

**MINISTRY OF JUSTICE
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for the Honourable Suzanne Anton.

ISSUE: How wholesale customers and 'special customers' (listed below in background) purchase alcohol and at what price.

SUMMARY:

- With the introduction of the wholesale pricing structure on April 1, 2015, some LDB customers will continue to purchase alcohol as they always have, while others will experience a change in where they purchase alcohol and/or the price they pay.
- Currently, BC Liquor Stores (BCLSs) sell product off of their shelves to a number of wholesale customers and 'special customers' at the discounted price that these customers receive.
- After April 1, the LDB's wholesale and retail lines of business will be separated. As such, sales to wholesale and special customers will represent a loss for the specific BCLS that makes the sale.
- Beginning April 1, BCLSs will no longer be able to sell product to wholesale customers for less than the BCLS retail price.
- Likewise, BCLSs will no longer be able to sell product to special customers at their special pricing, with the exception of NATO.
- In order to receive the wholesale price or the special price, these customers (with the exception of NATO) must purchase product through the Wholesale Customer Centre (WCC).

BACKGROUND:

- BCLSs currently sell product to some wholesale customers (LRSs and RASs) at the discount-off-of-display price that LRSs and RASs pay for product. They also sell product to special customers at a special customer price.
- These BCLS sales do not cause an issue under the LDB's current operational model because revenue is not separated by the LDB's lines of business.
- With the introduction of the wholesale pricing structure, the LDB is segregating its wholesale and retail businesses and revenue will be reported separately.
- As such, sales to wholesale and special customers by BCLSs at the wholesale price and special price, respectively, will constitute a sale at a loss.
- Therefore, beginning April 1, BCLSs will only sell product at the BCLS retail price (except to NATO) and customers who are entitled to purchase for less than retail must do so through the WCC if they wish to get the less-than-retail pricing.

- Below is a list of customers and how they will be affected after April 1:

LRSs:

- LRSs will pay the wholesale price for their product.
- All LRS purchases at the wholesale price must be done through the WCC.
- LRSs will no longer be able to purchase product from a BCLS at the wholesale price – they are welcome to buy from a BCLS, but they will pay the BCLS retail price.
- Many LRSs already purchase solely from the WCC so this will not be a change for all LRSs.
- LRSs will also continue to purchase product direct from BC manufacturers that are permitted to sell direct to wholesale customers.
- The price they pay for product will remain stable.

Grocery Stores:

- Same as LRSs.

Independent Wine Stores and Tourist Wine Stores:

- Same as LRSs.
- The price independent wine stores will pay for product will be significantly higher as they move from the current 30 percent off-of-display-price model to the wholesale pricing model.

RASs:

- RASs will pay the wholesale price for their product.
- All RAS purchases at the wholesale price must be done through the WCC.
- RASs will no longer be able to purchase product from a BCLS at the wholesale price – they are welcome to buy from a BCLS, but they will pay the BCLS retail price.
- RASs will also continue to purchase product direct from BC manufacturers that are permitted to sell direct to wholesale customers.
- The price RASs will pay for product will be lower for most products as they move from the current 12 percent off-of-display-price model to the wholesale pricing model.

BC Liquor Stores:

- BCLSs will pay the wholesale price for their product.
- All BCLS purchases at the wholesale price must be done through the WCC.

First Nations:

- No change; continue to buy from BCLSs at the BCLS retail price.

Hospital:

- No change; continue to buy ethyl alcohol from a restricted number of BCLSs at the BCLS retail price with no retail mark-up applied.

Duty Free Stores:

- Duty free stores will continue to purchase product at the special mark-up rate available to them.
- Current policy is that duty free stores purchase product from the WCC; however, they have been permitted to buy from BCLSs on occasion.
- Beginning April 1, they will no longer be able to purchase any product from a BCLS unless they pay the BCLS retail price.
- They will continue to have access to BC wine direct from BC wineries.
- Duty free stores will have the same cost of goods.
- Duty free stores will pay the same price for product as they currently pay.

Lieutenant Governor (LG):

- The LG will continue to purchase product at the special mark-up rate available to them.
- Current policy is that purchases on behalf of the LG are done through the WCC; however, the LG has been permitted to buy from BCLSs on occasion.
- Beginning April 1, they will no longer be able to purchase any product from a BCLS unless they pay the BCLS retail price.
- The LG will pay the same price for product as they currently pay.

Ships Chandlers:

- Ships Chandlers will continue to purchase product at the special mark-up rate available to them.
- Current policy is that purchases by Ships Chandlers are done through the WCC; however, Ships Chandlers have been permitted to buy from BCLSs on occasion.
- Beginning April 1, they will no longer be able to purchase any product from a BCLS unless they pay the BCLS retail price.
- Ships Chandlers will pay the same price for product as they currently pay.

Consulates:

- Consulates will continue to purchase product at the special mark-up rate available to them.
- Current policy is that purchases by consulates are done at one specific BCLS.

- Beginning April 1, they will purchase product through the WCC and will no longer be able to purchase any product from a BCLS unless they pay the BCLS retail price.
- The specific BCLS that consulates currently purchase from is next door to the WCC, so the transition to the WCC will be minimal.
- Consulates will pay the same price for product as they currently pay.

NATO:

- NATO will continue to purchase product at the special mark-up rate available to them.
- Current policy is that purchases are made at approximately 10 specific BCLSs.
- As an exception, NATO will be able to continue purchasing product at those 10 BCLSs at their special mark-up rate.
- Since the BCLS will incur a loss on every NATO sale, the wholesale side of the LDB's business will reimburse the BCLS for that loss.
- NATO will pay the same price for product as they currently pay.

Agents:

- Agents purchase their own product from the LDB for in-store tastings, tastings held at the Import Vintners and Spirits Association (IVSA) salons and for donation to charitable organizations.
- Current policy is that they purchase their product for these purposes at a 30 percent discount off of the BCLS display price and purchase it at a BCLS.
- Effective April 1, agents will purchase their product for tasting purposes at the full retail price at a BCLS and will purchase their product for IVSA salons and charitable donation at the wholesale price from the WCC.
- Agents will pay more for products that they donate to charity and use in IVSA salons – the increase will be the same as the increase that independent wine stores will experience. Agents will pay substantially more for products that they use for in-store tastings – instead of a 30 percent discount-off-of-display price they will pay the full BCLS retail price.

OTHER MINISTRIES IMPACTED/CONSULTED:

- N/A

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**MINISTRY OF JUSTICE
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for the Honourable Suzanne Anton.

ISSUE: Proposed Amendments to BC Liquor Store Operating Hours

SUMMARY:

- On April 1, 2015, restrictions on BC Liquor Store (BCLS) operating hours will be lifted. This means that BCLSs will be allowed to extend their operating hours, as well as open on Sundays.
- The vast majority of other liquor retailers are not subject to restrictions on operating hours. The proposed amendments to BCLS operating hours will therefore allow BCLSs to continue to effectively compete with these other liquor retailers.
- Currently there are a very small number of BCLSs open on Sundays. Consequently, the LDB is foregoing revenue and our customers are expressing disappointment and frustration that BCLSs are not providing service that is common in the retail sector.
- The LDB will expand operating hours for stores across the province that have been identified as benefiting from this change.

BACKGROUND:

- Currently BCLSs are subject to restrictions on their operating hours. The proposed changes will allow them to extend their operating hours and, for specific BCLSs, will allow them to open on Sundays.
- These changes are necessary as the LDB is currently foregoing revenue. Most other liquor retailers in BC do not have restrictions on their opening hours and have been open for business on Sundays for about the last two decades.
- The restrictions on operating hours will be lifted on the same day that the new wholesale pricing model will come into effect. Under this model, all liquor retailers, including BCLSs, will pay the same wholesale price for liquor.
- Taken together, these changes will offer British Columbians more convenience, level the playing field for all liquor retailers and allow market forces to be more responsive to consumer needs. It is expected that these changes will create a more competitive market for liquor retailers in BC.
- Refer to Appendix A for a full list of BCLSs and the proposed amendments to their operating hours. Note that these amendments are proposed only and are subject to change. And may be subject to amendments in the future.

OTHER MINISTRIES IMPACTED/CONSULTED:

- N/A

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Attachment

Appendix A: List of BCLSs and the Proposed Amendments to Operating Hours

Appendix A

List of BCLSs and the Proposed Amendments to Operating Hours

Store Name	Proposed Amendments to Operating Hours	Open on Sunday? (Y/N)
39th and Cambie	9:30-11:00 Mon-Sat	Y
Langley	9:30-11:00 Mon-Sat	Y
Kelowna Orchard Park	9:30-11:00 Mon-Sat	Y
Westwood Centre	9:30-11:00 Mon-Sat	Y
Alberni & Bute	9:30-11:00 Mon-Sat	Y
Fort Street	9:30-11:00 Mon-Sat	Y
Park Royal	9:30-11:00 Mon-Sat	Y
Kamloops - Columbia Place	9:30-9:00 Fri,Sat. 11:00	Y
Richmond Brighthouse	9:30-9:00 Fri,Sat. 11:00	Y
Penticton Plaza	9:30-9:00 Fri,Sat. 11:00	Y
Peninsula Village	9:30-9:00 Fri,Sat. 11:00	Y
Victoria Westshore	9:30-9:00 Fri,Sat. 11:00	Y
Prince George Pine Centre	9:30-9:00 Fri,Sat. 11:00	Y
North Van Westview	9:30-11:00 Mon-Sat	Y
Fleetwood	9:30-9:00 Fri,Sat. 11:00	Y
Abbotsford	9:30-9:00 Fri,Sat. 11:00	Y
Nordel Crossing	9:30-9:00 Fri,Sat. 11:00	Y
Lynn Valley	9:30-11:00 Mon-Sat	Y
Northgate	9:30-9:00 Fri,Sat. 11:00	Y
Broadway & Lillooet	9:30-9:00 Fri,Sat. 11:00	Y
Kelowna Westbank	9:30-9:00 Fri,Sat. 11:00	Y
Kelowna Mission Park	9:30-9:00 Fri,Sat. 11:00	Y
8th & Cambie	9:30-11:00 Mon-Sat	Y
Highgate	9:30-9:00 Fri,Sat. 11:00	Y
Nicola Station	9:30-9:00 Fri,Sat. 11:00	Y
Collingwood - Kingsway	9:30-9:00 Fri,Sat. 11:00	Y
Kings Cross	9:30-9:00 Fri,Sat. 11:00	Y
North Burnaby	9:30-9:00 Fri,Sat. 11:00	Y

Commercial Drive	9:30-9:00 Mon-Sat	Y
Richmond Ironwood	9:30-9:00 Fri,Sat. 11:00	Y
Kingsgate Mall	9:30-9:00 Mon-Sat	Y
Hillside	9:30-11:00 Mon-Sat	Y
Broadway Maple	9:30-11:00 Mon-Sat	Y
Vernon Square	9:30-9:00 Fri,Sat. 11:00	Y
Meadowtown	9:30-9:00 Fri,Sat. 11:00	Y
Sidney Beacon Plaza	9:30-9:00 Mon-Sat	Y
Scottsdale	9:30-9:00 Fri,Sat. 11:00	Y
Mission Plaza	9:30-9:00 Fri,Sat. 11:00	Y
New Westminster	9:30-9:00 Fri,Sat. 11:00	Y
Cardero	9:30-11:00 Mon-Sat	Y
Dunbar	9:30-9:00 Fri,Sat. 11:00	Y
Abbotsford Village	9:30-9:00 Fri,Sat. 11:00	Y
Whistler Market	9:30-9:00 Mon-Sat	Y
Kamloops North	9:30-9:00 Fri,Sat. 11:00	Y
Cranbrook	9:30-9:00 Fri,Sat. 11:00	Y
Sardis	9:30-9:00 Fri,Sat. 11:00	Y
Jericho Village	9:30-9:00 Fri,Sat. 11:00	Y
Nanaimo Terminal	9:30-9:00 Fri,Sat. 11:00	Y
Tsawwassen	9:30-9:00 Mon-Sat	Y
Como Lake	9:30-9:00 Mon-Sat	Y
Richmond SeaFair	9:30-9:00 Mon-Sat	Y
Ladner	9:30-9:00 Mon-Sat	Y
Squamish	9:30-9:00 Mon-Sat	Y
Capilano Mall	10-6 Mon.-Wed./10-9 Th-Fr/9:30-6 Sat	Y
Cloverdale	9:30-9:00 Mon-Sat	Y
Robson Street	9:30-11:00 Mon-Sat	Y
Aldergrove	9:30-9:00 Mon-Sat	Y
Broadmead Village	9:30-9:00 Mon-Sat	Y
White Rock Semiahmoo	9:30-9:00 Mon-Sat	Y
Nelson	9:30-9:00 Mon-Sat	Y
Sechelt	9:30-7:00, Fri-Sat 9:00	Y
Fort St John	9:30-9:00 Mon-Sat	Y

Whalley	9:30-9:00 Mon-Sat	Y
Guildford	9:30-9:00 Mon-Sat	Y
Gibson	9:30-9:00 Mon-Sat	Y
Dollarton	9:30-9:00 Mon-Sat	Y
Byrne Road	9:30-9:00 Fri,Sat. 11:00	Y
Williams Lake	9:30-9:00 Mon-Sat	Y
Walnut Grove, Langley	9:30-9:00 Mon-Sat	Y
Dawson Creek	9:30-9:00 Mon-Sat	Y
Haney	9:30-6:00 Mon-Wed. and Sat, Thu./Fri.9	Y
Gorge and Tillicum	9:30-9:00 Fri,Sat. 11:00	Y
Courtenay	9:30-9:00 Mon-Sat	Y
Caulfield	9:30-9:00 Mon-Sat	Y
Chilliwack	9:30-9:00 Mon-Sat	Y
Campbell River	9:30-9:00 Mon-Sat	Y
Qualicum	9:30-6:00, Fri-Sat 9:00	N
Whistler	10:00-11:00 Mon-Sat	Y
Parksville	9:30-7:00, Fri-Sat 9:00	Y
Royal Square	9:30-7:00, Fri 9:00	N
Bute Street	9:30-11:00 Mon-Sat	Y
South Burnaby	9:30-7:00, Fri-Sat 9:00	Y
Port Alberni	9:30-7:00, Fri-Sat 9:00	Y
Harbour Centre	10:00-6:00 Mon. -Sat.	Y
Terrace	9:30-9:00 Mon-Sat	Y
Ocean Park	9:30-7:00, Fri-Sat 9:00	Y
North Vancouver Esplanade	9:30-9:00 Mon-Sat	Y
Blanshard Square	9:30-9:00 Mon-Sat	Y
Duncan	9:30-9:00 Mon-Sat	Y
Quesnel	9:30-9:00 Mon-Sat	Y
Nanaimo Longwood	9:30-9:00 Mon-Sat	Y
Saanich	9:30-9:00 Mon-Sat	Y
Trafalgar Square	9:30-7:00, Fri-Sat 9:00	Y
Fairfield	9:30-9:00 Mon-Sat	Y
Salmon Arm	9:30-9:00 Mon-Sat	Y
Cedar Hill	9:30-7:00, Fri-Sat 9:00	Y

Powell River	9:30-6:00, Fri. 9:00	Y
100 Mile House	9:30-6:00, Fri. 9:00	Y
Yaletown	9:30-9:00 Fri,Sat. 11:00	Y
Nanaimo Port Place	9:30-9:00 Mon-Sat	Y
Parksville North	9:30-7:00, Fri-Sat 9:00	Y
Arbutus	10:00-6:00, Thu-Sat 10-7	Y
Smithers	9:30-7:00, Fri-Sat 9:00	Y
28th and Main	9:30-7:00, Fri-Sat 9:00	Y
Champlain Mall	9:30-7:00, Fri-Sat 9:00	Y
James Bay	9:30-7:00, Fri-Sat 9:00	Y
Osoyoos	9:30-7:00, Fri-Sat 9:00	Y
UBC Marketplace	10:00-9:00 Mon-Sat	Y
Comox	9:30-7:00, Fri-Sat 9:00	Y
Port Moody	9:30-9:00 Mon-Sat	Y
Pemberton	10:00-7:00, Fri-Sat 9:00	Y
Prince George-College Heights	9:30-7:00, Fri-Sat 9:00	Y
Merritt	9:30-7:00, Fri-Sat 9:00	Y
Trail	9:30-7:00, Fri-Sat 9:00	Y
Prince George - Hart	9:30-7:00, Fri-Sat 9:00	Y
Ladysmith	9:30-7:00, Fri-Sat 9:00	Y
Winfield	9:30-7:00, Fri-Sat 9:00	Y
Sooke	9:30-7:00, Fri-Sat 9:00	Y
Mill Bay	9:30-7:00, Fri-Sat 9:00	Y
Invermere	9:30-7:00, Fri-Sat 9:00	Y
Prince Rupert	9:30-7:00, Fri-Sat 9:00	Y
Grand Forks	9:30-7:00, Fri-Sat 9:00	Y
Castlegar	9:30-7:00, Fri-Sat 9:00	Y
Summerland	9:30-7:00, Fri-Sat 9:00	Y
Revelstoke	9:30-7:00, Fri-Sat 9:00	Y
Kimberley	9:30-7:00, Fri-Sat 9:00	Y
Kerrisdale	9:30-7:00, Fri-Sat 9:00	Y
Oliver	9:30-7:00, Fri-Sat 9:00	Y
Willow Point	9:30-7:00, Fri-Sat 9:00	Y
Ambleside	9:30-7:00, Fri-Sat 9:00	Y

Creston Valley	9:30-7:00, Fri-Sat 9:00	Y
Golden	9:30-7:00, Fri-Sat 9:00	Y
Tofino	10:00-7:00, Fri-Sat 9:00	Y
Kitimat	9:30-7:00, Fri-Sat 9:00	N
Hope	9:30-7:00, Fri-Sat 9:00	Y
Port Hardy	9:30-7:00, Fri-Sat 9:00	Y
Lake Cowichan	9:30-7:00, Fri-Sat 9:00	N
Whistler Creekside	10:00-7:00, Fri-Sat 9:00	N
Fort Langley	9:30-7:00, Fri-Sat 9:00	N
Ganges	9:30-7:00, Fri-Sat 9:00	N
Princeton	9:30-7:00, Fri-Sat 9:00	N
Madeira Park	9:30-7:00, Fri-Sat 9:00	N
Vanderhoof	9:30-7:00, Fri-Sat 9:00	N
Fernie	9:30-7:00, Fri-Sat 9:00	Y
Nakusp	9:30-7:00, Fri-Sat 9:00	N
Rossland	9:30-7:00, Fri-Sat 9:00	N
Chetwynd	9:30-7:00, Fri-Sat 9:00	N
Marpole	9:30-9:00 Fri, Sat. 11:00	Y
Kamloops Westsyde	9:30-7:00, Fri-Sat 9:00	N
Fort St James	9:30-6:00, Fri-Sat 9:00	N
Gabriola Island	9:30-7:00, Fri-Sat 9:00	N
Lumby	9:30-7:00, Fri-Sat 9:00	N
Kensington Square	9:30-6:00, Fri-9:00	Y
Armstrong	9:30-7:00, Fri-Sat 9:00	N
Agassiz	9:30-6:00, Fri 9:00	N
Port McNeill	9:30-6:00, Fri 9:00	N
Chase	9:30-6:00, Fri 9:00	N
Burns Lake	9:30-6:00, Fri 9:00	N
Houston	9:30-6:00, Fri 9:00	N
Clearwater	9:30-6:00, Fri 9:00	N
Lillooet	10:00-6:00, Fri 8:00	N
Fort Nelson	9:30-6:00, Fri 9:00	N
MacKenzie	9:30-7:00, Fri 9:00	N
Enderby	9:30-7:00, Fri 9:00	N

Barriere	9:30-6:00, Fri 9:00	N
Chemainus	9:30-7:00, Fri 9:00	N
Ucluelet	10:30-6:00, Fri 8:00	N
Pender Island	9:30-7:00, Fri 9:00	N
Sparwood	10:30-6:00, Fri 8:00	N
Sicamous	9:30-7:00, Fri 9:00	N
Fruitvale	10:30-6:00, Fri 8:00	N
Keremeos	9:30-7:00, Fri 9:00	N
Bella Coola	10:30-6:00 Mon-Sat	N
Queen Charlotte	10:30-6:00, Fri 8:00	N
Fraser Lake	10:30-6:00, Fri 8:00	N
Kaslo	10:30-6:00, Fri 8:00	N
Ashcroft	10:30-6:00, Fri 8:00	N
Hazelton	10:30-6:00, Fri 8:00	N
Radium	10:30-6:00, Fri 8:00	N
Tumbler Ridge	10:30-6:00 Mon-Sat	N
Masset	10:30-6:00, Fri 8:00	N
Cache Creek	10:30-6:00, Fri 8:00	N
Cumberland	10:30-6:00, Fri 8:00	N
Valemount	10:30-6:00 Tues-Sat	N
McBride	10:30-6:00, Fri 8:00	N
Salmo	10:30-6:00 Tues-Sat	N
New Denver	10:30-6:00 Tues-Sat	N
Clinton	10:30-6:00 Tues-Sat	N
Logan Lake	10:30-6:00 Tues-Sat	N
Port Alice	10:30-6:00 Tues-Sat	N
Gold River	10:30-6:00 Tues-Sat	N
Alert Bay	10:30-6:00 Tues-Sat	N
Greenwood	10:30-6:00 Tues-Sat	N
Elkford	10:30-6:00 Tues-Sat	N
Hudson Hope	10:30-6:00 Tues-Sat	N
Stewart	10:30-6:00 Tues-Sat	N

**MINISTRY OF JUSTICE
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for the Honourable Suzanne Anton, Minister.

ISSUE: The discontinuation of the Cost of Service (COS) rebate to breweries

SUMMARY:

- COS is an additional levy that the LDB applies to products manufactured outside of BC (for beer, wine and coolers) and outside of Canada (for spirits). This levy is meant to reflect the additional costs associated with handling and distributing these products.
- The LDB has a policy whereby a company with a brewing facility in BC is rebated the COS levy that is applied to beer products imported into BC from its non-BC breweries.
- There are 14 breweries that currently receive the COS rebate. For the fiscal year 2014/15 the COS rebate will be approximately \$1,371,890. \$^{s.17} of this amount will be paid to Molson and Labatt.
- With the introduction of the new wholesale pricing model on April 1, 2015, the COS differential between BC and non-BC manufactured beer will be eliminated and the corresponding rebate will be discontinued.

BACKGROUND:

- COS is an additional levy that the LDB applies to wine, beer and coolers that are manufactured outside of BC. With spirits, the COS levy applies only to spirit products manufactured outside of Canada.
- The COS levy was introduced to reflect the additional costs associated with the handling and distribution of non-BC products.
- Currently, a COS levy of \$0.09/litre is applied to beer brewed outside of BC.
- If a brewery operates a brewing facility in BC, the LDB has a policy whereby the COS applied to any beer imported into BC from that brewery's non-BC breweries is rebated, on an annual basis.
- This is due to the fact that these products do not enter the LDB distribution system and continue to be distributed privately.
- The COS rebate for the fiscal year 2014/15 will be approximately \$1,371,890.
- There are currently 14 breweries that operate a brewing facility in BC and also import product into BC from breweries that they operate outside of BC. These 14 breweries currently receive the COS rebate.
- A list of these breweries and the rebate they will be receiving for the fiscal year 2014/15 is found in Appendix A.
- As part of the new wholesale pricing model that comes into effect on April 1, 2015, the COS differential between BC and non-BC manufactured products will be

eliminated. Non-BC products will not pay a higher COS amount that requires rebating.

- As a result, the COS rebate will be discontinued.

OTHER MINISTRIES IMPACTED/CONSULTED:

- N/A

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Attachment(s)

Appendix A: List of Breweries Receiving the COS Rebate for Fiscal Year 2014/15

Appendix A

List of Breweries Receiving the COS Rebate for Fiscal Year 2014/15

Manufacturer	Fiscal Year 2014/15 Rebate (\$)
MINHAS CREEK CRAFT BREWING CO. INC.	s.21
UNTAPPED TRADING INCORPORATED	
TRILLIUM BEVERAGE INC.	
CRAFT BEER IMPORTERS CANADA INC.	
NEXUS GLOBAL TRADING LIMITED	
STEAM WHISTLE BREWING INC.	
VELOSUS SOLUTIONS INC.	
BIG ROCK BREWERY INC.	
M.J.S. BEVERAGE CONCEPTS INT'L	
OKANAGAN SPRING BREWERY	
PREMIUM BEER COMPANY INC.	
PREMIER BRANDS LIMITED	
LABATT BREWERIES OF CANADA	
MOLSON CANADA 2005	
Total	1,371,890

**MINISTRY OF JUSTICE
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for the Honourable Suzanne Anton, Minister

ISSUE: Changes to BC Liquor Store Retail Prices

SUMMARY:

- Under the new wholesale pricing model that comes into effect on April 1, 2015, the LDB will set wholesale prices for liquor in BC. All retailers, including BC Liquor Stores (BCLSs), will pay the same wholesale price.
- The LDB has calculated the retail prices that will come into effect in all BCLSs on April 1. Retail prices are scheduled to be released to those servicing the hospitality industry on March 20, 2015.
- The LDB will be able to keep almost all retail prices the same (ie. within an incremental rounding up to the nearest \$0.10). Products that increase (ie. those going up >\$0.10) can be attributed to increases in supplier-related costs, the removal of the incremental packaging benefit, ensuring that there is at s.13,s.17 on all stock keeping units (SKUs), and Limited Time Offers (LTOs) reducing the shelf price of a product that are currently in place and scheduled to finish by April 1.
 - Approximately 18% of SKUs will increase in retail price by greater than \$0.10.
- Decreases in retail price (ie. decreases for SKUs going below their current retail price by ≥ \$0.01.) can be attributed to unintentional system rounding that will be corrected by the next period, supplier price decreases, and LTOS scheduled to take effect April 1 (leading to a temporary price decrease).
 - Approximately 16% of SKUS will decrease in retail price by ≥ \$0.01.

BACKGROUND:

- On April 1, 2015, the new wholesale pricing model will come into effect. Under this model, the LDB will set wholesale prices for liquor in BC. All retailers, including BCLSs, will pay the same wholesale price.
- As a result of this change, BCLS retail prices will come into effect on April 1.
- The LDB will keep all retail prices the same (ie. within an incremental rounding up to the nearest \$0.10).
- Of the 18% of SKUs increasing in retail price (ie. increase of >\$0.10):
 - 75% is due to increases in supplier-related costs;
 - 0.2% is due to removal of the incremental packaging benefit;
 - s.13,s.17
 - and
 - 8% is due to LTOs that are currently in place and scheduled to finish before April 1.

- See below for more information on the increases in retail price of greater than \$0.10.
- Of the 16% of SKUs decreasing in retail price (ie. \geq \$0.01):
 - 15% is due to decreases in supplier-related costs;
 - 7% is due to LTOs that will begin on or after April 1;
 - 78% is due to insignificant decreases due to rounding. These decreases should not be considered a decrease in retail price and are to be rounded back up to zero on May 1 (ie. the retail price will be the same).
- See Appendix A for a summary of the changes in retail price.
- See Appendix B for the statistics for increases of greater than \$0.10 in retail price.
- See Appendix C for the statistics for decreases in retail price.
- See Appendix D for a summary of the changes in retail price for the top 100 selling SKUs by product category.

Further explanation on the reasons for cost increases

Increase in Supplier-related Costs

- Manufacturers and suppliers were asked to provide cost information by February 13, 2015. This information was used to calculate the new wholesale prices.
- Approximately 5,333 increases in supplier-related costs were submitted, affecting approximately 17% of all SKUs.
- These increases in supplier-related costs caused a corresponding increase in wholesale price. As a result, BCLSs have increased the retail prices for these SKUs to ensure that they remain profitable.

Removal of the Incremental Packaging Benefit

- Currently, the LDB does not mark-up incremental packaging. Incremental packaging refers to any additional packaging for a product, other than its usual packaging.
- For example, if a product is packaged in a gift pack, the mark-up applies to the cost of the liquor only, and not to the cost of the gift pack.
- After April 1, this incremental packaging benefit will be removed.
- As a result, all products will be equally marked-up based on their entire value.

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LTOs

- LTOs allow suppliers to request a temporary decrease in the price of their SKUs.
- There are a number of LTOs that are currently in place and that are scheduled to finish before April 1. As a result, on April 1, these SKUs will no longer be sold at a decreased price but will be sold at retail price. The increase in retail price of greater than \$0.10 reflects this.
- These increases in retail price are not related to the implementation of the new wholesale pricing model nor should they be considered increases.

OTHER MINISTRIES IMPACTED/CONSULTED:

- N/A

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Attachment(s)

Appendix A: Summary of Changes in Retail Price
Appendix B: Statistics for Increases of Greater than \$0.10 in Retail Price
Appendix C: Statistics for Decreases of Greater than \$0.10 in Retail Price
Appendix D: Changes in Retail Price for the Top 100 Selling SKUs by Product Category

Appendix A
Summary of Changes in Retail Price

Change in Retail Price	# of Spirit SKUs	# of Beer SKUs	# of Wine SKUs	# of Refreshment SKUs	Total Number of SKUs Decreasing or Increasing by Greater than \$0.10	% of Total SKUs
Decrease	549	590	3,763	146	6,440	20%
Increase of greater than \$0.10	731	1,263	3,627	121	5,742	18%

Notes:

- SKUs refer to distinct products, as well as different size variations of a product. One product may have multiple SKUs.

Appendix B

Statistics for Increases of Greater than \$0.10 in Retail Price

Reason for Increase	# of Spirit SKUs	# of Beer SKUs	# of Wine SKUs	# of Refreshment SKUs	Total Number of SKUs that Increased	% of Total SKUs that increased
Increase in supplier-related costs	494	803	2,950	81	4,328	75%
Removal of incremental packaging benefit	Approximately 50 – 70 SKUs					0.2%
s.13,s.17						
LTOs finishing before April 1	63	31	366	3	463	8%

Notes:

- Total number of SKUs for each product category:
 - Spirits: 3,720
 - Beer: 6,860
 - Wine: 21,995
 - Refreshments: 599

Appendix C

Statistics for Decreases of Greater than \$0.10 in Retail Price

Reason for Decrease	# of Spirit SKUs	# of Beer SKUs	# of Wine SKUs	# of Refreshment SKUs	Total Number of SKUs that Decreased	% of Total SKUs that Decreased
Decrease in supplier-related costs	78	139	732	6	955	15%
LTOs beginning on or after April 1	54	19	336	28	437	7%
Insignificant decreases due to rounding*	549	590	3,763	146	5,048	78%

*These should not be considered a decrease in retail price and will likely be rounded back up to zero on May 1.