

Dahlke, Cindy LDB:EX

From: Dahlke, Cindy LDB:EX
Sent: Tuesday, May 22, 2012 4:20 PM
To: Cornett, Kathy M JAG:EX
Cc: Hoskins, Jeannie JAG:EX; Chambers, Jay LDB:EX; Ayers, Karen J MEM:EX; Bissoondatt, Roger LDB:EX; Hall, Gord LDB:EX; Cournoyer, Vince LDB:EX; Mackintosh, Michele LDB:EX
Subject: REVISED Briefing Note re Small Brewery Mark-up Policy - #479175
Attachments: 2012-05-22_BNI-MEM_Small_Brewery_Mark-ups_479175.doc

Importance: High
Sensitivity: Confidential

Hi Kathy,

Attached and imported is an *updated* briefing note for information for Minister Coleman regarding the Small Brewery Mark-up Policy. ***Revised per Lori's request.***

Jay Chambers has approved it.

Thanks!

Cindy Dahlke

Executive Administrative Assistant
General Manager's Office | **BC Liquor Distribution Branch**
2625 Rupert Street, Vancouver BC V5M 3T5
Phone: 604-252-3021 | **Fax:** 604-252-3026
www.bcliquorstores.com



* THINK GREEN: Do you really need to print this e-mail?

**MINISTRY OF ENERGY AND MINES
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Rich Coleman
FOR INFORMATION

ISSUE:

Small Brewery Mark-up Policy

BACKGROUND:

The LDB has three tiers of mark-up on beer. Companies that produce 15,000 hectolitres (hl) or less have the lowest mark-up applied, companies that produce between 15,000 – 160,000 hl have the next lowest mark-up applied and companies producing more than 160,000 hl have the highest mark-up applied. A hectoliter is 100 litres, or about 25 dozen beer. The LDB's mark-up rates for packaged beer, based on annual brewery production, are shown in Attachment 1.

The purpose of this policy is to support small brewing companies that do not have the economies of scale of large companies. In order to direct the lower mark-up benefit to small companies, beer production is based on the total amount of beer produced by all facilities owned by the same company (e.g. a small brewery owned by a large brewery would not qualify).

It is important to note that if a brewer exceeds the 15,000 hl threshold for tier one, and for example produces 15,100 hl, the entire production volume would be subject to the level two mark-up rate. Likewise, if a brewer exceeds the 160,000 hl threshold for tier two, and for example produces 160,100 hl, the entire production volume would be subject to the highest mark-up rate of tier three.

In order to comply with international and inter-provincial trade agreements, the mark-up policy applies to companies from other provinces and countries in addition to British Columbia companies.

Of the 50 brewing companies operating in British Columbia, 47 currently qualify for small brewery status and three do not. The three that do not are Labatt, Molson and Sleeman (Okanagan Spring) which are subsidiaries of large international companies. There are three British Columbia breweries (Pacific Western Brewery, Kamloops Brewery, Vancouver Island Brewery) that are in the 15,000 – 160,000 hl brewery category and the rest are in the <15,000 hl category. A small number of foreign and out-of-province breweries also qualify for small brewery status.

The LDB's second tier small brewery threshold was increased from 15,000 - 100,000 hl to 15,000 -150,000 hl in 2009 and it was again increased in December 2011 to 15,000 – 160,000 hl.

Other provinces also have lower rates of beer mark-up based on production levels. Only Alberta, at 200,000 hl, has a higher small brewery threshold than the LDB's (see Attachment 2)

The small brewery policy in most other provinces is similar to that of the LDB, in that the mark-up increases on all production volume when a brewery exceeds a threshold. The Alberta system provides for a phase-out, such that a brewery that produces more than Alberta's 200,000 hl threshold retains the lower mark-up rate on the first 200,000 hl, and then a higher rate takes effect for production between 200,000 and 400,000 hl. Should a brewer exceed 400,000 hl, the highest mark-up will be applied to all production volume.

DISCUSSION:

Prince George based Pacific Western Brewery (PWB), which is the largest British Columbia-based brewing company that qualifies for small brewery status,

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PWB primarily markets low priced beer.

In announcing the threshold increase via a letter, the LDB's General Manager, Jay Chambers, informed industry stakeholders that the LDB was undertaking a review of small brewery mark-up policy and would be consulting with them during the review. The feedback from the consultations with industry is summarized below (only industry organizations that provided an opinion are shown).

Canada's National Brewers (CNB), which represents the three major domestic brewers Labatt, Molson and Sleeman,

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CNB recommends:

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Pacific Western Brewery (PWB) argues

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PWB recommends:

s.13

The BC Craft Brewers Guild supports

s.13

s.13

The Guild recommends:

s.13

The Mark Anthony Group (MAG), which owns a brewery in Delta, recommends

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s.13, s.17

Options:

Option 1:

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Pros:

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Cons:

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Option 2:

s.13

Pros:

s.13

Cons:

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s.13

Option 3:

s.13

Pros:

s.13

Cons:

s.13

Option 4:

s.13

Pros:

s.13, s.17

Cons:

s.13

Approved by:
Jay Chambers
General Manager
Liquor Distribution Branch
604 252-3021

Prepared by:
Gord Hall
Director Corporate Policy
Liquor Distribution Branch
604 252-3035

Attachment 1

Beer Mark-up Rates by Brewery Size

Brewery Size (Production)	Packaging Format	Mark-up Rates
> 160,000 hectolitres (hl)	Packaged	\$1.75 per litre
	Draft	\$1.20 per litre
15,001 - 160,000 hl	Packaged	\$1.16 per litre
	Draft	\$0.81 per litre
0 - 15,000 hl	Packaged	\$1.04 per litre
	Draft	\$0.72 per litre

Attachment 2

Maximum Production Threshold for Small Breweries

Province	Small Brewery Production Threshold
British Columbia	160,000
Alberta*	200,000/400,000*
Saskatchewan	150,000
Manitoba	35,000
Ontario	75,000
Quebec	150,000
Nova Scotia	15,000
New Brunswick	15,000
Newfoundland	10,000
PEI	N/A

*Note: If a company's volume grows beyond 200,000 hl, it receives the lower rate of beer mark-up on the first 200,000 hl sold in Alberta and the higher rate on additional sales until total company production exceeds 400,000 hl, at which point the higher rate applies to all beer sales. Only breweries that entered the Alberta market when they were less than 200,000 hl qualify for the transitional mark-up treatment between 200,000 hl and 400,000 hl. Alberta's determination of production includes all beverage products by a company (beer, soft drinks, bottled water etc.).

Dahlke, Cindy LDB:EX

From: Dahlke, Cindy LDB:EX
Sent: Wednesday, October 10, 2012 3:13 PM
To: Hoskins, Jeannie JAG:EX
Cc: Cornett, Kathy M JAG:EX; Bissoondatt, Roger LDB:EX; Ayers, Karen J MEM:EX; Low, Elaine LDB:EX; Hall, Gord LDB:EX; Mackintosh, Michele LDB:EX
Subject: Briefing Note re Small Brewery Production Limit - #485154
Attachments: 2012-10-10_BND-MEM_Small_Brewery_485154.doc

Importance: High
Sensitivity: Confidential

Hi Jeannie,

Attached and imported is a briefing note for Minister Coleman's **decision** regarding the Small Brewery Production Limit. ***This had been requested by the Minister's office.***

Roger Bissoondatt has approved it.

Thanks!

Cindy Dahlke
Executive Administrative Assistant
General Manager's Office | BC Liquor Distribution Branch
Phone: 604-252-3021 | **Fax:** 604-252-3026
cindy.dahlke@bcldb.com
www.bcldb.com

**MINISTRY OF ENERGY, MINES AND NATURAL GAS
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Rich Coleman, Minister
FOR DECISION

ISSUE:

Small Brewery Production Limit

BACKGROUND:

Brewing companies that produce less than 160,000 hectolitres (hl) of beer annually receive lower rates of beer mark-up from the LDB (a hectoliter is 100 litres, or about 25 dozen beer). The purpose of this policy is to support small brewing companies that do not have the economies of scale of large companies. The LDB has two tiers of small brewery for mark-up purposes: 0 – 15,000 hl and 15,000 – 160,000 hl. The LDB's mark-up rates are based on annual brewery production as shown in Attachment 1. The rates shown are the rates that will be in place on April 1, 2013 when HST is replaced by PST/GST. All LDB mark-up rates will be reduced to pre-HST levels on April 1.

In order to comply with international and inter-provincial trade agreements, the small brewery mark-up policy applies to companies from other provinces and countries in addition to British Columbia companies. In order to direct the lower mark-up benefit to small companies, beer production is based on the total amount of beer produced by all facilities owned by the same company (e.g. a small brewery owned by a large brewery would not qualify).

The LDB determines a brewing company's production based on a calendar year, and if there are changes that would place the company in a different mark-up level, the new mark-up rates are applied at the beginning of the next fiscal year (April 1).

The original small brewery policy was implemented in the late 1980's to stimulate the growth of small "craft" breweries that produced premium priced products. The original annual production limit was 50,000 hl, however, due to pressure from growing breweries, the limits have been raised several times to their current levels. Today, the majority of small brewery mark-up benefits are provided to the larger middle tier breweries that primarily produce low priced products.

Of the 53 brewing companies operating in British Columbia, 45 qualify for the lowest mark-ups (0 -15,000 hl), five qualify for middle mark-up tier (15,000 – 160,000 hl) and three are in the highest mark-up category (Labatt, Molson, Sleeman). There are a number of foreign breweries and breweries from other provinces that also qualify for the

small brewery mark-up rates but their sales account for a small percentage of qualifying small brewery sales in the province.

Other provinces also have lower rates of beer mark-up for smaller breweries. The maximum production levels to qualify as a small brewery by province are shown in Attachment 2.

DISCUSSION:

The LDB's second tier small brewery threshold was increased from 15,000 – 100,000 hl to 15,000 – 150,000 hl in 2009. The threshold was further raised to 15,000 – 160,000 hl in 2011. The only brewery that benefited from these increases was Prince George-based Pacific Western Brewing (PWB). Prior to the 2011 increase, PWB has argued that it would have to temporarily cease production in order to avoid exceeding the 160,000 hl level and becoming subject to the highest mark-up levels. PWB, which had 2011 production of [redacted] s.21 has been growing steadily in recent years due to the popularity of the company's low priced beers.

Based on its growth rate in 2012, PWB may exceed the new 160,000 hl level by the end of the calendar year. If this does happen, the LDB would begin assessing the highest beer mark-up rates to PWB products beginning on April 1, 2013. [redacted] s.13

[redacted] s.13 The union representing PWB workers has recently written to Jobs, Tourism and Skills Training Minister, Pat Bell, asking for support to raise the level to 200,000 hl. The union claims that the brewery will have to be shut down in October or November 2012 for two months in order to avoid exceeding 160,000 hl.

PWB's production ([redacted] s.21 in 2011) is significantly higher than the next largest brewery that qualifies for the tier-two small brewery status – Kamloops based Northam Brewery with 2011 production of [redacted] s.21

Canada's National Brewers (CNB), which represents Labatt, Molson and Sleeman, has argued that the level of mark-up support the LDB provides to small breweries is too great and disadvantages their members. The CNB also argues that the policy has expanded beyond its original intent to support small craft breweries and is now supporting larger breweries that produce low priced beer. The CNB has proposed that the lower mark-up rates for small breweries be phased out between 50,000 hl and 150,000 hl.

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OPTIONS:

Option 1:

Pros:

Cons:

s.13

Option 2:

Pros:

-

Cons:

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s.13, s.17

Option 3:

Pros:

-

-

-

Cons:

-

s.13

RECOMMENDATION:

Option 3

APPROVED / NOT APPROVED

DATE:

Rich Coleman
Minister

Approved by:
Roger Bissoondatt
Acting General Manager
LDB
604 252-3021

Prepared by:
Gord Hall
Director, Corporate Policy
LDB
604 252-3035

Attachment 1

s.13, s.17

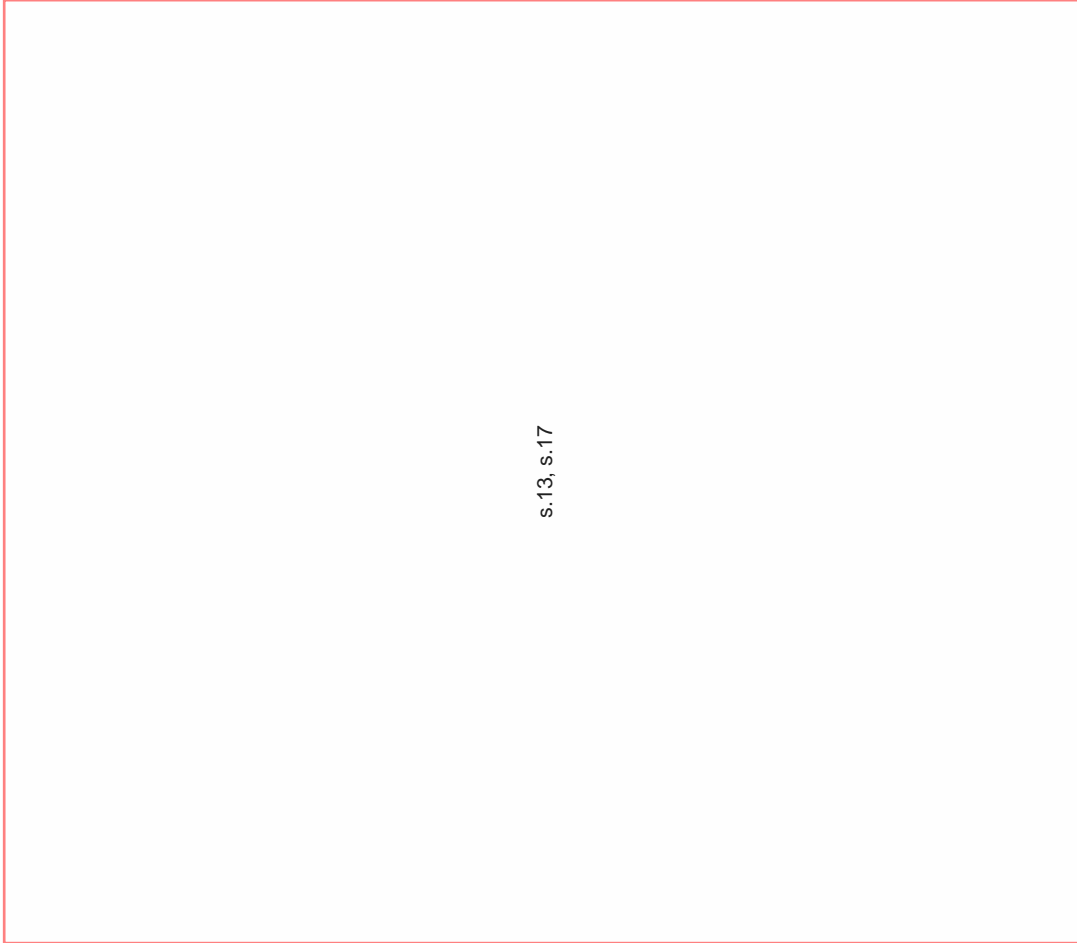
Attachment 2

Maximum Production Threshold for Small Breweries

Province	Small Brewery Production Threshold (hectolitres)
British Columbia	160,000
Alberta (1)	200,000/400,000*
Saskatchewan	190,000
Manitoba	75,000
Ontario (2)	50,000
Quebec	150,000
Nova Scotia	15,000
New Brunswick	20,000
Newfoundland	10,000
PEI	15,000

- (1) If a company's volume grows beyond 200,000 hl, it receives the lower rate of beer mark-up on the first 200,000 hl sold in Alberta and the higher rate on additional sales until total company production exceeds 400,000 hl, at which point the higher rate applies to all beer sales. In Alberta, the determination of production is based on all products produced by a company, not just beer.
- (2) Ontario breweries between 50,000 – 150,000 hl are eligible for a tax credit

Attachment 3



s.13, s.17

Originated by: General Manager's Office

**LIQUOR DISTRIBUTION BRANCH
WORK ASSIGNMENT FORM**

This form is intended to be used for all assignments originating from the GM's Office to streamline and clarify who needs to work on the assignment, who needs to approve, sequencing and legibility.

A. TYPE OF ASSIGNMENT:

(please indicate)

Letter/E-mail ☐

Speech ☐

Advice ☐

Briefing Note ☒

Status Report ☐

Other ☐

For Decision

RE: Small Brewery Production Limit

ASSIGNED DATE: Oct. 2012

DUE DATE: Oct. 9/12

ARCS/ORCS#

MAIL LOG # 485154

The assignor will indicate exactly what is required; who to contact, area to highlight, etc.

B. INSTRUCTIONS/REQUIREMENTS

Assigned to: Gord Hall

Assigned to:

Gord - As Roger and you have discussed; please prepare a Briefing Note for Minister Coleman's decision.

Deputy Minister

[Signature]
General Manager, LDB

C. APPROVED BY:

**WITH
CHANGES**

**DATE
APPROVED**

RESEARCHER/WRITER

EXEC. DIRECTOR/MANAGER

GENERAL MANAGER, LDB

DEPUTY MINISTER

Oct. 10/12

Oct. 10/12

Bissoondatt, Roger LDB:EX

From: Wanamaker, Lori JAG:EX
Sent: Friday, October 12, 2012 2:49 PM
To: Bissoondatt, Roger LDB:EX
Cc: Ayers, Karen J MEM:EX
Subject: Small brewers

The Minister has requested the following change in policy:

13

I would like to review this policy change before any communication to producers.

Thanks.

Lori

Lori Wanamaker, FCA
Deputy Minister and Deputy Solicitor General
Ministry of Justice
11th Floor, 1001 Douglas Street, Victoria
Phone: 250 356-0149 | Fax: 250 387-6224



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Low, Elaine LDB:EX

From: Hall, Gord LDB:EX
Sent: Friday, October 26, 2012 10:04 AM
To: Bissoondatt, Roger LDB:EX; Low, Elaine LDB:EX
Cc: Dahlke, Cindy LDB:EX
Subject: Revised Small Brewery BN and Letter to Industry
Attachments: Letter to Industry.docx; 2012-10-26_BND-MEM_Small_Brewery_485154.docx

s.13 please review the revised BN (changes shown in red) and the revised letter to industry. In the revised letter to industry I thought it was appropriate to remove the table of rates I had in before.

Gord Hall, Director, Corporate Policy
British Columbia Liquor Distribution Branch
Phone: 604-252-3035 Fax: 604-252-3026
gord.hall@bcldb.com
www.bcldb.com

To: Domestic Beer Suppliers and Import Beer Agents

Re: Amendment to Beer Mark-up Policy

As you are aware, the LDB has different mark-up rates based upon a brewer's consolidated annual production.

The LDB is changing mark-up policy for brewers that are currently between 15,000 and 160,000 hectolitres (hl). Brewers in this category whose production grows beyond 160,000 hl will be subject to transitional mark-up rates up to 400,000 hl. These transitional rates will be based on a proportional blending of the

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To qualify for the transitional mark-up rates between 160,000 and 400,000 hl, a brewery must have been selling products in the British Columbia market prior to its production level exceeding 160,000 hl. The purpose of this policy is to ease the transition into the highest mark-up category.

The transitional mark-up rates will be implemented beginning on April 1, 2013, based on production in the 2012 calendar year.

An example of a transitional mark-up rate calculation for packaged beer from a brewery whose production grows to 180,000 hl is shown below.

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s.13, s.17

If you have any question, please email fincostp@bcldb.com or contact the Costing Department at 604-252-3348.

Sincerely,

Elaine Low
Acting Chief Financial Officer

**MINISTRY OF ENERGY, MINES AND NATURAL GAS
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Rich Coleman, Minister
FOR DECISION

ISSUE:

Small Brewery Production Limit

BACKGROUND:

Brewing companies that produce less than 160,000 hectolitres (hl) of beer annually receive lower rates of beer mark-up from the LDB (a hectoliter is 100 litres, or about 25 dozen beer). The purpose of this policy is to support small brewing companies that do not have the economies of scale of large companies. The LDB has two tiers of small brewery for mark-up purposes: 0 – 15,000 hl and 15,000 – 160,000 hl. The LDB's mark-up rates are based on annual brewery production as shown in Attachment 1. The rates shown are the rates that will be in place on April 1, 2013 when HST is replaced by PST/GST. All LDB mark-up rates will be reduced to pre-HST levels on April 1.

In order to comply with international and inter-provincial trade agreements, the small brewery mark-up policy applies to companies from other provinces and countries in addition to British Columbia companies. In order to direct the lower mark-up benefit to small companies, beer production is based on the total amount of beer produced by all facilities owned by the same company (e.g. a small brewery owned by a large brewery would not qualify).

The LDB determines a brewing company's production based on a calendar year, and if there are changes that would place the company in a different mark-up level, the new mark-up rates are applied at the beginning of the next fiscal year (April 1).

The original small brewery policy was implemented in the late 1980's to stimulate the growth of small "craft" breweries that produced premium priced products. The original annual production limit was 50,000 hl, however, due to pressure from growing breweries, the limits have been raised several times to their current levels. Today, the majority of small brewery mark-up benefits are provided to the larger middle tier breweries that primarily produce low priced products.

Of the 53 brewing companies operating in British Columbia, 45 qualify for the lowest mark-ups (0 -15,000 hl), five qualify for middle mark-up tier (15,000 – 160,000 hl) and three are in the highest mark-up category (Labatt, Molson, Sleeman). There are a number of foreign breweries and breweries from other provinces that also qualify for the

small brewery mark-up rates but their sales account for a small percentage of qualifying small brewery sales in the province.

Other provinces also have lower rates of beer mark-up for smaller breweries. The maximum production levels to qualify as a small brewery by province are shown in Attachment 2.

DISCUSSION:

The LDB's second tier small brewery threshold was increased from 100,000 hl to 150,000 hl in 2009. The threshold was further raised to 160,000 hl in 2011. The only brewery that benefited from these increases was Prince George-based Pacific Western Brewing (PWB). Prior to the 2011 increase, PWB argued that it would have to temporarily cease production in order to avoid exceeding the 160,000 hl level and becoming subject to the highest mark-up levels. PWB, which had 2011 production of s.21 has been growing steadily in recent years due to the popularity of the company's low priced beers.

Based on its growth rate in 2012, PWB may exceed the new 160,000 hl level by the end of the calendar year. If this does happen, the LDB would begin assessing the highest beer mark-up rates to PWB products beginning on April 1, 2013. PWB has recently requested a further increase in the level to 200,000 hl and has suggested that the mark-up benefit should be phased out between 200,000 hl and 400,000 hl as is the policy in Alberta. The union representing PWB workers has recently written to Jobs, Tourism and Skills Training Minister, Pat Bell, asking for support to raise the level to 200,000 hl. The union claims that the brewery will have to be shut down in October or November 2012 for two months in order to avoid exceeding 160,000 hl.

PWB's production (s.21 in 2011) is significantly higher than the next largest brewery that qualifies for the tier-two small brewery status – Kamloops based Northam Brewery with 2011 production of s.21

Canada's National Brewers (CNB), which represents Labatt, Molson and Sleeman, has argued that the level of mark-up support the LDB provides to small breweries is too great and disadvantages their members. The CNB also argues that the policy has expanded beyond its original intent to support small craft breweries and is now supporting larger breweries that produce low priced beer. The CNB has proposed that the lower mark-up rates for small breweries be phased out between 50,000 hl and 150,000 hl.

s.13, s.17

s.13, s.17

OPTIONS:

Option 1:

Pros:

Cons:

Option 2:

Pros:

s.13

Cons:

s.13, s.17

Option 3: *Implement a blended rate mark-up that would proportionally combine the lower small brewery mark-up rate on the first 160,000 hl and the large brewery mark-up rates on amounts between 160,000 hl and 400,000 hl. The large brewery rate would be applied on all production once 400,000 hl is exceeded. The policy change would only apply to breweries that were selling products in the BC market prior to exceeding 160,000 hl.*

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RECOMMENDATION:

Option 3

APPROVED / NOT APPROVED

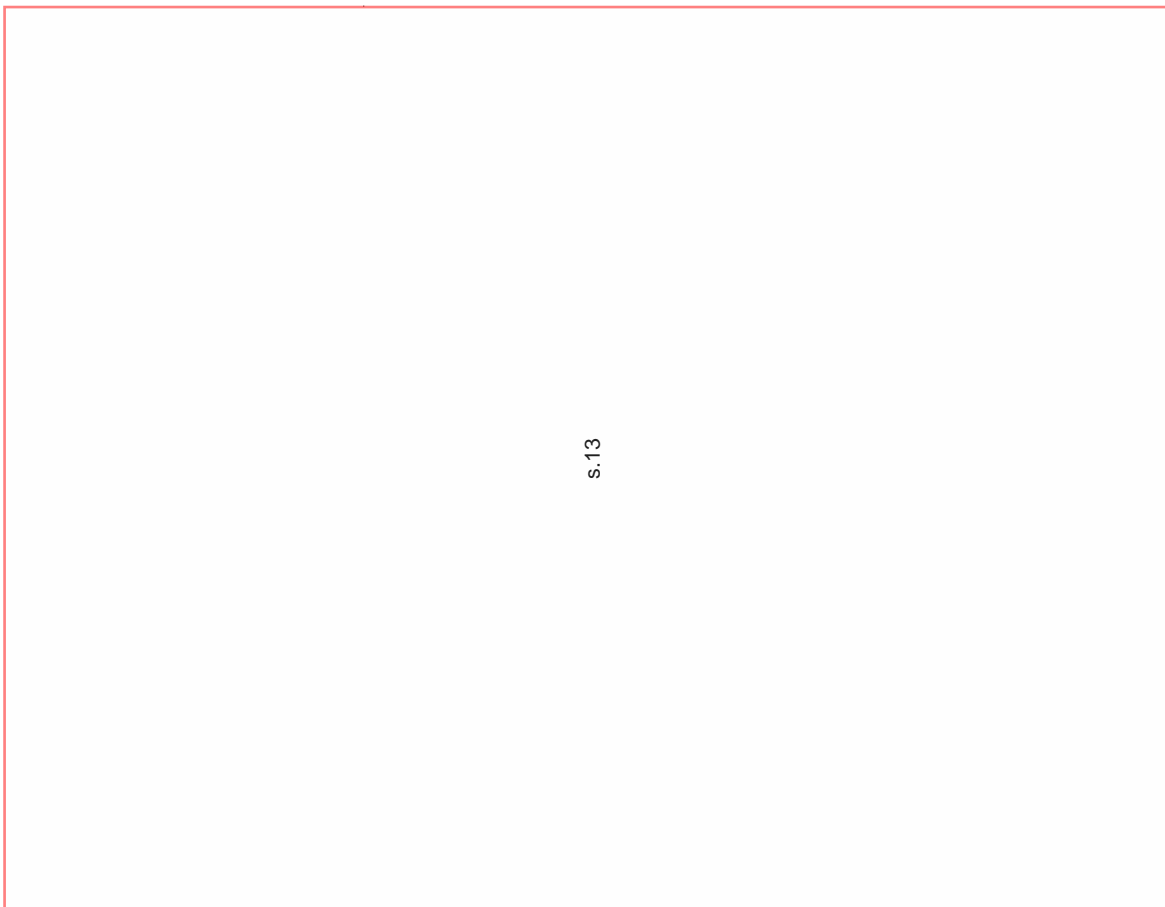
DATE:

Rich Coleman
Minister

Approved by:
Roger Bissoondatt
Acting General Manager
LDB
604 252-3021

Prepared by:
Gord Hall
Director, Corporate Policy
LDB
604 252-3035

Attachment 1



s.13

Attachment 2

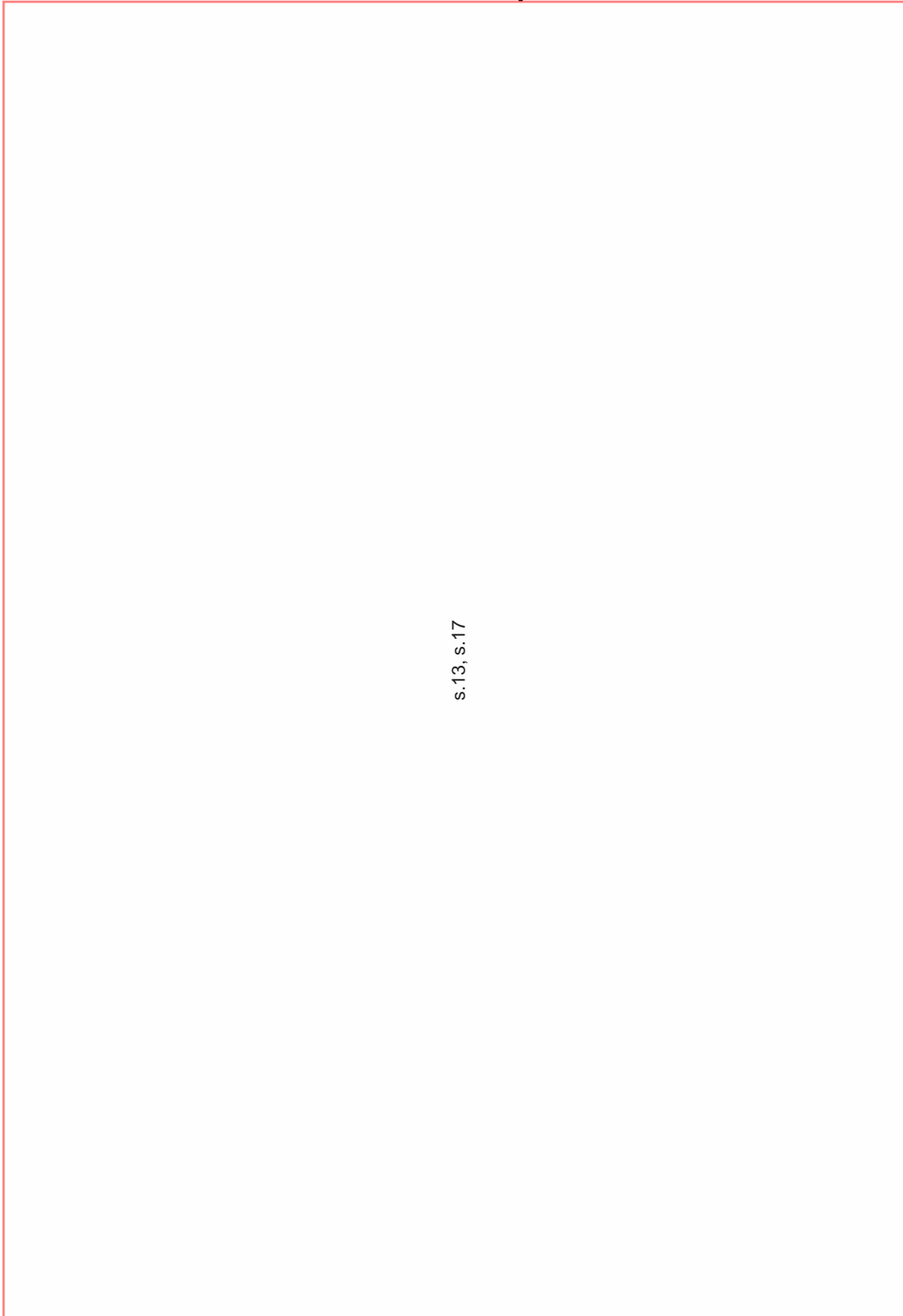
Maximum Production Threshold for Small Breweries

Province	Small Brewery Production Threshold (hectolitres)
British Columbia	160,000
Alberta (1)	200,000/400,000*
Saskatchewan	190,000
Manitoba	75,000
Ontario (2)	50,000
Quebec	150,000
Nova Scotia	15,000
New Brunswick	20,000
Newfoundland	10,000
PEI	15,000

- (1) If a company's volume grows beyond 200,000 hl, it receives the lower rate of beer mark-up on the first 200,000 hl sold in Alberta and the higher rate on additional sales until total company production exceeds 400,000 hl, at which point the higher rate applies to all beer sales. In Alberta, the determination of production is based on all products produced by a company, not just beer.
- (2) Ontario breweries between 50,000 – 150,000 hl are eligible for a tax credit

Attachment 3

Blended Mark-up Rate



s.13, s.17

Dahlke, Cindy LDB:EX

From: Dahlke, Cindy LDB:EX
Sent: Monday, October 29, 2012 8:43 AM
To: Bissoondatt, Roger LDB:EX
Cc: Hall, Gord LDB:EX
Subject: FW: 485154 - Decision BN re Small Brewery Production Limit
Attachments: 485154 - BN re Small Brewery Production Limit - Oct 26.docx

FYI – this has been sent to the Minister's office TODAY.

Cindy Dahlke

Executive Administrative Assistant
General Manager's Office| **BC Liquor Distribution Branch**
Phone: 604-252-3021

From: Cornett, Kathy M JAG:EX
Sent: Monday, October 29, 2012 8:36 AM
To: Gajda, Gail EMNG:EX; Stewart, Ashley EMNG:EX
Cc: Hoskins, Jeannie JAG:EX; Dahlke, Cindy LDB:EX; Jones, Kathleen MEM:EX
Subject: 485154 - Decision BN re Small Brewery Production Limit

The attached Briefing Note has been approved by Lori Wanamaker, Deputy Solicitor General, and is for Minister Coleman's **decision**.

Thank you, Kathy

Kathy Cornett

Senior Executive Administrative Assistant
Office of the Deputy Solicitor General
Ministry of Justice
Phone: 250 387-5362 Fax: 250 387-6224

Dahlke, Cindy LDB:EX

From: Dahlke, Cindy LDB:EX
Sent: Friday, October 26, 2012 3:14 PM
To: Cornett, Kathy M JAG:EX
Cc: Hoskins, Jeannie JAG:EX; Bissoondatt, Roger LDB:EX; Ayers, Karen J MEM:EX; Low, Elaine LDB:EX; Hall, Gord LDB:EX; Mackintosh, Michele LDB:EX
Subject: REVISED Briefing Note re Small Brewery Production Limit - #485154
Attachments: 2012-10-26_BND-MEM_Small_Brewery_485154.docx; 2012-10-26_Attachment Letter to Industry_485154.docx

Importance: High
Sensitivity: Confidential

Hi Kathy,

Attached and imported is a **revised** briefing note for Minister Coleman's **decision** regarding the Small Brewery Production Limit. ***This had been requested by the Minister's office.*** Also attached for approval is a draft letter to go out to industry from the LDB regarding this change.

Roger Bissoondatt has approved this.

Thanks!

Cindy Dahlke

Executive Administrative Assistant
General Manager's Office| BC Liquor Distribution Branch
Phone: 604-252-3021 | **Fax:** 604-252-3026
cindy.dahlke@bcldb.com
www.bcldb.com

**MINISTRY OF ENERGY, MINES AND NATURAL GAS
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Rich Coleman, Minister
FOR DECISION

ISSUE:

Small Brewery Production Limit

BACKGROUND:

Brewing companies that produce less than 160,000 hectolitres (hl) of beer annually receive lower rates of beer mark-up from the LDB (a hectoliter is 100 litres, or about 25 dozen beer). The purpose of this policy is to support small brewing companies that do not have the economies of scale of large companies. The LDB has two tiers of small brewery for mark-up purposes: 0 – 15,000 hl and 15,000 – 160,000 hl. The LDB's mark-up rates are based on annual brewery production as shown in Attachment 1. The rates shown are the rates that will be in place on April 1, 2013 when HST is replaced by PST/GST. All LDB mark-up rates will be reduced to pre-HST levels on April 1.

In order to comply with international and inter-provincial trade agreements, the small brewery mark-up policy applies to companies from other provinces and countries in addition to British Columbia companies. In order to direct the lower mark-up benefit to small companies, beer production is based on the total amount of beer produced by all facilities owned by the same company (e.g. a small brewery owned by a large brewery would not qualify).

The LDB determines a brewing company's production based on a calendar year, and if there are changes that would place the company in a different mark-up level, the new mark-up rates are applied at the beginning of the next fiscal year (April 1).

The original small brewery policy was implemented in the late 1980's to stimulate the growth of small "craft" breweries that produced premium priced products. The original annual production limit was 50,000 hl, however, due to pressure from growing breweries, the limits have been raised several times to their current levels. Today, the majority of small brewery mark-up benefits are provided to the larger middle tier breweries that primarily produce low priced products.

Of the 53 brewing companies operating in British Columbia, 45 qualify for the lowest mark-ups (0 -15,000 hl), five qualify for middle mark-up tier (15,000 – 160,000 hl) and three are in the highest mark-up category (Labatt, Molson, Sleeman). There are a number of foreign breweries and breweries from other provinces that also qualify for the

small brewery mark-up rates but their sales account for a small percentage of qualifying small brewery sales in the province.

Other provinces also have lower rates of beer mark-up for smaller breweries. The maximum production levels to qualify as a small brewery by province are shown in Attachment 2.

DISCUSSION:

The LDB's second tier small brewery threshold was increased from 100,000 hl to 150,000 hl in 2009. The threshold was further raised to 160,000 hl in 2011. The only brewery that benefited from these increases was Prince George-based Pacific Western Brewing (PWB). Prior to the 2011 increase, PWB argued that it would have to temporarily cease production in order to avoid exceeding the 160,000 hl level and becoming subject to the highest mark-up levels. PWB, which had 2011 production of s.21 has been growing steadily in recent years due to the popularity of the company's low priced beers.

Based on its growth rate in 2012, PWB may exceed the new 160,000 hl level by the end of the calendar year. If this does happen, the LDB would begin assessing the highest beer mark-up rates to PWB products beginning on April 1, 2013. PWB has recently requested a further increase in the level to 200,000 hl and has suggested that the mark-up benefit should be phased out between 200,000 hl and 400,000 hl as is the policy in Alberta. The union representing PWB workers has recently written to Jobs, Tourism and Skills Training Minister, Pat Bell, asking for support to raise the level to 200,000 hl. The union claims that the brewery will have to be shut down in October or November 2012 for two months in order to avoid exceeding 160,000 hl.

PWB's production (s.21 in 2011) is significantly higher than the next largest brewery that qualifies for the tier-two small brewery status – Kamloops based Northam Brewery with 2011 production of s.21

Canada's National Brewers (CNB), which represents Labatt, Molson and Sleeman, has argued that the level of mark-up support the LDB provides to small breweries is too great and disadvantages their members. The CNB also argues that the policy has expanded beyond its original intent to support small craft breweries and is now supporting larger breweries that produce low priced beer. The CNB has proposed that the lower mark-up rates for small breweries be phased out between 50,000 hl and 150,000 hl.

s.13, s.17

s.13, s.17

OPTIONS:

Option 1:

Pros:

-

Cons:

-

Option 2:

Pros:

-

s.13

Cons:

s.13, s.17

Option 3: *Implement a blended rate mark-up that would proportionally combine the lower small brewery mark-up rate on the first 160,000 hl and the large brewery mark-up rates on amounts between 160,000 hl and 400,000 hl. The large brewery rate would be applied on all production once 400,000 hl is exceeded. The policy change would only apply to breweries that were selling products in the BC market prior to exceeding 160,000 hl.*

s.13

RECOMMENDATION:

Option 3: *Implement a blended rate mark-up that would proportionally combine the lower small brewery mark-up rate on the first 160,000 hl and the large brewery mark-up rates on amounts between 160,000 hl and 400,000 hl. The large brewery rate would be applied on all production once 400,000 hl is exceeded. The policy change would only apply to breweries that were selling products in the BC market prior to exceeding 160,000 hl.*

APPROVED / NOT APPROVED

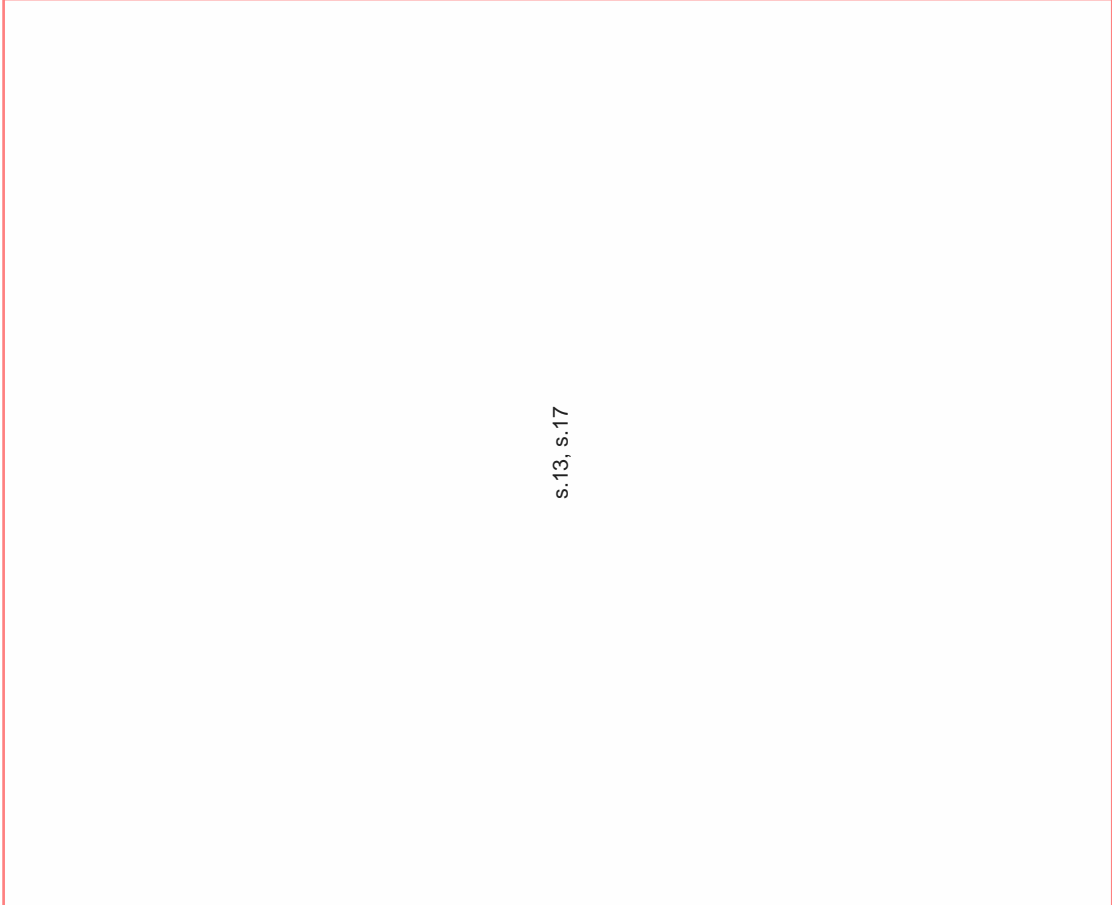
DATE:

Rich Coleman
Minister

Approved by:
Roger Bissoondatt
Acting General Manager
Liquor Distribution Branch
604 252-3021

Prepared by:
Gord Hall
Director, Corporate Policy
Liquor Distribution Branch
604 252-3035

Attachment 1



s.13, s.17

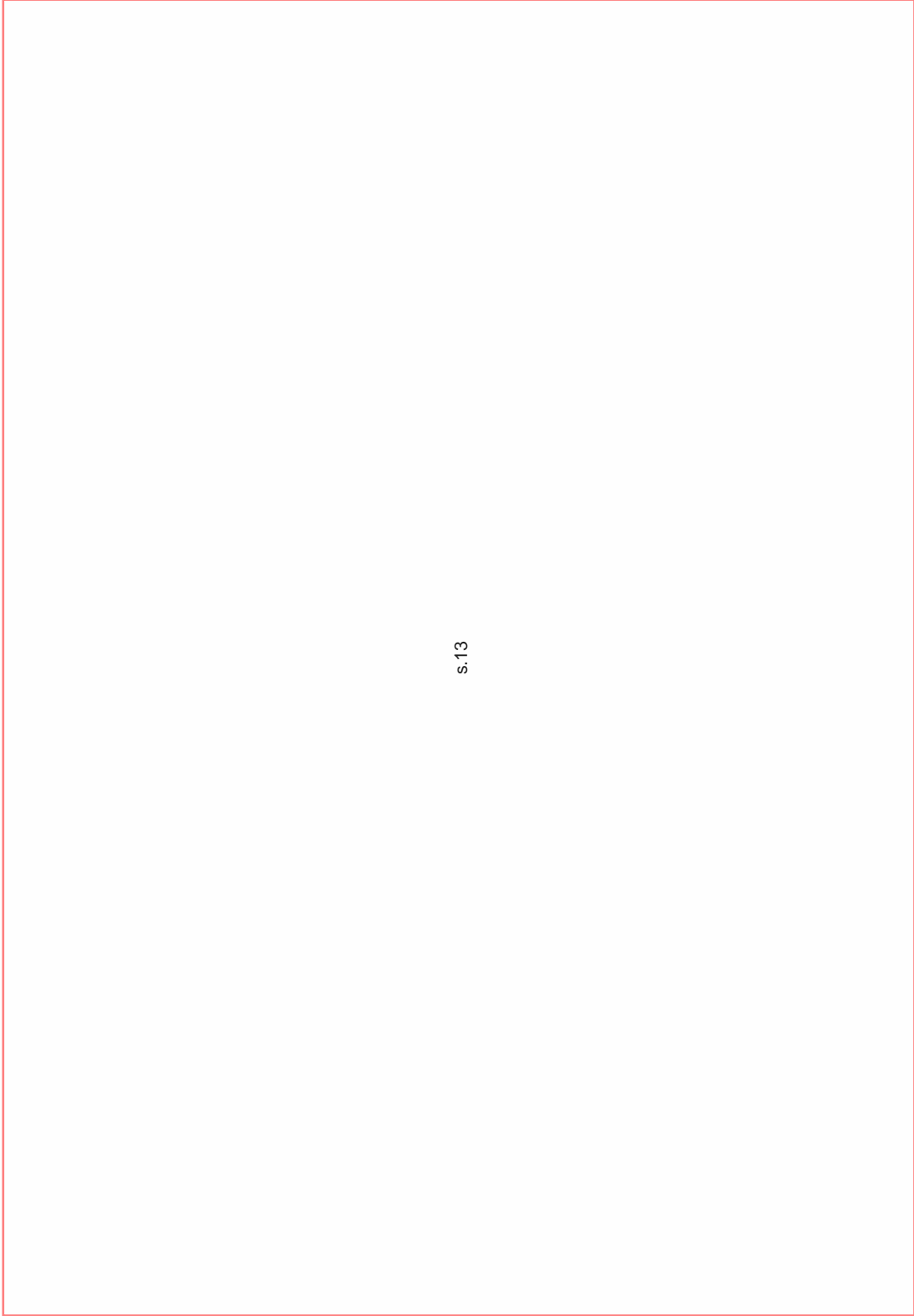
Attachment 2

Maximum Production Threshold for Small Breweries

Province	Small Brewery Production Threshold (hectolitres)
British Columbia	160,000
Alberta (1)	200,000/400,000*
Saskatchewan	190,000
Manitoba	75,000
Ontario (2)	50,000
Quebec	150,000
Nova Scotia	15,000
New Brunswick	20,000
Newfoundland	10,000
PEI	15,000

- (1) If a company's volume grows beyond 200,000 hl, it receives the lower rate of beer mark-up on the first 200,000 hl sold in Alberta and the higher rate on additional sales until total company production exceeds 400,000 hl, at which point the higher rate applies to all beer sales. In Alberta, the determination of production is based on all products produced by a company, not just beer.
- (2) Ontario breweries between 50,000 – 150,000 hl are eligible for a tax credit

Attachment 3



s.13

DRAFT

To: Domestic Beer Suppliers and Import Beer Agents

Re: Amendment to Beer Mark-up Policy

As you are aware, the LDB has different mark-up rates based upon a brewer's consolidated annual production.

The LDB is changing mark-up policy for brewers that are currently between 15,000 and 160,000 hectolitres (hl). Brewers in this category whose production grows beyond 160,000 hl will be subject to transitional mark-up rates up to 400,000 hl. These transitional rates will be based on a proportional blending of the

s.13

To qualify for the transitional mark-up rates between 160,000 and 400,000 hl, a brewery must have been selling products in the British Columbia market prior to its production level exceeding 160,000 hl. The purpose of this policy is to ease the transition into the highest mark-up category.

The transitional mark-up rates will be implemented beginning on April 1, 2013, based on production in the 2012 calendar year.

An example of a transitional mark-up rate calculation for packaged beer from a brewery whose production grows to 180,000 hl is shown below.

s.13, s.17

If you have any questions, please e-mail me at Elaine.Low@bcldb.com or contact me at 604 252-3150.

Sincerely,

Elaine Low
Acting Chief Financial Officer

Not Responsive

From: Dahlke, Cindy LDB:EX
Sent: Wednesday, November 07, 2012 12:20 PM
To: Bell, Jordan EMNG:EX
Cc: Bissoondatt, Roger LDB:EX
Subject: FW: Draft letter: 485154 - Decision BN re Small Brewery Production Limit

Hi Jordan,

Roger asked that I send this directly to you.

Cindy Dahlke

Executive Administrative Assistant
General Manager's Office | **BC Liquor Distribution Branch**
Phone: 604-252-3021

From: Cornett, Kathy M JAG:EX
Sent: Monday, October 29, 2012 2:36 PM
To: Gajda, Gail EMNG:EX; Stewart, Ashley EMNG:EX
Cc: Hoskins, Jeannie JAG:EX; Dahlke, Cindy LDB:EX; Jones, Kathleen MEM:EX
Subject: Draft letter: 485154 - Decision BN re Small Brewery Production Limit

Further to my e-mail below, the attached draft letter going out to the industry also requires the Minister's approval.

Thank you, Kathy

From: Cornett, Kathy M JAG:EX
Sent: Monday, October 29, 2012 8:36 AM
To: Gajda, Gail EMNG:EX; Stewart, Ashley EMNG:EX
Cc: Hoskins, Jeannie JAG:EX; Dahlke, Cindy LDB:EX; Jones, Kathleen MEM:EX
Subject: 485154 - Decision BN re Small Brewery Production Limit

The attached Briefing Note has been approved by Lori Wanamaker, Deputy Solicitor General, and is for Minister Coleman's decision.

Thank you, Kathy

Kathy Cornett

Senior Executive Administrative Assistant

DRAFT

To: Domestic Beer Suppliers and Import Beer Agents

Re: Amendment to Beer Mark-up Policy

As you are aware, the LDB has different mark-up rates based upon a brewer's consolidated annual production.

The LDB is changing mark-up policy for brewers that are currently between 15,000 and 160,000 hectolitres (hl). Brewers in this category whose production grows beyond 160,000 hl will be subject to transitional mark-up rates up to 400,000 hl. These transitional rates will be based on a proportional blending of the

s.13

To qualify for the transitional mark-up rates between 160,000 and 400,000 hl, a brewery must have been selling products in the British Columbia market prior to its production level exceeding 160,000 hl. The purpose of this policy is to ease the transition into the highest mark-up category.

The transitional mark-up rates will be implemented beginning on April 1, 2013, based on production in the 2012 calendar year.


An example of a transitional mark-up rate calculation for packaged beer from a brewery whose production grows to 180,000 hl is shown below.

s.13, s.17

If you have any questions, please e-mail me at Elaine.Low@bcldb.com or contact me at 604 252-3150.

Sincerely,

Elaine Low
Acting Chief Financial Officer


Approved by
Deputy Solicitor General

Not Responsive

From: Bell, Jordan EMNG:EX
Sent: Wednesday, November 07, 2012 02:12 PM
To: Bissoondatt, Roger LDB:EX
Subject: RE: Draft letter: 485154 - Decision BN re Small Brewery Production Limit

Yes, this can go. Thanks Roger.

From: Bissoondatt, Roger LDB:EX
Sent: Wednesday, November 7, 2012 1:46 PM
To: Bell, Jordan EMNG:EX
Subject: RE: Draft letter: 485154 - Decision BN re Small Brewery Production Limit

Hi Jordan, can you let me know if we can issue the memo to the beer suppliers?

Roger

Roger M. Bissoondatt
Acting General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com

From: Dahlke, Cindy LDB:EX
Sent: Wednesday, November 07, 2012 12:20 PM
To: Bell, Jordan EMNG:EX
Cc: Bissoondatt, Roger LDB:EX
Subject: FW: Draft letter: 485154 - Decision BN re Small Brewery Production Limit

Hi Jordan,

Roger asked that I send this directly to you.

Cindy Dahlke

Executive Administrative Assistant
General Manager's Office | BC Liquor Distribution Branch
Phone: 604-252-3021

From: Cornett, Kathy M JAG:EX
Sent: Monday, October 29, 2012 2:36 PM
To: Gajda, Gail EMNG:EX; Stewart, Ashley EMNG:EX

Cc: Hoskins, Jeannie JAG:EX; Dahlke, Cindy LDB:EX; Jones, Kathleen MEM:EX
Subject: Draft letter: 485154 - Decision BN re Small Brewery Production Limit

Further to my e-mail below, the attached draft letter going out to the industry also requires the Minister's approval.

Thank you, Kathy

From: Cornett, Kathy M JAG:EX
Sent: Monday, October 29, 2012 8:36 AM
To: Gajda, Gail EMNG:EX; Stewart, Ashley EMNG:EX
Cc: Hoskins, Jeannie JAG:EX; Dahlke, Cindy LDB:EX; Jones, Kathleen MEM:EX
Subject: 485154 - Decision BN re Small Brewery Production Limit

The attached Briefing Note has been approved by Lori Wanamaker, Deputy Solicitor General, and is for Minister Coleman's **decision**.

Thank you, Kathy

Kathy Cornett

Senior Executive Administrative Assistant
Office of the Deputy Solicitor General
Ministry of Justice
Phone: 250 387-5362 Fax: 250 387-6224

Dahlke, Cindy LDB:EX

From: Hoskins, Jeannie JAG:EX
Sent: Tuesday, November 13, 2012 11:48 AM
To: Bissoondatt, Roger LDB:EX; Dahlke, Cindy LDB:EX
Subject: RE: Minister Coleman, Minister de Jong Meeting - November 22

Thanks, I will let Minister's office know.

Jeannie Hoskins
Executive Coordinator
Office of the Deputy Solicitor General
Ministry of Justice

From: Bissoondatt, Roger LDB:EX
Sent: Tuesday, November 13, 2012 11:47 AM
To: Hoskins, Jeannie JAG:EX; Dahlke, Cindy LDB:EX
Subject: Re: Minister Coleman, Minister de Jong Meeting - November 22

It will be Gord Hall.

Roger

From: Hoskins, Jeannie JAG:EX
Sent: Tuesday, November 13, 2012 11:36 AM
To: Bissoondatt, Roger LDB:EX; Dahlke, Cindy LDB:EX
Subject: RE: Minister Coleman, Minister de Jong Meeting - November 22

I don't think we will be able to reschedule the s.22
Is there another staff member who could support Minister Coleman at this meeting?

Jeannie Hoskins
Executive Coordinator
Office of the Deputy Solicitor General
Ministry of Justice

From: Bissoondatt, Roger LDB:EX
Sent: Tuesday, November 13, 2012 11:35 AM
To: Dahlke, Cindy LDB:EX; Hoskins, Jeannie JAG:EX
Subject: Re: Minister Coleman, Minister de Jong Meeting - November 22

Hi Cindy, s.22 Not sure if Lori would want this s.22
to be rescheduled??.

Roger

From: Dahlke, Cindy LDB:EX
Sent: Tuesday, November 13, 2012 11:05 AM
To: Bissoondatt, Roger LDB:EX
Cc: Hall, Gord LDB:EX

Subject: FW: Minister Coleman, Minister de Jong Meeting - November 22

Hi Roger,

I will have Gord Hall prepare a briefing note for this meeting.

Cindy

From: Hoskins, Jeannie JAG:EX
Sent: Tuesday, November 13, 2012 10:50 AM
To: Dahlke, Cindy LDB:EX
Cc: Welt, Lilian LDB:EX; Cornett, Kathy M JAG:EX
Subject: FW: Minister Coleman, Minister de Jong Meeting

Hi Cindy

As per the request below, could you please arrange for a briefing note for this meeting and appropriate staff attendance.

Thanks very much.

Jeannie Hoskins
Executive Coordinator
Office of the Deputy Solicitor General
Ministry of Justice

From: Stewart, Ashley EMNG:EX
Sent: Tuesday, November 13, 2012 10:46 AM
To: Hoskins, Jeannie JAG:EX
Cc: Gajda, Gail EMNG:EX
Subject: FW: Minister Coleman, Minister de Jong Meeting

Hi Jeannie,

Could you get staff to prepare material and confirm staff who will be attending.

Thanks!

Ashley

From: Jukes, Shaina FIN:EX
Sent: Tuesday, November 13, 2012 10:08 AM
To: Gajda, Gail EMNG:EX
Cc: Stewart, Ashley EMNG:EX
Subject: RE: Minister Coleman, Minister de Jong Meeting

Good morning Ashley, Just letting you know that we have confirmed this meeting with Canada National Brewers for November 22nd from 2:30-3:125pm at the [redacted] They are following up with an agenda and attendees which I will forward to you when we receive them but if you could confirm attendees and materials on your end as soon as you have them that would be appreciated and we will do the same.

MEETING: Minister de Jong and Minister Coleman w/ Canada's National Brewers
Lead: Richard

Participants:

Minister de Jong
Richard Maksymetz
Staff TBC
Minister Coleman
Staff TBC

Date:

Thursday, November 22nd

Time:

2:30pm-3:15pm

Location:

s.15

Dial-in:

s.15, s.17

Access codes:

Moderator Conference ID

Participant Conference ID

s.15, s.17

Details:**Confirmation:**

Date and time confirmed with Bryan Cox by email.

Materials:

Agenda and attendees requested from CNB

Contact:

Bryan Cox
Vice President, Western Canada
Canada's National Brewers
(604) 659-2744 - Direct

s.22

- Cell

Shaina Jukes

Administrative Coordinator to the Honourable Michael de Jong, QC
Minister of Finance | PO Box 9048 Stn Prov Govt Victoria, BC V8W 9E2
Phone: 250-387-3751 | Fax: 250-387-5594 | Fin.Minister@gov.bc.ca

From: Gajda, Gail EMNG:EX

Sent: Tuesday, November 6, 2012 2:05 PM

To: Jukes, Shaina FIN:EX

Cc: Stewart, Ashley EMNG:EX

Subject: RE: Minister Coleman, Minister de Jong Meeting

Great, thanks, I'll keep Ashley in the loop, as s.22 and she will be in charge of the schedule!

Gail Gajda

Administrative Coordinator to the
Honourable Rich Coleman
Minister of Energy, Mines and Natural Gas
Minister Responsible for Housing and Deputy Premier
Telephone: (250) 387-6701

From: Jukes, Shaina FIN:EX
Sent: Tuesday, November 6, 2012 2:03 PM
To: Gajda, Gail EMNG:EX
Subject: Minister Coleman, Minister de Jong Meeting

Hi Gail,

Following upon our conversation 2:30pm on November 22nd works on our end for a meeting at the s.15 with Canadian Brewers Association. Our office will be following up with them to confirm the time. We will work on materials and attendees on our end and I will confirm with you closer to the date.

Thank you,
Shaina

Shaina Jukes

Administrative Coordinator to the Honourable Michael de Jong, QC
Minister of Finance | PO Box 9048 Stn Prov Govt Victoria, BC V8W 9E2
Phone: 250-387-3751 | Fax: 250-387-5594 | Fin.Minister@gov.bc.ca

Bissoondatt, Roger LDB:EX

From: Bissoondatt, Roger LDB:EX
Sent: Wednesday, November 14, 2012 11:07 AM
To: Low, Elaine LDB:EX
Subject: Fw: Communication on Regional Brewer 160k hl tax clawback and limit increase to 200k hl from 160k hl

Fyi

From: PWB Controller [<mailto:controller@pwbrewing.com>]
Sent: Tuesday, November 13, 2012 02:55 PM
To: Bissoondatt, Roger LDB:EX
Cc: kkomatsu@pwbrewing.com <kkomatsu@pwbrewing.com>; s.22
Subject: Communication on Regional Brewer 160k hl tax clawback and limit increase to 200k hl from 160k hl

Hi Roger, following up on our discussions last week in regards to the Regional Brewer 160k hl tax clawback and increase in production limit to 200k hl.

Any news on this?

We understand there is communication available on this topic that speaks to the above noted changes but have seen nothing as yet.

As you know, this is a very important issue for us as we expect to reach s.21 in this calendar year. Should the 160k+ hl tax clawback take effect we would be forced to take drastic action (close the Prince George Brewery in the last week of November 2012) because of the tax hit.

We are hearing all the right signals that the change is coming but need this formally communicated.

Please call at your earliest convenience, 604 421 2119

Thanks for your support on this.

Regards

Dave

Bissoondatt, Roger LDB:EX

From: Bissoondatt, Roger LDB:EX
Sent: Wednesday, November 14, 2012 11:11 AM
To: Low, Elaine LDB:EX
Subject: Re: Brewery Letter

s.13

Roger

From: Low, Elaine LDB:EX
Sent: Wednesday, November 14, 2012 11:08 AM
To: Bissoondatt, Roger LDB:EX
Subject: RE: Brewery Letter

s.13

From: Bissoondatt, Roger LDB:EX
Sent: Wednesday, November 14, 2012 11:05 AM
To: Low, Elaine LDB:EX
Subject: Re: Brewery Letter

Hi Elaine, the calculations is what I got.

s.13

I spoke with Dave Heffelfinger yesterday following his e-mail to me. I told him that the announcement will be this week.

Roger

Roger

From: Low, Elaine LDB:EX
Sent: Wednesday, November 14, 2012 09:31 AM
To: Bissoondatt, Roger LDB:EX
Subject: Brewery Letter

Roger,

Gord just spoke with Jordan in the MO. We preparing the letter to be issued today. I discussed with Gord the example and I am getting Cindy to update the presentation; however, the ending result is the same.

In the example of 180,000, the presentation will be:

s.13

Cindy mentioned that you were going to call. I will be in the office today except from 10 – 11:30.

Regards,

Elaine Low

Acting Chief Financial Officer

Liquor Distribution Branch

phone - 604-252-3158

fax - 604-252-3175

elaine.low@bcldb.com

www.bcldb.com

Not Responsive

From: Hall, Gord LDB:EX
Sent: Wednesday, November 14, 2012 3:44 PM
To: Shotton, Ryan GCPE:EX; Cournoyer, Vince LDB:EX
Cc: Palmer, Tarina LDB:EX; Jensen, Cindy LDB:EX
Subject: Letter re: LDB Beer Mark-up Policy

The attached letter has just been emailed to domestic beer suppliers, import beer agents and beer associations.

Gord Hall, Director, Corporate Policy
British Columbia Liquor Distribution Branch
Phone: 604-252-3035 Fax: 604-252-3026
gord.hall@bcldb.com
www.bcldb.com



**LIQUOR
DISTRIBUTION
BRANCH**

November 14, 2012

To: Domestic Beer Suppliers and Import Beer Agents

Re: **Amendment to Beer Mark-up Policy**

As you are aware, the LDB has different mark-up rates based upon a brewer's consolidated annual production.

The LDB has changed its mark-up policy for brewers whose annual production is between 15,000 hectolitres (hl) and 160,000 hl, and who eventually exceed 160,000 hl. Brewers in this category are now subject to transitional mark-up rates between 160,000 hl and 400,000 hl. These transitional rates are based on a proportional blending of the applicable rates for the 15,000 hl to 160,000 hl category and the applicable rates for the greater than 160,000 hl category.

To qualify for the transitional mark-up rates between 160,000 and 400,000 hl, a brewery must have been selling products in the British Columbia market and had an annual production level of less than 160,000 hl in the 2011 calendar year. The purpose of this policy is to ease the transition into the highest mark-up category.

An example of a transitional mark-up rate calculation for packaged beer from a brewery whose production grows to 180,000 hl, based on current mark-up rates is shown below:

$$\$1.16/\text{litre} + ((20,000\text{hl} \div 180,000\text{hl}) \times (\$1.75/\text{litre} - \$1.16/\text{litre})) = \$1.23/\text{litre}$$

If you have any questions, please contact Elaine Low at Elaine.low@bcldb.com or 604-252-3150.

Yours truly,

Elaine Low
Acting Chief Financial Officer

cc: Roger Bissoondatt, Liquor Distribution Branch
Kelly Wilson, Liquor Distribution Branch
Bill Michael, Liquor Distribution Branch
Gord Hall, Liquor Distribution Branch

Low, Elaine LDB:EX

From: Hall, Gord LDB:EX
Sent: Saturday, November 17, 2012 11:58 AM
To: Bissoondatt, Roger LDB:EX; Low, Elaine LDB:EX
Cc: Cournoyer, Vince LDB:EX
Subject: FW: Amendment to Beer Mark-up Policy

FYI, Roger pointed out my mistake.

From: Hall, Gord LDB:EX
Sent: Saturday, November 17, 2012 11:58 AM
To: 'terryl@gwbc.ca'
Cc: Lam, Yolanda LDB:EX
Subject: FW: Amendment to Beer Mark-up Policy

Terry: In my email below I should have said that if you fall below 160,000 hl in calendar 2012 you will be subject to the middle tier mark-up rates in fiscal 2013/14 (beginning April 1 2013), not fiscal 2012/13.

From: Hall, Gord LDB:EX
Sent: Friday, November 16, 2012 1:34 PM
To: 'Terry Letwin'
Cc: Lam, Yolanda LDB:EX
Subject: RE: Amendment to Beer Mark-up Policy

Terry:

If your brewery's production falls below 160,000 hl for calendar 2012 it would be subject to the middle tier mark-up rates beginning in fiscal 2012/13. If your brewery were to rise above 160,000 hl in subsequent calendar years, it would be subject to the transitional rates referred to in the November 14 policy amendment letter. Yolanda Lam can fill you in on the process for reporting your 2012 production volumes to the LDB.

From: Terry Letwin [<mailto:terryl@gwbc.ca>]
Sent: Thursday, November 15, 2012 3:30 PM
To: Hall, Gord LDB:EX
Subject: RE: Amendment to Beer Mark-up Policy

Hi Gord

Thank you for the clarification.

I was pressing for details because [redacted] s.21 our 2011 exciseable production was [redacted] s.21 therefore we would not qualify for the transitional rates as I understand it.

In 2012 however it is possible [redacted] s.21 threshold. If this is in fact the case, due we fall into the transitional provision rates for 2013?

Further if that is the case, what is the process for advising the LDB about 2012 production volumes and when would those transitional rates become effective?

Thanks again for any further information you can provide.

Sincerely



Terry Letwin CFO
terryl@gwbc.ca
 Great Western Brewing Company Ltd.
 519 2nd Avenue North, Saskatoon, SK S7K 2C6
 tel: 1.306.653.4653 ext. 240
 cell: 1.306.281.5656
 fax: 1.306.653.2166
gwbc.ca

From: Hall, Gord LDB:EX [<mailto:Gord.Hall@bcldb.com>]
Sent: Thursday, November 15, 2012 12:19 PM
To: Terry Letwin
Cc: Lam, Yolanda LDB:EX; Low, Elaine LDB:EX
Subject: RE: Amendment to Beer Mark-up Policy

Terry: Yolanda asked me to respond to your attached email.

Production is based upon excisable beer packaged in a calendar year as reported to the Canada Revenue Agency. If a brewery is less than 160,000 hl in 2012, it will qualify for the middle tier mark-ups for the 2012/13 fiscal year and will receive the transitional rates in subsequent years if its calendar production grows above 160,000 hl up until 400,000 hl. If a brewery's production was greater than 160,000 hl in calendar 2011 it will not receive the middle tier mark-up rates or transitional mark-up rates unless its production falls below 160,000 hl in a future calendar year.

Gord Hall, Director, Corporate Policy
 British Columbia Liquor Distribution Branch
 Phone: 604-252-3035 Fax: 604-252-3026
gord.hall@bcldb.com
www.bcldb.com

From: Terry Letwin [<mailto:terryl@gwbc.ca>]
Sent: Wednesday, November 14, 2012 10:38 PM
To: Lam, Yolanda LDB:EX
Subject: Re: Amendment to Beer Mark-up Policy

Hello Yolanda

Thank for the advice of changes to the beer markup policy.

I have a couple of questions I hope you can provide clarification on.

First what is the LDB literal interpretation of production...is it beer brewed in a calendar year or beer packaged in the year thay was Excisable or for simplicity...where production equals sales?

Maybe this example would be telling if 1000 hls are brewed in a year 800 is packaged and 500 is sold....what is the production? How does net change in inventory from year to year factor in the equation?
Secondly regarding the transitional provisions...what is the implication of less than 160,000 hl in 2012 vs less than or greater than 160,000 in 2011...when does the transitional rate kick in?

Thanks in advance for your assistance.
Sincerely



Terry Letwin CFO
terryl@gwbc.ca
Great Western Brewing Company Ltd.
519 2nd Avenue North, Saskatoon, SK S7K 2C6
tel: 1.306.653.4653 ext. 240
cell: 1.306.281.5656
fax: 1.306.653.2166
gwbc.ca

From: Lam, Yolanda LDB:EX [<mailto:Yolanda.Lam@bclddb.com>]
Sent: Wednesday, November 14, 2012 05:29 PM
Subject: Amendment to Beer Mark-up Policy

Hello,

Please see the attached letter in regards to the Beer Mark-up Policy Amendment.

Thank you.

Yolanda Lam
Costing and Pricing Analyst
Costing and Pricing Department
BC Liquor Distribution
Telephone: (604) 252-3348
Fax: (604) 252-3322
E-mail: yolanda.lam@bclddb.com

Bissoondatt, Roger LDB:EX

From: Bissoondatt, Roger LDB:EX
Sent: Monday, November 19, 2012 6:45 PM
To: Wanamaker, Lori JAG:EX
Cc: Low, Elaine LDB:EX
Subject: FW: Beer Mark-up Rates
Attachments: Beer Mark-up Rates.xlsx; Small Brewery mark up transition to 400K transition - Nov 2012.xlsx

Hi Lori, welcome back! Here are the answers to your two questions:

1. The rate shown in the letter sent out on November 14 (Amendment to Beer Mark-up Policy) refers to the current rate for the small (\$1.16) and the commercial (\$1.75) breweries. The BN indicated the rates that will be

2.

s.13

The determination of the rate will be based on the brewery's production during the previous calendar year. Hence the 2011 production is referred to in the letter. So the rates in effect on April 1, 2013 will be based on 2012 calendar year production.

Attached are two spreadsheets.

s.13

s.13

Please let me know if you have any questions or would like other assumptions modelled.

Roger

Roger M. Bissoondatt
Acting General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com

From: Hall, Gord LDB:EX
Sent: Thursday, November 15, 2012 11:29 AM
To: Bissoondatt, Roger LDB:EX
Subject: FW: Beer Mark-up Rates

FYI, I spoke to him on the phone and he wanted more clarification regarding the new policy.

From: Hall, Gord LDB:EX
Sent: Thursday, November 15, 2012 11:29 AM
To: Sweeney, Neil PREM:EX
Subject: Beer Mark-up Rates

Neil: Let me know if you have any questions regarding the attached.

Gord Hall, Director, Corporate Policy
British Columbia Liquor Distribution Branch
Phone: 604-252-3035 Fax: 604-252-3026
gord.hall@bcldb.com
www.bcldb.com

**Liquor Distribution Branch Beer Mark-up Rates
(New Transitional Rates in Red)***

Production in Hectolitres	Packaged Beer	Draft Beer
0 - 15,000	\$1.04	\$0.72
15,000 -160,000	\$1.16	\$0.81
>=160,000*	\$1.75	\$1.20
170,000	\$1.19	\$0.83
180,000	\$1.23	\$0.85
190,000	\$1.25	\$0.87
200,000	\$1.28	\$0.89
210,000	\$1.30	\$0.90
220,000	\$1.32	\$0.92
230,000	\$1.34	\$0.93
240,000	\$1.36	\$0.94
250,000	\$1.37	\$0.95
260,000	\$1.39	\$0.96
270,000	\$1.40	\$0.97
280,000	\$1.41	\$0.98
290,000	\$1.42	\$0.98
300,000	\$1.44	\$0.99
310,000	\$1.45	\$1.00
320,000	\$1.46	\$1.01
330,000	\$1.46	\$1.01
340,000	\$1.47	\$1.02
350,000	\$1.48	\$1.02
360,000	\$1.49	\$1.03
370,000	\$1.49	\$1.03
380,000	\$1.50	\$1.04
390,000	\$1.51	\$1.04
=> 400,000	\$1.75	\$1.20

*To qualify for transitional rates, a brewery must have been
below 160,000 hl and selling in the BC market prior to exceeding 160,000 hl

s.13

Dahlke, Cindy LDB:EX

From: Dahlke, Cindy LDB:EX
Sent: Tuesday, November 20, 2012 10:26 AM
To: Bissoondatt, Roger LDB:EX; Hall, Gord LDB:EX
Subject: FW: Briefing Note re Ministers' Meeting with Canada's National Brewers - November 22 - 486369
Attachments: 2012-11-19_BNI_Meeting_Brewers_486369.docx
Importance: High
Sensitivity: Confidential

FYI – briefing note sent to the Minister's office today.

Cindy

From: Hoskins, Jeannie JAG:EX
Sent: Tuesday, November 20, 2012 10:03 AM
To: Stewart, Ashley EMNG:EX; Gajda, Gail EMNG:EX
Cc: Cornett, Kathy M JAG:EX; Dahlke, Cindy LDB:EX; Jones, Kathleen MEM:EX
Subject: Briefing Note re Ministers' Meeting with Canada's National Brewers - November 22 - 486369
Importance: High
Sensitivity: Confidential

The attached briefing note has been approved by the Deputy Solicitor General and is for the Minister's meeting with Canada National Brewers on November 22nd. Gord Hall will be attending the meeting in person, Barry Bieller by phone.

Thank you.

Jeannie Hoskins
Executive Coordinator
Office of the Deputy Solicitor General
Ministry of Justice

Dahlke, Cindy LDB:EX

From: Dahlke, Cindy LDB:EX
Sent: Monday, November 19, 2012 3:07 PM
To: Cornett, Kathy M JAG:EX
Cc: Hoskins, Jeannie JAG:EX; Bissoondatt, Roger LDB:EX; Ayers, Karen J MEM:EX; Hall, Gord LDB:EX; Wilson, Kelly LDB:EX; Low, Elaine LDB:EX; Cournoyer, Vince LDB:EX
Subject: Briefing Note re Ministers' Meeting with Canada's National Brewers - November 22 - 486369
Attachments: 2012-11-19_BNI_Meeting_Brewers_486369.docx
Importance: High
Sensitivity: Confidential

Hi Kathy,

Attached and imported is a briefing note for Minister Coleman regarding a meeting he and Minister de Jong have with Canada National Brewers on **November 22, 2102. *This had been requested by the Minister's office.***

Roger Bissoondatt has approved this.

Thanks!

Cindy Dahlke

Executive Administrative Assistant
General Manager's Office | BC Liquor Distribution Branch
Phone: 604-252-3021 | **Fax:** 604-252-3026
cindy.dahlke@bcldb.com
www.bcldb.com

**MINISTRY OF ENERGY, MINES AND NATURAL GAS
LIQUOR DISTRIBUTION BRANCH
LIQUOR CONTROL AND LICENSING BRANCH
BRIEFING NOTE**

**PREPARED FOR: Honourable Rich Coleman, Minister
FOR INFORMATION**

ISSUE:

Minister's meeting with Canada's National Brewers (CNB) representative, Bryan Cox on November 22, 2012.

BACKGROUND:

The CNB is an industry association representing Canada's three largest brewers – Labatt, Molson/Coors and Sleeman. The products produced by these companies, including the imported products they represent as agents, account for 85 per cent of the dollar value of beer sales in the province.

Bryan Cox is the head of the CNB for Western Canada.

DISCUSSION:

It is likely Bryan Cox will raise the following issues with the Minister.

s.12, Not Responsive

2. Small Brewery Mark-up Policy

The LDB has lower rates of mark-up for small breweries. The LDB has two tiers of small brewery for mark-up purposes: those with annual production of 0 – 15,000 hectoliters (hl) and 15,000 – 160,000 hl.

s.13

On November 14, 2012, the LDB notified the beer industry of an amendment to small brewery policy. Effective immediately, breweries in the 15,000 – 160,000 hl category will not be subject to the large brewery mark-up rates when they grow above 160,000 hl, rather they will receive the lower rates of mark-up on the first 160,000 hl and the large brewery mark-up rates on production from 160,000 hl to 400,000 hl (the LDB will

calculate a blended mark-up rate based on the proportion of a brewery's production within these two production ranges). Above 400,000 hl, the large brewery rates will apply.

s.13

s.13

Not Responsive

CNB believes that minimum prices should be increased regularly for inflation. CNB also believes that LRSs should not be allowed to sell below GLS minimum prices. An increase in the minimum price on beer generates additional revenue for breweries but not for government because the LDB's beer mark-ups are volume based.

Prepared by:

Gord Hall, LDB, 604-252-3021
Barry Bieller, LCLB, 604-952-5755
LDB

Approved by:

Roger Bissoondatt
Acting General Manager, LDB
Karen Ayers
General Manager and ADM, LCLB

Originated by: General Manager's Office

**LIQUOR DISTRIBUTION BRANCH
WORK ASSIGNMENT FORM**

This form is intended to be used for all assignments originating from the GM's Office to streamline and clarify who needs to work on the assignment, who needs to approve, sequencing and legibility.

A. TYPE OF ASSIGNMENT:

(please indicate)

Letter/E-mail

Speech

Advice

Briefing Note ☒

Status Report

Other

RE: Canada's National Brewers Mtg.

ASSIGNED DATE: Nov. 13/12

DUE DATE: Nov. 19/12 ARCS/ORCS#

MAIL LOG # 486369

The assignor will indicate exactly what is required; who to contact, area to highlight, etc.

B. INSTRUCTIONS/REQUIREMENTS

Assigned to: Gord Hall

Assigned to:

Gord - please prepare a briefing note for
Minister Coleman for this meeting.

Deputy Minister

for General Manager, LDB

C. APPROVED BY:

**WITH
CHANGES**

**DATE
APPROVED**

RESEARCHER/WRITER

EXEC. DIRECTOR/MANAGER

GENERAL MANAGER, LDB

DEPUTY MINISTER

Bissoondatt, Roger LDB:EX

From: Wanamaker, Lori JAG:EX
Sent: Tuesday, November 20, 2012 11:53 AM
To: Bissoondatt, Roger LDB:EX
Subject: Fwd: deck
Attachments: BC Beer Tax Package.pdf; ATT00001.htm

Lori Wanamaker FCA
Deputy Minister and
Deputy Solicitor General
Ministry of Justice

Begin forwarded message:

From: "Sweeney, Neil PREM:EX" <Neil.Sweeney@gov.bc.ca>
Date: November 20, 2012 10:54:56 AM PST
To: "Wanamaker, Lori JAG:EX" <Lori.Wanamaker@gov.bc.ca>
Subject: FW: deck

Here is their submission. Not sure if you got it through another channel or not.

N

From: Cox, Bryan [<mailto:bcox@nationalbrewers.ca>]
Sent: Tuesday, November 20, 2012 10:40 AM
To: Sweeney, Neil PREM:EX
Cc: XT:Newton, Jeff LCLB:IN
Subject: deck

Reforming BC's Beer Taxation Structure

*A plan to restore industry health
and government revenue growth*

November 2012

Certain beer tax policies are inadvertently destabilizing the brewery sector and eroding government tax revenues

- Small brewer tax subsidy program has migrated away from its original premium small brewery support objective:
 - Successive increases to the program qualification threshold have resulted in large discount brewers receiving significant government tax subsidies
 - Maximum annual subsidy per brewer has increased from \$1.35 million in 2001 to \$9.44 million today:
 - Per case subsidy of over \$5 is among the highest in the world.
 - These changes have artificially stimulated a growing discount segment as large brewers use the subsidy to discount price rather than sell higher margin premium craft brewed products
 - The resulting market dynamic is driving volume to lower-taxed producers while overall industry volume declines:
 - 14 % of B.C. beer sales now subsidized;
 - Domestic industry volume down 5.6% since 2008 (fully-taxed volume down 13.8%).
 - A program designed to support industry health and growth is actually having the opposite effect – no net new jobs are being created
 - And government tax revenues are declining in the process

Certain beer tax policies are inadvertently destabilizing the brewery sector and eroding government tax revenues

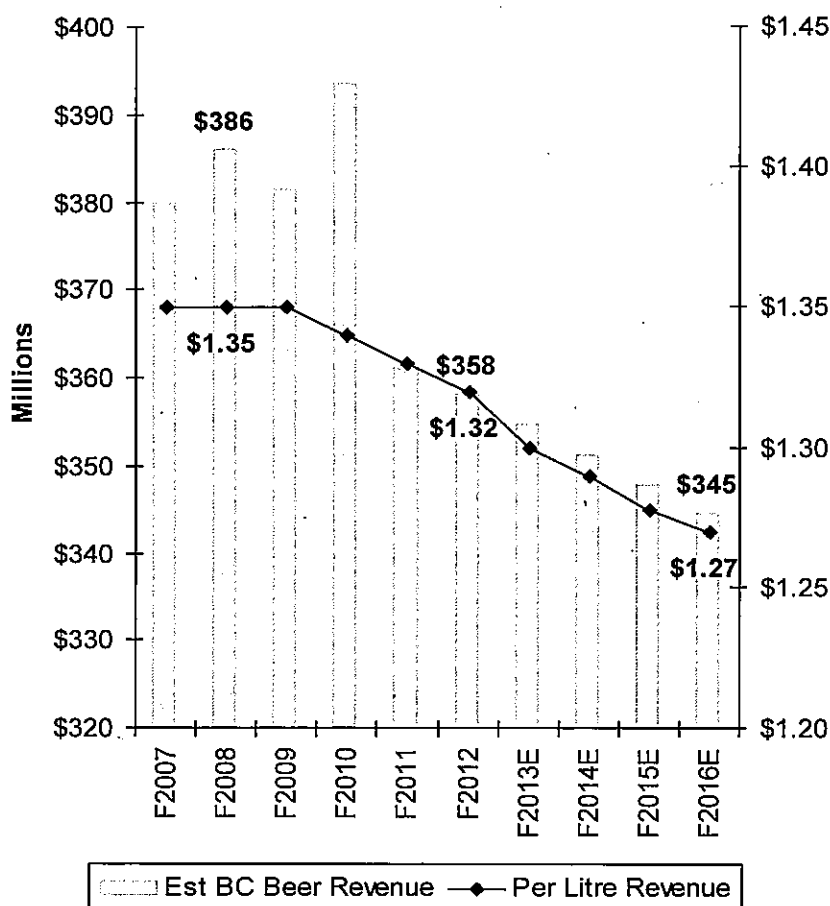
s.13

Together these factors are compromising beer tax revenues

- These factors are driving government tax revenues downwards as:
 - Domestic beer volume moves from fully-taxed products to tax-subsidized products:
 - Subsidized tax volume up 95 % since 2008;
 - Fully-taxed volume down 15 % since 2008.

s.13

Government beer revenues are declining on an aggregate and per litre basis

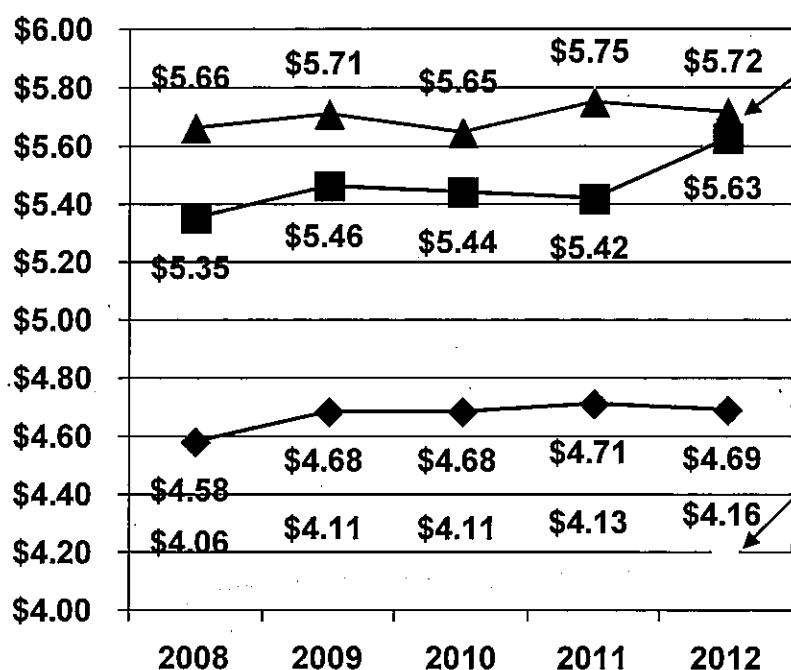


- Annual beer tax revenues down \$28 million (7.3%) compared to F2008;
- 3 % decline in per litre revenue driven by:
 - Growth in tax-subsided beer sales;
 - Growth in discounts paid by LDB to LRS stores;
 - Growth in LDB operating costs vs flat revenue.

* Forecasts for F2013 to F2016 assume flat industry volumes

Current level of tax subsidy is distorting market competition

Average Retail Packaged Beer Price¹



◆ Dom Brewers Over 160,000hl
 ■ Dom Brewers Between 15,000 and 160,000 hl
 ▲ Dom Brewers Under 15,000 hl
 ■ Import Brewers

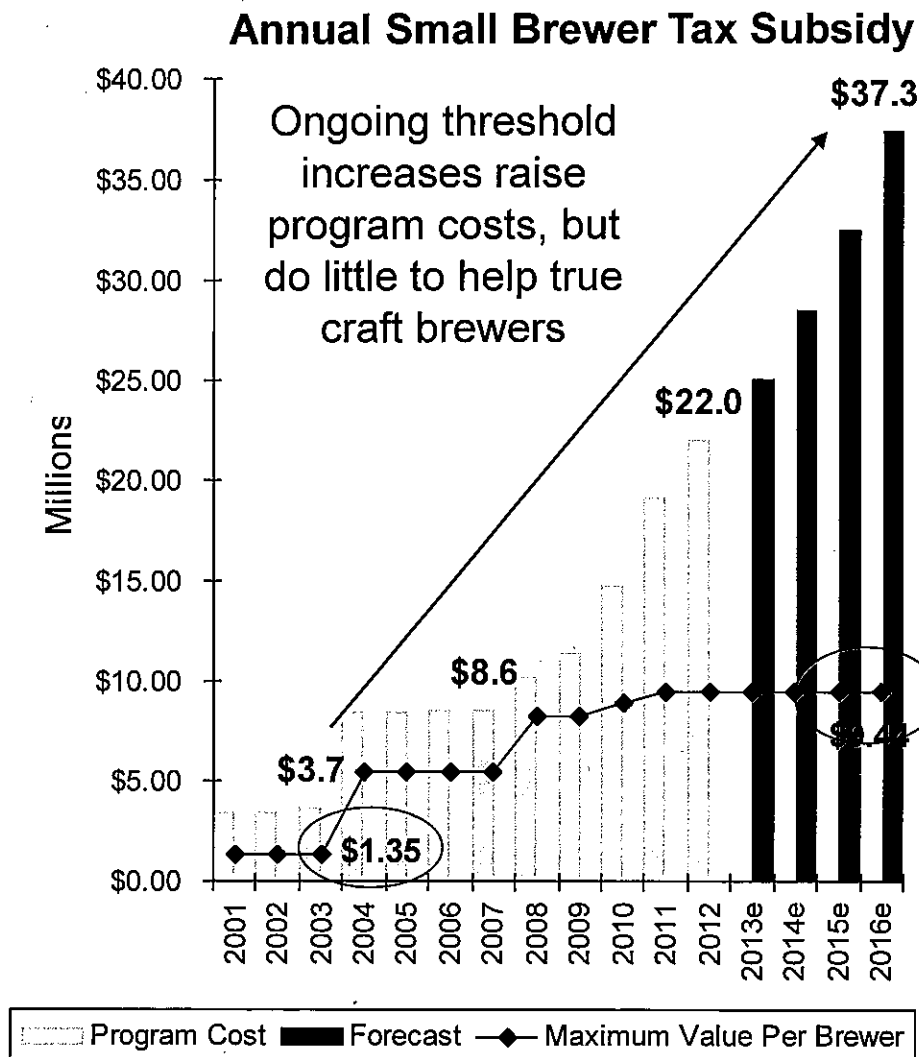
Smallest brewers use subsidy to address economy of scale disadvantage, build brands and compete in the premium segment -- activity consistent with program intent.

Large brewers receiving the subsidy use it to reduce prices to levels even lower than their much larger competitors.

Prices demonstrate that for larger brewers the tax subsidy exceeds any economy of scale disadvantage that it was intended to compensate for.

¹ Data for 12 month periods ending September from LDB September Quarterly Market Review

Government is at a critical crossroads in its beer tax policies



- Recent LDB announcement on small brewer tax expands the program, it doesn't fix it:
 - Negative trend in tax revenues will accelerate
- Growth of tax-subsidized beer sales will cut LDB revenues by over \$3 million annually:
 - Current program cost of \$22 million per year will top \$37 million in four years.

s.13

A plan to restore industry health and government revenue growth

s.13

Package of integrated changes necessary to reverse current trends

1. BC Small Brewery Tax Subsidies and Government Revenues

- Current BC program provides a maximum value per brewer of \$9.44 million dollars
- The majority of provincial maximum values per brewer range between \$250,000 to \$3.0 Million (Nfld, NS, NB, PEI, Que, Ont, MB, SK):
 - Healthy craft brewery segments supported at significantly lower cost.

s.13

Pages 77 through 83 redacted for the following reasons:

s.13, s.17

Appendix

Proposed Program Details

	Tax Break/Litre		Tax Break Value		% change in funding
Brewery Annual Production (HL)	Current Program	Proposed Program	Current Program	Proposed Program	
15,000	\$71.00	S.13, S.17	\$1,065,000	S.13, S.17	
30,000	\$59.00		\$1,770,000		
50,000	\$59.00		\$2,950,000		
70,000	\$59.00		\$4,130,000		
100,000	\$59.00		\$5,900,000		
150,000	\$59.00		\$8,850,000		
160,000	\$59.00		\$9,440,000		

Overall current \$22 million beer subsidy expenditure will not grow to \$37 million but remain slightly below current levels

Page 86 redacted for the following reason:

s.13, s.17

Bissoondatt, Roger LDB:EX

From: Wanamaker, Lori JAG:EX
Sent: Tuesday, November 20, 2012 2:20 PM
To: Bissoondatt, Roger LDB:EX
Cc: Low, Elaine LDB:EX
Subject: RE: Beer Mark-up Rates

Importance: High

I want to share this spreadsheet with MRC. I think that the relevant column is the average. Correct?

From: Bissoondatt, Roger LDB:EX
Sent: Tuesday, November 20, 2012 1:40 PM
To: Wanamaker, Lori JAG:EX
Cc: Low, Elaine LDB:EX
Subject: RE: Beer Mark-up Rates

Hi Lori,

Roger

Roger M. Bissoondatt
Acting General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com

From: Wanamaker, Lori JAG:EX
Sent: Tuesday, November 20, 2012 12:03 PM
To: Bissoondatt, Roger LDB:EX
Cc: Low, Elaine LDB:EX
Subject: Re: Beer Mark-up Rates

So let me understand...

Lori Wanamaker FCA
Deputy Minister and
Deputy Solicitor General
Ministry of Justice

On Nov 19, 2012, at 6:45 PM, "Bissoondatt, Roger LDB:EX" <Roger.Bissoondatt@bcldb.com> wrote:

Hi Lori, welcome back! Here are the answers to your two questions:

1. The rate shown in the letter sent out on November 14 (Amendment to Beer Mark-up Policy) refers to the current rate for the small (\$1.16) and the commercial (\$1.75) breweries. The BN indicated the rates that will be in effect on April 1, 2013 after the mark up reduction for PST/GST – small (1.08) and commercial (1.63) breweries. The current rate was used in the letter since the rates that will be in effect on April 1, 2013 has not yet been released (it will be the pre-HST rate).

13

Please let me know if you have any questions or would like other assumptions modelled.

Roger

Roger M. Bissoondatt
Acting General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com

From: Hall, Gord LDB:EX
Sent: Thursday, November 15, 2012 11:29 AM
To: Bissoondatt, Roger LDB:EX
Subject: FW: Beer Mark-up Rates

FYI, I spoke to him on the phone and he wanted more clarification regarding the new policy.

From: Hall, Gord LDB:EX
Sent: Thursday, November 15, 2012 11:29 AM
To: Sweeney, Neil PREM:EX
Subject: Beer Mark-up Rates

Neil: Let me know if you have any questions regarding the attached.

Gord Hall, Director, Corporate Policy
British Columbia Liquor Distribution Branch
Phone: 604-252-3035 Fax: 604-252-3026
gord.hall@bcldb.com
www.bcldb.com

<Beer Mark-up Rates.xlsx>

<Small Brewery mark up transition to s.13 - Nov 2012.xlsx>

Bissoondatt, Roger LDB:EX

From: Wanamaker, Lori JAG:EX
Sent: Tuesday, November 20, 2012 2:46 PM
To: Bissoondatt, Roger LDB:EX
Subject: FW: Beer Mark-up Rates
Attachments: Small Brewery mark up transition to s.13 - Nov 2012.xlsx

FYI

From: Wanamaker, Lori JAG:EX
Sent: Tuesday, November 20, 2012 2:36 PM
To: Coleman, Rich MEM:EX
Cc: Myers, Tobie A EMNG:EX
Subject: FW: Beer Mark-up Rates

Rich – that attached spreadsheet calculates the transition rates for small breweries.

s.13

s.13

As this calculation only relates to packaged beer, we are doing a similar calculation for draft beer.

Lori

s.13

Bissoondatt, Roger LDB:EX

From: Wanamaker, Lori JAG:EX
Sent: Tuesday, November 20, 2012 3:13 PM
To: Bissoondatt, Roger LDB:EX
Subject: RE: deck

Who are the small brewers

From: Bissoondatt, Roger LDB:EX
Sent: Tuesday, November 20, 2012 3:12 PM
To: Wanamaker, Lori JAG:EX
Subject: RE: deck

Will do. The calc for draft will be sent shortly. Formatting presentation.

Roger M. Bissoondatt
Acting General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com

From: Wanamaker, Lori JAG:EX
Sent: Tuesday, November 20, 2012 3:11 PM
To: Bissoondatt, Roger LDB:EX
Subject: RE: deck

Roger – can you please do some analysis on this presentation to verify accuracy...and feasibility?

From: Bissoondatt, Roger LDB:EX
Sent: Tuesday, November 20, 2012 1:42 PM
To: Wanamaker, Lori JAG:EX
Subject: RE: deck

Thanks

Roger

Roger M. Bissoondatt
Acting General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com

From: Wanamaker, Lori JAG:EX
Sent: Tuesday, November 20, 2012 11:53 AM
To: Bissoondatt, Roger LDB:EX
Subject: Fwd: deck

Lori Wanamaker FCA
Deputy Minister and
Deputy Solicitor General

Begin forwarded message:

From: "Sweeney, Neil PREM:EX" <Neil.Sweeney@gov.bc.ca>
Date: November 20, 2012 10:54:56 AM PST
To: "Wanamaker, Lori JAG:EX" <Lori.Wanamaker@gov.bc.ca>
Subject: FW: deck

Here is their submission. Not sure if you got it through another channel or not.

N

From: Cox, Bryan [<mailto:bcox@nationalbrewers.ca>]
Sent: Tuesday, November 20, 2012 10:40 AM
To: Sweeney, Neil PREM:EX
Cc: XT:Newton, Jeff LCLB:IN
Subject: deck

Bissoondatt, Roger LDB:EX

From: Wanamaker, Lori JAG:EX
Sent: Tuesday, November 20, 2012 3:17 PM
To: Bissoondatt, Roger LDB:EX
Subject: questions

What is the revenue loss on the first 160,000 with this change

Lori Wanamaker, FCA
Deputy Minister and Deputy Solicitor General
Ministry of Justice
11th Floor, 1001 Douglas Street, Victoria
Phone: 250 356-0149 | Fax: 250 387-6224



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Low, Elaine LDB:EX

From: Lam, Yolanda LDB:EX
Sent: Tuesday, November 20, 2012 4:14 PM
To: Low, Elaine LDB:EX
Cc: Lowe, Levona LDB:EX
Subject: FW: Amendment to Beer Mark-up Policy

FYI

Yolanda Lam
Costing Clerk
Costing and Pricing Department
BC Liquor Distribution
Telephone: (604) 252-3348
Fax: (604) 252-3322
E-mail: yolanda.lam@bcldb.com

From: Hall, Gord LDB:EX
Sent: Saturday, November 17, 2012 11:58 AM
To: 'terryl@gwbc.ca'
Cc: Lam, Yolanda LDB:EX
Subject: FW: Amendment to Beer Mark-up Policy

Terry: In my email below I should have said that if you fall below 160,000 hl in calendar 2012 you will be subject to the middle tier mark-up rates in fiscal 2013/14 (beginning April 1 2013), not fiscal 2012/13.

From: Hall, Gord LDB:EX
Sent: Friday, November 16, 2012 1:34 PM
To: 'Terry Letwin'
Cc: Lam, Yolanda LDB:EX
Subject: RE: Amendment to Beer Mark-up Policy

Terry:

If your brewery's production falls below 160,000 hl for calendar 2012 it would be subject to the middle tier mark-up rates beginning in fiscal 2012/13. If your brewery were to rise above 160,000 hl in subsequent calendar years, it would be subject to the transitional rates referred to in the November 14 policy amendment letter. Yolanda Lam can fill you in on the process for reporting your 2012 production volumes to the LDB.

From: Terry Letwin [<mailto:terryl@gwbc.ca>]
Sent: Thursday, November 15, 2012 3:30 PM
To: Hall, Gord LDB:EX
Subject: RE: Amendment to Beer Mark-up Policy

Hi Gord

Thank you for the clarification.

I was pressing for details because [REDACTED] ...our 2011 exciseable production was [REDACTED] therefore we would not qualify for the transitional rates as I understand it.

In 2012 however it is possible [REDACTED] If this is in fact the case, due we fall into the transitional provision rates for 2013?

Further if that is the case, what is the process for advising the LDB about 2012 production volumes and when would those transitional rates become effective?

Thanks again for any further information you can provide.

Sincerely



Terry Letwin CFO
terryl@gwbc.ca
Great Western Brewing Company Ltd.
519 2nd Avenue North, Saskatoon, SK S7K 2C6
tel: 1.306.653.4653 ext. 240
cell: 1.306.281.5656
fax: 1.306.653.2166
gwbc.ca

From: Hall, Gord LDB:EX [mailto:Gord.Hall@bcldb.com]
Sent: Thursday, November 15, 2012 12:19 PM
To: Terry Letwin
Cc: Lam, Yolanda LDB:EX; Low, Elaine LDB:EX
Subject: RE: Amendment to Beer Mark-up Policy

Terry: Yolanda asked me to respond to your attached email.

Production is based upon excisable beer packaged in a calendar year as reported to the Canada Revenue Agency. If a brewery is less than 160,000 hl in 2012, it will qualify for the middle tier mark-ups for the 2012/13 fiscal year and will receive the transitional rates in subsequent years if its calendar production grows above 160,000 hl up until 400,000 hl. If a brewery's production was greater than 160,000 hl in calendar 2011 it will not receive the middle tier mark-up rates or transitional mark-up rates unless its production falls below 160,000 hl in a future calendar year.

Gord Hall, Director, Corporate Policy
British Columbia Liquor Distribution Branch
Phone: 604-252-3035 Fax: 604-252-3026
gord.hall@bcldb.com
www.bcldb.com

From: Terry Letwin [mailto:terryl@gwbc.ca]
Sent: Wednesday, November 14, 2012 10:38 PM
To: Lam, Yolanda LDB:EX
Subject: Re: Amendment to Beer Mark-up Policy

Hello Yolanda

Thank for the advice of changes to the beer markup policy.

I have a couple of questions I hope you can provide clarification on.

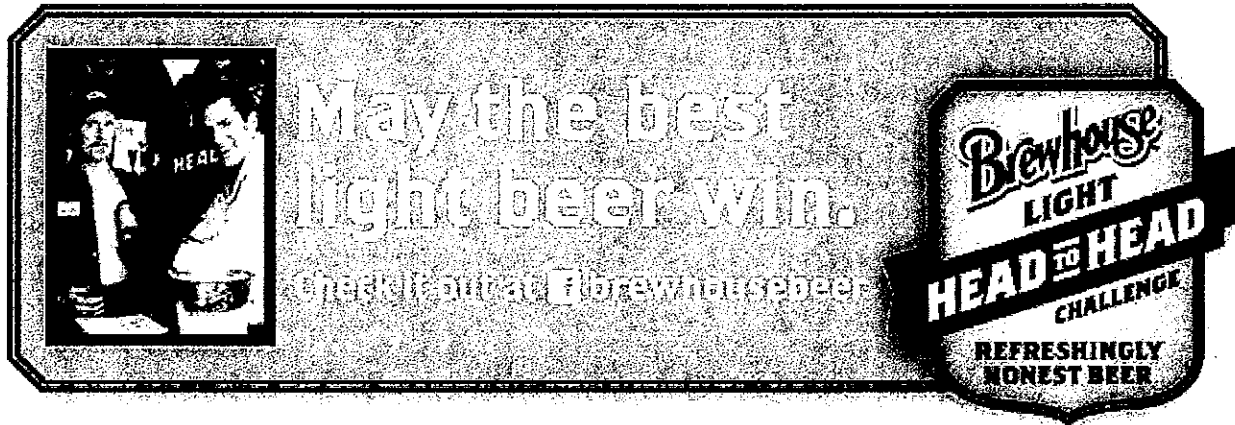
First what is the LDB literal interpretation of production...is it beer brewed in a calendar year or beer packaged in the year they was Excisable or for simplicity...where production equals sales?

Maybe this example would be telling if 1000 hls are brewed in a year 800 is packaged and 500 is sold....what is the production? How does net change in inventory from year to year factor in the equation?

Secondly regarding the transitional provisions...what is the implication of less than 160,000 hl in 2012 vs less than or greater than 160,000 in 2011...when does the transitional rate kick in?

Thanks in advance for your assistance.

Sincerely



Terry Letwin CFO

terryl@gwbc.ca

Great Western Brewing Company Ltd.

519 2nd Avenue North, Saskatoon, SK S7K 2C6

tel: 1.306.653.4653 ext. 240

cell: 1.306.281.5656

fax: 1.306.653.2166

gwbc.ca

From: Lam, Yolanda LDB:EX [<mailto:Yolanda.Lam@bcldb.com>]

Sent: Wednesday, November 14, 2012 05:29 PM

Subject: Amendment to Beer Mark-up Policy

Hélló,

Please see the attached letter in regards to the Beer Mark-up Policy Amendment.

Thank you.

Yolanda Lam

Costing and Pricing Analyst

Costing and Pricing Department

BC Liquor Distribution

Telephone: (604) 252-3348

Fax: (604) 252-3322

E-mail: yolanda.lam@bcldb.com

Not Responsive

From: Terry Letwin [mailto:terryl@gwbc.ca]
Sent: Tuesday, November 20, 2012 4:00 PM
To: Hall, Gord LDB:EX
Subject: RE: Amendment to Beer Mark-up Policy

Hi Gord

Thank you for your various responses to past questions. I thought it might be useful for me to summarize what has now become my understanding.

Please confirm or dispel my belief on the following points.

Annual worldwide production is the sum total of all beverage throughput through a facility (including alcoholic and non alcoholic volume) plus any volume of affiliated breweries (ie not just what is produced for the but their worldwide volume) is also attributed to this facility

Production is based on exciseable beer reported to CRA in a calendar year. For greater clarity anything that attracts excise ie spirits, cider etc are included in the production calculation

Currently the 3 markup tiers in BC are

Packaged Beer

< 15,000 Hls packaged beer -markup \$0.97 / Litre
15,000 to 160,000 Hls packaged beer -markup \$1.08 / Litre
160,000 Hls + packaged beer -markup \$1.63 / Litre

Draft Beer

< 15,000 Hls packaged beer -markup \$0.67 / Litre
15,000 to 160,000 Hls packaged beer -markup \$0.75 / Litre
160,000 Hls + packaged beer -markup \$1.12 / Litre

If a brewery has less than 160,000 Hls of production in 2012, the Markups detailed in red become effective April 1,2013, provided it is properly supported and reported by the brewer.

If a brewery exceeds 160,000 HLs in a subsequent year then the transitional rates come into effect.
What are the transitional rates for packaged and draft beer (is there still a distinction as there is now) ?

Yolanda had a sample calculation the appears to be \$1.16 per L up to 160,000 and \$1.75 on the portion above 160,000 Hls ...is that correct?

Finally if a brewer exceeded 160,000 in 2011 and again in 2012 do they remain at the highest markup...ie no access to the transitional markup rate provisions?

Am I on the right track in terms of understanding the implications of the BC markup system?

Thanks in advance for your assistance.

Sincerely



Terry Letwin CFO
terryl@gwbc.ca
Great Western Brewing Company Ltd.
519 2nd Avenue North, Saskatoon, SK S7K 2C6
tel: 1.306.653.4653 ext. 240
cell: 1.306.281.5656
fax: 1.306.653.2166
gwbc.ca

From: Hall, Gord LDB:EX [mailto:Gord.Hall@bclddb.com]
Sent: Saturday, November 17, 2012 1:58 PM
To: Terry Letwin
Cc: Lam, Yolanda LDB:EX
Subject: FW: Amendment to Beer Mark-up Policy

Terry: In my email below I should have said that if you fall below 160,000 hl in calendar 2012 you will be subject to the middle tier mark-up rates in fiscal 2013/14 (beginning April 1 2013), not fiscal 2012/13.

From: Hall, Gord LDB:EX
Sent: Friday, November 16, 2012 1:34 PM
To: 'Terry Letwin'
Cc: Lam, Yolanda LDB:EX
Subject: RE: Amendment to Beer Mark-up Policy

Terry:

If your brewery's production falls below 160,000 hl for calendar 2012 it would be subject to the middle tier mark-up rates beginning in fiscal 2012/13. If your brewery were to rise above 160,000 hl in subsequent calendar years, it would be subject to the transitional rates referred to in the November 14 policy amendment letter. Yolanda Lam can fill you in on the process for reporting your 2012 production volumes to the LDB.

From: Terry Letwin [mailto:terryl@gwbc.ca]
Sent: Thursday, November 15, 2012 3:30 PM
To: Hall, Gord LDB:EX
Subject: RE: Amendment to Beer Mark-up Policy

Hi Gord

Thank you for the clarification.

I was pressing for details because [REDACTED] ...our 2011 exciseable production was [REDACTED] therefore we would not qualify for the transitional rates as I understand it.

In 2012 however it is possible [REDACTED] If this is in fact the case, due we fall into the transitional provision rates for 2013?

Further if that is the case, what is the process for advising the LDB about 2012 production volumes and when would those transitional rates become effective?

Thanks again for any further information you can provide.

Sincerely



Terry Letwin CFO
terryl@gwbc.ca
Great Western Brewing Company Ltd.
519 2nd Avenue North, Saskatoon, SK S7K 2C6
tel: 1.306.653.4653 ext. 240
cell: 1.306.281.5656
fax: 1.306.653.2166
gwbc.ca

From: Hall, Gord LDB:EX [mailto:Gord.Hall@bcldb.com]
Sent: Thursday, November 15, 2012 12:19 PM
To: Terry Letwin
Cc: Lam, Yolanda LDB:EX; Low, Elaine LDB:EX
Subject: RE: Amendment to Beer Mark-up Policy

Terry: Yolanda asked me to respond to your attached email.

Production is based upon excisable beer packaged in a calendar year as reported to the Canada Revenue Agency. If a brewery is less than 160,000 hl in 2012, it will qualify for the middle tier mark-ups for the 2012/13 fiscal year and will receive the transitional rates in subsequent years if its calendar production grows above hl. If a brewery's production was greater than 160,000 hl in calendar 2011 it will not receive the middle tier mark-up rates or transitional mark-up rates unless its production falls below 160,000 hl in a future calendar year.

Gord Hall, Director, Corporate Policy
British Columbia Liquor Distribution Branch
Phone: 604-252-3035 Fax: 604-252-3026
gord.hall@bcldb.com
www.bcldb.com

From: Terry Letwin [mailto:terryl@gwbc.ca]
Sent: Wednesday, November 14, 2012 10:38 PM
To: Lam, Yolanda LDB:EX
Subject: Re: Amendment to Beer Mark-up Policy

Hello Yolanda

Thank for the advice of changes to the beer markup policy.
I have a couple of questions I hope you can provide clarification on.
First what is the LDB literal interpretation of production...is it beer brewed in a calendar year or beer packaged in the year that was Excisable or for simplicity...where production equals sales?
Maybe this example would be telling if 1000 hls are brewed in a year 800 is packaged and 500 is sold....what is the production? How does net change in inventory from year to year factor in the equation?
Secondly regarding the transitional provisions...what is the implication of less than 160,000 hl in 2012 vs less than or greater than 160,000 in 2011...when does the transitional rate kick in?

Thanks in advance for your assistance.
Sincerely



Terry Letwin CFO

terryl@gwbc.ca

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tel: 1.306.653.4653 ext. 240

cell: 1.306.281.5656

fax: 1.306.653.2166

gwbc.ca

From: Lam, Yolanda LDB:EX [<mailto:Yolanda.Lam@bcldb.com>]

Sent: Wednesday, November 14, 2012 05:29 PM

Subject: Amendment to Beer Mark-up Policy

Hello,

Please see the attached letter in regards to the Beer Mark-up Policy Amendment.

Thank you.

Yolanda Lam

Costing and Pricing Analyst

Costing and Pricing Department

BC Liquor Distribution

Telephone: (604) 252-3348

Fax: (604) 252-3322

E-mail: yolanda.lam@bcldb.com

Bissoondatt, Roger LDB:EX

From: Bissoondatt, Roger LDB:EX
Sent: Tuesday, November 20, 2012 5:15 PM
To: Wanamaker, Lori JAG:EX
Subject: FW: deck

The small brewers from BC in the 15,000 – 160,000 hl category are (bracketed figures are 2011 hectolitre production):

Pacific Western Brewery [s.21]
Northam Brewery [s.21]
Mark Anthony [s.21]
Philips Brewing [s.21]
Vancouver Island Brewing [s.21]
Fireweed Brewing [s.21]
Russell Brewing (figure not available)

Roger M. Bissoondatt
Acting General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com

)

Bissoondatt, Roger LDB:EX

From: Wanamaker, Lori JAG:EX
Sent: Wednesday, November 21, 2012 9:08 AM
To: Bissoondatt, Roger LDB:EX
Subject: letter

Roger, I will need a letter retracting the formula used in the November 14 letter and issuing the schedule of incremental increases by about noon today. Thanks.

Lori Wanamaker, FCA
Deputy Minister and Deputy Solicitor General
Ministry of Justice
11th Floor, 1001 Douglas Street, Victoria
Phone: 250 356-0149 | Fax: 250 387-6224



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Bissoondatt, Roger LDB:EX

From: Wanamaker, Lori JAG:EX
Sent: Wednesday, November 21, 2012 11:14 AM
To: Bissoondatt, Roger LDB:EX
Subject: Re: Beer Mark-up Rates

Can you pls provide me with both. Thanks.

Lori Wanamaker FCA
Deputy Minister and
Deputy Solicitor General
Ministry of Justice

On Nov 21, 2012, at 11:09 AM, "Bissoondatt, Roger LDB:EX" <Roger.Bissoondatt@bcldb.com> wrote:

Hi Lori

Roger

Roger M. Bissoondatt
Acting General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com

From: Wanamaker, Lori JAG:EX
Sent: Wednesday, November 21, 2012 10:37 AM
To: Bissoondatt, Roger LDB:EX
Subject: Fwd: Beer Mark-up Rates

Lori Wanamaker FCA
Deputy Minister and
Deputy Solicitor General
Ministry of Justice

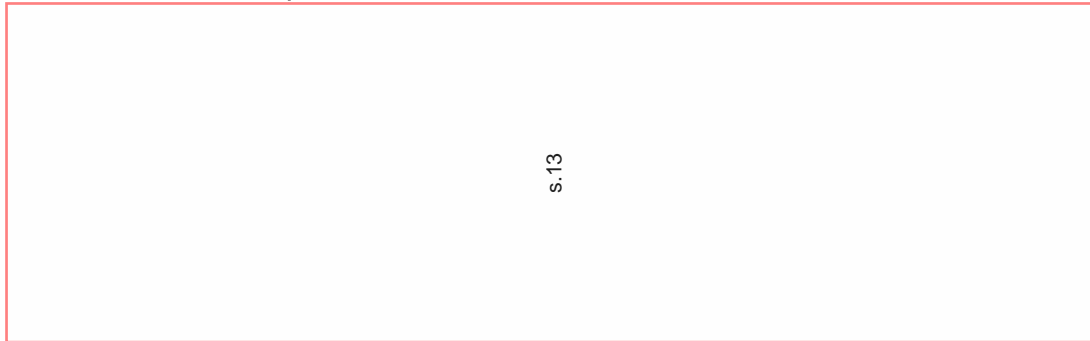
Begin forwarded message:

From: "Myers, Tobie A EMNG:EX" <Tobie.Myers@gov.bc.ca>
Date: November 21, 2012 10:32:56 AM PST
To: "Wanamaker, Lori JAG:EX" <Lori.Wanamaker@gov.bc.ca>
Subject: FW: Beer Mark-up Rates

From: Wanamaker, Lori JAG:EX
Sent: Tuesday, November 20, 2012 2:36 PM
To: Coleman, Rich MEM:EX

Cc: Myers, Tobie A EMNG:EX
Subject: FW: Beer Mark-up Rates

Rich – that attached spreadsheet calculates the transition rates for small breweries. It



s.13

As this calculation only relates to packaged beer, we are doing a similar calculation for draft beer.

Lori

<Small Brewery mark up transition to s.13 transition - Nov 2012 revised.xlsx>

s.13, s.17

Low, Elaine LDB:EX

From: Low, Elaine LDB:EX
Sent: Wednesday, November 21, 2012 12:09 PM
To: Hall, Gord LDB:EX
Subject: FW: Amendment to Beer Mark-up Policy

Gord,

This email was received yesterday. I understand that you are handling all communications.

From: Lam, Yolanda LDB:EX
Sent: Tuesday, November 20, 2012 4:14 PM
To: Low, Elaine LDB:EX
Cc: Lowe, Levona LDB:EX
Subject: FW: Amendment to Beer Mark-up Policy

Hi Elaine,

Please see email below. It is Terry Letwin with Great Western Brewing Company. Gord Hall had already answered some questions he had earlier. I will forward those emails to you.

Thank you.

Yolanda Lam
Costing Clerk
Costing and Pricing Department
BC Liquor Distribution
Telephone: (604) 252-3348
Fax: (604) 252-3322
E-mail: yolanda.lam@bcldb.com

From: Terry Letwin [<mailto:terryl@gwbc.ca>]
Sent: Tuesday, November 20, 2012 4:08 PM
To: Lam, Yolanda LDB:EX
Subject: RE: Amendment to Beer Mark-up Policy

Hello Yolanda

Thank you for referring me to Gord Hall to sort out some of the nitty gritty aspects of the markup structure.

For clarity can I pose some further questions to you

Currently the 3 markup tiers in BC are

Packaged Beer

< 15,000 Hls packaged beer -markup \$0.97 / Litre
15,000 to 160,000 Hls packaged beer -markup \$1.08 / Litre
160,000 Hls + packaged beer -markup \$1.63 / Litre

Draft Beer

< 15,000 Hls packaged beer -markup \$0.67 / Litre
15,000 to 160,000 Hls packaged beer -markup \$0.75 / Litre
160,000 Hls + packaged beer -markup \$1.12 / Litre

In the sample calculation with your memo you make reference to \$1.16 and \$1.75 as markup rates. Neither of these markup rates are currently in effect and both are greater than the current highest rates of markup. Am I confusing the calculations?

Will there be transitional rates specifically for packaged beer and draft beer?

Thank you for your assistance on the questions above.

Sincerely



Terry Letwin CFO

terryl@gwbc.ca

Great Western Brewing Company Ltd.

519 2nd Avenue North, Saskatoon, SK S7K 2C6

tel: 1.306.653.4653 ext. 240

cell: 1.306.281.5656

fax: 1.306.653.2166

gwbc.ca

From: Lam, Yolanda LDB:EX [<mailto:Yolanda.Lam@bcldb.com>]

Sent: Wednesday, November 14, 2012 5:30 PM

Subject: Amendment to Beer Mark-up Policy

Hello,

Please see the attached letter in regards to the Beer Mark-up Policy Amendment.

Thank you.

Yolanda Lam

Costing and Pricing Analyst

Costing and Pricing Department

BC Liquor Distribution

Telephone: (604) 252-3348

Fax: (604) 252-3322

E-mail: yolanda.lam@bcldb.com

Low, Elaine LDB:EX

From: Bissoondatt, Roger LDB:EX
Sent: Wednesday, November 21, 2012 1:02 PM
To: Wanamaker, Lori JAG:EX
Cc: Hall, Gord LDB:EX; Low, Elaine LDB:EX
Subject: Small Brewery mark up letter
Attachments: 2012-11-21_Beer_Mark-up_Ltr_Amendment.docx.docx; Small Brewery mark up transition to 400K transition - Packaged and Draft - Nov 2012 rates.xlsx; Small Brewery mark up transition to 400K transition - Packaged and Draft - April 2013 rates.xlsx

Hi Lori, attached is the draft of the letter to be sent. It is written using the current Nov 2012 rates since it refers to the original letter which used the current rates. I am also attaching the rates for Nov 2012 and April 2013 for Packaged and Draft beer so that you have all of the information in one e-mail. Please let me know if / what changes are required.

Roger

Roger M. Bissoondatt
Acting General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com



**LIQUOR
DISTRIBUTION
BRANCH**

November 21, 2012

To: Domestic Beer Suppliers and Import Beer Agents

Re: Amendment to Beer Mark-up Policy

On November, 14, 2012 I sent you a letter regarding a change to the LDB's beer mark-up policy for small brewers. One element of the policy change discussed in the letter, which I have attached for your reference, was inaccurate.

613

Please contact me if you have any questions at Elaine.low@bcldb.com or 604-252-3150.

Yours truly,

Elaine Low
Acting Chief Financial Officer

cc: Roger Bissoondatt, Liquor Distribution Branch
Kelly Wilson, Liquor Distribution Branch
Bill Michael, Liquor Distribution Branch
Gord Hall, Liquor Distribution Branch

s.13, s.17

s.13, s.17

s.13, s.17

Low, Elaine LDB:EX

From: Bissoondatt, Roger LDB:EX
Sent: Wednesday, November 21, 2012 10:16 PM
To: Wanamaker, Lori JAG:EX
Cc: Low, Elaine LDB:EX; Hall, Gord LDB:EX
Subject: Re: Small Brewery mark up letter

Hi Lori, [REDACTED] and I do not have my Laptop with me to get remote access. [REDACTED]
[REDACTED] I will ask Elaine to do the calculations, I am not sure if she has the model
however I will see how it can be done.

Roger

Roger M. Bissoondatt
A/ General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com

On 2012-11-21, at 7:21 PM, "Wanamaker, Lori JAG:EX" <Lori.Wanamaker@gov.bc.ca> wrote:

Roger - thanks for this. Can you do a couple more scenarios by midmorning tomorrow. Transitioning to the highest rate at [REDACTED] and 300,000 HL. Thanks.

Lori Wanamaker FCA
Deputy Minister and
Deputy Solicitor General
Ministry of Justice

On Nov 21, 2012, at 1:02 PM, "Bissoondatt, Roger LDB:EX" <Roger.Bissoondatt@bcldb.com> wrote:

Hi Lori, attached is the draft of the letter to be sent. It is written using the current Nov 2012 rates since it refers to the original letter which used the current rates. I am also attaching the rates for Nov 2012 and April 2013 for Packaged and Draft beer so that you have all of the information in one e-mail. Please let me know if / what changes are required.

Roger

Roger M. Bissoondatt
Acting General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com

<2012-11-21_Beer_Mark-up_Ltr_Amendment.docx.docx>

<Small Brewery mark up transition to 400K transition - Packaged and Draft - Nov 2012 rates.xlsx>

<Small Brewery mark up transition to s13 - Packaged and Draft -
April 2013 rates.xlsx>

Low, Elaine LDB:EX

From: Bissoondatt, Roger LDB:EX
Sent: Wednesday, November 21, 2012 10:27 PM
To: Low, Elaine LDB:EX
Subject: Fw: Schedule
Attachments: Small Brewery mark up transition to s.13 Packaged beer - Nov 2012 revised.xlsx;
Small Brewery mark up transition to Draft Beer- Nov 2012.xlsx

Hi Elaine, I do not know if these files can be used. I think they have the formula on the first cell with the rate to be applied on the incremental. If you change the rates the calculation should flow. In this way you should be able to determine the rates for what Lori wants.

I am unable to do it on the i-Pad. Let me know if you have any questions.

Roger

From: Bissoondatt, Roger LDB:EX
Sent: Wednesday, November 21, 2012 09:06 PM
To: 'rbissoondatt@hotmail.com' <rbissoondatt@hotmail.com>
Subject: Fw: Schedule

From: Bissoondatt, Roger LDB:EX
Sent: Wednesday, November 21, 2012 11:34 AM
To: Welt, Lilian LDB:EX
Subject: Schedule

Here are the two files to be used for the Nov 2012 rates.

Roger

Roger M. Bissoondatt
Acting General Manager
BC Liquor Distribution Branch
Phone: 604-252-3021
Fax: 604-252-3026
email: roger.bissoondatt@bcldb.com

s.13, s.17

s.13, s.17