

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

PREPARED FOR: The Honourable Rich Coleman
Minister of Energy, Mines and Natural Gas
MEETING NOTE

ISSUE: Meeting with Elin Tayyar, Executive Director, "Campaign for Culture"

BACKGROUND:

The group Campaign for Culture (CFC) is advocating for "sensible changes" to BC's liquor regulations. The CFC states they are independent from any industry affiliation and that their goal is to focus on the cultural and social implications of BC's liquor policy from the perspective of the consumers/customers - a perspective they feel has been largely neglected. They are operating a website and a media campaign and have been connecting with individuals, businesses, and associations over the last several months to gain support for their recommendations.

DISCUSSION:

The group has outlined the following recommended changes to BC's current policy.

Happy hours and a drink price floor: The CFC requests that government consider permitting "Happy Hours". Currently, restaurants and bars are required to set prices at the beginning of the day and may not change them until the following day. This policy has been in place in BC for many years and was put in place as happy hours are considered a sales strategy that may promote over-consumption. The CFC's position is that this type of control regulation shows an inherent distrust of BC's adults and their ability to make their own choices about liquor consumption. They acknowledge the validity of concerns around irresponsible drinking patterns that may be associated with low cost alcohol, yet suggest this issue may be more effectively dealt with through a provincial drink price floor. Drink price minimums are present in many provinces, BC municipalities and are generally supported by licensees and the World Health Organization.

Suggested response:

- Government is considering further review of liquor policy after the election and will ensure these suggestions are considered.
- Government has made a number of recent changes to modernize liquor laws, including licensing of caterers and movie theatres, allowing for Bring Your Own Wine to restaurants, and allowing for more flexibility as to how manufacturers operate both on-site and off.

Changes to Special Occasion Licensing (SOL) policy: The CFC would like all SOL licensees to be subject to the same terms, specifically:

- Equality between indoor and outdoor event site rules.
- Permit spirits to be sold at public events.
- Review maximum pricing.

Indoor and outdoor events have different terms and conditions due to the potential for community disturbance during outdoor events. Furthermore, outdoor events often have larger sites with greater numbers of patrons and require sufficient barriers to control access to liquor. In an outdoor event this is most commonly done through fencing or the use of natural barriers (eg., a rock wall) whereas indoor events are able to use the confines of a building.

Spirits are generally not permitted at public SOLs due to the increased rate of intoxication associated with rapid spirits consumption. An exemption is given when the applicant can demonstrate that the event will operate in a manner where this is unlikely to occur.

SOLs are not permitted to make a profit unless the proceeds are for a charitable purpose. The Branch imposes a maximum drink price that is high enough to allow SOL holders to recover liquor service costs without raising large revenues through liquor service. They may apply to raise drink prices in order to direct extra revenue to a bona fide charitable cause.

Suggested response:

- The SOL program is currently under review and some changes will be in place for this spring and summer.
- As we continue to review and update the program we will take your recommendations under consideration.

Permit craft liquor sales in farmers markets: The CFC advocates for the sale of local craft liquor at farmers markets as a complement to other food and artisan items available at these community gathering spots. Currently, liquor may only be sold or served in licensed establishments. As liquor differs from food items because of its capacity for harm, it may not be considered suitable for sale in an open, barrier-free location such as a farmer's market.

Suggested response:

- Government has recently appointed the BC Wine Envoy who has a mandate to improve the domestic market for BC wine and support the growing craft liquor industry. The envoy's recommendations will inform the review of liquor policy.
- Government will ensure your suggestions are considered as part of the review.

Relax restrictions on tasting rooms: The CFC appears to support off-site tasting rooms. Currently, on-site tasting rooms may give away as many free samples as they wish but are limited in the sale of samples. Some manufacturers have complained about the restriction on sample sales.

Suggested response:

- Government has made a number of recent changes to modernize liquor laws creating more flexibility for manufacturers to operate both on the manufacturing site and off-site.
- For example, tied house restrictions are relaxed so now any manufacturer, or group of manufacturers, may apply for a Liquor Primary licence where they could operate a tasting room or lounge that highlights their products.
- Government recently also provided breweries and distilleries with more options for on-site sale and consumption of their products including permission to operate a lounge, special event area, tour area and picnic area.

Update regulation for distilleries: The CFC are advocating for a reduction in distillery LDB mark-up and permission for them to sell directly to pubs and restaurants to align them with wineries.

Suggested response:

- The new craft distillery policy brings distilleries further into alignment with wineries.
- As of April 1, craft distilleries that use 100% BC agricultural inputs can direct deliver to restaurants and bars and there is no LDB mark-up.

Create more flexibility within the two licence classes: The CFC and their supporters are advocating for flexibility in the licensing system that would allow for innovation in business models beyond that of “restaurant” and “bar”.

Suggested response:

- Government recognizes that innovation in business is key to a thriving hospitality sector.
- Government has made a number of recent changes to modernize liquor laws, including licensing of caterers and movie theatres, allowing for Bring Your Own Wine to restaurants, and allowing for more flexibility as to how manufacturers operate both on-site and off.
- Government is considering further review of liquor policy after the election and will ensure these suggestions are considered.

APPROVED / NOT APPROVED

DATE:

The Honourable Rich Coleman

Approved by:

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

PREPARED FOR: The Honourable Rich Coleman
Minister of Energy, Mines and Natural Gas
FOR INFORMATION

ISSUE:

Maximum drink prices for Special Occasion Licences

BACKGROUND:

The Liquor Control and Licensing Act states that a Special Occasion Licence (SOL) must not be issued for the prime purpose of making a profit unless the event is to raise funds for a charitable purpose. For this reason, the LCLB sets maximum drink prices and requires an exemption application if organizations want to charge more.

The current SOL price schedule was last changed in 2004. The current maximum prices are \$4 for beer, cider, cooler and spirits for a standard drink size. The maximum for wine is no more than 100% mark-up over the purchase price.

DISCUSSION:

Effective April 1, 2013 the LCLB is increasing the maximum price to \$5 for beer, cider, coolers and spirits. The maximum price for wine will remain unchanged.

The Branch is adjusting SOL prices in order to help offset the impact of the return of the Provincial Sales Tax (PST) as well as overall increased costs faced by event organizers since the prices were last adjusted.

With the return of the PST, SOL applicants are required to pre-pay 10 percent PST on the value of liquor re-sales.

The increase in maximum price will reduce the administrative burden on community organizers and charities who must now pay \$100 for an exemption application. The changes will also reduce the workload for LCLB staff so they can focus their resources on public safety issues and effective licensing of SOL events.

The General Manager will be contacting the hospitality industry stakeholders to explain the changes.

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Approved by: Karen Ayers
Assistant Deputy Minister and
General Manager

Date: March 18, 2013

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

PREPARED FOR: Honourable Rich Coleman, Minister
FOR INFORMATION

ISSUE:

Alleged contraventions of the Rural Agency Store (RAS) Terms and Conditions and the *Liquor Control and Licensing Act* by McLean's Trading Inc. in Anahim Lake, BC – RAS 702.

BACKGROUND:

In February 2012, allegations were received in writing from
that RAS 702 was:

1. selling liquor to intoxicated Band members;
2. selling liquor outside of operational store hours;
3. selling liquor product on credit to Band members who were anticipating receiving large residential school settlements; and,
4. trading goods for liquor products.

DISCUSSION:

An investigation into the allegations was conducted by LDB Corporate Security Investigation Unit. The following are the results:

- Statements were received from individuals who witnessed the sale of liquor products to intoxicated persons at RAS 702;
- Statements were received from individuals who were allowed to purchase liquor on credit from RAS 702, based on them anticipating residential school settlements;
- A Statement was received from a person who witnessed another person purchase liquor on behalf of a known third party on the third party's credit account with RAS 702. That third party is also known to be anticipating a residential school settlement;
- During the course of the investigation into the allegations, it was determined that RAS 702 had also been processing Special Occasion Licenses (SOL's) without following required procedures, including remitting the required fees to the Provincial Government. A verbal admission was received from co-owner Mr. John McLean that required fees were not remitted to the Provincial Government.

A letter, to be dated February 8, 2013, will be forwarded to Mona and John McLean, the owners of RAS 702, outlining the Branch's intent to inspect the last three years of their financial records during the week of February 18, 2013. Following the inspection, a decision will be made regarding the need for an audit. The inspection will take place at McLean's Trading Inc., or at another location that is mutually agreeable.

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

PREPARED FOR: The Honourable Rich 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).

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 at their option.

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:

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BCGEU - The Province recently reached agreement with the BCGEU to cancel an initiative to privatize the LDB's distribution system.

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s.13, s.17 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 (small breweries voluntarily use the LDB system). Brands produced by MAG accounted for more than half of this volume.

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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 | | | | |
| 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 | | | | |

s.21