

**MINISTRY OF ENERGY AND MINES
LIQUOR CONTROL AND LICENSING BRANCH
ESTIMATES BRIEFING NOTE 2012/13**

ISSUE: Licensing of Caterers

KEY MESSAGES:

- The catering sector has requested that liquor rules be changed so they are able to provide both food and liquor to their customers.
- Current legislation does not allow caterers to look after the liquor needs of their clients' events.
- Our government's goal is to support business owners, when possible, in being successful – so we are exploring the implications of making the necessary changes that would allow caterers to offer this additional service to their clients.
- Our government supports the tourism and hospitality sector, and we we should be in a position to make a decision in the coming months.

BACKGROUND:

- Caterers are not eligible for a permanent liquor or food primary licence, under the current *Liquor Control and Licensing Act* and regulations.
- Also, there are no provisions that would allow caterers to buy liquor on behalf of a client and then charge the client for that service.
- The LCLB is moving forward on policy work that would provide for an endorsement on existing licences (e.g. a food primary) to allow them to take care of their customers' liquor needs when they cater off-site and a separate licence for caterers who are not housed in an establishment that is already licensed.
- Catering companies as well as Tourism Whistler, Vancouver and Victoria, and the Minister of Jobs, Tourism and Investment have met with Minister Bond regarding possible licensing of caterers.

**MINISTRY OF ENERGY AND MINES
LIQUOR CONTROL AND LICENSING BRANCH
ESTIMATES BRIEFING NOTE 2012/13**

ISSUE: Minors As Agents Program

KEY MESSAGES:

- We launched the Minors As Agents program last spring and it's been very successful in preventing minors from accessing liquor.
- The compliance rates by private and public stores has increased significantly. As of November 2011 the compliance rate was 82% for private stores and 98% for government stores.
- There's still room for improvement but we're pleased with the results to date.
- We plan to continue the program and to expand it to other types of licensed establishments in the coming year.

BACKGROUND:

- Between 2003 and 2009 government used youthful-looking people of legal drinking age to measure the percentage of times liquor store sales persons requested the requisite two pieces of ID.
- The overall compliance rates were low and did not improve over time. In 2009, the provincial compliance rate was 27% for licensee retail stores and 56% for government stores.
- The government amended the legislation in 2010 to allow for the hiring of minors as agents.
- Prior to the launch of the program, government notified all public and private liquor stores about the specifics of the new program.
- The minors are trained and under supervision by LCLB staff. Their safety is paramount.
- At no time do minors consume liquor.

**MINISTRY OF ENERGY AND MINES
LIQUOR CONTROL AND LICENSING BRANCH
ESTIMATES BRIEFING NOTE 2012/13**

ISSUE: Movie Theatre Licensing

KEY MESSAGES:

- Government has the difficult job of balancing the desire to assist business owners in being successful with the responsibility of regulating liquor in the interest of public safety and social responsibility.
- One of the significant considerations has always been the large number of movie-goers that are youth and the unique challenges posed by darkened movie theatres against the government's responsibility to ensure that minors do not have access to alcohol.
- Several movie theatres have requested that government allow these venues to be licensed, and some other provinces permit licensing on a limited basis.
- We're reviewing this matter very closely and hope to make an announcement in the near future.

BACKGROUND:

- Under the regulations of the *Liquor Control and Licensing Act*, movie theatres are not eligible for a liquor primary licence. In addition, live event theatres have also been prohibited from showing movies, although some establishments have been doing so for many years on an occasional basis.
- Early in 2012, the inability of live event theatres to show movies became a public issue as a few live event theatres had booked numerous movie presentations, some as part of local film festivals. One theatre in particular was quite vocal in its objection to the policy and lobbied vigorously for the regulation to be amended to allow them to have the flexibility to show movies or live events depending on what presentations they could book.
- In February 2012, the regulation was amended to allow a live event theatre to show films or broadcasts (e.g. television, cable, pay-per-view), but only outside of the hours of liquor service. Licensees do not have the flexibility to alternate liquor service days and hours at their discretion and applications to amend days and hours will be approved by the LCLB on only an occasional basis, e.g. for a bona fide film festival.

- To ensure consistency, those live event theatres that had been showing the occasional movie while licensed were informed this was no longer permitted. In addition, special occasion licence (SOL) policy was amended to prohibit the issuance of an SOL to an event at which movies or broadcasts were the primary activity of the event such as film festivals. These changes were not well received by those impacted.
- An OIC has been prepared that will permit the licensing of movie theatres. Liquor service will be permitted in the auditorium if no minors are present.

**MINISTRY OF ENERGY AND MINES
LIQUOR CONTROL AND LICENSING BRANCH
ESTIMATES BRIEFING NOTE 2012/13**

ISSUE: Progress on Riot Recommendations

KEY MESSAGES:

- The liquor recommendations in the Riot Review Report focus on ensuring partners have the tools and statutory authority to restrict the availability of alcohol and minimize the impact of hazardous drinking at large-scale, regional events.
- Government made changes to the *Liquor Control and Licensing Act* in 2010 that expanded the powers of the General Manager and significantly increased fines for liquor offences.
- A number of additional recommendations speak to the need for public education to minimize the impact of hazardous drinking.
- The Liquor Control and Licensing Branch is working with the Ministry of Health on public education and other strategies to promote healthy choices and to reduce the health risks associated with hazardous drinking.

BACKGROUND:

- The independent review of the 2011 Vancouver Stanley Cup Playoffs Riot contained 10 liquor-related recommendations.
- The Liquor Control and Licensing Branch have reviewed existing powers in the legislation with respect to search and seizure.
- s.14
- With respect to the recommendation calling for higher penalties for liquor infractions, violation ticket fines for liquor-related offences such as consuming liquor in a public place were increased in January 2010, and government has determined that further fine increases are not warranted.

**MINISTRY OF ENERGY AND MINES
LIQUOR CONTROL AND LICENSING BRANCH
ESTIMATES BRIEFING NOTE 2012/13**

ISSUE: Rio Theatre

KEY MESSAGES:

- The Rio Theatre applied for a liquor licence as a live event theatre, knowing it could not be licensed as a movie theatre under the current regulations.
- We have done what we can to accommodate theatres like the Rio in the short term by passing new regulations which provided the flexibility to host film festivals at times when the venues are not licensed to sell alcohol. And like every other liquor primary licensee, they occasionally can apply to de-license during licensed hours on three weeks' notice.
- The Rio now has come forward with new requests, which may or may not work for other live event theatre liquor licensees. In the interest of fairness, the provincial government must consider industry requests as a whole, not just those from a single licensee.
- We are currently reviewing our liquor policies related to movie theatres and the Rio's latest requests will be considered as part of that review. Until we have completed that review, the Rio will be required to abide by the current regulations and policies.

BACKGROUND:

- Minister Rich Coleman has been interviewed on numerous media making it clear that changes are being considered and a decision will be made shortly.

**MINISTRY OF ENERGY AND MINES
LIQUOR CONTROL AND LICENSING BRANCH
ESTIMATES BRIEFING NOTE 2012/13**

ISSUE: Special Occasion Licensing

KEY MESSAGES:

- We are currently reviewing how the Special Occasion Licence (SOL) program is delivered.
- We are looking at a number of strategies to improve public safety, customer service, and coordination between the various partner agencies involved in delivering the program.
- Strategies include better education and assistance for SOL applicants, a process to notify inspectors when SOL events are happening in their area, and risk-based inspections.
- With any licensed event, our over-riding concern is addressing the public safety concerns that arise with the service of liquor – concerns like over-consumption and access by minors.

BACKGROUND:

- The province issues approximately 24,000+ special occasion licences each year, to accommodate liquor service at events such as weddings, community festivals, and charitable fund raisers.
- There is a large variation in the level of experience among SOL holders and their staff, and their capability and level of commitment to rigorously applying the public safety provisions of the *Liquor Control and Licensing Act*.
- The LCLB is presently undertaking an internal administrative review to improve customer service for SOL event hosts when they are applying for an SOL licence, improve public safety at SOL events (reduced intoxication, service to minors and risk-based inspections), and more efficient coordination between the Liquor Distribution Branch, LCLB and police during the approval process.
- The review is also looking at where liquor can be consumed at SOL events, and how best to regulate large community festivals.
- A Bill 20 amendment to the *Liquor Control and Licensing Act* came into force in January 2011 so that special occasion licence holders may be penalized for infractions such as allowing or selling liquor to minors, over-service, overcrowding, and failing to take reasonable measures to ensure their event does not impact persons in the vicinity, in the same way that permanent licensees are.

Contact: Karen Avers
Cell Phone: s.15
Date: March 1, 2012

- One of the biggest impediments to improving public safety is that our liquor inspectors are not advised when SOL events are being held in their area.
- Issues also frequently arise when businesses that have no charitable fundraising component apply for an SOL, because SOLs cannot be issued for the purposes of making a profit.
- In addition, some applicants such as the Whistler Jazz Festival request that liquor service be available throughout a venue, rather than in a designated area, as is required by current regulations.

Contact: Karen Avers
Cell Phone: s.15
Date: March 1, 2012

**MINISTRY OF ENERGY AND MINES
LIQUOR CONTROL AND LICENSING BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Rich Coleman, Minister
FOR DECISION

ISSUE:

Issuance of additional VQA wine stores to the BC Wine Institute

BACKGROUND:

The BC Wine Institute (BCWI) is the province's largest winery association representing 122 of the 243 licensed wineries and all of the large, most of the medium, and a considerable number of the smaller wineries. Member wineries represent approximately 95 percent of the total British Columbia wine production. It is now a voluntary trade organization having transferred its responsibility for the VQA wine standards to the BC Wine Authority.

VQA sales in its 21 VQA stores increased 7 percent during 2011. These store sales represent approximately 9 percent of all VQA sales (by dollar) in the province.

DISCUSSION:

The government introduced the VQA wine store program in 1995 by issuing 12 store appointments to the BCWI. Approximately 10 years ago the number was increased to 21.

The BCWI believes these stores will lead to incremental sales and the commissions earned from the wine sales will help subsidize these centres.

Government has consistently stated it has no plans to expand the number of stores. There is a moratorium on the issuance of new liquor store licences with the exception of rural agency stores and on-site stores for new manufacturers.

Any lifting of the moratorium will likely result in requests from others for stores, e.g. brewers and distillers wanting off-site stores, competing winery associations wanting off-site stores to feature non-VQA BC wines, etc.

s.13

Some months back the Ontario opposition leader publically stated that if elected his party would introduce a VQA style store model. The largest US wine association, the California Wine Institute (CWI), was quoted in the media as saying that it would ask the US government to challenge any increase in Ontario wine stores under NAFTA. If the Province were to increase the number of BC VQA wine stores in this climate, it could be expected that there would be a similar threat from the CWI.

s.13, s.16

The mandate of the Ministry of Jobs, Tourism and Investment is broader than trade policy and the official position of the Ministry on this issue is unknown.

OPTIONS:

s.13, s.16

APPROVED / NOT APPROVED

DATE:

Honourable Rich Coleman
Minister of Energy and Mines

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

PREPARED FOR: The Honourable Rich Coleman
FOR INFORMATION

ISSUE:

Amendment to the Rural Agency Store (RAS) Community and Business Criteria

BACKGROUND:

Rural Agency Stores were created to allow the retailing of beverage alcohol in rural communities and major tourist destination resorts in BC where no government liquor store (GLS) exists. The criteria for establishing a RAS in a major Tourist Destination Resort is:

Distance: The proposed location is a minimum of 10 kilometres driving distance from the nearest existing Government Liquor Store, Licensee Retail Store or Rural Agency Store, where access is by all-weather road. A Rural Agency Store will not be authorized within city limits or within the municipal boundaries of an urban community.

Size: The resort is too small to warrant the establishment of a Government Liquor Store.

Tourist services: The resort must have substantial permanent accommodation for tourists.

Suitable business: There is a suitable business to accommodate a Rural Agency Store; i.e. an independently-owned full service general grocery store, which has been in business for at least one year, whose business is not associated in any manner with a chain store operation, and that stocks a sufficient quantity and variety of the basic food groups and staples to meet the basic shopping needs of the tourist destination resort.

Community support: The community must support the establishment of a Rural Agency Store.

DISCUSSION:

The Liquor Distribution Branch (LDB) is changing the Tourist Services criteria to remove the requirement for "permanent" in the description of accommodation. The new requirement will be:

Tourist services: The resort must have substantial accommodation for tourists.

This will promote the success of resort based communities and will expand the number of potential applicants that may be able to participate in the RAS program.

All other components of the RAS Community and Business Criteria will remain unchanged. The LDB will be announcing this change on Tuesday, May 22, 2012.

Prepared by:

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Approved by:

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

PREPARED FOR: The Honourable Rich Coleman
FOR INFORMATION

ISSUE:

Sunshine Valley Rural Agency Store (RAS) Application

BACKGROUND:

The RAS program criteria for a rural community are defined currently as follows:

- Distance – minimum 10 kilometres from the nearest government liquor store (GLS), licensee retail store (LRS) or RAS
- Size – 200 permanent residents within 5 kilometres driving distance
- Existence of a suitable business that has been in existence for at least one year able to accommodate a RAS
- The community must support the establishment of a RAS

The RAS program criteria for a rural community were defined prior to April 2012 as follows:

- Distance – minimum 10 kilometres from the nearest government liquor store (GLS), licensee retail store (LRS) or RAS
- Size – 300 permanent residents within 5 kilometres driving distance
- Existence of a bona fide community evidenced by the existence of a variety of business facilities, such as a church, post office, school or community hall
- Existence of a suitable business that has been in existence for at least one year able to accommodate a RAS
- The community must support the establishment of a RAS

The RAS program criterion is applicable to each location interested in applying for a RAS. Each application for a RAS is evaluated independently. The one year in business criteria is an important factor in ensuring that the primary general grocery store business is well established in the community, supported by the residents and sustainable without the addition of liquor sales. An independent full service general grocery store is expected to meet the basic shopping needs of the residents of the community without travelling outside the community. Additionally, the population criteria is an equally important factor in determining eligibility.

DISCUSSION:

Kevin Demers, the owner of the Holiday Trails RAS in Bridal Falls contacted the LDB in December 2010 indicating his intent to open a general store in a new development of the Sunshine Valley RV Resort. Mr. Demers expected to open in the spring of 2011 and wanted to secure permission to operate a RAS in the new store. Mr. Demers was made aware that the store would not be eligible for a RAS as it would not meet the one year of operation criteria. Meeting the one year in business criteria is the first step in the formal review process. All other elements of the criteria must also be met in order to qualify for the RAS. Mr. Demers asked for an exception to the one year in business criteria and was advised an exception could not be made.

In March 2012 the LDB received an expression of interest from Mr. Demers to reconsider his request to operate a RAS at Sunshine Valley RV Resort. After review, it was determined that the population of the trading area provided by BC Stats based on the 2011 Census is 116. This does not meet the minimum population criteria of 200.

Prepared by:

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Approved by:

Kelly Wilson
Executive Director, Wholesale & Retail Svs.
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**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. ^{s.13}

^{s.13}

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. ^{s.13}

^{s.13}

^{s.13} 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, ^{s.13}
^{s.13, s.16}

DISCUSSION:

Prince George based Pacific Western Brewery (PWB), which is the largest British Columbia-based brewing company that qualifies for small brewery status ^{s.13}

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, ^{s.13}

^{s.13}

CNB recommends:

- 1) ^{s.13}
- 2)
- 3)

Pacific Western Brewery (PWB) argues ^{s.13}

PWB recommends:

- 1) ^{s.13}
- 2)
- 3)

The BC Craft Brewers Guild supports a ^{s.13}

The Guild recommends:

- 1) ^{s.13}
- 2)

The Mark Anthony Group (MAG), which owns a brewery in Delta, recommends ^{s.13, s.17}

s.13, s.17

Options:

Option 1: s.13

Pros:

- s.13

Cons:

- s.13

Option 2: s.13

Pros:

- s.13

Cons:

- s.13

-

Option 3: ^{s.13}

Pros:

- ^{s.13}
-

Cons:

- ^{s.13}

Approved by:
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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.).

ADVICE TO MINISTER

<p style="text-align: center;">CONFIDENTIAL LDB INFORMATION NOTE</p> <p>Ministry of Energy and Mines Liquor Distribution Branch (LDB) Date: May 17, 2012 Minister Responsible: Hon. Rich Coleman</p>	<p style="text-align: center;">Information Request for Distribution of Liquor Project</p>
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KEY FACTS:

In Budget 2012, Government announced its intention to sell its liquor distribution warehousing facilities and associated distribution services to the private sector. Subsequently the Province decided to proceed in the manner outlined in the Negotiated Request for Proposal (NRFP).

The purpose of this NRFP is to invite Proponents to engage with the Province in a procurement process to develop creative Proposals for the provision of Distribution Services within an optimized supply chain resulting from the removal of the LDB warehouses and wholesale distribution operations from the existing beverage alcohol sales and supply process.

The Government, through this project, is seeking to achieve the following broad objectives:

- a) Contract with a cost effective private sector provider for Distribution Services;
- b) Achieve supply chain performance outcomes:
 - i. Service delivery to government liquor stores (GLS) and government served wholesale customers that is predictable, cost effective, fair, efficient and meets industry norms for key performance indicators; and
 - ii. A logistics model that lowers overall supply chain costs to the Province while maintaining or increasing government revenue from the sale of beverage alcohol in British Columbia; and
- c) Achieve a labour relations solution that meets the requirements outlined in the agreement between the BC Government and Service Employees Union (BCGEU) and Government effective on April 1, 2012.

Proponents are being asked to develop a proposal that would encompass the following services:

- Warehousing and inventory replenishment of liquor products (currently warehoused by the LDB); and
- Distribution of liquor products to government liquor stores and wholesale customers across British Columbia.

An agreement for the distribution services is anticipated to be concluded by March 1, 2013. Transition of the LDB services to the service provider will be concluded prior to March 31st, 2015.

The terms of the distribution services is up to 10 years with two (2) additional three (3) year renewal periods.

FAIRNESS IN THE NRFP PROCESS

To ensure the integrity and fairness of the process, the Province has engaged with a consultant to perform a fairness monitor function in this DLP procurement.

The role of the monitor is to:

- a) Review the procurement documentation so as to understand the Negotiated Request For Proposal process for the DLP;

- b) Monitor the procurement process for adherence to the terms of the NRFP, including participating at the Proponents' meeting, site visits, oversight during evaluation of submissions and subsequent Proposal refinement process as well as final selection of the Selected Proponent; and
- c) Prepare a fairness summary based on observations made during delivery of the procurement process. This report will be made publicly available.

ADVICE AND RECOMMENDED RESPONSE:

- The procurement process is well underway.
- On May 9th, the LDB has hosted a meeting with industry to provide an overview of the project and to hear comments from industry.
- On May 10th, a proponents meeting was held with vendors who have expressed interest in the project opportunity.
- There are currently eight proponents. These proponents are already actively reviewing project documentation.

If asked about the Fairness Monitor

- The fairness monitor is George Macauley; an independent consultant who has performed a variety of fairness roles for government on a number of complex procurements.
- George Macauley was awarded the fairness monitor contract through a competitive process. The value of this contract is up to \$74,900 (fees and expenses).
- The last government project George Macauley was involved in was the Strategic Telecommunications Services Procurement (STSP) where he performed the role as a fairness advisor. George's role in the STSP procurement ended in 2009 once the successful proponent was selected (prior to negotiations).

If asked what is in Scope

- The scope of the NRFP includes all aspects of warehousing of LDB liquor product. This includes inventory replenishment, product receiving and storage, order processing, order assembly and distribution of liquor product orders to GLS and wholesale customers across British Columbia.
- Proponents are also invited to provide creative options to optimize the beverage alcohol supply chain and reduce logistical touch points in the supply process.
- All proponents will have to provide a labour relations solution for impacted retail store and workers component staff (BCGEU).

If asked what is Out of Scope

- Operation of Government Liquor Stores is out of scope.
- Customs and excise and revenue collection and payment is out of scope.
- The Vancouver and Kamloops warehouse real estate is out of scope and will be handled in a separate procurement.

If asked what is retained by the LDB

- Importer of record, policy and regulations.
- Customs and excise clearance of imported liquor product.
- Collection and remittance of revenue collected from sales of liquor product to GLS and wholesale customers including disbursements to the service provider and suppliers/ agents.
- Compliance auditing.
- Operation of the GLS (195 stores).

- Contract management office for the Distribution Services and other authorized distributors of BC manufactured liquor products.

If asked about the NRFP Procurement Process

- Is a government procurement process managed by government staff and monitored by a Fairness Monitor.
- The procurement is a transparent process with all stages of the process clearly explained in a procurement document that was made publically available on government's BC Bid website.
- The evaluation criteria and weightings to be used in the identification of short-listed proponents and the selected (successful) proponent is clearly identified in the procurement document. All proponents will be treated equally according to these evaluation criteria.
- The fairness monitor will be present during the evaluations to ensure that the process laid out in the NRFP document is followed.
- The process can short list up to the top 3 ranked proponents as a result of the initial evaluation process. These short listed proponents are invited to participate in a proposal refinement stage where proponents may choose to refine their proposals. This proposal refinement process is described in the NRFP document. At the conclusion of this proposal refinement process, refined proposals are evaluated according to the evaluation criteria disclosed in the NRFP document and the top ranked short-listed proponent is deemed the selected (successful) proponent and invited to negotiate an agreement with the Province.
- The Province will conduct reference checks on proponents.

If asked about the NRFP Timing

- Initial proposals are due on June 29, 2012.
- The Province intends on short-listing (up to the top three top ranked proponents) on or about July 20th, 2012. The Province intends on making the names of these short-listed Proponents public.
- The Province intends of identifying the selected (successful) proponent on or about October 16th, 2012. The Province intends on making the name of the selected proponent public.
- The Province intends on executing an agreement for the distribution services by March 1, 2013.
- The timing of the implementation of the new distribution model will depend on the transition strategy in the agreement and the determination of other changes that may be necessary to support the new model.

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**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. ^{s.13}

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Of the 50 brewing companies operating in British Columbia, 47 currently qualify for small brewery status and three do not. ^{s.13}

A small number of foreign and out-of-province breweries also qualify for small brewery status.

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^{s.13, 16}

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- 2)
- 3)

The BC Craft Brewers Guild ^{s.13}

The Guild recommends:

- 1)
- 2)

The Mark Anthony Group (MAG), which owns a brewery in Delta, recommends ^{s.13, s.17}

s.13, s.17

Options:

s.13

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

Prepared by:
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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.).

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

PREPARED FOR: The Honourable Rick Coleman, Minister
FOR INFORMATION

ISSUE:

Mark Anthony Group (MAG) request for policy change to allow for direct delivery of their spirit cooler products.

BACKGROUND:

Mark Anthony Group (MAG) Chairman Anthony von Mandl has requested a change in LDB policy to allow MAG to direct deliver its spirit cooler products to wholesale customers (bars, restaurants and private liquor stores). A previous request that was made in October 2009 was denied.

MAG sells spirit cooler products under the “Palm Bay”, “Mikes Hard” and “Rockstar” brands. Based on fiscal 2011/12 liter sales, MAG spirit cooler brands accounted for 59 per cent of the provincial spirit cooler market. A breakdown of sales by company is shown in Attachment 1.

MAG spirit cooler brands are produced in Delta. There are two other BC- based spirit cooler producers, Vincor with 4.7 per cent of the market and Central City Brewing with 0.6 per cent of the market.

Distilled spirit products, spirit coolers and imported wine are exclusively distributed and sold through the LDB. BC wineries can distribute directly to wholesale customers, but BC wine sold in government liquor stores (GLS) is distributed by the LDB. Most beer products are distributed directly by suppliers to wholesale customer and GLS, although some small beer suppliers use the LDB for distribution.

There is no province in Canada that allows spirit cooler suppliers to directly distribute their products (all spirit cooler products are distributed by the provincial liquor boards).

DISCUSSION:

s.13

Liquor Distribution Privatization Initiative - The Province has issued a Negotiated Request for Proposals (NRFP) to select a private sector service provider that will take over the LDB's current warehouse and distribution services. The Proponents that are bidding on the NRFP will be expecting that they will have the exclusive distribution rights for the volume of product that is currently distributed by the LDB. In fiscal 2011/12, spirit coolers distributed by the LDB and sold to wholesale customers accounted for 10 per cent of the total volume of product that was distributed by the LDB, excluding beer. The wholesale customer sales of MAG's spirit coolers accounted for 5 per cent of the volume of product that was exclusively distributed by the LDB, excluding beer. s.13

s.13

s.13, s.17

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Attachment

Attachment 1				
Fiscal 2011/12 Spirit Cooler Sales (in Litres)				
Supplier	LDB Retail Sales	LDB Wholesale Sales	Total Sales	Market Share
MARK ANTHONY GROUP	s.21			
DIAGEO CANADA INC.				
BACARDI CANADA INC.				
VINCOR INTERNATIONAL INC.				
CANADA DRY MOTT'S INC.				
GILBEY CANADA INC.				
BRUCE ASHLEY GROUP				
INDEPENDENT DISTILLERS LIMITED				
BROWN-FORMAN CANADA				
BASSANO HARD SODA INC.				
CORBY DISTILLERIES LIMITED				
CENTRAL CITY BREWING COMPANY				
BRICK BREWING COMPANY				
THE KIRKWOOD GROUP				
BLACK FLY BEVERAGE COMPANY INC.				
TOTAL				