

**LIQUOR CONTROL AND LICENSING BRANCH
CONSULTATION PAPER
TIED HOUSES AND TRADE PRACTICES
OCTOBER 2010**

INTRODUCTION

In June 2010 the BC Legislature passed legislation that will amend the Liquor Control and Licensing Act (the Act) in respect of tied house and trade practice laws. A tied house is an establishment that has an association, financial or otherwise, with a liquor manufacturer or its agent that is likely to lead to its products being favoured. Trade practice laws place prohibitions and restrictions on the commercial interactions between liquor suppliers and licensed establishments including restrictions on promoting specific manufacturers and their products in exchange for benefits provided by the supplier. These rules help prevent tied houses.

The legislation is not yet in force pending consultation with industry and other stakeholders and the subsequent development of policies and potentially regulations. However, the basics of the legislative changes indicate the deregulatory purpose behind them. While the current legislation prohibits tied houses and inducements unless specifically exempted, the new legislation permits tied houses and inducements unless specifically restricted or prohibited by regulation or by government policy. Government has indicated that its goal is to deregulate in these areas as much as possible while ensuring that public safety and the public interest are maintained (please see appendix 1 for a copy of the existing and new legislation and comments made by the Honourable Rich Coleman, Minister, in the Legislature during debate on the amendments).

While separate, tied houses and trade practices are closely related and realistically cannot be dealt with separately. For instance, it would not be feasible to, say, repeal most or all limits on tied houses while maintaining the present trade practice rules. This is because tied houses invariably demonstrate to some degree favouritism to products made by the associated liquor manufacturer. However, for the purposes of this consultation document, it was felt it would be clearer if these two issues were presented separately with options specific to each.

Please note that related policies of the Liquor Distribution Branch are not part of this review. The government is committed to retaining uniform product pricing (e.g. all bars and restaurants purchase liquor at the same price from the LDB. Private liquor stores purchase at the same price within their category but prices vary across store categories due to differing LDB discount rates) and the present policies on direct delivery to licensees by liquor manufacturers. In addition, the legal requirement that licensees purchase their liquor from the LDB will also remain unchanged and this prohibits the offering of free or undocumented liquor to licensees by liquor suppliers.

BACKGROUND

After the repeal of prohibition throughout Canada and the United States in the 1920's and 1930's tied houses were outlawed across the United States and were eventually prohibited in all the provinces of Canada.

In British Columbia, the Liquor Inquiry Commission of 1952 led to changes in the Liquor Act, including the introduction of laws that prohibit both tied houses and inducements (gifts and money that effectively integrate business through means other than ownership). The Liquor Commission had found that breweries in British Columbia had consolidated and competition was limited. Over the past 25 years there has been a gradual liberalization of these rules. Tied house exemptions have been provided for brewpubs and stadiums and allowed wineries to have an on-site establishment to feature their products. Trade practice rules have also loosened, most recently in 2004 when suppliers were permitted to provide many more non-liquor goods and promotions to licensees, primarily for the benefit of the licensee's patrons. Liquor suppliers were also given greater leeway to fund licensee educational and hospitality expenses.

There are a number of reasons to reduce or eliminate regulation in this area:

- The federal government, through the Competition Act, already regulates business practices between suppliers and their customers. The federal rules prohibit:
 - the use of anti-competitive conduct by a dominant firm to substantially lessen competition;
 - a supplier requiring or inducing a customer to buy products primarily from them or preventing the customer dealing in another's product; and
 - someone being seriously affected or prevented from carrying on business because they cannot obtain adequate supplies.
- Enforcement of an unlawful tied house or an inducement is very challenging. The resources to investigate these cases are significant and include the skills of forensic accountants, many hours reviewing complex financial relationships and many hours of investigation. The LCLB's limited resources might be better spent on public safety priorities such as over-service, over-crowding and service to minors.
- Anecdotally, it is known that inducements between suppliers and licensees are quite common so reducing or eliminating the regulations may not have a substantial impact on business practices.
- In 1952, at the time of the Liquor Inquiry Commission, there were very few manufacturers and agents in the province with a limited selection of products. On a per capita basis the number of licensed establishments was much smaller with no licensed restaurants or private liquor stores and only about 600 bars and clubs. Today there are over 9000 licensed establishments, including 5,600 restaurants. It is unlikely that a liquor supplier(s) could purchase or induce a significant number of licensed establishments so as to adversely impact consumer choice.
- The LCLB has approved a number of financial ties between liquor suppliers and licensees but not permitted the sale of the manufacturer's product in these establishments so as to avoid a tied house. In some cases this has involved small wineries and bars where it is difficult to defend the decision as being in the public interest or defending public safety.

Conversely, there are potential concerns with deregulation. Smaller volume liquor manufacturers may be concerned that legalizing inducements will result in larger competitors taking away business. Similarly, smaller volume licensees may be concerned that any supports from liquor

suppliers will be directed to larger accounts allowing these facilities to sell liquor profitably at a lower cost than the smaller operators can afford.

It is widely accepted that liquor is a product that can cause both immediate and long term harm if abused and that government imposed controls are required to limit the personal, social and economic costs to society. However, it must be asked whether restrictions on tied houses and trade practices make any significant contribution to reducing these costs especially given floor price restrictions in place in both the retail and on-premise sectors, as well as limits on advertising, promotions and sponsorships. If the answer is no, then arguably a government liquor control scheme should not be imposing (or should be imposing fewer) limits in these areas and direct its resources to public safety concerns.

OPTIONS

What follows is a series of options for tied house and trade practices. The status quo is not offered as an option because government, through its legislative amendments, has demonstrated its intent to move away from the status quo and deregulate. These options are presented at a fairly high level with not every detail assessed. Given the large number of policies presently in place, especially regarding trade practices, it is not practical to address every issue at this time. Implementation of any of these options will require a more detailed analysis.

This paper does not contain any recommendations. Through the consultation process we hope to gather more information from you about these issues and the options offered so that government can make an informed decision.

In addition to the options described below there may be others that you prefer and we welcome your proposals.

Section A: Tied House

Option 1:

Eliminate tied house prohibitions altogether – permit exclusivity.

This would remove all restrictions on tied houses, subject to the federal Competition Act. If the tied house prohibition was eliminated the laws around trade practices would have to be revised to reflect the new business relationships. For example, if a brewery also owns a number of restaurants then it is reasonable to conclude that the brewery's products would be promoted in the associated restaurants. At issue is whether product exclusivity, i.e. all liquor in a category supplied by one company, would be permitted or whether a variety of products from other suppliers would also have to be made available.

Pros:	Cons:
<ul style="list-style-type: none">• Simple to understand• LCLB resources can be redeployed to public safety issues.• Opens industry up to more investment (e.g. hotels, restaurants more likely to	<ul style="list-style-type: none">• May be some market consolidation• Potential that problems that arose prior to implementation of tied house prohibitions will return – licensees that encourage over-consumption,

invest in manufacturers and vice versa).	aggressive marketing. <ul style="list-style-type: none"> • Would require monitoring to determine if any problems are emerging.
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Option 2:

Permit tied houses between the same corporate entity, but limit the number of tied houses a person can hold to limit risk of market consolidation, e.g. 5 or 6

Similar to Option 1, at issue is whether product exclusivity would be permitted or whether a variety of products from other suppliers would also have to be made available.

Pros:	Cons:
<ul style="list-style-type: none"> • Reasonably simple to understand. • Provides investment opportunities for industry • Will permit tied houses for a number of pre-existing investments where the manufacturer has been prevented from selling their product in the jointly owned licensed establishment 	<ul style="list-style-type: none"> • Any number limit is somewhat arbitrary. • If manufacturers are permitted to have, say, 5 tied houses it will eventually lead to lobbying for additional tied houses. • To exceed whatever number limit is imposed, some persons may attempt to get around this limit by setting up complicated corporate structures to hide the tied house. • If the maximum number of tied houses were located in a small community consumer choice might be impacted.

Option 3:

Permit tied houses with public interest restrictions

Permit tied houses but provide in either regulation or policy the authority for the LCLB to prohibit or impose conditions on tied houses. An example of a term and condition applying to all tied houses would require other manufacturer's products to be sold in the establishment for any off-site establishment, e.g. a winery could operate a tied house at their winery and sell only their product but if operated off-site then products from other wineries would have to be available. An example of a prohibition would be the prohibiting or revoking of a tied house if competition in a community was adversely impacted due to the tied house(s).

Pros:	Cons:
<ul style="list-style-type: none"> • Easier to justify than an arbitrary limit on the number of permitted tied houses. • Provides more flexibility than option 2 • Opportunity to open industry up to more investment (e.g. hotels, restaurants more likely to invest in manufacturers and vice versa). • Has more safeguards than option 1 	<ul style="list-style-type: none"> • Provides less certainty for industry and the regulator. • May be difficult to develop appropriate safeguards that balance public safety, public interest and industry needs.

Section B: Trade Practices

Option 1:

Eliminate trade practice restrictions altogether.

Pros:	Cons:
<ul style="list-style-type: none">• Simple to understand• LCLB resources can be redeployed to public safety issues.• Liquor supplier/licensee relations treated the same as non-liquor sectors• Federal Competition Act in place to address abuses.	<ul style="list-style-type: none">• Suppliers may be concerned that licensees will make unreasonable and expensive demands• Smaller volume suppliers and licensees may worry about loss of market share if they can't offer or aren't offered deals• Assistance provided by suppliers may allow licensees to sell liquor at reduced prices contributing to over-consumption.• Would require monitoring to determine if any problems are emerging.

Option 2:

Reduce or eliminate most trade practice restrictions.

This option would eliminate most trade practices restrictions and requirements, e.g. the Buy/Sell agreements, and allow financial support from suppliers to licensees including non-liquor products and services necessary to the operation of the business, joint advertising, etc. However, product exclusivity within a product category would not be permitted, e.g. all packaged beer provided by one supplier. The exception to this might be if Option 2 in Section A of this paper was implemented which would allow the same corporate entity to have a limited number of tied houses.

Pros:	Cons:
<ul style="list-style-type: none">• Same as Option 1• Places some limits on potential market concentration	<ul style="list-style-type: none">• Same as Option 1

Option 3:

Streamline some trade practice policies and procedures.

This option would eliminate the need for Buy/Sell agreements and permit those activities without need of documentation. Sponsorship rules could be relaxed to permit joint licensee and supplier sponsorships. Other presently prohibited practices would continue to be prohibited, e.g. provision of items necessary for the operation of the establishment like tables and draught lines.

Similar to Option 2 above, if a tied house was permitted product exclusivity within a product category might be permitted in those limited circumstances but not otherwise.

Pros:	Cons:
<ul style="list-style-type: none">• Potentially less impact on smaller volume licensees and suppliers• Places some limits on potential market concentration• Provides some streamlining	<ul style="list-style-type: none">• Investigation and enforcement of the provisions very challenging• LCLB resources not dedicated to public safety provision• Redundancy with federal legislation

NEXT STEPS

This document is being sent to liquor-related industry associations as well as other stakeholders. It will also be posted on the LCLB website at www.hsd.gov.bc.ca/lclb.

Those organizations that received this document will be contacted directly in the coming weeks and asked if they would like to:

- meet with the LCLB to discuss further,
- make a written submission, or
- not make any comment.

In both written and oral presentations the LCLB is looking for the following information:

- Your views on the options presented in this paper,
- Other options you think the government should consider, if any, and
- The reasons for the position you have taken.

Any meetings with stakeholders will occur in either Vancouver or Victoria in late 2010, early 2011. We may attempt to meet with more than one stakeholder at a time.

Written submissions should be made by Date XX.

Following the consultation process, a decision document will be prepared for the Minister. If regulations are required these will be submitted to Cabinet for its approval. The process to draft regulations and obtain cabinet approval is fairly lengthy and can take several months or more.

QUESTIONS

If you have any questions or concerns about this document and the consultation process please contact:

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APPENDIX 1

Section 1: Liquor Control and Licensing Act Provisions

Tied House - Old Wording

18 (1) A licence, other than a licence referred to in section 52, 57 or 58, must not be issued, renewed or transferred

(a) to a person who has agreed or arranged with another to sell the liquor of a manufacturer to the exclusion of the liquor of another manufacturer, or

(b) to a liquor manufacturer or the manufacturer's agent, or a person who is so associated with, connected with or financially interested in them, that it is likely to promote the sale of liquor for that manufacturer or person.

(1.1) Subject to subsection (1.3), a licence referred to in section 12.1 must not be issued, renewed or transferred to a person who

(a) holds a licence referred to in section 12, 52, 57 or 58, or

(b) is associated with, connected with or financially interested in a person holding a licence referred to in section 12, 52, 57 or 58.

(1.2) Subject to subsection (1.3), a licence referred to in section 12, 52, 57 or 58 must not be issued, renewed or transferred to a person who

(a) holds a licence referred to in section 12.1, or

(b) is associated with, connected with or financially interested in a person holding a licence referred to in section 12.1.

(1.3) Subsections (1.1) and (1.2) do not apply to a person if

(a) the person held, on April 1, 2000,

(i) a licence referred to in section 12.1, and

(ii) a licence referred to in section 12, 52, 57 or 58, and

(b) any association, connection or financial interest referred to in subsection (1.1) or (1.2) of this section, as the case may be, existed

on April 1, 2000 and has not, since that date, in the general manager's opinion, expanded in scope or degree.

(2) If conditions referred to in subsection (1), (1.1) or (1.2) that would prevent a licence from being issued, renewed or transferred apply to a person who is applying for a licence under this Act, the applicant must disclose the conditions to the general manager whether or not that subsection applies to that person.

(2.1) If conditions referred to in subsection (1), (1.1) or (1.2) that would prevent a licence from being issued, renewed or transferred apply to a licensee after the licence is issued, the licensee must, promptly after the conditions begin to apply, disclose the conditions to the general manager whether or not that subsection applies to that licensee.

(2.2) An action or other proceeding must not be brought or commenced in a court in British Columbia in respect of an agreement, arrangement, concession, obligation, undertaking or interest referred to in subsection (1), (1.1) or (1.2).

(3) This section does not apply to a person who operates, in accordance with the regulations,

(a) a brew pub and an establishment, licensed under section 12, that is operated in conjunction with and at the same site as the brew pub, with respect to liquor manufactured on the premises, or

(b) a winery and an establishment, licensed under section 12, that is operated in conjunction with and at the same site as the winery, with respect to liquor manufactured on the premises.

(4) Subject to the regulations, the general manager may exempt a person from prohibitions and restrictions under subsection (1) in respect of an establishment, and may impose terms and conditions for the exemption

Tied House - New Wording

Section 18 is amended

(a) by repealing subsection (1),

(b) in subsections (2) and (2.1) by striking out "subsection (1), (1.1) or (1.2)" and substituting "subsection (1.1) or (1.2)",

(c) in subsection (2) by striking out "whether or not that subsection applies to that person",

(d) in subsection (2.1) by striking out "whether or not that subsection applies to that licensee", and

(e) by repealing subsections (2.2), (3) and (4) and substituting the following:

(4) Subject to the regulations, the general manager may specify that a licence, other than a licence referred to in section 52, 57 or 58, must not be issued, renewed or transferred

(a) to a person who has agreed or arranged with another to sell the liquor of a manufacturer to the exclusion of the liquor of another manufacturer, or

(b) to a liquor manufacturer or the manufacturer's agent, or to a person who is so associated with, connected with or financially interested in them, that it is likely to promote the sale of liquor for that manufacturer or person

Trade Practices – Old Wording

45 (1) A person must not offer or give or agree to offer or give and a licensee or the licensee's employee must not demand, accept or receive or agree to accept or receive money, gifts, reward or remuneration, directly or indirectly, for promoting, inducing or furthering the sale of a particular kind, class or brand of liquor.

(2) A licensee or the licensee's employee must not induce, further or promote the sale of a particular kind, class or brand of liquor.

(3) Subsection (2) does not apply in respect of liquor sold at a brew pub, winery, distillery, brewery or establishment referred to in section 18 (3) that is operated in accordance with the regulations.

(4) Subject to the regulations, the general manager may exempt a person from prohibitions and restrictions under subsections (1) and (2) in respect of an establishment, and may impose terms and conditions for the exemption.

Trade Practices – New Wording

Section 45 is repealed and the following substituted:

Licensee not to give or accept gifts

- 45 Subject to the regulations, the general manager may specify that a licensee must not offer or give, agree to offer or give, demand, accept or receive, or agree to accept or receive, money, gifts, reward or remuneration, directly or indirectly, for promoting, inducing or furthering the sale of liquor.

Section 2: Bill 20 Debate in the Legislature June 1, 2010

V. Huntington: I should have said earlier to the minister.... I'm sorry. I didn't forewarn him about my interest in some of these sections. I am learning.

Section 138 is curious. The section itself suggests it's a restrictive power, and yet when you look at the explanatory note, the section is allowing "inducements for the sale of liquor subject to regulations."

I prefer the sense of the section itself, where the general manager may specify that a licensee must not offer, accept or receive — or agree to accept or receive — money, gifts or remuneration for promoting or inducing the sale of liquor.

I wonder if perhaps you could explain this a little further. I am concerned that you are opening up a situation where inducements will, in fact, be possible.

Hon. R. Coleman: This is really removing something that is somewhat arcane in our ability to enforce and manage the operation of liquor in British Columbia. The section actually prohibits a liquor manufacturer from offering or giving a licensee, for asking or accepting inducements to favour the product of that manufacturer....

Today we've modernized to the point where we're not going in and saying that you can't give somebody a T-shirt from a beer operator that one of your staff might want to wear or some gifts you might want to put up for door prizes or whatever for people in your establishment — or even coasters. We have actually gotten past that, yet we still have some rules on the books that would legally, theoretically, prohibit that.

This is to modernize, frankly, the trade practices relationship between licensees and liquor suppliers. When these rules were put in place.... There were only a few liquor suppliers in the entire marketplace decades ago.

It was all about tied houses and things like that, where people would come in and offer: "You become a specific beer for the whole operation, and we'll do this, this and this for you." That would be called a tied house, and there was concern about those breweries coming in and owning the brewery as well as owning the retail.

The reality is that today the consumer has a number of choices that they want when they go into a licensed establishment, and so they do that.

The historical reasons for the policy are no longer very applicable. The rules don't help us protect public safety, and experience has shown us that the rules are widely ignored and virtually impossible to enforce because of....

What we really want our people concentrating on is four things. We want them concentrating on four public safety issues with regards to enforcement of liquor. These are overservice to people, serving of people under-age, overcrowding in liquor establishments and the sale of illegal liquor. Those are the four priorities we want our people to be concentrating on.

We've always felt that as we modernize and we learned, prior to the Olympics and going through the Olympics, how we could handle these things with regards to the operation of liquor establishments, we can take this next step in modernization and still protect the public safety.

V. Huntington: I can certainly understand that explanation and appreciate it. It's very helpful. I'm really concerned about abuse, though, and I'm wondering if you can describe how the regulations will be developed and who they will be discussed with. And will they prescribe certain types of inducements that are permissible and others that are not?

Hon. R. Coleman: Well, certainly in our work leading up to this, I and the branch have had extensive discussions with the entire industry, but we didn't know when we would get this to the House. So the next step would then be to go into the next level of consultation with industry particularly, which this has the most effect on with regards to how trade practices will change and how they will be able to do their business a bit differently.

Some will embrace it; others won't. But that describes the entire liquor file. Some embrace it. Some don't, no matter what change or whatever we do on the file. There's always one piece of the industry pushing and pulling against the other. It's just the nature of the beast, I guess you could say.

Having had the liquor file for four years, from 2001 to 2005, and now having it back again for two years, I do believe that we've actually matured to the point where we can handle this properly.

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**MINISTRY OF PUBLIC SAFETY
AND SOLICITOR GENERAL**

LIQUOR CONTROL AND LICENSING BRANCH

**Transition Briefing Binder
March, 2011**

MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL

Liquor Control and Licensing Branch

Transition Binder

March 2011

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LCLB OVERVIEW

The British Columbia government **regulates and monitors the liquor industry to protect the public from the harm** that may be caused by making and selling liquor or products that contain alcohol.

Through the *Liquor Control and Licensing Act* and its Regulations, and by requiring anyone who holds a liquor licence to meet strict terms and conditions, the government works to prevent under-age drinking, the over-consumption of liquor, overcrowding or unsafe conditions in restaurants, bars and pubs, the misuse of non beverage products containing alcohol, and to minimize the potentially negative impact of liquor sales on neighbourhoods and communities.

Branch Goals:

- To provide effective licensing and enforcement of liquor licensees
- To focus branch resources on matters of public safety and community impact
- To ensure high public confidence, awareness and trust in the branch
- To foster an excellent work environment

Branch Priorities:

- Improve public safety within and around licensed establishments.
- Ensure services are accessible and client focused in their delivery.
- Enhance and promote internal and external communications about branch activities.
- Provide for increased employee satisfaction, training, and workplace flexibility.
- Ensure regulations, policies and resources are directed at protecting public safety and public interest.

Licensing:

The Liquor Control and Licensing Branch is responsible for issuing licences to:

- pubs, bars, lounges, stadiums, nightclubs and restaurants to sell liquor by the glass, and licensee retail stores to sell liquor by the bottle;
- breweries, distilleries and wineries to manufacture liquor, and agents to represent domestic and international manufacturers in selling their products in BC; and
- UBrews/UVins to sell their customers the ingredients, equipment and advice they need to make their own beer, wine, cider or coolers.

The branch is also responsible for regulating off-site retail wine store appointments and on-site brewery, winery and distillery store appointments.

Currently, the branch supervises 10,014 licences including: 5,572 restaurants (Food Primary licences), 2,363 pubs, bars and lounges (Liquor Primary Licences), 302 UBrew and UVin stores, 668 Licensee Retail Stores (LRS) and 297 liquor manufacturers (wineries, breweries and distilleries, many of whom have an on-site appointed store). In addition the branch supervises 54 wine store appointees and issues approximately 60 permits annually to non-beverage alcohol importers (companies bringing in culinary, medicinal and industrial products).

Additionally, the Branch:

- regulates both Serving It Right: The Responsible Beverage Service Program and Special Occasion Licences for events such as community celebrations, weddings or banquets (issued through BC Liquor Stores);
- educates those who hold liquor licences (called licensees) about the laws and rules that may affect them;
- inspects licensed establishments;
- takes enforcement action when licensees do not follow the *Liquor Control and Licensing Act*, Regulations and/or the specific terms and conditions of their licences;
- provides advice to government concerning decisions related to liquor policy; and
- appoints and regulates appointed retail stores (except for Rural Agency Stores or Duty Free Stores, which are appointed by the Liquor Distribution Branch).

Branch Financing:

The Liquor Control and Licensing Branch is a cost recovery branch and receives a \$1000 government funding allocation annually. Recoveries (dollars) are received from licensing fees and permit charges. The collected funds and \$1000 vote provide for overall policy development, administration, licensing and inspections in support of the *Liquor Control and Licensing Act* and Regulations.

BRANCH STRUCTURE

The Liquor Control and Licensing Branch consists of the Assistant Deputy Minister's office and four divisions:

The **Licensing and Local Government Liaison Division** is responsible for processing all applications for new liquor licences, as well as applications to amend or transfer existing liquor licences. Licensing seeks the views of local government before deciding which applications should be approved. The division also works with the Liquor Distribution Branch to administer Special Occasion Licences (SOLs). This includes providing SOL policies and procedures and dealing with requests from individuals or groups for exceptions to the standard SOL rules (a charity, for example, may ask to charge more than the usual maximum liquor prices to raise money).

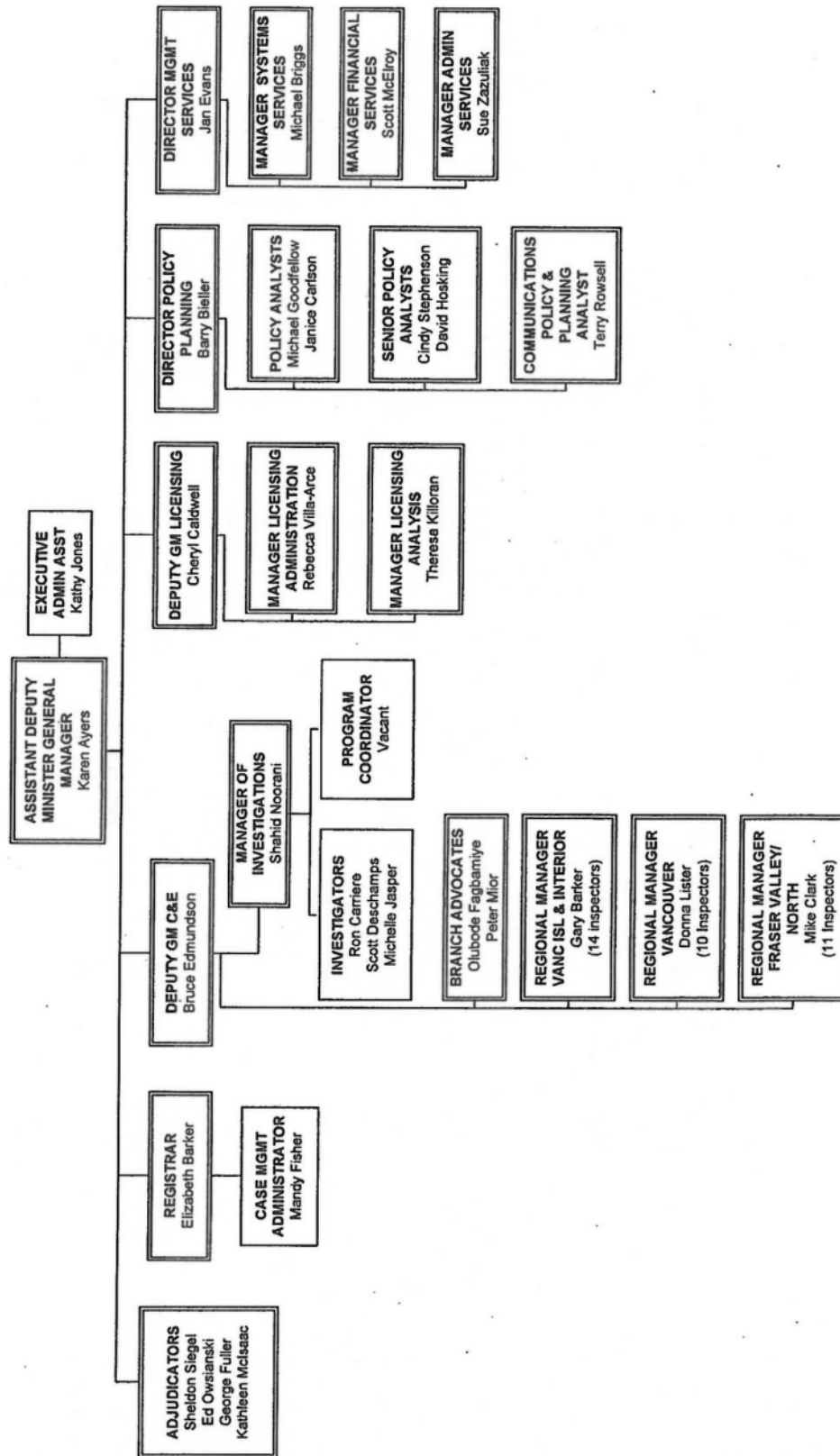
The **Compliance and Enforcement Division** educates licensees about their responsibilities under British Columbia's liquor laws and policies, and under the terms and conditions of their particular licence. It also inspects licensed establishments - completing an average 10,000 inspections a year including administrative site assessments for liquor primary applications and final licensing inspections at the direction of the Licensing Division. Enforcement action is initiated when necessary.

The **Policy, Planning and Communication Division** is responsible for developing changes to legislation, regulations or policies as required, and for branch strategic planning, issues management and communications. The division also identifies performance measures and creates systems to monitor and track trends, and consults with stakeholder groups, including industry associations, the police and local governments, on liquor control and licensing issues.

The **Management Services Division** provides financial advice to the branch executive, administers the branch budget, renewals and recoveries, and provides systems, telecommunications and information support. It also manages all branch facilities, vehicles and records.

LIQUOR CONTROL AND LICENSING BRANCH

DIVISION OVERVIEW



Management Services Division
February 3, 2010

THE ROLE OF THE GENERAL MANAGER AND THE ROLE OF THE MINISTER

Role of the General Manager

The general manager is a position named in the *Liquor Control and Licensing Act* that must:

- Issue, renew, amend, transfer, suspend or cancel licences,
- Specify what regulations apply to a licence, and
- Supervise the conduct and operation of licensed establishments.

The wide authority and significant amount of discretion provided in the Act and regulations to the general manager to carry out her duties have historically resulted in some criticism that the position is too powerful.

The administration of the past twenty years, at the urging of the Ombudsman, has focused on strengthening the structures that ensure this discretion is appropriately exercised. The various strategies have included: writing and publishing policies that guide decision making and establishing a formal enforcement hearing process with adjudicators.

Role of the Minister

Allegations of political interference have been an historical feature of liquor licensing. The most recent notable case was in 1988. In the case of the Knight Street Pub, it was alleged that there was political interference in the selection of the company to conduct the neighbourhood referendum on behalf of the LCLB and also that the referendum process was flawed and biased towards the applicant.

In 1993, section 3(2) of the *Liquor Control and Licensing Act* was amended to read:

- “The general manager must, subject to the orders and direction of the minister on matters of general policy,
- (a) administer this Act, and,
 - (b) supervise all licensed establishments and manufacturers of liquor.”

This amendment clarified roles: the minister gives direction on matters of general policy while the general manager makes decisions on individual licensing and supervises licensed establishments.

To ensure the role of the minister is not compromised, care is taken to avoid the consideration of individual policy changes that would benefit any one licensee which would indirectly involve the minister in the decision making process.

LCLB RESPONSIBILITIES VERSUS LDB RESPONSIBILITIES

Liquor Control and Licensing Branch (LCLB)

LCLB issues licences in B.C. for making and selling liquor (either by the glass or bottle) and supervises the service of liquor in licensed establishments. LCLB also regulates private off-site wine store appointments, but through provisions in Bill 20 the branch is working toward transforming these appointed stores into licensees.

Liquor Distribution Branch (LDB)

LDB regulates the distribution and importation of beverage alcohol in B.C. and also operates 197 government liquor stores in the province.

LCLB monitors government liquor stores and rural agency stores for compliance with the Liquor Control and Licensing Act, including compliance with the requirement to ask for two pieces of identification when verifying a patron's age.

LCLB is responsible for the social responsibility program and develops the guidelines used by LDB when registering products.

For the time being LDB continues to be responsible for appointing and regulating 223 Rural Agency Stores (RAS) and 11 Duty Free Stores. There is work being done through provisions in Bill 20 to transform these stores into licensees that would be regulated through LCLB.

LCLB LICENSING STATISTICS AND INFORMATION

Establishment Statistics

As of March 3, 2011, there are 10,014 licensed/appointed establishments in BC:

- Licensed restaurants (food-primary establishments): 5572
- Bars, pubs, night clubs (liquor-primary establishments): 2363
- Private liquor stores (licensee retail stores): 668
- Wineries, breweries and distilleries: 297
- UBrew/UVin establishments: 302
- Offsite Appointed Wine Stores: 54*
- Onsite Appointment Stores: 233
- Independent Agents: 256
- Manufacturer Agents: 269

*There are currently 54 Offsite Store Appointments. Five offsite store locations combine two Certificates of Appointment into one retail space.

Licensing Transactions for the 2010 Calendar Year:

- Applications received: 617
- Licences issued: 545*
- Applications in progress: 181*
- Change applications received: 4054
- Change applications approved: 3491*
- Change applications in progress: 571*

*Some applications were received in previous years.

Financial Overview

Revenue

	08/09 Actual	09/10 Actual	10/11 Forecast
Applications	\$1,144,220	\$1,293,155	\$1,009,150
1 st Year Fees	\$1,059,055	\$1,162,365	\$978,975
Renewals	\$7,161,810	\$6,696,125	\$8,185,178
Other	\$350,125	*\$782,209	**185,000
New Fees	n/a	n/a	\$122,460
TOTALS	\$9,715,210	\$9,933,854	\$10,480,763

* 09/10 Other: \$474,054 (LDB equivalent to licensing); \$180,000 (Olympic Licenses); \$128,155 (deferred licensing fees from 08/09)

**10/11 Other: LDB equivalent to licensing rolled into renewal fees; \$185,000 (deferred licensing from 09/10)

Expenditures

	FTEs	08/09 Actual	09/10 Actual	10/11 Forecast
Assistant Deputy Minister	5	\$599,199	\$539,993	\$560,515
Management Services	17	\$2,535,803	\$2,843,987	*\$3,050,892
Policy, Planning & Comm.	7	\$569,640	\$596,453	\$651,528
Licensing	26	\$1,715,102	\$1,721,876	\$1,801,388
Compliance & Enforcement	49	\$4,016,865	\$4,035,009	\$4,076,575
LDB/Appt Store Insp. Project		\$124,816	\$13,642	\$0
TOTALS	104	\$9,561,425	\$9,750,960	\$10,140,898

*10/11 – Includes \$410,000 IT charges & \$660,641 BOCs which will be left to roll into CRF.

Expenditure by Category

	08/09 Actual	09/10 Actual	10/11 Forecast
Salaries	\$6,719,160	\$7,033,211	\$7,408,961
Travel	\$239,516	\$189,843	\$214,791
Professional Services	\$187,872	\$94,579	\$82,642
Legal Services	\$99,671	\$91,231	\$103,807
IT (including phones)	\$531,256	\$602,382	\$614,967
Amortization	\$589,998	\$488,805	\$482,586
Supplies	\$266,426	\$216,021	\$199,760
Vehicles – Gas & Repairs	\$100,589	\$114,824	\$121,085
Rent	\$679,032	\$650,620	\$660,640
Other	\$147,905	\$269,444	\$251,659
TOTALS	\$9,561,425	\$9,750,960	\$10,140,898

COMPLIANCE AND ENFORCEMENT STATISTICS FOR 2010 CALENDAR YEAR

Compliance and Enforcement Statistics for 2010:

- Total inspections (excluding final inspections for new licences): **8631**
- Total Contraventions identified: **673** (of which we pursued **32%** or **218**)
- Contravention notices issued: **437** (more than one contravention can appear on a contravention notice)
 1. Enforcement action pursued in **136** cases (i.e. NOEAs). A case may include more than one contravention.
 2. Licensees signed waivers in **65%** or **89** of the **136** cases.
 3. Enforcement hearings held in **21%** or **28** the **136** cases.
- Total number of hearings held during the period: **34**
- The **136** cases resulted in **558** days of licence suspension and the payment of **\$163,000** in monetary penalties. (Please note that activity on **13** of the all **136** is incomplete).

Top Ten Contraventions January 01, 2010 - December 31, 2010		
Rank	Alleged Contravention	Occurrences
1	Permit intoxicated person to remain, s. 43(2)(b) Act	83
2	Contravene term & condition, s. 12 Act	81
3	Operating contrary to primary purpose - Food Primary, s. 20 Act, s. 11 Reg.	44
4	Allow liquor to be removed from establishment, s. 42(4) Reg.	35
5	Consume liquor while working - Employee, s. 42(3) Reg.	33
6	Minor - Permit minor to enter or be on premises, s. 35 Act	32
7	Sell or give liquor to intoxicated person, s. 43(1) Act	22
8	Allow consumption beyond time permitted, s. 44(3) Reg.	20
9	Fail to maintain liquor register, s. 35(3) Reg.	19
10	Overcrowd beyond person capacity more than occupant load, s. 6(4) Reg.	18
Total:		387

Top Ten Contraventions Pursued Through Enforcement Action in 2010

Contravention Name	Number Identified	Number Pursued
Permit intoxicated person to remain, s. 43(2)(b) Act	83	48
Operating contrary to primary purpose - Food Primary, s. 20 Act, s. 11 Reg.	44	18
Minor - Permit minor to enter or be on premises, s. 35 Act	32	17
Contravene term & condition, s. 12 Act	81	13
Consume liquor while working - Employee, s. 42(3) Reg.	33	12
Overcrowd beyond person capacity more than occupant load, s. 6(4) Reg.	18	10
Allow consumption beyond time permitted, s. 44(3) Reg.	20	9
Allow liquor to be removed from establishment, s. 42(4) Reg.	35	9
Sell or give liquor to intoxicated person, s. 43(1) Act	22	8
Fail to take liquor from patrons by time required, s.44(1)(b) Reg.	17	7

THE HISTORY OF LIQUOR CONTROL IN BRITISH COLUMBIA

When Europeans first arrived on the Pacific Coast in the late eighteenth century, the sale and consumption of liquor was not restricted. Within 40 years, fur traders, who observed the negative effects of alcohol abuse, made the first attempts at liquor control. The first liquor control legislation in British Columbia was created in 1853 when Governor Douglas persuaded his council to license wholesale and retail outlets on Vancouver Island.

After confederation, constitutional authority was divided between the provinces and the federal government. Originally, the federal government controlled trade, manufacturing, and various taxes and duties, while the provinces regulated retail sale. Currently, Canada taxes, sets duties, and regulates broadcast advertising and some manufacturing. The Province also regulates advertising and has taxation authority: Cross-jurisdictional sales are administered by provincial or territorial liquor distribution authorities.

Over the decades, British Columbia tried many different liquor control systems based on varying levels and types of restrictions. The level of control was minimal to begin with, then maximized during prohibition (1917 to 1921), and is now becoming more liberal. The policy changes have been driven by key reviews and initiatives.

1929 Griffiths Report

Griffiths concluded that the breweries had established a cartel, and that the political influence of liquor interests had compromised the Liquor Control Board.

1952 Liquor Inquiry Commission (Stevens)

Conclusions addressed lack of enforcement, licenses issued to people with police records, relationships between manufacturers and licensees, and the development of monopolies.

1953 Liquor Act

This introduced regulation of the arrangements between manufacturers and licensees by prohibiting tied houses and the provision of liquor as an inducement.

1970 Liquor Inquiry Commission (Morrow)

Based on the changes in social conditions and attitudes, the Inquiry recommended liberalizing liquor policy, and allowing electronic advertising provided it complied with a code. The Commission viewed gifts to liquor vendors and hotels as risks to the control structure.

1975 Liquor Control and Licensing Act and Liquor Distribution Act

The provincial government separated the regulation of control and licensing from distribution.

1978 New Wine Policy

Introduction of new wine policies that encouraged the production of quality wines from BC grown grapes. The beginning of the premium BC wine industry.

1987 Liquor Policy Review (Jansen)

This confirmed government's role as the primary retailer of packaged liquor and addressed in-store sampling, pricing to prevent over-consumption, event sponsorship, advertising obligations to promote responsibility, and inducements. The Responsible Beverage Service Program was introduced.

1999 Liquor Policy Review (Surich)

This recommended further modernization and streamlining to support the hospitality and tourism industries, harmonization with neighbouring jurisdictions, and alignment with today's social and health goals. The report also recommended the licensing of Ubrews and Uvins which became licensed in 2000.

2001 New Enforcement Penalty Scheme

This introduced a penalty schedule in regulation which defined penalties for specific contraventions. It also required inspectors to issue a contravention notice to a licensee if a contravention was found to occur, e.g. liquor service to a minor.

2002 New Regulatory Scheme

Liquor licensing became more streamlined and standardized in 2002. 21 licence categories were reduced to two, liquor primary and food primary. The role of local government was increased in new liquor primary applications and amendments to capacity and hours and also has a role in approving late night hours and entertainment in food primaries. Licensee Retail Stores (LRS) were permitted to sell spirits in addition to beer and wine. The moratorium on new LRS's was lifted between August and November of 2002. The moratorium on new LRS's has been in place since November of 2002 and it was announced in November of 2007 that it would remain in place for the foreseeable future.

Also since 2002 Compliance and Enforcement has been focused on four public safety issues:

- Minors: underage drinkers being served alcohol, fraudulent identification,

licensed establishments not checking ID and intoxicated youth.

- Intoxication and over service.
- Overcrowding and operating beyond the fire capacity.
- Illegal liquor leading to cheap drinks and potential over consumption and loss of revenue to government.

2002 Privatization

In 2002 government announced that it would exit the liquor retailing business by 2004. However, by 2003 the government decided it would not close the government liquor stores. In November of 2003 the BCGEU ratified a labour agreement in which the government committed to operating a minimum number of government liquor stores and the government distribution system.

2010 Bill 20

Bill 20 amends the *Liquor Control and Licensing Act*. Some amendments took effect on June 3, 2010 while others will come into effect as regulations are drafted. These amendments enhance public safety and fine tune regulation of the liquor hospitality industry. They provide the Province new authority to control and enforce the licensing process to prevent serious safety risks, such as gang-related activities and serving liquor to minors. Several amendments promote streamlining of the liquor control process and governance of the liquor industry.

Themes:

The issues and dilemmas around liquor control have remained remarkably consistent as government tries to balance the public good with economic benefits. These are:

- Licensing and taxation of liquor provides revenue for government.
- Liquor manufacturing and sales generate jobs and corporate profits.
- Liquor regulation impacts businesses in different ways: it restricts competition but impacts profits by limiting business practices.
- Public opinion, sought repeatedly by federal and provincial plebiscites on the "right" amount of liquor control has always been divided – both between communities and within communities.
- High levels of consumption generate negative social impacts and increase costs of policing, corrections, medical treatment, and lost productivity in the workplace.

- There is a history of allegations of corruption and political favouritism in the administration of liquor control.

However, there has been a change in public attitude to the rationale for liquor control. Alcohol consumption is now generally viewed as a public health issue, whereas it was historically viewed as a moral issue. This has changed the focus from abstinence to safe drinking limits and the avoidance of intoxication and related behaviours likely to cause problems.

STAKEHOLDER PROFILES

Licensees vie to compete with other licensed businesses and those seeking to enter the market. Changes to the regulatory framework are likely to produce winners and losers and/or the perception of winners and losers. Some licensees form loose alliances to promote their common interests. However, these may change when the market changes.

The Branch deals with a number of stakeholders including the following:

Alliance of Beverage Licensees (ABLE BC)

Al McCreary, President

ABLE represents a number of the Province's liquor primary and licensee retail store establishments.

Restaurant Food Services Association of BC (BCRFA)

Ian Tostenson, President and CEO

This is an association of restaurants, restaurant suppliers and food service retailers. BCRFA represents over 3,000 restaurant and food service businesses across British Columbia.

Canadian Restaurant and Food Services Association (CRFA)

Mark von Schellwitz, Vice President, Western Canada

CRFA represents restaurants, bars, cafeterias and social and contract caterers, as well as accommodation, entertainment and institutional foodservice.

Canada's National Brewers

Executive Director - vacant

Primarily represents the interests of the larger breweries (Molson, Labatt, Sleeman).

Craft Brewers Association of BC

Matt Phillips, Co-Chair

Collection of smaller breweries, cooperative trade organization.

Import Vintners and Spirits Association

Tim Crowhurst, Executive Director

This association represents many liquor importers.

BC Wine Institute (BCWI)

Josie Tyabji, Chair

The BCWI represents approximately 50% of the province's wineries including most of the larger and medium sized wineries. The institute also holds the appointments for the 21 VQA wine stores located throughout the province.

Historically, the BCWI has been responsible for wine standards but this has been transferred to the BC Wine Authority.

Association of BC Wine Growers

David Bond, Executive Director

Represents many smaller wineries in the province.

BC Fermenters Guild (formerly Hobby Brewers and Vintners Association)

Roger Doull, President.

Represents many of the province's UBrews and UVins.

Local Governments/UBCM

Gary MacIsaac, Executive Director, UBCM

The Branch has ongoing dialogue with these groups. Concerns relate to the roles of the Branch and local government in the liquor licensing process.

go2

Arlene Keis, CEO

go2 administers Serving It Right, a mandatory beverage server training program, on behalf of the province.

CURRENT ISSUES

Bill 20 – Liquor Control and Licensing Act amendments – spring 2010

A number of amendments were made to the Act with additional regulations still required before many of the most significant are implemented. Summarized below are the major changes.

Licensing all agency store liquor retail outlets

- The objective is to convert all retail store appointments into licences to level the playing field for private liquor stores;
- A new wine store licence class will be implemented first, followed by new classes of licence for rural agency stores and duty free stores;
- Wine store licence regulations to be submitted to Cabinet in spring 2011 with conversion from appointment to licence to follow in stages.

Allow minors to be employed as agents

- Minors may be employed by LCLB to check for ID compliance in liquor stores, both private and public;
- Policies and procedures governing this program have been developed and the minors are presently being trained;
- Expected implementation date is March 2011.

Tied house/trade practices

- Repealed restrictions on trade practices and tied houses between licensees and liquor suppliers;
- Amendment not yet in force;
- Industry consultation underway to determine if/what regulations are required or appropriate to protect competition and consumer choice;
- Recommendations to the Minister for regulations or policy based on industry consultation.

Gaming

- Remove gaming provisions from the Act and consolidate in Gaming Control Act;
- Amendment in force;
- Policy and procedures coordination with GPEB near completion.

Licensee Retail Stores

- The regulations do not permit a LRS to relocate to within 1 km of another LRS unless otherwise approved by the general manager. In policy are the circumstances under which the Branch might approve a relocation within 1 km.
- The regulation is politically sensitive and very burdensome administratively.
- The current regulations have resulted in lengthy, costly judicial reviews from licensees whose applications for discretion have been refused, and from competitors of licensees whose applications for discretion have been approved.
- A recent judicial review decision has called into question the future of the regulation.

Issuance of Violation Tickets

- Regulations were amended last year to permit liquor inspectors to issue VT's to licensees and their staff and to minors for a number of offences, e.g. serving an intoxicated person and minors in possession of liquor.
- Policies and procedures for LCLB inspectors have been completed and the program initiated March 2011.
- The tickets will be a useful additional enforcement tool but will not replace the use of administrative penalties as the primary enforcement tool , e.g. suspensions and monetary penalties against licensees.

Penalty Schedule

- Licensees who are found to have contravened the Act, regulations or terms and conditions of their licence are subject to administrative penalties. The regulations include a penalty schedule with itemized penalties for specified contraventions, e.g. selling liquor to a minor warrants a suspension of 10-15 days and/or a monetary penalty of \$7,500 - \$10,000.
- The previous Minister had expressed concern about the impact of suspensions on licensee staff and expressed interest in amending the penalty schedule so that monetary penalties rather than suspensions are imposed for most contraventions.

Impaired Driving Laws

- In September the Office of the Superintendent of Motor Vehicles (OSMV) announced much stiffer penalties if caught driving with a blood alcohol content 0.05% or higher.
- The public appears to be uncertain whether it is lawful to have even one drink before driving. One outcome has been a significant decrease in licensee liquor sales, which also impacts LDB revenues.
- LCLB, LDB, OSMV and ICBC have worked with industry associations to develop a communications strategy to assist liquor licensees and educate the public.

Minimum Drink Prices

- LDB and LCLB have prepared briefing material for the Minister about altering LDB minimum pricing formulas to address concerns with low priced/high alcohol products and especially those attractive to youth.
- The Minister has also expressed interest in imposing a minimum price on liquor sold in bars and restaurants.
- Both issues are supported by liquor industry associations, the Provincial Health Officer and by social policy researchers.

Special Occasion Licensing

- Bill 20 contained amendments that allowed LCLB to take enforcement action against a SOL licensee
- The program is part of LCLB but largely administered by LDB liquor stores. The LCLB is exploring options to deliver the program on-line.

Restaurants Operating as Bars

- The regulations provide for two types of licences for on-premise consumption: liquor primary (i.e. bars and pubs) and food primary (i.e. restaurants). The licensing process for the former is considerably more onerous due to the potential impact on the community.
- Food primary establishments are required to be focused on food service during all hours of business
- Many restaurants, especially in the urban centres, find it is difficult to comply with this regulatory requirement later in the evening.
- Some jurisdictions permit establishments to operate as a restaurant until a specified hour and then switch to a liquor primary licence later in the evening.
- The regulations do not permit this in BC.

Liquor Control and Licensing 2010/2011 Business Plan



Ministry of
Housing and
Social Development

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Message from the Assistant Deputy Minister

Greetings Everyone,

It is that time of year again where we look back on the progress we have made, and with that in mind we look forward to where it is we want to go.

It is with great pride that I look back at all that we accomplished last year and I want to express my sincere thanks to all of you for your outstanding efforts in accomplishing the goals we set for the last fiscal year. I also want to acknowledge my appreciation for all of the work that gets done behind the scenes and is not necessarily reflected in this plan, but which continues to be vital to our success. A summary of the highlights of our achievements during 2009/2010 is included at the end of this document as an appendix.



As you know, British Columbia successfully hosted the 2010 Olympic/Paralympic Games in February of this year and the Branch played no small part in that success. From the hundreds of hours of pre-planning by Compliance and Enforcement staff to the final licensing of O/P establishments, you met this challenge head on. The hard work and commitment of branch staff allowed for the licensing of liquor service specific to the experience of the Games. In essence, whether you worked directly on the Games or helped fill gaps for those who did, your dedication was key to this accomplishment.

Looking ahead, the 2010/2011 Liquor Control and Licensing Branch Business Plan sets out our priorities and describes specific actions to be carried out to ensure that these priorities are addressed. The plan was developed using input gathered from:

- staff input gathered at our branch-wide conference and planning session on April 13th and 14th;
- a series of working sessions with our senior management team;
- areas for improvement identified in our Branch Work Environment Survey; and
- general on-going input from Branch staff.

During the upcoming year there will be new challenges to face, including a full slate of legislative changes, plus many other goals identified in this plan. I look forward to working with all of you in the coming fiscal year to achieve these goals.

A handwritten signature in cursive script, reading "Karen Ayers".

Karen Ayers,
Assistant Deputy Minister and General Manager

Ministry Principles

The Ministry of Housing and Social Development is guided by the following principles:

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- personal responsibility
- active participation
- innovative partnerships
- citizen confidence
- fairness and transparency
- clear outcomes
- accountability for results

Liquor Control and Licensing Branch Purpose

The British Columbia government regulates and monitors the liquor industry to protect the public from the harm that may be caused by making and selling liquor or products that contain alcohol.

Through the Liquor Control and Licensing Act and its Regulations, and by requiring anyone who holds a liquor licence to meet strict terms and conditions, the government works to prevent under-age drinking, the over-consumption of liquor, overcrowding or unsafe conditions in restaurants, bars and pubs, the misuse of non-beverage products containing alcohol, and to minimize the potentially negative impact of liquor sales on neighbourhoods and communities.

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Liquor Control and Licensing Branch Goals and Priorities

Branch Goals:

- To provide effective licensing and enforcement of liquor licensees
- To focus branch resources on matters of public safety and community impact
- To ensure high public confidence, awareness and trust in the branch
- To foster an excellent work environment

Branch Priorities:

- Improve public safety within and around licensed establishments.
- Ensure services are accessible and client focused in their delivery.
- Enhance and promote internal and external communications about branch activities.
- Provide for increased employee satisfaction, training, and workplace flexibility.
- Ensure regulations, policies and resources are directed at protecting public safety and public interest.

Please note that the ordering of priorities does not equate to ranking. All priorities are considered important.

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Overall Branch Activities and Structure

Branch Activities

The Liquor Control and Licensing Branch is responsible for issuing licences to pubs, bars, lounges, stadiums, nightclubs and restaurants to sell liquor by the glass, and private liquor stores to sell liquor by the bottle and issues licenses to breweries, distilleries and wineries to manufacture liquor and to UBrews/UVins to sell their customers the ingredients, equipment and advice they need to make their own beer, wine, cider or coolers. The Branch is also responsible for issuing wine store appointments and manufacturer on-site wine, brewery and distillery store appointments.

The Branch educates those who hold liquor licences about the laws and rules that affect them, inspects licensed establishments and takes enforcement action when licensees do not follow the Liquor Control and Licensing Act, Regulations and the specific terms and conditions of their licences. In addition, the Branch regulates both Serving It Right: The Responsible Beverage Service Program and Special Occasion Licences (SOL's) for events such as community celebrations, weddings or banquets.

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LCLB HQ February 12th, 2010.



Branch Structure

The LCLB consists of the Assistant Deputy Minister's office and four divisions:

Licensing and Local Government Liaison Division

This division is responsible for processing all applications for new liquor licences, as well as applications to amend or transfer existing liquor licences. Licensing seeks the views of local government before deciding which applications should be approved. The division also works with the Liquor Distribution Branch to administer SOL's.

Compliance and Enforcement Division

The division inspects licensed establishments - completing almost 9000 inspections a year including administrative site assessments for liquor primary applications and final licensing inspections at the direction of the Licensing Division. It educates licensees about their responsibilities under BC's liquor laws, policies, and the terms and conditions of their particular licence. Enforcement action is initiated when necessary.

Policy, Planning and Communication Division

This division is responsible for developing changes to legislation, regulations or policies as required, and for branch strategic planning, issues management and communications. The division also identifies performance measures and creates systems to monitor and track trends, and consults with stakeholder groups, including industry associations, the police and local governments, on liquor control and licensing issues.

Management Services Division

This division provides financial advice to branch executive, administers the branch budget and revenue, processes all incoming paperwork and fees, and provides systems, telecommunications and information support. The division coordinates all branch facilities, vehicle and records requirements as well as requests under the FOIPPA. It also provides advice on all branch HR transactions and administers HR systems such as Time on Line and e-performance.

Priority One:

Improve public safety within and around licensed establishments

Strategy 1 – Work towards mitigating late night disturbances.

Actions	Lead	Key Milestones/Target Dates
1. Actively work with local government, police and others to address late night disturbances in communities, e.g. the City of Kelowna's review and follow up with the City of Victoria on the implementation of their review.	C&E	Ongoing
2. Where appropriate, impose terms and conditions as early as possible in the licensing process (both new applications and changes) and in enforcement processes to minimize risk of community disturbances.	C&E/Licensing	Ongoing

Strategy 2 – Focus enforcement on high risk and high problem establishments.

Action	Lead	Key Milestones/Target Dates
Increased use of covert operations including: <ul style="list-style-type: none"> • use of minors for ID compliance. • deploy inspectors to different regions. 	C&E	Minors policy and procedures in place by January, 2011

Strategy 3 – Increase intelligence gathering and interaction with police by providing inspectors with SPC status.

Actions	Lead	Key Milestones/Target Dates
1. Provide inspector training for SPC status, e.g. use of information.	C&E	Ongoing
2. Develop and implement training requirements for inspectors to qualify for SPC status.	C&E	Ongoing

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LCLB HQ Staff on an after-hours social event sponsored by the Health and Wellness Committee, May 29th, 2010.

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Priority Two:

Ensure services are accessible and client focused in their delivery

Strategy 1 - Provide readily understood documents for stakeholders.

Actions	Lead	Key Milestones/Target Dates
1. Assess error rates on submitted forms.	PP&C/Licensing /C&E	March, 2011
2. Review template letters and NOEA letters for clarity.	Licensing/C&E	November 30, 2010
3. Consider using focus group testing.	PP&C	October 31, 2010
4. Create a terms and conditions guide for agents.	PP&C	March, 2011
5. Provide final inspection video and FAQ's in other languages.	PP&C	March, 2011

Strategy 2 – Explore partnerships with other government agencies.

Actions	Lead	Key Milestones/Target Dates
1. Explore opportunities for Government Agents offices to provide service and facilities.	Management Services	June 30, 2010
2. Review One-Stop partnership and work to improve BCeID access.	Management Services	July 31, 2010

Strategy 3 - Provide quality service to licensees and applicants.

Actions	Lead	Key Milestones/Target Dates
1. Explore use of video technology for enforcement hearings.	Management Services/ ADM's Office	July 31, 2010
2. Explore use of video technology for: <ul style="list-style-type: none">• Final inspections.• PowerPoint presentations.• Meetings held at Government Agents offices.	C&E/ Management Services/ Licensing	July 31, 2010
3. Continue team approach on files.	Licensing	Ongoing

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LCLB HQ PECSF Kick-Off
October 27th, 2009.

Priority Three:

Enhance and promote internal and external communications about branch activities

Strategy 1 - Enhance and promote internal communications.

Actions	Lead	Key Milestones/Target Dates
1. Launch new Branch Intranet site.	PP&C	June, 2010
2. Promote video-conferencing for Branch meetings and communications.	All	Ongoing
3. Develop and implement template for communicating enforcement decisions on our website.	C&E/PP&C/ Registrar	July, 2010
4. Continue with C&E/Licensing focus group and have staff attend other divisional meetings.	All	Ongoing
5. Continue to provide staff information sessions on new policies.	All	Ongoing

Strategy 2 - Communicate more effectively with licensees and other stakeholders.

Actions	Lead	Key Milestones/Target Dates
1. Improve and promote website including an improved search capacity and offering a "new information" subscription button.	PP&C	August, 2010
2. Explore ways to communicate with stakeholders such as better use of industry trade publications or other means.	PP&C	October, 2010

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Priority Four:

Provide for increased employee satisfaction, training, and workplace flexibility.

Strategy 1 - Supporting you in your job and your career.

Actions	Lead	Key Milestones/Target Dates
1. Assess the 2010 WES scores and identify programs to address deficiencies and/or leverage positives.	Management Services	August 31, 2010
2. Provide more in-house training, e.g. Live Meeting, POSSE.	Management Services	Ongoing
3. Identify and utilize internal branch resources to provide staff training.	All	Ongoing
4. Schedule training sessions within and across divisions to improve cross-training and knowledge transfer, e.g. how to conduct manufacturer final inspections.	Licensing/C&E	Ongoing
5. Assess staff concerns regarding EPDPs and if possible take action to address.	Management Services	September 30, 2010
6. Have non C&E staff accompany C&E staff during day inspections, subject to operational requirements.	All	Ongoing

Strategy 2 - Supporting you in your work life.

Actions	Lead	Key Milestones/Target Dates
1. Foster a culture to boost and maintain high staff morale and reinforce a respectful work environment.	All	Ongoing
2. Develop a "Welcome Package" for new LCLB employees and implement a buddy system for both new and existing employees.	Management Services	July 31, 2010
3. Continue to offer flexible work arrangements including: reduced hours of work, flexible start and end times (subject to operational requirements).	All	Ongoing
4. Continue to support the Health and Wellness Initiative.	All	Ongoing

Strategy 3 - Supporting our future.

Actions	Lead	Key Milestones/Target Dates
1. Ensure job descriptions are up to date.	Management Services	Ongoing
2. Review licensing clerk job description.	Licensing	September 30, 2010
3. Implement a succession planning strategy, including identification of positions that need to be considered. Included within this explore the following: <ul style="list-style-type: none">• Whether new "bridging" positions in C&E should be introduced.• Acting opportunities.• Career growth strategies.	All	December 31, 2010

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General Pictures from
around the LCLB Conference
April 13th, 2010.

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Priority Five:

Ensure regulations, policies and resources are directed at protecting public safety and public interest

Strategy 1 - Implement Legislative changes.

Actions	Lead	Key Milestones/Target Dates
1. Prepare prioritized implementation plan that involves all divisions, educates staff and produces regular communications for both internal and external audiences.	ADM's Office/PP&C	June, 2010
2. Complete necessary policy work, regulations, forms and make required changes to processes and systems.	All	To be determined.

Strategy 2 - Enforce contraventions occurring with government liquor stores.

Action	Lead	Key Milestones/Target Dates
Develop policies and protocol and implement inspection and enforcement program of government liquor stores.	PP&C/ADM's Office/C&E	March, 2011

Strategy 3 - SOL policy review to be given priority with working group of Licensing, C&E and PP&C.

Action	Lead	Key Milestones/Target Dates
Complete SOL review and start implementation of its recommendations.	PP&C/ADM's Office	March, 2011

Strategy 4 - Review Food Primary and FP lounge issues.

Action	Lead	Key Milestones/Target Dates
Determine project scope and undertake review.	PP&C	January, 2011

Strategy 5 - Risk based licensing review.

Action	Lead	Key Milestones/Target Dates
Review licensing process and requirements for LP applications.	Licensing/PP&C	Consultation with UBCM July, 2010

Strategy 6 - Increase inspection for illicit liquor.

Actions	Lead	Key Milestones/Target Dates
1. Identify objectives and priorities in consultation with stakeholders.	C&E	January 1, 2010
2. Develop inspection plan and implement.		



LCLB HQ's Olympic/
Paralympic Licences Wall.



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Olympic Desk Team.

Senior Licensing Analyst Team.

Appendix 1: LCLB 2009/2010 Accomplishments

INTRODUCTION:

This appendix is a report on the many accomplishments that we have achieved during the 2009/2010 fiscal year. Many of these accomplishments were based on priorities identified in our 2009/2010 Business Plan.

Priority One:

Improve public safety within and around licensed establishments.

Strategy 1 – Work towards mitigating late night disturbances.

- Areas of community disturbance issues have been targeted and we will continue to do so.
- We have worked with the Victoria Task Force, have had ongoing cooperation with VPD, and will be consulting with Kelowna. s.22
- Licensing and C&E worked together to impose terms and conditions on licences to reduce the risk of community disturbances. Examples include adding terms and conditions on a new licence in Vancouver, and amending existing licences in Penticton and Golden in response to compliance concerns.

Strategy 2 – Minimize safety risk to inspectors, patrons, licensee staff and the public. s.22

- C&E Safety Team reinvigorated. A review of recommendations are ongoing.
- T&C guides have been amended with respect to allowing inspector entry and causing undue attention. s.22

Strategy 3 – Focus enforcement on high risk and high problem establishments.

- The branch worked with police and other agencies through shared operations in numerous communities around the province to target compliance and enforcement action on these establishments

Strategy 4 – Make the C&E program as effective as possible.

- Inspectors have been issued with discretion in prescribed areas.
- Legislation is proposed on use of minors and enhanced authority to close an establishment when public safety is a concern.
- Special Provincial Constable designation has been granted for inspectors.
- Evaluation of terms and conditions as an enforcement tool will be carried over.

Priority Two:

Prepare for and ensure that 2010 Olympic and Paralympic Games liquor service is regulated effectively, to support the tourism and hospitality industry and to limit misuse of liquor.

s.22

Strategy – Follow the O/P project calendar, which includes plans, strategies and action items.

- Three O/P store appointments were issued.
- All documentation was posted on our website by May 1, 2009.
- All O/P applications received were licensed by February 11, 2010.
- 61 Olympics-specific licences were issued in total.
- All O/P targets were delivered.
- A new team structure for Senior Licensing Administrators was created to process applications.
- The Olympic Desk Team met bi-weekly, then daily to handle emerging issues.

Priority Three:

Ensure services are accessible and client focused in their delivery.

Strategy - Streamlining and simplification of procedures and forms.

- We improved the licence renewal process.
- We promote OneStop, including for the online Food Primary application process and made cold calls to multiple licence holders to boost on-line renewals. Branch staff walking many FP applicants through the on-line process.
- Major update of forms and T&C guides complete as well as printing of updated T&C guides.
- Translation of FP education session for new licensees into simplified Chinese.
- Eliminated telephone tree at HQ, Surrey and Vancouver offices.
- Adopted a team approach for licensing. Intra-divisional teams were created to review and process LRS relocation applications, and to manage O/P applications/de-licensing applications.

Priority Four:

Enhance and promote internal and external communications about branch activities.

Strategy 1 - Enhance and promote communications.

- Developed a strategic communications plan for external communications.

Strategy 2 - Communicate more effectively with licensees.

- Continued on-going review licensing forms, template letters and C&E letters for plain language and helpfulness.
- Refreshed the branch internet. The intranet was deferred but is currently under development.

Priority Five:

Ensure regulations, policies and resources are directed at protecting public safety and public interest

Strategy 1 - SOL policy review to be given priority with working group of Licensing, C&E and PP&C.

- Initiated a review of SOL application form (fall 2009). A draft was completed in March, 2010. Progress was slowed due to staff resources dedicated to Olympics and to Legislative change.
- SOL Legislative proposals approved in June 2010.

Strategy 2 - Make the C&E program as effective as possible.

- C&E/Licensing worked together to look for best ways to ensure minors to do not access liquor. This is ongoing
- C&E/Licensing Focus Group was supported to continue.

Strategy 3 - Risk based licensing review.

- Identified streamlining options for local government input on lower-risk LP's.
- Eliminated requirement to submit various documents for individuals holding less than 10% voting shares.
- Incorporated valid interest declaration into LP application, removing need for documents to be provided unless required.
- Letter of intent requirements were simplified.
- Explored legislative options to permit risk-based licensing for LP applications.

Strategy 4 - Identify streamlining and public safety initiatives.

- Increased violation ticket fines for liquor-related offences (many VTs relate to underage drinking).
- Included in legislative proposal for Spring 2010 was to allow licensees to pre-mix drinks prior to a patron's order. [since approved]
- Included in legislative proposal for Spring 2010 was a provision for a more open-ended late renewal process (with penalty fee), rather than requiring new licence applications. [since approved]
- Prepared proposals for possible legislative changes. [since approved]

Strategy 5 - Evaluate on an ongoing basis programs and services.

- Due to staff time spent on other priorities, e.g. the Olympics, only the minor pilot project was evaluated.

Priority Six:

Provide for increased employee satisfaction, training, and workplace flexibility.

Strategy 1 - Carry over deferred/continuing items from our 2008/09 HR Plan.

- The "360 Degree" feedback tool we developed will be adapted for use elsewhere in the ministry.
- The branch continues to look at individual requests for flexible work arrangements where operationally viable
- LCLB Staff participated in:
 - Beat the Torch Challenge.
 - Times-Colonist 10K.
 - Regular HQ and C&E potlucks.
 - HQ volleyball.
 - Halloween Costume Party.
 - Easter egg hunt.
 - Scurvy Awareness/Talk Like a Pirate.
 - Spring Cleaning.

s.22

s.22

s.22

LCLB HQ Pirate Scurvy Lunch
September 23rd, 2009.

Strategy 2 - Supporting you in your job.

- WES scores were reviewed to ensure we focused on areas that had not changed from the previous year.
- Liquor inspector positions were reclassified.
- We developed terms of reference on how groups will work together, made recommendations, and implemented decisions.
- The Olympic Desk Team representation was expanded to include the Vancouver Regional Manager.
- Licensing & C&E agreed to a risk-based approach for final inspections on O/P licences.
- Our recognition program was re-launched and continues to evolve as required.

Strategy 3 - Supporting you in your career

- Training needs were identified as part of staff EPDP's.
- The development of C&E inventory/training plan got underway.
- The DGMs of Licensing and C&E provided joint training sessions on O/P licences.
- Licensing/C&E joint training is being pushed forward to the 2010/2011 planning year.

Strategy 4 - Supporting you in your work life

- On-going activities include:
 - Monthly branch-wide conference calls.
 - Public service week activities.
 - A branch-wide meeting was planned for the 2010/2011 fiscal year.
 - Employee recognition.

Strategy 5 - Supporting our future

- We began working on a liquor inspector development plan.

Appendix 2: LCLB Service Standards

At the Liquor Control and Licensing Branch, we work hard to treat our clients fairly and to provide great client service. We are pleased to offer the following service standards.

We will be available to provide information in a timely manner.

- We will respond to or acknowledge requests for information within 14 business days.
- We will receive email, letters and telephone calls between 8:30 a.m. and 4:30 p.m., Monday through Friday (except holidays).
- Help and information is available by calling toll free to 1-866-209-2111.
- Helpful information about liquor licensing is available on our website: www.hsd.gov.bc.ca/lclb/.

We will provide new licensees with the information needed to comply with liquor laws.

- Percentage of new licensees who attend a presentation or receive information.

Our requirements are understandable and information is readily available.

- Percentage of clients who report that it is easy to deal with Liquor Control and Licensing Branch staff.

We will increase our provision of 24/7 online access.

- Percentage of licence transactions conducted online (we currently offer online renewals).

We will offer user-friendly online services.

- Percentage of users that rate the online services we offer as "good", "very good" or "excellent" (survey online service users).

We will ensure that the branch handles key decisions quickly and efficiently.

- Average time to issue or transfer a liquor licence.
- We will ensure our financial transactions are completed in a timely manner.
- We will process credit card refunds within 48 hours.
- We will ensure that enforcement decisions are made in a timely manner.
- Average time from a Contravention Notice to an enforcement decision by the Liquor Control and Licensing Branch General Manager.

We will make fair decisions

- Percentage of clients who report that we apply procedures, rules and policies fairly and consistently.

Management Services staff across the street from LCLB HQ in Victoria.
February 16th, 2010.

Cornett, Kathy M SG:EX

From: Cornett, Kathy M SG:EX
Sent: Tuesday, May 3, 2011 3:25 PM
To: Douglas, Marc SG:EX; Steinbach, Christopher G SG:EX; Bill, Karen F SG:EX
Cc: Jones, Angela M SG:EX; Vermaning, Tiny SG:EX; Hoskins, Jeannie SG:EX; Meseyton, Robert SG:EX
Subject: 460215 - SG Information BN re Association of Beverage Licensees (ABLE)
Attachments: 460215 - BN re Association of Beverage Licensees (ABLE).pdf

The attached Briefing Note has been approved by the Deputy Solicitor General and is for Minister Bond's meeting with Al McCreary on **Wednesday, May 11, 2011 at 4:45 pm**. The briefing note has also been added to the Sharepoint site under the meeting materials tab. Thank you, Kathy

Kathy Cornett

Acting Senior Executive Administrative Assistant
Office of the Deputy Solicitor General
Ministry of Public Safety and Solicitor General
Phone: 250 387-5362 Fax: 250 387-6224

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR CONTROL AND LICENSING BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Shirley Bond, Solicitor General
FOR INFORMATION

ISSUE:

Minister's meeting with the Association of Beverage Licensees (ABLE)

BACKGROUND:

ABLE is an industry association representing many liquor primary (LP) establishments and licensee retail stores (LRS). It was formed approximately eight years ago as an amalgamation of three liquor primary-type industry associations that had represented hotels, neighbourhood pubs and nightclubs. These types of establishments, prior to 2002, had been separate licence classes.

It is unknown what percentage of LP and LRS licensees belong to ABLE. The association has declined our requests for membership information.

DISCUSSION:

It is expected that ABLE may raise the following issues at the meeting:

New Minimum Wage

On May 1, 2011 the government increased the minimum wage and introduced a new wage for liquor servers.

Wage Level	General Minimum Wage	Liquor Server Wage
Prior to May 1, 2011	\$8.00	\$8.00
May 1, 2011	\$8.75	\$8.50
Nov 1, 2011	\$9.50	\$8.75
May 1, 2012	\$10.25	\$9.00

While ABLE will be pleased with the new lower liquor server wage they may be disappointed that this doesn't apply to LRS sales staff. However, tips in liquor stores are uncommon or minimal compared to bars and restaurants. According to a 2009 British Columbia Stats survey, the average wage for a food and beverage server was \$10.15. For retail clerks the average wage was \$14.61.

ABLE may raise concerns about the impact of the wage increase especially given all of the other impacts on the hospitality industry, e.g. impaired driving penalties, HST on meals, state of the economy and a decrease in tourism. While many LP are struggling the LRS sector is very healthy.

HST

Prior to the introduction of the HST, liquor was subject to a 10 per cent provincial sales tax and the 5 per cent GST. The HST lowered the liquor tax to 12 per cent but the tax on food sales increased from 5 per cent to 12 per cent. There should have been no adverse HST impact on LRS.

Food Primary (FP) Establishments Operating as Bars

FP's are required to be primarily focussed on food service during all hours of operation. Notwithstanding, FP's may apply for a small lounge area endorsement where the primary focus is liquor service. The maximum capacity of the lounge is the lesser of 20 per cent of the person capacity or 40 persons.

Some restaurants have difficulty operating within their licence category and particularly later in the evening when patrons tend to order less food. During the 2010-11 fiscal year, the branch issued 47 contravention notices to FP's for operating as bars and took 13 establishments to a hearing during the same period.

Minors as Agents program

The legislation was amended in June 2010 to give Liquor Control and Licensing Branch and the police the authority to employ minors to test licensee compliance with the requirement to not sell liquor to minors. The program will be launched in early May and will also cover government liquor stores. The Branch wrote to all liquor stores informing them of the program.

Restricting minors' access to liquor is a public safety priority for government because of the serious negative consequences associated with liquor consumption by minors. When minors drink, they are vulnerable to vehicle crashes, sexual assault, fighting and alcohol poisoning. Binge drinking amongst youth is increasing and is also a concern.

In the past, the Branch employed young people of legal age to see if liquor stores were asking for ID. The most recent findings were that just 29 per cent of stores visited asked for two pieces of ID. While the store was not breaking any law because the individual was in fact of legal age, it was cause for significant concern. In fact, compliance rates were dropping year after year.

Hiring minors is the most effective way to monitor whether a store is selling alcohol to youth who are underage. This same approach has also been used very successfully by the Ministry of Health's Tobacco Control Program for several years. The minors will be trained and closely supervised at all times to ensure their safety and professionalism.

The penalty for non-compliance will typically be a monetary penalty or suspension. In the case of government stores, suspensions would be limited to retail sales to the public. They will continue to serve licensees and issue special occasion licences.

LRS Distance Relocation Criteria (i.e. 1 Km rule)

In 2003, LRS were permitted to relocate away from their LP establishment but were restricted to anywhere within the same local government or within 5 km if in a different local government jurisdiction.

A minimum distance criterion of 0.5 km separating new or relocating LRS from existing LRS or LRS applications was imposed in 2004, at industry request.

In January 2010, in response to a request of the ABLE, the regulations were amended to increase the distance criterion from 0.5 to 1.0 km, with the stated objective being to provide market certainty for LRS operators and prevent further market saturation. The distance criterion is supported by ABLE and is supposedly intended to protect the "small" player.

The distance criteria and the exemptions under it are difficult and time consuming to administer and often result in Judicial Review. The Branch submitted a separate briefing note on this subject to the Solicitor General in April.

Tied House and Trade Practices

In June 2010, the *Liquor Control and Licensing Act* was amended to permit the government to deregulate these two areas or re-impose new requirements in the regulations. ABLE has historically been in favour of deregulation as they believed it would benefit their members. They are now reconsidering this position as it appears some members believe only larger licensees will benefit.

The Branch will prepare a separate note on this matter for the Minister in the coming weeks based on the consultations it has conducted with industry associations.

Prepared by:

Barry Bieller
Director Policy, Planning and Communications
Liquor Control and Licensing
250 952-5755

Approved by:

Karen Ayers
ADM and General Manager
Liquor Control and Licensing
250 952-5791



Approved by
Deputy Solicitor General

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR CONTROL AND LICENSING BRANCH
MEETING ATTENDEES INFORMATION**

PREPARED FOR: Honourable Shirley Bond, Solicitor General
FOR INFORMATION

ISSUE:

Meeting attendee information related to the Minister's meeting with the Association of Beverage Licensees (ABLE) on May 11, 2011

ATTENDEES BACKGROUND:

Al McCreary – President (since 2009)

Owens the Hudson Bay Lodge in Smithers. The hotel has a liquor primary establishment and a licensee retail store. Mr McCreary also owns an accounting firm in Smithers.

Roger Gibson – Treasurer (since 2006)

Has been involved in the liquor industry for many decades and has operated a large number of bars, nightclubs and licensee retail stores mostly in the lower mainland. Presently operates, among others, the Shark Club in downtown Vancouver and the Foggy Dew pub in Richmond as well as a number of licensee retail stores.

Matt MacNeil – Vice President (since 2009)

Owens three liquor primary establishments in Victoria – Bard and Banker, Irish Times and Penny Farthing, in addition to one licensee retail store.

Prepared by:

Barry Bieller
Director Policy, Planning and Comm
Liquor Control and Licensing
250 952-5755

Approved by:

Karen Ayers
ADM and General Manager
Liquor Control and Licensing
250 952-5791



Approved by
Deputy Solicitor General

Cornett, Kathy M SG:EX

From: Meseyton, Robert SG:EX
Sent: Tuesday, May 3, 2011 12:12 PM
To: Cornett, Kathy M SG:EX
Cc: Hoskins, Jeannie SG:EX
Subject: Cliff 460215 BN for Information & Meeting Attendees Info for ABLE Meeting

Kathy,

I have imported to Cliff a BN for Information and a related Meeting Attendees Information sheet for the DSG's approval to be forwarded on to the SG's office. They are regarding the May 11th meeting with the Association of Beverage Licensees (ABLE).

Thanks.

Robert Meseyton, BCom (Hon)
Acting Executive Administrative Assistant to
Karen Ayers, Assistant Deputy Minister and General Manager
Liquor Control and Licensing Branch

Ministry of Public Safety and Solicitor General
4th Floor, 3350 Douglas Street
Phone: 250-952-5777
Email: Robert.Meseyton@gov.bc.ca

Please consider the environment before printing this email.

Cornett, Kathy M SG:EX

From: Hoskins, Jeannie SG:EX
Sent: Friday, April 29, 2011 3:18 PM
To: Fisher, Mandy SG:EX
Cc: Cornett, Kathy M SG:EX
Subject: FW: Alliance of Beverage Licensees BN required

Hi Mandy

As per Robert's note below, could you please arrange for a general overview briefing note for ABLE. It looks like staff will not be required.

Thanks very much.

Jeannie Hoskins
Executive Coordinator
Office of the Deputy Solicitor General
Ministry of Public Safety & Solicitor General

From: Meseyton, Robert SG:EX
Sent: Friday, April 29, 2011 3:14 PM
To: Hoskins, Jeannie SG:EX
Cc: Cornett, Kathy M SG:EX; Jones, Angela M SG:EX
Subject: Alliance of Beverage Licensees BN required

Jeannie,

This meeting with the Alliance of Beverage Licensees (ABLE) is for Wednesday May 11th from 4:45 to 5:30 p.m. The Pre-Brief is the fifteen minutes before.

Topics:

General Overview of ABLE (Jeannie to arrange BN to be provided by LCLB)
.05 Legislation (BN has been received, it is the one used in the Lorne Maynecourt Meeting on April 29)
The other topics (below) BN materials will be coordinated by Karen.

HST
Minimum Wage
Others

Attendees:

Minister Bond
Marc Douglas
Karen Bill
Al McCreary, President ABLE BC (waiting confirmation)
No other staff required.

Please reply to Angela on Monday.

Thanks.

Robert Meseyton, BCom (Hon)
on behalf of Angela M. Jones
Administrative Coordinator
for the Honorable Shirley Bond

Ministry of Public Safety and Solicitor General

Phone: 250-952-7286

Email: Robert.Meseyton@gov.bc.ca

Please consider the environment before printing this email.

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR CONTROL AND LICENSING BRANCH
BRIEFING NOTE**

**PREPARED FOR: Honourable Shirley Bond, Solicitor General
FOR INFORMATION**

ISSUE:

Minister's meeting with Bryan Cox of Canada's National Brewers.

BACKGROUND:

Canada's National Brewers is an industry association representing the three largest breweries in the country – Labatt, Molson Coors, and Sleeman. Their products represent the majority of the beer sold in British Columbia. They employ just over 600 people in British Columbia.

Labatt has a brewery in Creston, Molson Coors in Vancouver and Sleeman in Vernon. They also represent a broad portfolio of import beers, e.g. Corona, Heineken and Stella.

DISCUSSION:

It is expected that the association will raise the issues of trade practices and tied houses.

A tied house is when a liquor supplier owns or is closely associated with a licensed establishment and it is likely that the suppliers products will be given prominence or exclusivity in that establishment, e.g. all draft beer is from that tied brewery. Tied houses, with limited exceptions, are generally prohibited in most jurisdictions within North America. This is the case in British Columbia since 1952.

Trade practice laws place prohibitions and restrictions on the commercial interactions between liquor suppliers and licensed establishments including restrictions on promoting specific manufacturers and their products in exchange for benefits provided by the supplier. These rules help prevent tied houses.

The *Liquor Control and Licensing Act* was amended in 2010 to provide authority to deregulate in the area of tied houses and trade practices. The provision is not yet in force and the amendment provides authority to place restrictions on these relationships in regulation.

While separate, tied houses and trade practices are closely related and realistically cannot be dealt with separately. For instance, it would not be feasible to, say, repeal most or all limits on tied houses while maintaining the present trade practice rules. This is because tied houses invariably demonstrate to some degree favouritism to products made by the associated liquor manufacturer.

There are a number of reasons to reduce or eliminate regulation in this area:

- The federal government, through the *Competition Act*, already regulates business practices between suppliers and their customers. The federal rules prohibit:
 - the use of anti-competitive conduct by a dominant firm to substantially lessen competition;
 - a supplier requiring or inducing a customer to buy products primarily from them or preventing the customer dealing in another's product; and
 - someone being seriously affected or prevented from carrying on business because they cannot obtain adequate supplies.
- The Liquor Control and Licensing Branch's (LCLB) limited resources might be better spent on public safety priorities such as over-service, over-crowding and service to minors. Enforcement of an unlawful tied house or an inducement is very challenging. The resources to investigate these cases are significant and include the skills of forensic accountants, many hours reviewing complex financial relationships and many hours of investigation.
- Anecdotally, it is known that inducements between suppliers and licensees are quite common. Given this, any deregulation may not lead to a significant change in actual business practices.
- In 1952, at the time of the Liquor Inquiry Commission, there were very few manufacturers and agents in the province with a limited selection of products. On a per capita basis the number of licensed establishments was much smaller with no licensed restaurants or private liquor stores. It is unlikely that a liquor supplier(s) could purchase or induce a significant number of licensed establishments so as to adversely impact consumer choice.
- The LCLB has approved a number of financial ties between liquor suppliers and licensees but not permitted the sale of the manufacturer's product in these establishments so as to avoid a tied house. In some cases this has involved small wineries and bars where it is difficult to defend the decision as being in the public interest or defending public safety.

Conversely, there are potential concerns with deregulation. Smaller volume liquor manufacturers are concerned that legalizing inducements will result in larger competitors taking away business. Related to this would be the potential reduction in consumer choice. In addition, smaller volume licensees are concerned that any supports from liquor suppliers will be directed to larger accounts allowing these facilities to sell liquor profitably at a lower cost than the smaller operators can afford.

In December 2010 a consultation discussion paper was sent to all industry associations. It was also posted on the Ministry's consultation website. Since February, the LCLB has consulted with all industry associations. The response has been very divided with most liquor supplier associations wanting to retain the status quo or deregulate slightly and most hospitality associations interested in total deregulation. It should be noted, however, that ABLE appears divided on the issue with smaller operators concerned about the competitiveness impact on their business.

The National Brewers are concerned that if these areas are deregulated there may be significant consequences for the entire industry. These include:

- Inability of smaller suppliers to compete for business
- Vertical integration in the industry, i.e. liquor suppliers buying licensed establishments
- Smaller volume establishments not supported by liquor suppliers will find themselves in a more intense competitive environment

Because of the potential economic impact on the industry, the National Brewers believes that further research and industry consultation is required before government makes a decision.

The LCLB is preparing a more detailed options paper for the Minister's consideration.

Suggested Response:

- LCLB staff have consulted with all industry associations and received a variety of opinions and advice.
- Government is continuing to review this issue.

Prepared by:
Barry Bieller
Director Policy
LCLB
250 952-5755

Approved by:
Karen Ayers
ADM/GM
LCLB
250-952-5791


Approved by
Deputy Solicitor General

Cornett, Kathy M SG:EX

From: Cornett, Kathy M SG:EX
Sent: Monday, October 31, 2011 2:56 PM
To: Hodge, Jessica SG:EX; Maksymetz, Richard SG:EX; Bill, Karen F SG:EX
Cc: Matheson, Carissa SG:EX; Vermaning, Tiny SG:EX; Hoskins, Jeannie SG:EX; Fisher, Mandy SG:EX
Subject: 472885 - SG Information BN re Liquor Stores N.A. Ltd.
Attachments: 472885 - BN re Liquor Stores N.A. Ltd..pdf

The attached Briefing Note has been approved by the Deputy Solicitor General and is for Minister Bond's meeting with representatives from the Liquor Stores N.A. Ltd. on **Friday, November 4, 2011 at 9:30 am.**

The briefing note has been added to the Minister's sharepoint site under the [meeting materials](#) tab. Thank you, Kathy

Kathy Cornett

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

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR CONTROL AND LICENSING BRANCH
BRIEFING NOTE**

**PREPARED FOR: Honourable Shirley Bond, Solicitor General
FOR INFORMATION**

ISSUE: Minister's meeting with Liquor Stores N.A. Ltd. on November 4, 2011.

BACKGROUND:

Liquor Stores N.A. Ltd. operates Liquor Barn and Liquor Depot licensee retail stores in British Columbia and Alberta and a number of U.S. states.

They will be represented at the meeting by Craig Corbett (VP Legal), Rich Crook (CEO) and Gary Collins (Member of Board of Directors). Mr. Corbett joined Liquor Stores in May 2008. Prior to that, he was a corporate lawyer in private practice. Mr. Crook spent 12 years in sales and marketing with large international producers of wine and spirits prior to his present role. Mr. Collins spent 13 years as a Member of the British Columbia Legislative Assembly, including serving as British Columbia's Minister of Finance from 2001 to 2005.

DISCUSSION:

Specific topics for the meeting will be as follows:

- Introduction by Craig Corbett about Liquor Stores N.A. Ltd.
- Discuss support for the current LRS system relative to trade practices.
- LCLB Minors as Agents (MAP) inspection program.

Tied House/Trade Practices

In June 2010 government passed amendments to the *Liquor Control and Licensing Act* that will allow government to either deregulate or liberalize the current tied house and trade practice regulations.

A tied house is when a liquor supplier owns or is closely associated with a licensed establishment and it is likely that the suppliers products will be given prominence or exclusivity in that establishment, e.g. all draft beer is from that tied brewery. Tied houses, with limited exceptions, are generally prohibited in most jurisdictions within North America. This is the case in British Columbia since 1952.

Trade practice laws place prohibitions and restrictions on the commercial interactions between liquor suppliers and licensed establishments including restrictions on promoting specific manufacturers and their products in exchange for benefits provided by the supplier. These rules help prevent tied houses.

The 2010 legislation is not yet in force. In December of 2010, LCLB released a consultation paper and earlier this year met with most industry associations. Stakeholder positions varied greatly with no consensus on any of the issues. The LCLB is preparing a briefing note for the Minister that will provide more detail on input received and possible options for moving forward.

Minors as Agents (MAP) Inspection Program

In 2010 government amended the *Liquor Control and Licensing Act* to provide authority for a minor contracted by the province to legally purchase liquor for the purpose of testing licensee compliance with the Act's prohibition on supplying liquor to a minor.

The MAP follows a series of previous Compliance Check Projects (CCP), which involved the use of youthful-appearing adults attempting to purchase liquor. However, as the agents were not in fact minors, LCLB did not have authority to take enforcement action against those establishments which failed to request identification.

The very low compliance rate (27% for LRS in 2009) demonstrated in previous years CCPs led to the Act amendment and the development of the current MAP. A similar program has been used with great success by a number of American jurisdictions and here in British Columbia for enforcement of the *Tobacco Control Act*. The amended legislation now provides tools for the LCLB to ensure incidents of non-compliance are met with appropriate enforcement action.

The program launched in May 2011, with an initial focus on all types of liquor retail outlets in urban centres in the lower mainland and Vancouver Island, and has been very successful. Preliminary results have shown significantly improved compliance rates for both LRS and LDB stores.

The stipulated penalty for selling to minors is a monetary penalty of \$7,500 - \$10,000 or a 10-15 day suspension. Since the introduction of the MAP most penalties have been a \$7,500 monetary penalty. It is expected that Liquor Stores N.A. will request that government also penalize the server.

One mechanism suggested by industry in the past would be to suspend the server's Serving It Right certificate which would mean the person could not serve or sell liquor during that suspension. However, this would be an administratively burdensome process and there is also a lack of statutory authority for such action. A more efficient process would be the issuance of a Violation Ticket to the server. The Branch has submitted a Treasury Board fine paper to the Minister with a proposed \$500 fine for providing liquor to a minor.

Prepared by:

Janice Carlson/Barry Bieller
Policy, Planning and Communications
Liquor Control and Licensing Branch
250 952-5756

Approved by:

Karen Ayers
ADM and General Manager
Liquor Control and Licensing
250 952-5791



Approved by
Deputy Solicitor General

Liquor Stores N.A. Ltd.

Director and Executive Officer Biographies

Gary Collins, Member of the Board of Directors. Mr. Collins is the Senior Vice President of Belcorp Industries Inc. and serves as a Director of Rogers Sugar Inc. Mr. Collins is also a member of the Board of Chorus Aviation Inc. (formerly Jazz Air Income Corporation). Mr. Collins was President and CEO of Harmony Airways from December 2004 to December 2006. Previously Mr. Collins spent 13 years as a Member of the British Columbia Legislative Assembly, including serving as British Columbia's Minister of Finance from 2001 to 2005.

Richard J. Crook, Director, President & Chief Executive Officer. In addition to his present role, Mr. Crook has held the following positions within Liquor Stores: Chief Operating Officer, Executive Vice President and President. Prior to that Mr. Crook was the Senior Vice President and General Manager of the Liquor Depot Corporation and also spent twelve years in sales and marketing with large international producers of wine and spirits. Mr. Crook is a director of the Alberta Liquor Store Association and also serves on the board of directors of the University Hospital Foundation.

Craig D. Corbett, Vice President Legal, General Counsel & Corporate Secretary. Mr. Corbett joined Liquor Stores in May 2008. Prior to that, Mr. Corbett was a corporate lawyer in private practice. From 2003 until 2006 Mr. Corbett practiced law with the national firm of Stikeman Elliott LLP (Calgary and United Kingdom offices), specializing in securities and mergers & acquisitions, and from 2006 until May 2008 he was a member of the business law group of Reynolds Mirth Richards & Farmer LLP (Edmonton). Mr. Corbett holds a Bachelor of Arts and a Bachelor of Laws from the University of Alberta

Hoskins, Jeannie SG:EX

From: Fisher, Mandy SG:EX
Sent: Monday, October 31, 2011 1:51 PM
To: Cornett, Kathy M SG:EX; Hoskins, Jeannie SG:EX
Subject: Briefing Note For Nov 4th Mtg

Hi,

Cliff #472885 is ready for the Deputy's Approval.

I added a referral line after I noticed there was already one there, sorry. Can you please close both from your end once complete.

Thanks,



BN SG meeting
with Liquor Barn...

Mandy Fisher

Acting Executive Assistant to Karen Ayers
Assistant Deputy Minister & General Manager
Liquor Control and Licensing Branch
Ministry of Public Safety and Solicitor General
Phone: 250 952-5777
Fax: 250 952-7066

L- Karen will
be attending
this mtg.
in person.

Cornett, Kathy M SG:EX

From: Hoskins, Jeannie SG:EX
Sent: Monday, October 31, 2011 9:07 AM
To: Cornett, Kathy M SG:EX
Subject: FW: Meeting - Nov 4th

Jeannie Hoskins
Executive Coordinator
Office of the Deputy Solicitor General
Ministry of Public Safety & Solicitor General

From: Hoskins, Jeannie SG:EX
Sent: Tuesday, October 25, 2011 4:58 PM
To: Matheson, Carissa SG:EX
Subject: RE: Meeting - Nov 4th

Hi Carissa

Karen Ayers will attend this meeting in person. (if you could please advise once exact location is known)
I've asked them for a briefing note as well.
Thanks.

Jeannie Hoskins
Executive Coordinator
Office of the Deputy Solicitor General
Ministry of Public Safety & Solicitor General

From: Matheson, Carissa SG:EX
Sent: Tuesday, October 25, 2011 9:56 AM
To: Hoskins, Jeannie SG:EX
Subject: Meeting - Nov 4th

Hi Jeannie:

I've booked the following meeting:

Friday, November 4th
9:30am to 10am
Location: PVO – exact office TBA

Attending:

Representatives from the Liquor Stores N.A. Ltd including:

- Craig D. Corbett, Vice President Legal, General Counsel
- Rick Crook, CEO
- Gary Collins, Member of their Board of Directors

Bios for these individuals are attached (no pics though).

Issue:

They want to have a very general discussion on the BC retails liquor industry. That having been said, I still asked for a list of specific topics and Mr. Corbett said he'd have this to me by the end of this week. I'll forward that to you once I received it.

We will also need a pre-briefing at the following:

Friday, November 4th

9am to 9:15am

Location: PVO – exact office TBA

Please let me know the names of staff and provide a BN ASAP.

Let me know if you need further info.

Thanks!

Carissa Matheson

Administrative Coordinator

to the Honourable Shirley Bond

Minister of Public Safety and Solicitor General

and Attorney General for BC

Tel: 250-952-7286

Fax: 250-356-8270

carissa.matheson@gov.bc.ca

Cornett, Kathy M SG:EX

From: Cornett, Kathy M SG:EX
Sent: Friday, October 28, 2011 9:18 AM
To: Fisher, Mandy SG:EX
Cc: Hoskins, Jeannie SG:EX
Subject: Further info for Barry Bieller: Meeting - Nov 4th

Hi Mandy,

Carissa advised that Craig Corbett will provide a quick introduction about his organization (Liquor Stores N.A. Ltd.) and then they would like to have a very brief discussion with the Minister to reiterate their support for the current LRS system relative to "Tied Houses/Trade Practices" and also discuss the LCLB's "Minors As Agents Inspection Program (MAP)".

Please let me know if Barry needs anything further. Thank you, Kathy

From: Fisher, Mandy SG:EX
Sent: Friday, October 28, 2011 8:18 AM
To: Cornett, Kathy M SG:EX
Subject: FW: Meeting - Nov 4th

Please see Barry's note below. Thanks

From: Bieller, Barry SG:EX
Sent: Friday, October 28, 2011 8:17 AM
To: Fisher, Mandy SG:EX
Subject: RE: Meeting - Nov 4th

Mandy –

Would you please follow-up to see if a meeting agenda has been forwarded. It's rather challenging to write a BN without knowing what these people want to talk about.

From: Fisher, Mandy SG:EX
Sent: Wednesday, October 26, 2011 8:24 AM
To: Bieller, Barry SG:EX
Cc: Hoskins, Jeannie SG:EX
Subject: FW: Meeting - Nov 4th

Pls see the emails below. Thanks

Jeannie – Barry is doing the BN for this meeting.

From: Ayers, Karen J SG:EX
Sent: Tuesday, October 25, 2011 4:19 PM
To: Fisher, Mandy SG:EX
Subject: Re: Meeting - Nov 4th

Yes please

From: Fisher, Mandy SG:EX
Sent: Tuesday, October 25, 2011 03:25 PM
To: Ayers, Karen J SG:EX

Subject: FW: Meeting - Nov 4th

Barry to do the BN for this meeting? Thanks

From: Dahlke, Cindy LDB:EX
Sent: Tuesday, October 25, 2011 11:00 AM
To: Ayers, Karen J SG:EX
Cc: Fisher, Mandy SG:EX
Subject: FW: Meeting - Nov 4th

Hi, here's the attachment.

Cindy

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

From: Hoskins, Jeannie SG:EX
Sent: Tuesday, October 25, 2011 10:23 AM
To: Dahlke, Cindy LDB:EX
Cc: Chambers, Jay LDB:EX; Cornett, Kathy M SG:EX
Subject: Meeting - Nov 4th

Hi Cindy

As per the note below, would it be possible to have Jay attend this meeting and pre-brief.

They would also like a briefing note prepared if you could please arrange.

Thanks very much.

(Cliff # is 472885)

Jeannie Hoskins
Executive Coordinator
Office of the Deputy Solicitor General
Ministry of Public Safety & Solicitor General

From: Matheson, Carissa SG:EX
Sent: Tuesday, October 25, 2011 9:56 AM
To: Hoskins, Jeannie SG:EX
Subject: Meeting - Nov 4th

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- Rick Crook, CEO
- Gary Collins, Member of their Board of Directors

Bios for these individuals are attached (no pics though).

Issue:

They want to have a very general discussion on the BC retails liquor industry. That having been said, I still asked for a list of specific topics and Mr. Corbett said he'd have this to me by the end of this week. I'll forward that to you once I received it.

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9am to 9:15am

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Let me know if you need further info.

Thanks!

Carissa Matheson

Administrative Coordinator

to the Honourable Shirley Bond

Minister of Public Safety and Solicitor General

and Attorney General for BC

Tel: 250-952-7286

Fax: 250-356-8270

carissa.matheson@gov.bc.ca

Cornett, Kathy M SG:EX

From: Matheson, Carissa SG:EX
Sent: Friday, October 28, 2011 8:56 AM
To: Cornett, Kathy M SG:EX
Subject: RE: Request for BN - BC retail liquor industry: Meeting - Nov 4th

Thanks Kathy.

The following was provided to me yesterday from Craig Corbett:

"Outside of a quick introduction to our organization, we'd also like to have a very brief and general discussion with Minister Bond to:

- 1) Reiterate our support for the current LRS system relative to "Tied Houses/Trade Practices"; and
- 2) Discuss the LCLB's "Minors As Agents Inspection Program (MAP)"

Let me know if Barry needs anything further.

Thanks,
Carissa

From: Cornett, Kathy M SG:EX
Sent: Friday, October 28, 2011 8:37 AM
To: Matheson, Carissa SG:EX
Subject: Request for BN - BC retail liquor industry: Meeting - Nov 4th

Hi Carissa, Barry Bieller from LCLB has been asked to prepare a BN for the Nov 4th meeting for a general discussion on the BC retails liquor industry. Please advise what list of topics they wish to discuss so that a note can be prepared.
Thank you, Kathy

From: Matheson, Carissa SG:EX
Sent: Tuesday, October 25, 2011 9:56 AM
To: Hoskins, Jeannie SG:EX
Subject: Meeting - Nov 4th

Hi Jeannie:

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Representatives from the Liquor Stores N.A. Ltd including:

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- Gary Collins, Member of their Board of Directors

Bios for these individuals are attached (no pics though).

attending
Karen in person

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They want to have a very general discussion on the BC retails liquor industry. That having been said, I still asked for a list of specific topics and Mr. Corbett said he'd have this to me by the end of this week. I'll forward that to you once I received it.

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Please let me know the names of staff and provide a BN ASAP.

Let me know if you need further info.

Thanks!

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Minister of Public Safety and Solicitor General

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Tel: 250-952-7286

Fax: 250-356-8270

carissa.matheson@gov.bc.ca

472885

Cornett, Kathy M SG:EX

From: Hoskins, Jeannie SG:EX
Sent: Tuesday, October 25, 2011 10:58 AM
To: Fisher, Mandy SG:EX
Cc: Ayers, Karen J SG:EX; Cornett, Kathy M SG:EX
Subject: FW: Meeting - Nov 4th

Oct. 26

Karen to attend
in person.

Berry Bieller
drafting BN.

Hi Mandy

As per below, we could probably have Karen attend by phone if you prefer.
If you could also have a briefing note prepared.

Many thanks.

Jeannie Hoskins
Executive Coordinator
Office of the Deputy Solicitor General
Ministry of Public Safety & Solicitor General

From: Dahlke, Cindy LDB:EX
Sent: Tuesday, October 25, 2011 10:54 AM
To: Hoskins, Jeannie SG:EX
Cc: Ayers, Karen J SG:EX; Chambers, Jay LDB:EX; Cornett, Kathy M SG:EX; Fisher, Mandy SG:EX
Subject: RE: Meeting - Nov 4th


Hi Jeannie,

I spoke with Jay. As they represent private liquor stores, this is for LCLB -- Karen and Mandy - over to you.

Thanks!

Cindy Dahlke

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

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

From: Hoskins, Jeannie SG:EX
Sent: Tuesday, October 25, 2011 10:23 AM
To: Dahlke, Cindy LDB:EX
Cc: Chambers, Jay LDB:EX; Cornett, Kathy M SG:EX
Subject: Meeting - Nov 4th

Hi Cindy

As per the note below, would it be possible to have Jay attend this meeting and pre-brief.

They would also like a briefing note prepared if you could please arrange.

Thanks very much.

(Cliff # is 472885)

Jeannie Hoskins
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Let me know if you need further info.

Thanks!

Carissa Matheson
Administrative Coordinator
to the Honourable Shirley Bond
Minister of Public Safety and Solicitor General
and Attorney General for BC
Tel: 250-952-7286

Cornett, Kathy M SG:EX

From: Hoskins, Jeannie SG:EX
Sent: Tuesday, October 25, 2011 10:55 AM
To: Dahlke, Cindy LDB:EX
Cc: Ayers, Karen J SG:EX; Chambers, Jay LDB:EX; Cornett, Kathy M SG:EX; Fisher, Mandy SG:EX
Subject: RE: Meeting - Nov 4th

Thanks
I'll update the cliff log.

Jeannie Hoskins
Executive Coordinator
Office of the Deputy Solicitor General
Ministry of Public Safety & Solicitor General

From: Dahlke, Cindy LDB:EX
Sent: Tuesday, October 25, 2011 10:54 AM
To: Hoskins, Jeannie SG:EX
Cc: Ayers, Karen J SG:EX; Chambers, Jay LDB:EX; Cornett, Kathy M SG:EX; Fisher, Mandy SG:EX
Subject: RE: Meeting - Nov 4th


Hi Jeannie,

I spoke with Jay. As they represent private liquor stores, this is for LCLB -- Karen and Mandy - over to you.

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Fax: 250-356-8270

carissa.matheson@gov.bc.ca

Cornett, Kathy M SG:EX

From: Dahlke, Cindy LDB:EX
Sent: Tuesday, October 25, 2011 10:36 AM
To: Hoskins, Jeannie SG:EX
Cc: Chambers, Jay LDB:EX; Cornett, Kathy M SG:EX
Subject: RE: Meeting - Nov 4th


Hi Jeannie,

Jay will be in Dawson Creek that morning. He's in a meeting right now; I'll speak with him when he's out about who should attend.

Thanks.

Cindy Dahlke

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

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

From: Hoskins, Jeannie SG:EX
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To: Dahlke, Cindy LDB:EX
Cc: Chambers, Jay LDB:EX; Cornett, Kathy M SG:EX
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As per the note below, would it be possible to have Jay attend this meeting and pre-brief.

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Administrative Coordinator

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Minister of Public Safety and Solicitor General
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Tel: 250-952-7286

Fax: 250-356-8270

carissa.matheson@gov.bc.ca

Cornett, Kathy M SG:EX

From: Hoskins, Jeannie SG:EX
Sent: Tuesday, October 25, 2011 10:23 AM
To: Dahlke, Cindy LDB:EX
Cc: Chambers, Jay LDB:EX; Cornett, Kathy M SG:EX
Subject: Meeting - Nov 4th
Attachments: Liquor Stores N.A. Ltd - Biographies.pdf

Hi Cindy

As per the note below, would it be possible to have Jay attend this meeting and pre-brief.

They would also like a briefing note prepared if you could please arrange.

Thanks very much.

(Cliff # is 472885)

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Executive Coordinator
Office of the Deputy Solicitor General
Ministry of Public Safety & Solicitor General

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LIQUOR INITIATIVES

January, 2012

Create and Sustain Jobs in the Hospitality, Liquor Manufacturing and Tourism Sectors

Licensing of Movie Theatres

- Responsive to request from Cineplex Odeon and likely supported by other theatres
- Risk of minors consuming liquor can be addressed by prohibiting minors in the auditorium (as is done in the two provinces that permit movie theatres to be licensed, Alberta and Ontario)
- ABLE is opposed because of potential lost business from customers who traditionally have a drink or meal in their establishments either before or after the movie.

Licensing of Caterers and Allow Permanent Licensees to Cater Off-Site

- Allows consumers to contract for full catering, with food and liquor service.
- Provides new business opportunities and likely to be supported by many existing licensees and caterers
- ABLE may have concerns about the impact on bars/pubs, and some other licensees such as hotels may have concerns about losing banquet room business in their establishments
- All other provinces provide for a caterer's endorsement on existing licences. Some jurisdictions limit eligibility to restaurants. Only Alberta licences freestanding caterers.

Issue Three New VQA Wine Store Appointments

- Additional sales opportunity for BC wineries and particularly to visitors
- Contrary to government's longstanding public commitment to maintain a moratorium on new private liquor stores (other than rural agency stores meeting the location criteria)
- Revenue impact to LDB estimated at approximately \$600,000 per year from the 3 stores
- Government already provides significant support to the BC wine industry
- Potential impact on current trade negotiations with the EU

Eliminate or Reduce the Community Criteria for Rural Agency Store (RAS) Policy

- Eliminating or reducing the community criteria would result in more eligible RAS applicants. Existing RASs would likely complain about the increased competition.
- Some provinces have similar community criteria as British Columbia, but most have no or minimal criteria.

Amend the Craft Distillery Policy by Increasing the Production Limit and Increasing the Financial Compensation for Direct Sales to Licensees and Liquor Stores.

- There would be no significant implications of increasing the 25,000 litre production limit to 50,000 litres.
- Increasing the existing financial compensation on direct sales would result in revenue losses for the LDB particularly if the craft distilling industry grows in size. Currently, the LDB gives craft distilleries a 7% commission for direct sales to wholesale customers and a 30% commission for direct sales to the public.
- Large spirit suppliers may complain about an enhanced craft distillery policy which has the potential of reducing their market share. Other liquor sectors may also argue for enhanced financial conditions.

- Increasing mark-up benefits for only small BC producers could result in international trade challenges and the sensitivity of the current Canada-EU negotiations could impact timing.

Deregulate and Modernize the Liquor Regulatory Regime

Allow Personal Importation of Liquor into BC from Other Provinces

- Implementing a personal importation limit similar to those in some other provinces such as Ontario would have minimal impact provided that the liquor must accompany the traveller.
- Most provinces, except BC, Nova Scotia and Quebec, allow limited personal importation of liquor from other provinces that accompanies the traveller and Alberta allows unlimited amounts for personal use that accompany the traveller.
- Allowing internet purchases and the direct shipping of liquor from other provinces could have significant impacts on LDB revenues, particularly from residents that could order premium wines and spirits from Alberta.
- It is believed that the private members bill currently proceeding through the House of Commons would authorize provinces to permit personal importation of wine and to restrict the amounts, manner of importation, and to collect fees on wine personally imported into the province.

Allow Issuance of Dual Licences

- Dual licensing would allow food primary establishments to apply for a liquor primary licence; this would permit the establishment to operate as a restaurant until a specified hour, and then shift to a liquor focus under a liquor primary licence. The converse of this could also occur, i.e. allow a liquor primary to apply for and operate as a food primary during the daytime, to allow it to cater to families with children.
- Provides increased business opportunities for both FP and LP to respond to changing consumer trends and supports the jobs and tourism agenda
- There may be public opposition to some FP's able to operate as bars but there would be public and local government input into each LP application and some may not be approved
- ABLE has historically opposed dual licensing. Restaurant associations likely to support.

Repeal 1 km Licensee Retail Store Distance Criteria

- Distance criteria not required to meet public safety or public interest mandate and is not consistent with the intent of the Liquor Control and Licensing Act
- Decisions to deny are difficult to defend and seem unreasonable to applicants who want to make the best business decision on the location of their store
- ABLE supports the rule as they believe it provides market protection from competitors.

Liberalize Trade Practices/Tied Houses

- A tied house is when a liquor supplier owns or is closely associated with a licensed establishment and it is likely that the suppliers products will be given prominence or exclusivity in that establishment, e.g. all draft beer is from that tied brewery. Tied houses, with limited exceptions, are generally prohibited in most jurisdictions within North America.
- Trade practice laws place restrictions on the commercial interactions between liquor suppliers and licensed establishments and these rules help prevent tied houses.
- LCLB consulted with industry on possible changes and the positions varied greatly with no consensus on any of the issues.
- Significant deregulation strongly opposed by most liquor suppliers and ABLE. Modest changes might be possible that would address some widely acknowledged irritants.

Fines/Fees/Wine Store Licensing Issue Papers

- Allow issuance of violation tickets for supplying liquor to a minor and clarifying the prohibition on the possession of liquor in an open container in a public place. A public safety initiative.
- Amend the LCLB penalty schedule to impose a penalty for liquor manufacturers failing to comply with their LDB operating agreements. There is currently no penalty for non-compliance with manufacturers' agreements with LDB other than termination of the agreement, essentially putting the manufacturer out of business. LCLB can assume this compliance function.
- Impose new late renewal fees for up to 12 months and providing for new licence fees for wine stores and manufacturer stores transitioning from LDB agency store status. Currently, 30 days after expiry licensees must initiate a new licence application, which is not available to private liquor store licences under the moratorium. Reinstatement, with the applicable fee, is the only option without legislative change.

Improve Public Safety

Change Policies Related to the Minimum Prices Liquor Can be Sold for in Retail Stores and Licensed Establishments (Bars/Restaurants).

- Increasing LDB minimum prices would increase LDB revenues, except in the beer category, where LDB mark-ups are volume based.
- Alcohol policy groups such as the Center for Addictions Research of BC support increases in minimum prices and want the province to implement a comprehensive policy that would affect all product categories equally based on alcohol content
- LDB minimum prices for some categories (e.g. wine, cider) have not been increased for many years and certain low priced products are believed to be favoured by problem drinkers.
- Increasing LDB minimum prices would be supported by certain supplier groups (e.g. large distillers and breweries, and by BC Wine Institute) but may be criticized by certain suppliers that predominately produce lower priced products.
- Licensee Retail Stores (LRS) are allowed to sell 16% below LDB minimum prices, and it has been argued by some groups that this policy should be changed to ensure all retailers, government and private, are subject to the same policy. Some companies that own a number of LRSs and which sell occasionally sell below LDB minimum prices, often for promotional purposes, would likely complain about a change in LRS pricing policy.
- Bars and restaurants are not permitted to sell liquor below the price they paid for the product. This means many drinks can be sold at a price slightly above \$1.00. Low drink prices are known to encourage overconsumption and the problems associated with that.
- The hospitality associations have expressed support for the implementation of a reasonable minimum price for drinks in licensed establishments.

Special Occasion Licensing Project

- Improve public safety at SOL events through better liquor service education for hosts, improved event planning, better coordination between LDB, LCLB and police and risk based inspections
- Position the SOL program so it can be moved online (web-based) at a future date.
- Potential introduction of a "for profit" SOL for community festivals.

Cornett, Kathy M JAG:EX

From: Cornett, Kathy M JAG:EX
Sent: Friday, September 14, 2012 10:10 AM
To: Gajda, Gail EMNG:EX; Stewart, Ashley EMNG:EX
Cc: Hoskins, Jeannie JAG:EX; Jones, Kathleen MEM:EX
Subject: 484359 - Decision BN re Tied House Trade Practices de-regulation
Attachments: 484359 - BN re Tied House Trade Practices de-regulation.docx

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

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

PREPARED FOR: The Honourable Rich Coleman
Minister of Energy and Mines
FOR DECISION

ISSUE: Implementation considerations for de-regulation of tied house relationships and related trade practice rules

BACKGROUND:

In June 2010 the Liquor Control and Licensing Act was amended to allow for the deregulation of tied house and related trade practice laws. The legislation was not brought into force pending consultation with stakeholders and the subsequent development of policies and potentially regulations. Industry consultations were completed in 2011 and in July 2012 the LCLB received ministerial direction to eliminate the tied house prohibitions and trade practice restrictions.

Bill 20 removes restrictions on tied houses, inducements and product exclusivity unless specifically restricted or prohibited by regulation. The amendments will allow licensed manufacturers and import agents to have unrestricted joint ownership of other licensed establishments and to also integrate their businesses through means other than ownership. The one exception is that the tied house rule for a Ubrew/Uvin being unable to be associated with a licensed establishment or liquor supplier will continue unchanged.

Implementation of this decision will require proclamation of the relevant sections of Bill 20 (2010) and regulatory amendments to remove current limited exemptions respecting stadiums and concert halls as well as regulatory restrictions on joint promotions, advertising and sponsorships between licensees and liquor suppliers. If Government wishes to retain any tied house or trade practice restrictions they will need to be placed in the regulations.

DISCUSSION:

The implications of de-regulation are difficult to predict with certainty since BC's model, with respect to trade practices, will become the least regulated of any jurisdiction in North America. Generally speaking, over time, de-regulation can be expected to result in significantly greater market influence by large well financed companies to the detriment of small companies.

Government may wish to consider strategies to mitigate some of the potentially negative consequences of the decision to de-regulate, which can be summarized as follows.

LDB Revenue Loss

Significant potential loss of LDB revenue is anticipated from agreements between suppliers and licensees once common ownership and other types of business integration are permitted.

A supplier selling a product exclusively to its associated licensed establishments might choose to artificially reduce the price it sells the product to LDB thereby impacting the revenue LDB collects through its percentage liquor mark-up. This issue is one of the reasons that Alberta changed its percentage-based mark-up system to a volume-based "flat tax" in 2003 when they privatized.

As an example of the possible revenue loss, the Earls restaurant chain, consisting of Earls, Joeys and Cactus Club, purchases ^{s.21} litres of mark-up bearing wine each year (equivalent to ^{s.21} bottles). If they were allowed to be their own exclusive supplier or have exclusive relationships with other suppliers, they could artificially reduce the price of their products to the LDB to reduce the LDB mark-up applicable (123% for wine). If they artificially lowered the price by \$1.00 bottle on 50 per cent of their wine purchases, the LDB would lose \$194,000 annually (317,000 bottles X 50 percent X \$1.00 X 123 per cent mark-up). The table below extrapolates additional revenue losses if the price reduction was greater.

Revenue implications for every dollar of price reduction respecting Earls

Price Reduction	LDB Revenue Loss
\$1.00	\$194,000
\$2.00	\$388,000
\$3.00	\$582,000
\$5.00	\$970,000

Consumer Choice

Consolidation of economic power and product exclusivity has the potential to adversely affect consumer choice. Consumers may be less able to obtain the same variety of products in the same number of locations that are currently available to them.

Impact on Smaller Volume Licensees

While all licensees will be required to purchase liquor at the same price from LDB, the removal of tied house and trade practice restrictions will permit suppliers to provide funds or other services to licensees that will effectively lower the price paid. Suppliers are more likely to provide these benefits to larger volume accounts. This may lead to lower prices in these establishments compared to lower volume establishments that don't receive the benefits or smaller benefits. Licensees facing a competitive disadvantage are likely to strongly oppose these changes.

OPTIONS:

The following options (which are not mutually exclusive) are proposed to address, to some extent, the uncertainty around the effects of de-regulation and the potential negative impacts outlined above.

Page 093

Withheld pursuant to/removed as

s.13

RECOMMENDATION:

s.13

APPROVED / NOT APPROVED

DATE:

The Honourable Rich Coleman

Approved by:
Karen Ayers
ADM/General Manager
LCLB
250 952-5791

Prepared by:
Janice Carlson/Barry Bieller
Policy Analyst
LCLB
250 952-5756


Approved by
Deputy Solicitor General

Cornett, Kathy M JAG:EX

From: Jones, Kathleen MEM:EX
Sent: Thursday, September 13, 2012 1:45 PM
To: Cornett, Kathy M JAG:EX
Subject: FW: CLIFF 484359 - BN Tied House/Trade Practices

Hi Kathy,

As discussed, here is the version w/ watermark removed and CLIFF number added. I've updated the CLIFF log as well.



BN Tied House
Trade Practices ...

Thanks!
Kathy

From: Jones, Kathleen MEM:EX
Sent: Thursday, September 13, 2012 11:41 AM
To: Hoskins, Jeannie JAG:EX; Cornett, Kathy M JAG:EX
Subject: CLIFF 484359 - BN Tied House/Trade Practices

Me again. Karen advised Lori is expecting this one today.

☺Kathy Jones

Executive Assistant
Office of the General Manager & Assistant Deputy Minister
Liquor Control and Licensing Branch, Ministry of Energy & Mines
T: (250)952-5777/ E: Kathleen.Jones@gov.bc.ca

TEAMWORK | ACCOUNTABILITY | PASSION | COURAGE | SERVICE | CURIOSITY

MEM

Referral Slip for ID:483682

2015/10/09

Log Type: Letter	Action: MEM Signature	Due: 2012/09/03
Batch:	Subaction:	
Shachi Kurl, CFIB Director of Provincial Affairs, BC and Yukon CFIB 625 Howe Street Suite 1430 Vancouver, BC, V6C 2T6		Written: 2012/07/31 Resp Type: Letter Received: 2012/08/03 Entered By: angcjone Due: 2012/09/03 Interim: Signed: 2012/10/22 Sign By: Minister Approved: Approved By: Closed: 2012/11/07 File No.:
Address To: MEM		Issue:
Copy To: Minister Bell, Simone Decosse		X-Ref:
Drafter:		
MLA: McNeil, Mary (BC Liberal)		Electoral Dist: Vancouver-False Creek

Subject

Concerns regarding excessive regulatory burden affecting members who manufacture their own products. Our members are calling for a more timely revision of the outdated rule prohibiting "tied houses". They would also like to see changes to requirements to submit the total weekly amounts received on sales of their own brewed products.

Attachments

Title: Document (6).pdf	Version: 0	Last Update: 2012/08/20
File: 1572248.pdf		
Title: 483682 Response.docx	Version: 0	Last Update: 2012/08/30
File: 1574839.docx		
Title: 483682 Approval.pdf	Version: 0	Last Update: 2012/08/30
File: 1574866.pdf		

Referral MEM -> MEM

From: MEM	Sent: 2012/08/20	Status: Completed	Ref Action: MEM Signature
To: MEM	Received:	Reason:	Subaction:
Assign To:	Completed: 2012/10/22	Due: 2012/09/03	File No.:

Referral Comments

2015/03/15 MEM 2012/09/18T13:07 ashstewa (MEM) Rec'd and printed for approval
 2012/10/22T16:05 ashstewa (MEM) sent from MO

Referral MEM -> MEM -> Correspondence tracking

From: MEM	Sent: 2012/08/20	Status: Completed	Ref Action: MEM Signature
To: Correspondence tracking	Received:	Reason:	Subaction:
Assign To:	Completed: 2012/09/06	Due: 2012/09/03	File No.:

Referral MEM -> MEM -> Correspondence tracking -> LDB-General Manager

From: MEM	Sent: 2012/08/20	Status: Completed	Ref Action: MEM Signature
To: LDB-General Manager	Received: 2012/08/22	Reason:	Subaction:
Assign To:	Completed: 2012/08/30	Due: 2012/09/03	File No.: 08/28

Referral Comments

2015/03/15 LDB-General Manager 2012/08/22T12:29 lwelt (LDB-General Manager) - to Roger for assigning.
 2012/08/24T10:33 lwelt (LDB-General Manager) - assigned to Gord Hall to prepare draft response for Minister Coleman's signature.
 2012/08/30T09:12 lwelt (LDB-General Manager)- Roger Bissoondatt has signed off. Imported & emailed to DSGO (Kathy Cornett).

Referral MEM -> MEM -> Correspondence tracking -> LDB-General Manager -> SG-DSG

From: LDB-General Manager	Sent: 2012/08/30	Status: Completed	Ref Action: Approval
To: SG-DSG	Received:	Reason:	Subaction:
Assign To:	Completed: 2012/08/30	Due: 2012/09/03	File No.:

Referral Comments

2015/03/15 LDB-General Manager	2012/08/30T09:15 lwelt (LDB-General Manager) - Roger Bissoondatt has signed off. Imported & emailed to DSGO (Kathy Cornett).
2015/03/15 SG-DSG	2012/08/30T11:34 kcornett (SG-DSG) rec'd via e-mail from Lilian; in signing book for Brent's approval in Lori's absence.
	2012/08/30T12:54 kcornett (SG-DSG) approved by Brent in Lori's absence; forwarded draft response via e-mail to Val to arrange for approval/signature.

October 22, 2012

Ms. Shachi Kurl
CFIB Director of Provincial Affairs, BC and Yukon
Canadian Federation of Independent Business
625 Howe Street, Suite 1430
Vancouver BC V6C 2T6

Dear Ms. Kurl:

I am responding to your July 31, 2012 letter regarding tied-house regulations and the administration of sales reporting and payments for brew-pubs. I apologize for the delay in my response.

Regarding tied-house legislation, the provincial government's review of this issue and the related issue of commercial relationships between liquor suppliers and licensed establishments is near completion.

With respect to the Liquor Distribution Branch (LDB) sales reporting and payment system for brew-pubs, I would note that all British Columbia liquor manufacturers that make direct sales of packaged products have similar procedures. Before making changes to the existing processes we must be cognizant of how the changes would impact the LDB's ability to collect liquor revenue. I have asked the LDB to consider your proposals as they review their direct sales reporting procedures.

Sincerely yours,

Original signed by

Rich Coleman
Minister of Energy and Mines and Natural Gas
and Deputy Premier

483682



**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS.**

625 Howe Street, Suite 1430
Vancouver, British Columbia V6C 2T6

July 31, 2012

Honourable Rich Coleman
Minister of Energy and Mines
PO Box 9060 Stn Prov Govt
Victoria, BC
V8W 9E2
CANADA

MINISTER OF ENERGY AND MINES		
REFERRAL NUMBER _____		
REFER TO: _____		
DRAFT REPLY <input checked="" type="checkbox"/>	INFO/FILE <input type="checkbox"/>	REPLY DIRECT <input type="checkbox"/>
RECEIVED AUG 03 2012		
REMARKS: _____		

Office of Housing and Construction Standards	
RECEIVED	
AUG 14 2012	
Assistant Deputy Minister's Office	
Cliff # _____	

Dear Minister Coleman,

As you know, the Canadian Federation of Independent Business (CFIB) is a non-profit, non-partisan business association that seeks to give independent business a greater voice in determining the laws that govern business and the country. With 109,000 members across Canada, and 10,000 in BC, we are the largest organization exclusively representing the interests of small- and medium-sized businesses (SMEs) to all levels of government.

Our members include brewery and pub owners who strive to comply with all laws and regulations required under multiple liquor license terms and conditions. We are writing to express two of their major concerns regarding the excessive regulatory burden affecting members who manufacture their own products. Our members are calling for a more timely revision of the outdated rule prohibiting "tied houses." They would also like to see changes to requirements to submit the total weekly amounts received on sales of their own brewed products.

The Liquor Inquiry Commission, created in 1952, enacted rules prohibiting "tied houses." "Tied houses" are establishments that have associations, financial or otherwise, with a liquor manufacturer or its agent, that is likely to lead to its products being favoured. The "tied house" restriction came into effect after the repeal of prohibition, when competition in the liquor industry was limited. We believe that 50 years later, this rule has long outlived its intended usefulness, as competition in the liquor industry is high.

Currently, brewery owners who have crafted their own products cannot sell their beer at their own pub. Although exemptions do exist, some of our members report their applications have been denied. In fact, our members have told us that the pub/brewery owner cannot even point the customers in the direction of their brewery, as this can be interpreted as a demonstration of some degree of favouritism to their own product, and thus a "tied house."

In the consultation paper (attached), your government cites a number of reasons to reduce or eliminate regulation of "tied houses." Those reasons include:

- Sufficient regulation by the federal Government through the Competition Act;
- A better use of LCLB's resources on public safety;
- Anecdotal knowledge of inducements in the industry;
- Improved consumer options resulting from increased competition; and
- Current prohibition of sales of a manufacturer's product in their own establishments has proven difficult to defend as being in the public's interest or safety.

For these same reasons, we urge your Ministry to implement changes to the "tied house" rules as soon as is feasible.

Powered by Entrepreneurs.

If public safety and the public interest are maintained, we believe that the Ministry of Public Safety and Solicitor General's Liquor Control and Licensing Branch Consultation Paper dated January 2011 is correct in its path towards change. We urge that your Ministry speed the implementation of the June 2010 amendment of the Liquor Control and Licensing Act, so long as adequate consultation with the industry has occurred.

The second issue raised by our members has been the process by which breweries must submit their taxes as per the Liquor Distribution Branch's Brewpub Agreement. Currently, brewers must deposit into the Liquor Distribution Branch's designated bank account the monetary equivalent of their total sales on a weekly basis. They must then wait for the LDB to reimburse them the cost of packaged beer sold to customers, less taxes. The requirement for weekly reports represents an onerous paper burden. Furthermore, the requirement that brewers submit their net sales is unnecessarily demanding.

Brewpub owners, particularly those with smaller businesses, cannot afford to have their cash flow at a standstill. Our members have told us that at times, the delay in the refunds can take up to two weeks. These payments are not just profits for the small business owners, but money that is used for supplies, wages, and income generation. The requirement that brewpub owners submit their entire net sales puts an unnecessary strain on the small business owners' ability to run their businesses.

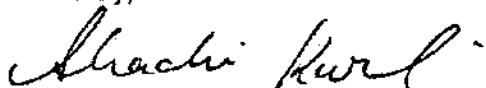
We recommend that you amend the requirements for remittance to a monthly basis, and require only the taxes, as calculated by the LDB, to be submitted. As the LDB is able to conduct inspections or audits of the breweries at any time, it appears unnecessary for the LDB to require breweries to submit all their gross sales. In the Brewpub Agreement, there is no reason given for this requirement, yet the negative effects on the ability of brewpubs to efficiently run their business is clear.

In 2011, your government became a national leader in its commitment to red tape reduction and regulatory reform, by committing to a net-zero increase in regulatory requirements through 2015.

We ask that in the spirit of this promise, as well as the legislation to amend the Liquor Control and Licensing Act passed in June 2010, your Ministry reduce its most onerous regulatory requirements on brewpubs and "tied houses." The reduction of red tape is an initiative that the CFIB champions.

We look forward to working to working with you to improve this situation for our members.

Sincerely,



Shachi Kurl
CFIB Director of Provincial Affairs, BC & Yukon

Cc: Honourable Pat Bell, Minister of Jobs, Tourism & Innovation

Cc: Simone Decosse, Executive Director of the Small Business Branch