

MINISTRY OF SMALL BUSINESS AND RED TAPE REDUCTION
AND MINISTER RESPONSIBLE FOR LIQUOR DISTRIBUTION BRANCH
INFORMATION NOTE

Cliff #: 37278

Date: December 14, 2015

PREPARED FOR: Honourable Coralee Oakes, Minister of Small Business and Red Tape Reduction and Minister Responsible for the Liquor Distribution Branch

ISSUE: BC Land-Based Wineries – Hospitality Sales

BACKGROUND:

- The hospitality industry in BC has always paid BC Liquor Store (BCLS) retail prices for liquor.
- **Prior to April 1, 2015:** Manufacturers knew the formula for how the BCLS display price was calculated. They could alter their supplier cost and thereby determine and control the final BCLS retail price charged for their products.
- **After April 1, 2015:** Hospitality customers purchase their products at the LDB Established Retail Price, plus GST. The LDB Established Retail Price is calculated using a two-step process:
 1. A wholesale mark-up is applied to the supplier cost to calculate the LDB wholesale price.
 2. A retail margin is applied to the LDB wholesale price to calculate the LDB Established Retail Price. This retail margin is subject to change by period.
- Given that manufacturers are not involved in setting BCLS retail margins, they can no longer control or accurately predict the final price that hospitality customers are charged for their products.
- BC land-based wineries, who direct-deliver a significant amount of product and enter directly into sales agreements with hospitality customers, have raised this as a concern.
- In addition, BC land-based wineries used to 'free price' their direct-delivery products prior to April 1, 2015.
- For example, a BC land-based winery was able to arrange with a restaurant owner that three cases of wine will cost exactly \$XXX.XX upon direct delivery. That same winery could arrange with another restaurant owner that three cases of wine will cost exactly \$XYZ.XX upon direct delivery.

DISCUSSION:

- As of February 2016, the LDB will be giving BC land-based wineries the ability to 'free price' products that are sold to hospitality customers.
- The products must be:
 - Non-listed¹
 - Direct-delivery only (not distributed by the LDB)
 - Priced in accordance with the LDB's minimum wholesale price rules

• s.17

• s.13,s.17

- All other suppliers, such as commercial wineries, distilleries and breweries, will continue to sell their products to hospitality customers at the LDB Established Retail Price.

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Other Ministries Impacted/Consulted

• s.14

• s.13

¹ Non-listed products (versus listed products) are products that are not available for sale in BCLS, but are otherwise available for sale in BC. Listed products are those that are offered in BCLS.

NEXT STEPS:

- The LDB will make various changes to its online reporting and downstream financial systems to accommodate this change.
- In December 2015, BC land-based wineries will be sent a revised sales agreement and a notice regarding the changes for hospitality pricing.
- The changes will take effect in February 2016.

Contact: Melissa Tang, Senior Policy Analyst
Telephone: (604) 252-3159

Reviewed by				
Dir: CT, RL, RS	ED: AW	ADM: BL	A/DM: CL	MIN: