries through continued enhancement of health and safety initiatives focused on retail and warehouse operations.
- ⇒ Enrich employee knowledge and skills through the development of eLearning programs where practicable:
 - ↳ Continue to design and convert five safety training modules for Liquor Store Operations employees from a classroom environment to eLearning.
 - ↳ As new training needs are identified, explore the costs and benefits of eLearning as an alternative to classroom training.
- ⇒ Work toward meeting Saskatchewan Human Rights Commission's representative workforce goals.
- ⇒ Support a corporate culture that is adaptable and aligns with SLGA's core values and strategic direction.

Performance Measures

Measure

SLGA net income

Fiscal Year	SLGA Net Income
2012-13	\$478.4 M
2011-12	\$463.5 M
2010-11	\$442.5 M
2009-10	\$433.1 M
2008-09	\$435.0 M

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

SLGA plays an important role in funding provincial programs and services. SLGA's net income reflects the total net revenue generated by the Province's liquor industry and the majority of the commercial gaming industry after deducting operating expenses. This is a critical outcome for SLGA as it contributes significantly to meeting the government's revenue objectives for funding key programs.

SLGA's net income reflects our core business activities and is directly aligned with Government's overarching goal of growth and opportunity. In addition to overall economic conditions, this outcome is dependent upon the balance SLGA must achieve between revenue generation, stakeholder benefits, customer service, social responsibility and operational efficiency.

Historically, SLGA has demonstrated a steady increase in its net income. Relative to 2011-12, SLGA net income increased by \$14.9 million which was driven by a \$13.6 million increase from liquor operations and a \$7.6 million increase in SIGA net income. These increases were partially offset by a \$5.1 million decrease in VLT net income and a \$1.2 million increase in regulatory gaming expenditures. Continued monitoring of financial performance as it relates to liquor and gaming activity is key to maintaining growth into the future.



Photo Credit: Ministry of Parks, Culture and Sport, Hans-Gerhard Pfaff, Victoria Park, Downtown Regina

Measure

SIGA net income

Fiscal Year	SIGA Net Income
2012-13	\$86.8 M
2011-12	\$79.2 M
2010-11	\$64.4 M
2009-10	\$65.1 M
2008-09	\$59.9 M

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This outcome reflects the total net income generated by SIGA casinos in the province after deducting operating expenses. As required by section 207 of the *Criminal Code of Canada*, SLGA owns the slot machines located in SIGA's casinos. The revenue generated from the machines is distributed according to the revenue sharing formula in the 2002 Gaming Framework Agreement (GFA) between the Province and the FSIN.

After defined payments made under the GFA, the General Revenue Fund retains 25 per cent of SIGA's net profit in support of broader provincial objectives. The remaining 75 per cent of SIGA's net profit is distributed back to First Nations communities via the First Nations Trust (FNT) and Community Development Corporations (CDCs). The FNT supports economic development, social development, justice, health, education, culture and other First Nations initiatives. The CDCs fund economic development, social development, justice, education, recreation, culture, health and other related initiatives among First Nations and non-First Nations in and around the communities where the casinos are located.

SIGA's net income is linked to SLGA's strategies to support economic growth and to support and strengthen the collaboration between SLGA and First Nations. Net income for SIGA totaled \$86.8 million in 2012-13. This measure can be impacted by overall economic conditions and competition from other gaming sectors.



Photo Credit: Ministry of Parks, Culture and Sport, Greg Huszar Photography, Evergreen Golf Course

Measure

VLT site commission

Fiscal Year	VLT Site Commission
2012-13	\$33.9 M
2011-12	\$34.4 M
2010-11	\$33.9 M
2009-10	\$34.3 M
2008-09	\$36.6 M

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure illustrates the financial benefit private businesses receive from VLT activity in the province. SLGA supports local businesses through a 15 per cent VLT site commission to liquor permitted establishments that host VLTs. In 2012-13, these site commissions helped to support 608 site contractors in 295 communities across Saskatchewan.

VLT site commissions are linked to Government's goal of growth and opportunity. The VLT program operates within a provincial cap of 4,000 VLTs balancing both social and fiscal responsibilities.

VLT site commissions followed the same trend in gross VLT revenue, declining by \$500,000 to \$33.9 million in 2012-13. This measure can be impacted by overall economic conditions and competition from other gaming sectors.



Photo Credit: Ministry of Parks, Culture, and Sport, photo by Paul Austring, Blue Sky over Duck Mountain

Measure

Total gross franchise and commercial permittee beverage alcohol purchases

Fiscal Year	Total Franchise Purchases	Total Commercial Permittee Purchases
2012-13	\$57.1 M	\$226.5 M
2011-12	\$54.8 M	\$220.1 M
2010-11	\$51.3 M	\$210.3 M
2009-10	\$50.2 M	\$215.4 M
2008-09	\$45.0 M	\$210.7 M

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure reflects the beverage alcohol purchases made by SLGA's partners in the private sector, illustrating the extent to which the Saskatchewan beverage alcohol market is served by a blended distribution model. The rural franchises and commercial permittees in turn generate additional revenue and economic activity through the resale of beverage alcohol in support of other core business areas such as accommodation, food services and retail sales. In 2014-15, purchases by SLGA's private sector partners are expected to increase with the launch of four new full-line private liquor stores in Regina and Saskatoon.

The total gross franchise and commercial permittee beverage alcohol purchases measure is linked to the overarching Government goal of sustaining growth and opportunity. SLGA views franchisees and commercial permittees as partners in the beverage alcohol market and, as such, SLGA provides policy, operational and financial support where and when possible to ensure growth and sustainability.

In addition to their relationship with the strength of the Saskatchewan economy, these performance measures can be affected by weather conditions. While franchise purchases have recorded growth each year, commercial permittee purchases were affected by the cold and wet summer weather experienced in 2010. Off-sale outlets are responsible for a significant percentage of impulse beer purchases in Saskatchewan; therefore, the decline in the volume of beer sales in 2010-11 was disproportionately felt by off-sale outlets. Purchases rebounded in 2011-12 and overall growth since 2008-09 has been supported by a combination of industry price increases, 'trading up' by the consumer to higher-priced products and an increase in the volume purchased and ultimately sold by SLGA's partners.



Photo Credit: Ministry of Parks, Culture and Sport, photo by Paul Astring, Duck Mountain

Measure

Marginal return on expenses (MRE)

Fiscal Year	Marginal Return on Expenses
2012-13	4.97
2011-12	20.79
2010-11	1.39
2009-10	(0.11)
2008-09	2.23

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure expresses an overall return on investment as an outcome. It expresses the ratio between the change in net income compared to the change in total operating expenses and reflects the principle that an increase in operating expenses often aligns with an increase in net income. Any outcome greater than zero is a positive outcome.

The MRE measure is linked to SLGA's strategy to ensure continuous improvement in internal operational efficiency and productivity. A positive and increasing MRE is a good indication that SLGA is managing expenses in a fiscally responsible manner that is generating growth in net income.

SLGA has some influence over certain aspects of this measure, especially regarding operating expenses and policy development aimed at growing net income over time. While net income grew by \$14.9 million in 2012-13, total expenses actually declined due to an adjustment to SLGA's pension liability of \$3.5 million (reduction in the Liquor Board Superannuation Plan liability) and a decrease in SIGA expenses. The overall positive performance of the MRE demonstrates SLGA's commitment to fiscal responsibility.



Photo Credit: Ministry of Parks, Culture and Sport, Hans-Gerhard Pfaff, Downtown Regina

Measure

Retail liquor store customer satisfaction

Customer Satisfaction Survey	2002-03 (phone)	2004-05 (phone)	2007-08 (phone)	2010-11 (phone)	2010-11 (online)
Satisfied with Customer Service	92%	91%	88%	92%	83%
Customer Service Meets or Exceeds Expectations	97%	96%	95%	97%	95%

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

Customer satisfaction is an important indicator of the quality and delivery of SLGA's programs and services and how they are perceived by the public. Excellent customer service is one of the most important outcomes for SLGA as a customer-oriented retail business. Identifying what is most important to customers is a key component for SLGA in continuing to offer high quality programs and services.

This measure is directly aligned with Government's goal of responsive and responsible government and SLGA's strategy to provide responsive and high quality services to customers and stakeholders.

In 2010-11, due to declining response rates via telephone surveys, SLGA conducted both online and telephone surveying in tandem to facilitate transition to an online survey model. The most recent telephone survey results indicate a high level of customer satisfaction with retail liquor store service and improvement relative to the previous survey in 2007-08. Online surveying usually produces lower customer satisfaction results. The 2010-11 online survey results will be used as a benchmark for future online customer satisfaction surveys.

In response to the results of the 2010-11 store survey, SLGA implemented a mystery shopper pilot program in 2011-12 to further define areas that were identified for service improvement. SLGA will continue to enhance its customer service and stakeholder engagement strategy.

Customer satisfaction is dependent upon service levels in stores and increasing demand for expanded product selection by SLGA's customers. Responding to increased demand created by the population growth occurring in Saskatchewan's major urban centres is a key factor in meeting customer expectations.

Financial Summary

SLGA's 2014-15 financial plan supports the organization's key strategies that are designed to assist Government in achieving its plan for Steady Growth. The main financial outcome for SLGA is its net income target which consists primarily of the following components: provincial VLT revenues, SIGA net income and profits from the retail liquor sector.

SLGA's net income is essential to supporting broader provincial objectives. For 2014-15, SLGA is budgeting net income of \$491.8 million. SIGA net income is forecast at \$80.2 million and with SLGA's reinvestment in VLT infrastructure, VLT net income is budgeted at \$173.5 million. Continuing market growth in SLGA's beverage alcohol is expected to net SLGA \$284.3 million from the retail liquor sector. The net income from these areas is offset by the net cost of licensing, regulation and support in both the liquor and gaming areas of \$46.2 million.

Overall, SLGA's capacity to continue to generate additional revenues is impacted by a variety of economic variables and public policy choices. Maintaining a balance between revenue generation and social responsibility is key to SLGA's success in supporting government goals.

For more information, see the Budget Estimates at: <http://www.saskatchewan.ca/budget>

For More Information

Please visit SLGA's website at www.slga.gov.sk.ca for more information on its key business areas or call (306) 787-5563 or Toll Free 1-800-667-7565.