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## EXECUTIVE MEMBER BIOGRAPHY

**R. BLAIN LAWSON**

**General Manager and Chief Executive Officer  
Liquor Distribution Branch**



s.22

Ministry of Small Business and Red-Tape Reduction and Minister Responsible for the  
Liquor Distribution Branch

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\* Please do not share – for ADM/MO use/reference only.



Recommendations	Date Implemented
66. Allow liquor-primary establishments to offer more liquor-free events for all-ages (e.g., music concerts).	Nov 24/14
69. Change the regulations allowing UBrew/UVin members to change their name to Ferment-OnPremise (FOP) to be consistent with federal legislation. Establishments can continue to call themselves UBrews/UVins if they choose.	Nov 24/14
70. Permit the owners and family members of UBrews and UVins to own other liquor-related establishments.	Jun 20/14
72. To make the required adjustment, the Ministry of Justice should develop an effective change management plan, which should include training and professional development for staff and consideration of appropriate LCLB resources.	Ongoing
73. Ensure that these recommendations, when taken in total, represent a significant reduction in red tape for businesses in the liquor industry in B.C., to support economic development.	Ongoing

## **Business of the LDB**

The LDB is one of two branches of government responsible for the beverage alcohol industry in BC.

The *Liquor Distribution Act* gives the LDB the sole right to purchase beverage alcohol both within BC and from outside the province, in accordance with the federal *Importation of Intoxicating Liquors Act*.

As the sole buyer and re-seller of liquor in the province's mixed public-private model, the LDB is one of the largest liquor purchasers in the world.

Every year, the LDB buys alcohol from more than 1,000 Canadian and international suppliers and manufacturers, supplying product to wholesale and retail customers across the province.

The LDB is proud to contribute approximately \$1 billion annually to the Province of BC, helping to provide financial support for vital public services such as health care and education.



**Liquor Distribution Branch**  
**2015/16 Mandate Letter**

November 6, 2014

R. Blain Lawson  
General Manager and Chief Executive Officer  
Liquor Distribution Branch  
2625 Rupert Street  
Vancouver BC V5M 3T5

Dear Mr. Lawson:

Re: 2015/16 Mandate Letter

British Columbians have come to expect the high quality products and services delivered by their provincial public sector organizations. The Province is well served by our public sector organizations. It is the responsibility of the boards and senior management teams of these organizations to lead and manage in the best interests of the Province and the taxpayer by strengthening accountability and promoting cost control.

One of Government's core values is respect for the taxpayer's dollar. It is critical that public sector organizations operate as efficiently as possible, in order to ensure British Columbians are provided with services at the lowest cost possible. This requires constant focus on maintaining a cost-conscious and principled culture through the efficient delivery of services that stand the test of public scrutiny and help develop a prosperous economy in an environmentally sustainable manner. The foundation of this work is Government's commitment to controlling spending and balancing the budget.

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Ministry of  
Justice

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Minister of Justice  
and Attorney General

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The Liquor Distribution Branch is directed to take the following specific strategic priority actions for 2015/16:

1. Facilitate preliminary development of a purpose-built Wholesale Distribution Centre, scheduled for occupation in 2018/19, to support capacity demands while realizing efficiencies to increase productivity;
2. Develop and implement wholesale and retail pricing models scheduled for 2015/16 to promote transparency and further level the playing field between public and private retailers, and work with the Liquor Control and Licensing Branch to implement social reference pricing at the retail level;
3. Comply with Government's financial policies/guidelines for mark-up, taxation and the LDB's revenue contribution to Government, and meet the LDB's 2015/16 Service Plan budget and performance targets, including net income; and,
4. Collaborate with Government to review, draft and finalize amendments to the *Liquor Distribution Act* that modernize, refine and further define the scope of LDB duties and authority.

These specific strategic priority actions and the Taxpayer Accountability Principles actions are to be included and integrated in your 2015/16 – 2017/18 Service Plan.

As part of the commitment to fiscal responsibility and to ensure the best possible use of government resources, provincial public sector organizations now operate under the Taxpayer Accountability Principles (attached) announced by Premier Christy Clark in June 2014. Through the implementation of Taxpayer Accountability Principles, leadership teams in public sector organizations are leading a change to a cost-conscious public sector that strengthens cost management capabilities and fosters a principled culture of efficiency and accountability at all levels

The Liquor Distribution Branch is expected to fully adopt the Taxpayer Accountability Principles – cost consciousness (efficiency), accountability, appropriate compensation, service, respect and integrity. The actions, as detailed in the 2014 Transition Letter, are to be completely implemented in 2015/16. For further information on the Taxpayer Accountability Principles, please see, <http://gov.bc.ca/crownaccountabilities>

To support the implementation of the Taxpayer Accountability Principles, please ensure you sign this 2015/16 mandate letter and the signed letter is posted publicly on your organization's website.

Government is committed to further strengthening accountability, improving the management of public funds and revitalizing the relationship between Government and public sector organizations. This strong focus on improved two-way communication is to support and ensure a complete understanding of government directions, expectations,

accountabilities and alignment with strategic priorities. As such, it is important that each of us advise the other in a timely manner of any issues that may materially affect the business of the Liquor Distribution Branch and/or the interests of Government, including information on any risks to achieving financial forecasts and performance targets.

I look forward to our regular quarterly meetings that focus on strategic priorities, performance against the Taxpayer Accountability Principles, results and working together to protect the public interest at all times.



Honourable Suzanne Anton QC  
Attorney General  
Minister of Justice

Date: November 6, 2014



R. Blain Lawson  
General Manager and Chief Executive Officer  
Liquor Distribution Branch

Date: November 26, 2014

cc: Honourable Christy Clark  
Premier

John Dyble  
Deputy Minister to the Premier and Cabinet Secretary

Peter Milburn  
Deputy Minister and Secretary to Treasury Board  
Ministry of Finance

Cheryl Wenezenki-Yolland  
Associate Deputy Minister  
Ministry of Finance

Lori Wanamaker  
Deputy Solicitor General  
Ministry of Justice

## B.C. Taxpayer Accountability Principles

Further information available at: <http://gov.bc.ca/crownaccountabilities>

1	Cost Consciousness (Efficiency)	Strengthen cost management capabilities and foster a culture of cost-consciousness at all levels of public sector organizations. Provide public services and programs as efficiently and effectively as possible to “bend the cost curve” and support sustainable public policies and programs as a lasting legacy for generations to come.
2	Accountability	Transparently manage responsibilities according to a set of common public sector principles in the best interest of the citizens of the province. By enhancing organizational efficiency and effectiveness in the planning, reporting and decision making, public sector organizations will ensure actions are aligned with government’s strategic mandate.
3	Appropriate Compensation	Comply with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation for work across the public sector that is consistent with government’s taxpayer accountability principles and respectful of the taxpayer.
4	Service	Maintain a clear focus on positive outcomes for citizens of British Columbia by delivering cost-efficient, effective, value-for-money public services and programs.
5	Respect	Engage in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions, decisions and public communications in a timely manner. Proactively collaborate in a spirit of partnership that respects the use of taxpayers’ monies.
6	Integrity	Make decisions and take actions that are transparent, ethical and free from conflict of interest. Require the establishment of a strong ethical code of conduct for all employees and executives. Serve the citizens of British Columbia by respecting the shared public trust and acting in accordance with the taxpayer accountability principles.

**2015/16 ESTIMATES NOTE****Liquor Distribution  
Branch Governance****Suggested Response:**

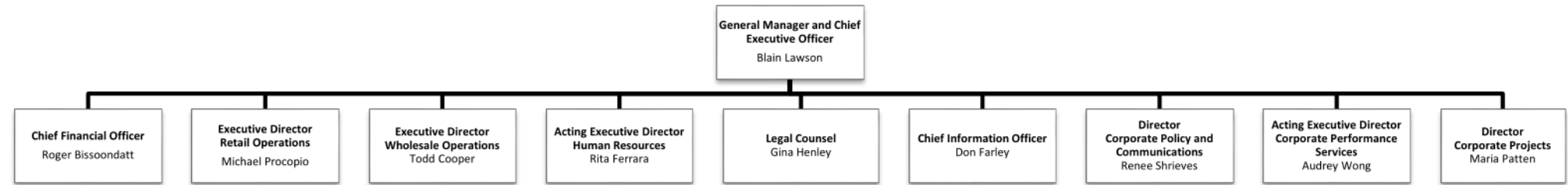
- In following through with my mandate direction to look at alternative governance options for the Liquor Distribution Branch, we continue to explore whether there is a model that would better service British Columbians.
- As it currently stands, our liquor retail model will remain status quo.
- The Liquor Distribution Branch will continue to generate revenue that will help pay for the social services, education and health care that British Columbians enjoy.

**Background:**

- In the Minister's 2013 mandate letter, Minister of Justice Suzanne Anton was asked to "consider and present options to convert the Liquor Distribution Branch into either a Crown agency or Crown Corporation with its own Board of Directors".
- This is separate from the recent liquor policy review led by Parliamentary Secretary John Yap, relating to modernizing BC's liquor legislation and regulations. The Liquor Review Terms of Reference excluded Liquor Distribution Branch governance.

Contact: Anita Nadziejko, CPPO	Phone: 250-387-4842	Mobile: s.17
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Liquor Distribution Branch





## **INDUSTRY QUESTIONS FOR THE LDB**

**Questions from the BC Restaurant and Food Services Association (BCRFA) and ABLE BC**  
*(Questions arose from March 23 stakeholder meeting with the LDB. Q&A sent to ABLE BC after the meeting for distribution to its members)*

### **FIRST ROUND OF QUESTIONS**

#### **Product Allocation**

**1. Can BC Liquor Stores (BCLS) buy “spec” products?**

Beginning April 1, all products are considered wholesale products which are available to all customers. However, suppliers may elect to allocate their products exclusively to specific customers. Suppliers can elect to do this for all customers, including the BCLS.

**2. How will the Liquor Distribution Branch (LDB) mark up “spec” products that they sell wholesale to the hospitality channels, which they do not resell at the BCLS?**

All products across the province, regardless of the channel in which they are sold, will have a wholesale price and an LDB established retail price.

Manufacturers, agents and suppliers were given the LDB established retail price for their products for Period 1 2015/16 on March 20.

**3. Are there any anticipated improvements to the “spec” system in terms of turnaround time or backorders?**

The LDB is making significant efforts to improve performance across the organization, including looking at ways of further streamlining the processes associated with exclusive products. Further details will be provided as they are available.

**4. Are customers still required to purchase full cases?**

The typical rules for ordering through the Wholesale Customer Centre (WCC) are:

- 3/6/9 partial cases for regularly stocked product in bottle sizes larger than 375ml but less than 1.75 litres to a maximum of 10 per cent of the total selling units. Excluded are: bag in box, beer, refreshment beverages and non-stocked wholesale product.
- A minimum of 30 cases per shipment.

**5. What will the process be for working with BCLS to have Limited Time Offers (LTO) for their products? Will LTO from suppliers be passed along to licensees?**

A Wholesale Price Promotion program (WPP), previously known as an LTO, is a temporary decrease in a product’s wholesale price requested and fully funded by the manufacturer, supplier or agent. All products are eligible for the WPP.

BCLS will generally pass on the WPPs to LDB established retail prices (for retail consumers and hospitality customers), however private retailers will make their own business decisions in relation to whether these are passed onto their retail prices.

**6. What system will be in place for the allocation of products to hospitality and retail customers?**

There are no changes to the current product allocation processes - the LDB and BCLS practice will continue to be distributing products on a first come, first served basis. Retail customers, and the majority of hospitality customers, will continue to be serviced through BCLS, with some of the larger hospitality customers being serviced through the WCC. All hospitality and retail customers, regardless of channel, pay the LDB established retail price, plus applicable taxes.

It's also important to note that – even if BCLS don't carry a product – they can access all products and are happy to order them in for hospitality customers. The only exception is products that suppliers choose to sell or direct deliver exclusively to a particular customer.

### **Government Retail Prices**

**1. Is there any way for hospitality customers to obtain retail pricing information?**

On March 20, agents and suppliers were provided the LDB established retail price for their specific SKUs in order for them to price their products for sales to hospitality customers.

Just like today, hospitality customers can continue to get their real-time product pricing from the product guide (which is available online at the BCLS website), the LDB web store if they order online through the WCC, from agents who market products directly to them and/or by going into a BCLS.

The product guide is available online at the BCLS website ([www.bcliquorstores.com](http://www.bcliquorstores.com)). The online version features enhanced search filters including searches by product category, country, size, price, and provides in-store availability information – all of which were not available through the hard copy product guide.

### **Refrigeration and Extended Hours**

**1. How will initiatives such as extended hours and refrigeration be funded?**

LDB evaluates initiatives such as extended hours and refrigeration on a store by store basis, to determine where it makes business sense, such as being profitable and meeting consumer demand. In these instances, the BCLS will fund store improvements strictly out of the BCLS budget.

**2. What was the financial rationale behind the LDB opening stores on statutory holidays and requiring additional staffing?**

Like any retailer, the LDB evaluates store hours and staffing on a store by store basis, to determine where it makes financial business sense. Ongoing analysis will be done to make business decisions relating to extended store hours, staffing requirements and other initiatives.

**3. Will the LDB subsidize BCLS operations (i.e. refrigeration units, remodeling, etc.)?**

No, the LDB will be operating two divisions – wholesale and retail. Each division will be evaluated on its own and will have its own budget to support its operations.

### **Liquor in Grocery**

**1. Does the LDB plan to move any of its retail stores into grocery stores?**

At this time, there are no plans to move BCLSs into grocery.

**2. How might wine on grocery shelves impact sales at BCLSs?**

At this point, it is unclear what impact wine in grocery could have on the competitive landscape of BC retailers who sell wine.

**New Wholesale Pricing Model and Retail Margins**

**1. How did the LDB calculate retail mark-up (for Period 1 pricing, effective April 1, 2015)?**

Like other retailers, BCLS will not be disclosing information regarding pricing strategies.

**2. How can private wine stores compete after losing their 30 per cent discount and having to pay a wholesale price?**

Like other retailers, independent wine stores will purchase product for a common wholesale price alongside other retailers. These wine stores can continue selling their specialized wine inventory or can explore other opportunities such as transitioning to a full-service Licensee Retail Stores (LRS) and/or transferring their licence to grocery.

**3. Why were VQA stores excluded from the common wholesale price?**

VQA stores operate under a unique consignment model which was outside the scope of the wholesale pricing model. Since VQA stores do not buy their products, they would not purchase under a common wholesale price (or any price).

**4. Are there any pricing restrictions for Rural Agency Store (RAS) operators under the new model?**

As of April 1, restrictions requiring RAS operators to price products within 10 per cent of BCLS prices are removed. For retail customers, RAS can price product according to market demands subject to Liquor Control and Licensing Branch (LCLB) minimum retail price requirements. RAS operators who are approved to sell to hospitality customers must sell products at the LDB established retail price, plus applicable taxes.

**5. Under the new model, do hospitality customers still get their “discount?”**

As they do now, hospitality customers will continue to purchase product at the LDB established retail price, plus GST.

Please note: because hospitality customers do not pay PST, they have traditionally referred to the PST being taken off the display price as their “discount.”

**6. Under the new wholesale model, is there a provision for incremental packaging?**

Post April 1, the value of the entire product will be marked up.

**Other Questions**

**1. Can LRS sell to hospitality customers under the new model?**

The LDB is expected to maintain government revenue targets and allowing LRSs to sell to hospitality customers would impact this mandate.

**2. The LDB has said it will no longer collect and remit PST on behalf of its hospitality customers. Can you explain how this affects Liquor Primaries and Food Primaries?**

The hospitality industry has never paid PST on product purchased from the LDB for resale. Hospitality customers collect the PST from their end consumer and have always been responsible for their own remittance.

The PST change is for direct distributors (manufacturers/agents/suppliers) who will be remitting their own GST and PST on retail sales going forward instead of having the LDB collect and remit on their behalf.

**3. Do hospitality customers who remit monthly PST online still receive a commission?**

Any commission that is provided for a monthly PST remittance is overseen by the Ministry of Finance's Consumer Taxation Branch. Please contact this branch for information relating to this question.

**4. Are any changes being made to ensure BC Liquor Stores don't get preferential treatment compared to private retailers?**

It has always been the LDB's practice to distribute products on a first in, first out basis where no customer, including BCLS, receives preferential treatment. There are occasions where a supplier allocates product to specific retailers (eg. exclusives, limited supply). In these instances, the LDB distributes the product according to the supplier's instructions.

## **SECOND ROUND OF QUESTIONS**

**1. Can manufacturers continue to direct deliver products to hospitality and wholesale customers?**

Manufacturers who can direct deliver to hospitality and wholesale customers will continue to do so.

**2. What are the changes to BC VQA?**

There are no changes to the BC VQA program.

**3. What is the 'Liquor Distribution Branch (LDB) established retail price?'**

The 'LDB established retail price' is the price established by the LDB for all products that are distributed through BC Liquor Stores (BCLS), manufacturers or direct distributors for sales to hospitality and BCLS customers.

**4. How and when can manufacturers change the wholesale price of their product(s)?**

Wholesale pricing changes can be made for each period (12 times per year). Retail prices will be established by the individual retailer.

**5. What are the reporting changes that manufacturers must know about?**

Retail sales to retail customers are no longer being reported to the LDB. Manufacturers, agents and suppliers are now reporting on wholesale and hospitality sales. Please note there are new customer types: Manufacturer Onsite Stores (MOS) and Grocery Stores (GRC).

**6. What price do wholesale customers pay for product?**

All retailers, including BCLS, pay the common wholesale price.

**7. What price can retailers charge for products?**

Each individual retailer determines their shelf price based on business decisions and market demands, subject to the minimum retail price set by the Liquor Control and Licensing Branch (LCLB).

**8. Where do wholesale customers order their products?**

All wholesale customers are now serviced by the Wholesale Customer Centre (WCC). This includes order of non-stock wholesale products (previously called SPEC). For privately distributed beer, wholesale customers are required to contact the brewery or third-party distributor directly. Manufacturers that currently privately distribute to wholesale customers will continue to do so.

**9. How do wholesale customers return product?**

Returns are to be made where the product was purchased from. Wholesale product cannot be returned at a BCLS.

All requests to return product must be made to the WCC and must first be approved in writing. To return the product, wholesale customers are to contact the WCC and request a Return Authorization Form. When the return request is approved, arrangements will be made to return the product.

**10. What is the LDB's strategy for BCLS?**

The strategy for BCLS is evolving and will need to be flexible to meet the demands of customers, market forces and competition.

**11. What is changing for hospitality customers?**

There are no significant changes for hospitality customers under the new pricing model. Any anticipated changes are noted in the presentation deck.

**12. Where do hospitality customers order their products?**

Hospitality customers should continue to order product from BCLS, direct distributors and the WCC (if applicable).

**13. What price does a hospitality customer pay for their product?**

All hospitality customers, regardless of where they purchase product, continue to pay the LDB established retail price plus GST. There is no PST on these purchases.

**14. Where do hospitality customers return product that is defective?**

Hospitality customers should continue to request for returns in a timely manner from the channel where they purchased the product.

**15. Why didn't the LDB release the retail prices to hospitality customers?**

As committed, the LDB released BCLS retail prices on Friday, March 20 to those who required the list in order to supply products to hospitality customers come April 1, such as agents and suppliers.

Just like today, hospitality customers can continue to get real-time product pricing from the product guide (which is available online at the BCLS website), the LDB web store if they order online through the WCC, from agents who market products directly to them and/or by going into a BCLS.

The online version features enhance search filters including searches by product category, country, size, price, and provides in-store availability information – all of which were not available through the hard copy product guide.

**16. Will the LDB give an importer/agent the shelf price before an importer/agent needs to commit to selling it to them?**

No, an importer/agent will be able to know their wholesale price based on their supplier cost, however the exact shelf price is not provided to the importer/agent until after they provide their supplier cost and a subsequent LDB wholesale price is calculated. Like any other retailer, BCLS will not be able to calculate their shelf price until they know their wholesale cost that they are paying for their product.

**17. Will wholesale customers get a retail price list?**

BCLS do not plan on pre-releasing retail prices, other than to industry partners who service the hospitality industry and need the prices to supply product to them.

Previously, private sector retailers required BCLS retail pricing because their cost-of-product was directly linked to the BCLS display price – discount-off-of-display. With a common wholesale price, there is no longer a business imperative for private retailers to have access to BCLS retail pricing.

Wholesale customers will have access to a wholesale price list. LRSs should have received access to the wholesale price list for Period 1 on March 6, 2015 but if they did not, they should contact the LDB. For future periods, wholesale prices will be made available to all retailers approximately three weeks prior to the next period.

**18. Is there a minimum retail price?**

All retailers will pay a common wholesale price and will determine their retail price based on their own business needs and marketplace demand, as long as it is above the minimum retail price set by the LCLB.

Retailers will set their own price and will not have access to BCLS prices before they become effective (when the price of products will be available in-store or on the website).

**19. Will LRSs and other private retailers be able to sell to hospitality and/or holders of special occasion licences?**

The LDB is expected to maintain government revenue targets and allowing LRSs to sell to hospitality customers would impact this mandate.

**20. How can LRSs compete with BCLSs now that BCLSs can extend hours, open on Sunday openings and include refrigeration? Are limitations being considered for BCLSs that are close to LRSs?**

Under the new wholesale pricing model, BCLSs purchase product at the same wholesale price as other retailers. Government has also made other changes which put private retailers and BCLSs on a more equal footing, including extending the 1 km rule so that it now applies to BCLSs. To reflect these changes, and the new expectations placed on BCLSs to compete as an equal competitor, BCLSs are now permitted to extend their operating hours and refrigeration to align with private liquor stores, should they choose to do so.

Similar to any retail industry, all liquor retailers – including BCLSs – must periodically review their business strategies and decisions in order to meet the demands of the evolving marketplace. **It is up to each retailer's discretion to determine an effective business strategy.**

**21. How many BCLSs will be operation by end of 2015? Are any expected to close?**

Any changes to the current liquor retail model have to respect the obligations that exist in current collective agreements, as outlined by Parliamentary Secretary John Yap's terms of reference for the Liquor Policy Review.

Specifically, the BC Government Employees Union, which includes BCLS staff, recently ratified a new collective agreement which will expire on March 31, 2019. This agreement includes a provision guaranteeing that the number of BCLSs will not drop below 185 (there are currently 196).

**23. How does the LDB determine which products they sell in their stores?**

Like any retailer, these decisions are based on business needs and marketplace demands.

**24. Was a discount for hospitality customers considered?**

Hospitality customers do not receive a discount in the current model and changing this was not part of the new wholesale pricing model which was about all retailers, including BCLS, paying a common wholesale price.

The LDB is expected to maintain revenue targets and providing a new discount for the hospitality industry would not have allowed the LDB to reach revenue targets without significant impacts to the existing wholesale customer base.

**25. Why were profit margins cut for private wine stores?**

Like other retailers, independent wine stores purchase product for a common wholesale price. These wine stores can continue selling their specialized wine inventory or can explore other opportunities such as transitioning to a full-service LRS and/or transferring their licence to grocery.

**26. What is the rationale of changing government sell prices to tax-excluded?**

This change brings BCLS in line with common retail standards across North America, where tax is commonly added at the register. **As well, the current system is customized to accommodate BCLS "tax-in" display price. Moving to an "out of the box" retail system means BCLS won't have to pay for the customizations, and will therefore save money.**

**To be clear, this isn't changing prices for consumers – it's simply an administrative change that means adding tax on at the register, rather than including tax in the shelf price.**

**27. Does the LDB stock products at its own stores before giving product to LRSs? Some people recently raised concerns about Hey Y'all Iced Tea.**

It has always been the LDB's practice to distribute products on a first-in, first-out basis where no customers, including BCLS, receive preferential treatment.

There are occasions where a supplier allocates product to specific retailers (i.e. exclusives and limited supply). In these instances, the LDB distributes the product according to the supplier's instructions.

In regard to Hey Y'all Iced Tea, this product is currently available in the marketplace and can be ordered now. The letter that many industry partners received stating otherwise was incorrect.

**28. What should people do if they have concerns about wholesale ordering? Who can help them resolve these issues?**

Please email any questions related to wholesale ordering to: [wholesalehelp@bclddb.com](mailto:wholesalehelp@bclddb.com) or call 604-775-0681 during WCC business hours.

**29. Will there be public reporting on individual BCLSs earnings? Will the provincial government know which BCLSs are making money?**

Currently, an annual report is released providing budgets and forecasts for the retail and wholesale divisions. This remains status quo. The goal is to remain the overall profitability of retail channel with each store serving a function in the overall BCLS retail model.



## BEVERAGE ALCOHOL INDUSTRY ASSOCIATIONS

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Shaun – Tinhorn Creek Vineyards

### **B.C. Estate Winery Association**

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**Minister of Small Business, Red-Tape Reduction**  
**Liquor Distribution Branch**  
**Net Income Projections to Fiscal 2018/19**

\$000s	Actual 2014/15	Budget 2015/16	Projections <sup>1</sup>			
			2015/16	2016/17	2017/18	2018/19
<b>SALES</b>	3,092,479	2,848,160	2,848,160	2,906,593	2,966,185	s.17
Commissions	8,340	6,029	6,029	6,152	6,278	
Discounts <sup>2</sup>	206,220	-	-	-	-	
<b>NET SALES</b>	2,877,919	2,842,131	2,842,131	2,900,441	2,959,907	
Cost of Sales	1,670,086	1,628,412	1,628,412	1,664,131	1,700,437	
<b>GROSS MARGIN</b>	1,207,833	1,213,719	1,213,719	1,236,310	1,259,470	
Operating Expenses	321,032	341,144	341,144	348,725	357,298	
<b>OPERATING INCOME</b>	886,801	872,575	872,575	887,585	902,172	
Gain on Sale of Warehouse <sup>3</sup>	36,930	-	-	-	-	
Other Income	11,502	8,000	8,000	8,000	8,000	
<b>NET INCOME</b>	935,233	880,575	880,575	895,585	910,172	
Capital	25,217	34,017	34,017	64,652	59,471	
<b>% Of Net Sales</b>						
Expenses	11.2%	12.0%	12.0%	12.0%	12.1%	
<b>% Increase over Previous Year</b>						
Net Sales	4.9%	-1.2%	-1.2%	2.1%	2.1%	
Operating Expenses	7.2%	6.3%	6.3%	2.2%	2.5%	
Net Income	6.6%	-5.8%	-5.8%	1.7%	1.6%	

## LDB Warehouse Sale and Relocation – Treasury Board Decision

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**See tab 51 for additional information.**

**2015/16 ESTIMATES NOTE****LDB Vancouver  
Distribution Centre  
Sale and Relocation****Suggested Response:**

- The decision to sell the Vancouver warehouse provides the Liquor Distribution Branch with an opportunity to relocate to a new, larger facility and realize efficiencies and productivity gains.
- While the Branch continues to look for a suitable site and work on the design of the new facility, they are leasing their existing warehouse from the new owners for three years with two, one-year options to renew.
- In the meantime, business as usual will carry on at the Vancouver warehouse. Staff are not impacted by the property transfer.
- The Branch expects to be fully operational in a new location by 2018.

**Background:**

- On Feb. 14, 2013, the BC Government announced its plan to sell the property where the Liquor Distribution Branch's current Vancouver Distribution Centre is located on East Broadway and relocate the operation to an updated facility at a new location.
  - The Branch is recommending that it lease the new facility at an approximate lease rate of \$11.5 M per year. Leasing represents a savings of approximately \$5.6 M per year when compared to the cost of owning, and the lease cost would be allocated to annual operating expenses.
  - If approved to do so, the Branch, with the assistance of commercial real estate firms, will look for a suitable site within Metro Vancouver.
- The Branch contracted the services of Sedlak Management Consultants in Sept, 2013 and has been working with them on identifying the design specifications of the facility that will house upgraded warehouse technology and material handling equipment.
- It is not possible to state what staffing impacts there will be until the design work of the new facility is complete; however, the Branch will respect all collective agreement provisions.

Contact: Audrey Wong, LDB	Phone: 604-252-3035	Mobile: s.17
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**MINISTRY OF JUSTICE  
LIQUOR DISTRIBUTION BRANCH  
BRIEFING NOTE**

**PREPARED FOR:** Honourable Suzanne Anton, Minister  
**FOR INFORMATION**

**ISSUE:** Update – Liquor Distribution Branch (LDB) Warehouse Sale and Relocation

**BACKGROUND:**

The LDB's Vancouver warehouse facility is nearing the end of its functional lifecycle. However, it is on a large parcel of land with redevelopment potential for a higher and better use.

On February 14, 2013, the Government announced that it plans to sell the property where the LDB's current Vancouver warehouse is located on East Broadway. It plans to relocate the warehouse and distribution operation to an updated facility at a new, undetermined location.

Colliers International was chosen to handle the sale of the property. Government has instructed Colliers to conclude the sale of the property by March 31, 2014. The new warehouse is expected to start operating within three years.

Government and the LDB have committed to honouring the collective agreement with LDB employees, and making best efforts to minimize staffing impacts as a result of the move to the new warehouse.

**DISCUSSION:**

**1. Sale**

Pre-sale activities began during the week of July 15, 2013 and are now concluded. The real estate sign is expected to appear on the property by early October 2013.

**2. Relocation**

In relocating its Vancouver warehouse facility, the LDB expects to realize efficiency gains from additional size, modern and higher racking, improved aisle access, improved receiving and shipping bays, some automation, and an improved working environment. A series of upcoming Requests for Proposals (RFP) will seek individuals with expertise

in warehousing, logistics and distribution best practices to supplement the LDB's in-house knowledge.

The first RFP was issued on May 24, 2013 for a subject matter expert in supply chain and logistics management to assist the LDB in determining requirements for the new warehouse relocation in Metro Vancouver, and selecting technology solution(s) which will allow the LDB to realize the full potential of a new facility.

This RFP had a closing date of July 5, 2013. The selection process is now complete and Sedlak Management Consultants, Inc. was the successful proponent.

A list of the unsuccessful proponents is attached as Appendix A.

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**Approved by:**

Blain Lawson  
General Manager and CEO  
Liquor Distribution Branch  
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## **APPENDIX A**

### **Unsuccessful Applicants for the Subject Matter Expert in Supply Chain & Logistics Management Request for Proposals**

- BizTechMasters Inc.
- CGI Information Systems and Management Consultants Inc.
- CGR Management Consultants, LLC
- Deloitte Inc.
- Devencore Company Ltd. dba Newmark Knight Frank Devencore
- IBM Canada Ltd.
- KOM International inc.
- KPMG LLP
- Kurt Salmon Canada Ltd.
- LIDD Consultants Inc.
- Metro Supply Chain Group
- Protiviti Inc.
- PricewaterhouseCoopers LLP
- Sierra Systems Group Inc.
- Stantec Consulting Ltd.
- Tompkins Associates, Inc.
- Trybec Management Services, Inc.

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

**PREPARED FOR:** Honourable Suzanne Anton, Minister  
**FOR INFORMATION**

**ISSUE:** Update – Liquor Distribution Branch (LDB) Warehouse Sale and Relocation

**BACKGROUND:**

**1. Sale**

The LDB's Vancouver warehouse facility is nearing the end of its functional lifecycle. However, it is on a large parcel of land with redevelopment potential for a higher and better use.

On February 14, 2013, the Government announced that it plans to sell the property where the LDB's current Vancouver warehouse is located on East Broadway (the "Property"). It plans to relocate the warehouse and distribution operation to an updated facility at a new, undetermined location.

Colliers International was chosen to handle the sale of the Property. Government has instructed Colliers to conclude the sale of the Property by March 31, 2014.

**2. Relocation**

The LDB's new warehouse is expected to start operating by mid-2016.

Government and the LDB have committed to honouring the collective agreement with LDB employees, and making best efforts to minimize staffing impacts as a result of the move to the new warehouse.

In relocating its Vancouver warehouse facility, the LDB expects to realize efficiency gains from additional size, modern and higher racking, improved aisle access, improved receiving and shipping bays, some automation, and an improved working environment. A series of upcoming Requests for Proposals (RFP) will seek individuals with expertise in warehousing, logistics and distribution best practices to supplement the LDB's in-house knowledge. Following issuance of an RFP, Sedlak Management Consultants, Inc. was recently selected as a subject matter expert in supply chain and logistics management.

## **DISCUSSION:**

Pre-sale activities began during the week of July 15, 2013. Although pre-sale activities were substantially completed by mid-September, consultation with First Nations ensued, which resulted in a delay in listing the Property.

To date, all First Nations issues raised have been effectively managed, with the exception of a potential claim by the Musqueam band, which has also expressed interest in the possibility of purchasing the Property.

As a result, the sale of the Property is currently on short-term hold pending further consultation with the Musqueam band.

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

**PREPARED FOR:** Honourable Suzanne Anton, Minister  
**FOR INFORMATION**

**ISSUE:** Liquor Distribution Branch (LDB) Warehouse Sale and Relocation

**BACKGROUND:**

On February 14, 2013, the Government announced that it plans to sell the property where the LDB's current Vancouver warehouse is located on East Broadway. It plans to relocate the warehouse and distribution operation to an updated facility at a new, undetermined location. Pre-sale activities began during the week of July 15, 2013.

**DISCUSSION:**

**1. Sale**

The LDB's Vancouver warehouse facility is nearing the end of its functional lifecycle. However, it is on a large parcel of land with redevelopment potential for a higher and better use.

Colliers International has been chosen to handle the sale of the property. Pre-sale property assessments are being conducted and there will be numerous tours of the property taking place. The real estate sign will appear on the property on September 3, 2013. Government has instructed Colliers to conclude a sale of the property by March 31, 2014.

Colliers has valued the property at approximately \$44 million. This amount is not included in government's release of surplus assets for economic generation plan. It will be shown separately. The current value of the building is \$31.2 million on the LDB's balance sheet.

**2. Relocation**

The new warehouse is expected to commence operating within three years. There is currently no estimated cost for the new facility because the specifications have not been determined. Efficiency gains are expected to come from additional size, modern and higher racking, improved aisle access, improved receiving and shipping bays, some automation, and an improved working environment. A series of upcoming Requests for

Proposals (RFP) will seek individuals with expertise in warehousing, logistics and distribution best practices to supplement the LDB's in-house knowledge.

The first RFP was issued for a subject matter expert on May 24, 2013, with a closing date of July 5, 2013. The selection process was to be completed by July 26, but has been delayed because of an unexpectedly high number of submissions. It is now expected to be completed by mid-to-late August. The successful candidate will assist the LDB in determining requirements for the warehouse relocation in Metro Vancouver, and selecting technology solution(s) which will allow the LDB to realize the full potential of a new facility.

### **3. Staff Impacts**

In addition to warehouse and distribution operations, the LDB's Vancouver warehouse facility also houses the LDB's security control centre, data centre, test laboratory, support and training facilities, cafeteria, fitness facility and daycare. The General Manager sent an email to all staff on July 18, 2013 to notify them of the pending sale, and to inform them that the pre-sale activities that will be taking place are a normal part of the process.

The collective agreement with the BC Government Employees Union (BCGEU) was recently renegotiated in the fall of 2012. Government and the LDB have committed to honouring that agreement and making best efforts to minimize staffing impacts as a result of the move to the new warehouse.

The LDB will continue to monitor and evaluate staff impacts as the warehouse sale and relocation process progresses.

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## Liquor Sales at Craft Markets

The program advises that this will be a verbal briefing.

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## Wine Store Auctions

The program advises that this will be a verbal briefing.

**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.

s.13,s.17

s.13,s.17

## 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**

<b>Change in Retail Price</b>	<b># of Spirit SKUs</b>	<b># of Beer SKUs</b>	<b># of Wine SKUs</b>	<b># of Refreshment SKUs</b>	<b>Total Number of SKUs Decreasing or Increasing by Greater than \$0.10</b>	<b>% of Total SKUs</b>
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.

## Appendix D

### Changes in Retail Price for the Top 100 Selling SKUs by Product Category

#### 1. Increases in Retail Price

Reason for Increase	# of Beer SKUs	# of Refreshment SKUs	# of Wine SKUs	# of Spirits SKUs
Increase in supplier-related cost	13	3	4	15
Removal of incremental packaging benefit s.13,s.17	0	0	1	0
LTOs finishing before April 1	2	2	17	8
<b>Total</b>	74	62	63	79

#### 2. Decreases in Retail Price

Reason for Decrease	# of Beer SKUs	# of Refreshment SKUs	# of Wine SKUs	# of Spirits SKUs
Decrease in supplier-related cost	5	2	1	0
LTOs starting on or after April 1	7	14	25	7
Insignificant decreases due to rounding*	4	9	3	12
<b>Total</b>	16	25	29	19

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

#### 3. No change in Retail Price

# of Beer SKUs	# of Refreshment SKUs	# of Wine SKUs	# of Spirits SKUs
10	13	8	2

**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 for period 5 (July 26 to August 29, 2015)

**SUMMARY:**

- Overall, in period 5, 10.17% of stock keeping units (SKUs) at BC Liquor Stores increased in retail price (2,024 SKUs), 87.28% (17,363 SKUs) remained the same and 2.55% (507 SKUs) decreased in retail price. There are a total of 19,894 SKUs.
- Of the SKUs that increased in price:
  - 36.36% of the increases are less than 1% (736 SKUs)
  - 35.87% of the increases are between 1% and 5% (726 SKUs)
  - 10.13% of the increases are between 5.01% and 10% (205 SKUs)
  - 17.64% of the increases are more than 10% (358 SKUs)
- Reasons for increases in price:
  - 23.02% (466 SKUs) of the overall increases are due to Wholesale Price Promotions (WPP) that ended in period 4. As a result, these SKUs will no longer be sold at a decreased WPP price, but will be sold at the LDB's regular wholesale price, causing a corresponding increase in the LDB established retail price.
  - 6.03% (122 SKUs) of the overall increases are due to increases in supplier-related costs. These increases will cause a corresponding increase in the LDB established retail price.
  - 70.95% (1,436 SKUs) of the overall increases are due to the application of margin rules (ie. rules that ensure that the LDB receives a minimum retail margin. These rules vary by product and by product category) or the application of price ending rules (for example, SKUs priced at \$29.99 or lower must end with 0.29, 0.49, 0.79 or 0.99).
- Reasons for decreases in price:
  - Approximately 82.45% (418 SKUs) of the overall decreases are due to WPPs that will begin in period 5. As a result, these SKUs will be sold at a decreased WPP price, causing a corresponding decrease in the LDB established retail price.

- Approximately 7.10% (36 SKUs) of the overall decreases are due to decreases in supplier-related costs. These decreases will cause a corresponding decrease in the LDB established retail price.
- Approximately 1.88% (38 SKUs) of the overall decreases are due to decisions made by Category Managers to decrease the price.
- Approximately 0.74% (15 SKUs) of the overall decreases are due to new products being priced at clearance pricing.

## BACKGROUND:

- By product category:

### Wines

- 9.50% (1,477 SKUs) increased in price, 88.30% (13,724 SKUs) stayed the same, and 2.20% (342 SKUs) decreased in price. There are a total of 15,543 wine SKUs.
- Of the wine SKUs that increased in price:
  - 42.99% of the increases are less than 1% (635 SKUs)
  - 32.63% of the increases are between 1% and 5% (482 SKUs)
  - 6.30% of the increases are between 5.01% and 10% (93 SKUs)
  - 18.08% of the increases are more than 10% (267 SKUs)
- Reasons for increases in price:
  - 20.58% (304 SKUs) of the overall increases are due to WPPs that ended in period 4.
  - 4.47% (66 SKUs) of the overall increases are due to increases in supplier-related costs.
  - 74.95% (1,107 SKUs) of the overall increases are due to the application of price ending rules or margin rules.
- Examples of retail price changes this period for the top ten-selling<sup>1</sup> wine SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
100594 – Sauvignon Blanc – Kim Crawford Marlborough 2014	\$15.29	\$18.99	\$3.70	WPP ending
566836 – Viognier – Cono Sur	\$8.59	\$9.79	\$1.20	WPP ending

<sup>1</sup> The top ten-selling SKUs in each section are based on sales information from 2015 Q1 (April – June, 2015).



SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
293043 – Sauvignon Blanc – Stoneleigh	\$13.69	\$15.99	\$2.30	WPP ending
921304 – Pinot Grigio – Barefoot Cellars	\$7.69	\$8.79	\$1.10	WPP ending
325787 – Australia Red – McGuigan Black Label	\$8.59	\$8.59	—	No change
448548 – Riesling Gewurztraminer – Hardys Stamp Series	\$9.59	\$9.59	—	No change
125617 – California Red – Apothic Winemakers Blend	\$14.99	\$13.79	(\$1.20)	WPP starting
627802 – Chardonnay – Yellow Tail	\$9.49	\$11.49	\$2.00	WPP ending
316570 – Sauvignon Blanc – Oyster Bay Marlborough	\$17.99	\$15.99	(\$2.00)	WPP starting
26567 – Pinot Grigio – Oyster Bay Hawkes Bay 13/14	\$15.39	\$15.39	—	No change

### BC Wines

- 6.03% of the total increases in wine SKUs affect BC wines.
- 9.53% (89 SKUs) increased in price, 81.58% (762 SKUs) stayed the same and 8.89% (83 SKUs) decreased in price. There are a total of 934 BC wine SKUs.
- Of the BC wine SKUs that increased in price:
  - No increases are less than 1%
  - No increases are between 1% and 5%
  - 5.62% of the increases are between 5.01% and 10% (5 SKUs)
  - 94.38% of the increases are more than 10% (84 SKUs)
- Reasons for increases in price:
  - 95.51% (85 SKUs) of the overall increases are due to WPPs that ended in period 4.
  - 4.49% (4 SKUs) of the overall increases are due to increases in supplier-related costs.

- Examples of retail price changes this period for the top ten-selling BC wine SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
361105 – PELLER ESTATES - PROPRIETORS RESERVE PINOT GRIGIO	\$29.49	\$33.99	\$4.50	WPP ending
201434 – JACKSON TRIGGS PROPRIETOR'S SELECTION CABERNET SAUVIGNON	\$31.29	\$34.99	\$3.70	WPP ending
201343 – JACKSON TRIGGS PROPRIETOR'S SELECTION MERLOT	\$34.99	\$34.99	—	No change
106179 – DOMAINE D'OR WHITE	\$25.99	\$28.79	\$2.80	WPP ending
108688 – DOMAINE D'OR - RED	\$25.99	\$28.79	\$2.80	WPP ending
201384 – JACKSON TRIGGS PROPRIETOR'S SELECTION SAUVIGNON BLANC	\$34.99	\$34.99	—	No change
891416 – COPPER MOON – SHIRAZ	\$26.99	\$26.99	—	No change
22178 – NAKED GRAPE - PINOT GRIGIO	\$23.99	\$26.99	\$3.00	WPP ending
215525 – MISSION RIDGE - PREMIUM DRY WHITE	\$26.99	\$29.99	\$3.00	WPP ending
201376 – JACKSON TRIGGS PROPRIETOR'S SELECTION PINOT GRIGIO	\$34.79	\$31.29	(\$3.50)	WPP starting

- During the period of April 5 – July 15, 2015, sales for BC wines have increased, when compared to the same fiscal dates from last year.

### Beer

- 7.71% (101 SKUs) increased in price, 87.33% (1,144 SKUs) stayed the same and 4.96% (65 SKUs) decreased in price. There are a total of 1,310 beer SKUs.
- Of the beer SKUs that increased in price:
  - 1.98% of the increases are less than 1% (2 SKUs)
  - 25.74% of the increases are between 1% and 5% (26 SKUs)

- 44.55% of the increases are between 5.01% and 10% (45 SKUs)
- 27.72% of the increases are more than 10% (28 SKUs)
- Reasons for increases in price:
  - 59.41% (60 SKUs) of the overall increases are due to WPPs that ended in period 4.
  - 13.86% (14 SKUs) of the overall increases are due to increases in supplier-related costs.
  - 21.78% (22 SKUs) of the overall increases are due to the application of margin rules.
  - 4.95% (5 SKUs) of the overall increases are due to the application of price ending rules.
- Examples of retail price changes this period for the top ten-selling beer SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
906354 LABATT - BUDWEISER CAN	\$31.79	\$30.49	(\$1.30)	WPP starting
925222 LABATT - BUDWEISER CAN	\$19.99	\$19.99	—	No change
919373 COLUMBIA - KOKANEE CAN	\$31.79	\$31.79	—	No change
905844 MOLSON - CANADIAN CAN	\$29.79	\$30.99	\$1.20	WPP ending
606285 STROH CANADA - OLD MILWAUKEE CAN	\$18.29	\$18.29	—	No change
515643 CORONA EXTRA	\$20.99	\$22.29	\$1.30	WPP ending
945543 COLUMBIA - KOKANEE CAN	\$19.99	\$19.99	—	No change
923318 MOLSON - CANADIAN CAN	\$19.99	\$19.99	—	No change
904334 LABATT - BUDWEISER CAN	\$8.49	\$8.49	—	No change
906644 MOLSON - COORS LIGHT CAN	\$31.79	\$31.79	—	No change

## BC Craft Beer

- 19.80% of the total increases in beer SKUs affect BC craft beer.
- 4.83% (20 SKUs) increased in price, 93.48% (387 SKUs) stayed the same and 1.69% (7 SKUs) decreased in price. There are a total of 414 BC craft beer SKUs.
- Of the BC craft beer SKUs that increased in price:
  - No increases are less than 1%
  - 55% of the increases are between 1% and 5% (11 SKUs)
  - 40% of the increases are between 5.01% and 10% (8 SKUs)
  - 5% of the increases are more than 10% (1 SKU)
- Reasons for increases in price:
  - 20% (4 SKUs) of the overall increases are due to WPPs that ended in period 4.
  - 10% (2 SKUs) of the overall increases are due to increases in supplier-related costs.
  - 65% (13 SKUs) of the overall increases are due to the application of margin rules.
  - 5% (1 SKU) of the overall increases are due to the application of price ending rules.
- Examples of retail price changes this period for the top ten-selling BC craft beer SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
361527 – PACIFIC WESTERN - CARIBOO GENUINE DRAFT CAN	\$13.89	\$13.89	—	No change
110205 – PACIFIC WESTERN - CARIBOO GENUINE DRAFT CAN	\$22.69	\$23.99	\$1.30	Application of margin rules
63149 – PACIFIC WESTERN - CARIBOO GENUINE DRAFT CAN	\$6.99	\$6.99	—	No change
188342 – PACIFIC WESTERN - PACIFIC PILSNER CAN	\$27.69	\$28.99	\$1.30	Application of margin rules
542233 – HELL'S GATE - LAGER CAN	\$17.29	\$18.49	\$1.20	Application of margin rules

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
729665 – PACIFIC WESTERN - PACIFIC PILSNER CAN	\$17.39	\$18.49	\$1.10	Application of margin rules
456517 – CENTRAL CITY - RED RACER INDIA PALE ALE CAN	\$10.49	\$11.49	\$1.00	WPP ending
751081 – PHILLIPS - BLUE BUCK ALE	\$10.99	\$10.99	—	No change
844399 – DRIFTWOOD - FAT TUG IPA	\$5.39	\$5.39	—	No change
399717 – PHILLIPS - BLUE BUCK ALE CAN	\$10.29	\$10.29	—	No change

- During the period of April 5 – July 15, 2015, sales for BC craft beer have increased, when compared to the same fiscal dates from last year.

### Spirits

- 12.81% (348 SKUs) increased in price, 84.39% (2,293 SKUs) stayed the same and 2.80% (76 SKUs) decreased in price. There are a total of 2,717 spirit SKUs.
- Of the spirit SKUs that increased in price:
  - 28.16% of the increases are less than 1% (98 SKUs)
  - 49.14% of the increases are between 1% and 5% (171 SKUs)
  - 14.37% of the increases are between 5.01% and 10% (50 SKUs)
  - 8.33% of the increases are more than 10% (29 SKUs)
- Reasons for increases in price:
  - 18.10% (63 SKUs) of the overall increases are due to WPPs that ended in period 4.
  - 12.36% (43 SKUs) of the overall increases are due to increases in supplier-related costs.
  - 69.54% (242 SKUs) of the overall increases are due to the application of margin rules or price ending rules.

- Examples of retail price changes this period for the top ten-selling spirit SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
38505 – Smirnoff Red	\$49.99	\$49.99	—	No change
313908 – Smirnoff – Red Label Pet	\$21.99	\$21.99	—	No change
45898 – Bacardi – Superior White	\$48.49	\$48.49	—	No change
10108 – Crown Royal	\$32.80	\$34.99	\$2.20	WPP ending
744672 – Smirnoff – Red Label Pet	\$32.49	\$32.49	—	No change
236323 – Absolut	\$33.79	\$32.29	(\$1.50)	WPP starting
114694 – Crown Royal	\$54.49	\$54.99	\$0.50	Application of price ending rules
110056 – Absolut	\$21.39	\$22.99	\$1.60	WPP ending
240 – Smirnoff – Red Label	\$11.49	\$11.49	—	No change
1487 – Crown Royal	\$23.49	\$21.99	(\$1.50)	WPP starting

### Refreshments

- 30.25% (98 SKUs) increased in price, 62.65% SKUs stayed the same (203 SKUs) and 7.10% (23 SKUs) decreased in price. There are a total of 324 refreshment SKUs.
- Of the refreshment SKUs that increased in price:
  - 1.02% of the increases are less than 1% (1 SKU)
  - 47.96% of the increases are between 1% and 5% (47 SKUs)
  - 17.35% of the increases are between 5.01% and 10% (17 SKUs)
  - 33.67% of the increases are more than 10% (33 SKUs)
- Reasons for increases in price:
  - 37.76% (37 SKUs) of the overall increases are due to WPPs that ended in period 4.
  - 2.04% (2 SKUs) of the overall increases are due to increases in supplier-related costs.

- 58.16% (57 SKUs) of the overall increases are due to the application of margin rules.
- 2.04% (2 SKUs) of the overall increases are due to the application of price ending rules.
- Examples of retail price changes this period for the top ten-selling refreshment SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
217133 – TWISTED TEA HARD ICED TEA CAN	\$20.79	\$22.99	\$2.20	WPP ending
210906 – TWISTED TEA HALF & HALF CAN	\$20.39	\$22.99	\$2.60	WPP ending
168773 – LONETREE CIDER CAN	\$8.59	\$9.99	\$1.30	WPP ending
622282 – BULMER – STRONGBOW TALL CAN	\$10.99	\$11.29	\$0.30	Application of margin rules
843052 – PALM BAY RUBY GRAPEFRUIT SUNRISE SPRITZ CAN	\$8.69	\$8.99	\$0.30	Application of price ending rules
106054 – BULMER - STRONGBOW TALL CAN	\$18.19	\$19.49	\$1.30	WPP ending
824920 – HEY Y'ALL - HARD ICED TEA CAN	\$9.79	\$10.99	\$1.20	WPP ending
793430 – PALM BAY - TROPICAL ICED TEA MANGO LEMON CAN	\$9.79	\$9.99	\$0.20	Application of margin rules
777631 – LONETREE GINGER APPLE DRY CIDER	\$9.79	\$9.99	\$0.20	Application of margin rules
65649 – PALM BAY PINEAPPLE MANDARIN ORANGE SPRITZ CAN	\$8.79	\$8.99	\$0.20	Application of margin rules

#### OTHER MINISTRIES IMPACTED/CONSULTED:

- N/A

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**2015/16 ESTIMATES NOTE****Liquor Wholesale Pricing****Suggested Response:**

- Underpinning many of our liquor changes, including our wholesale pricing model, is the concept that government needs to get out of the way and leave more to market forces.
- As of April 1, all retailers, including BC Liquor Stores, will purchase their products at a common wholesale price.
- The model was designed to collect approximately the same amount of revenue for government from each product category as exists today to ensure that government revenue is protected and used to support health and social programs in the province.
- Within each wholesale category, some products go up in price and some go down. For the vast majority of products, the change is very minor in either direction.
- The Liquor Distribution Branch has worked very hard to ensure stakeholders understand the changes that are being implemented by delivering presentations, webinars, written material and answering hundreds of phone calls and answering over 1,500 questions through a dedicated email address.

**Background:**

- In conjunction with the Liquor Policy Review, the BC Government announced that the Liquor Distribution Branch will separate its wholesale and retail businesses and introduce a wholesale pricing structure.
- Currently, private liquor retailers (private liquor stores, rural agency stores and independent wine stores) purchase their product for a discount off of the BC Liquor Store display price and BC Liquor Stores received their product at cost.
- Beginning April 1, 2015, under the wholesale pricing structure all retailers, including BC Liquor Stores, will purchase a product at a common wholesale price.
- The Branch was instructed to ensure they could continue to meet revenue targets, therefore the wholesale pricing model was constructed to generate about the same revenue in each of the product categories (spirits, wine, beer, refreshment).
- The Branch contracted the services of Ernst & Young to assist with the modelling for this complex undertaking.



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**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 for period 4 (June 28 to July 28, 2015)

**SUMMARY:**

- Overall, in period 4, 3.32% of stock keeping units (SKUs) at BC Liquor Stores increased in retail price (659 SKUs), 93.70% (18,622 SKUs) remained the same and 2.99% (604 SKUs) decreased in retail price. There are a total of 19,885 SKUs.
- Of the SKUs that increased in price:
  - 14.11% of the increases are less than 1% (93 SKUs)
  - 17.45% of the increases are between 1% and 5% (115 SKUs)
  - 25.64% of the increases are between 5.01% and 10% (169 SKUs)
  - 42.79% of the increases are more than 10% (282 SKUs)
- Reasons for increases in price:
  - 62.97% (415 SKUs) of the overall increases are due to Wholesale Price Promotions (WPP) that ended in period 3. As a result, these SKUs will no longer be sold at a decreased WPP price, but will be sold at the LDB's regular wholesale price, causing a corresponding increase in the LDB established retail price.
  - 13.66% (90 SKUs) of the overall increases are due to increases in supplier-related costs. These increases will cause a corresponding increase in the LDB established retail price.
  - 6.37% (42 SKUs) of the overall increases are due to the application of margin rules (ie. rules that ensure that the LDB receives a minimum retail margin. These rules vary by product and by product category).
  - 17% (112 SKUs) of the overall increases are due to the application of price ending rules (for example, SKUs priced at \$29.99 or lower must end with either 0.29, 0.49, 0.79 or 0.99).
- Reasons for decreases in price:
  - Approximately 83% of the overall decreases are due to WPPs that will begin in period 4. As a result, these SKUs will be sold at a decreased WPP price, causing a corresponding decrease in the LDB established retail price.

- Approximately 5% of the overall decreases are due to decreases in supplier-related costs. These decreases will cause a corresponding decrease in the LDB established retail price.
- Approximately 9% of the overall decreases are due to decisions made by Category Managers to decrease the price.
- Approximately 1% of the overall decreases are due to a combination of an increase in supplier-related costs and a decision by the Category Manager to decrease the price. In these instances, the increase in supplier-related costs should have led to an increase in the LDB established retail price, but the Category Manager instituted a decrease of a larger magnitude.
- Approximately 1% of the overall decreases are due to new products being priced at clearance pricing.
- Approximately 1% of the overall decreases are due to the application of price ending rules.

## **BACKGROUND:**

- By product category:

### Wines

- 2.11% (328 SKUs) increased in price, 95.6% (14,841 SKUs) stayed the same, and 2.29% (356 SKUs) decreased in price. There are a total of 15,525 wine SKUs.
- Of the wine SKUs that increased in price:
  - 9.15% of the increases are less than 1% (30 SKUs)
  - 10.37% of the increases are between 1% and 5% (34 SKUs)
  - 23.17% of the increases are between 5.01% and 10% (76 SKUs)
  - 57.32% of the increases are more than 10% (188 SKUs)
- Reasons for increases in price:
  - 77% (252 SKUs) of the overall increases are due to WPPs that ended in period 3.
  - 9% (30 SKUs) of the overall increases are due to increases in supplier-related costs.
  - 14% (45 SKUs) of the overall increases are due to the application of price ending rules.

- Examples of retail price changes this period for the top ten-selling wine SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
316570 – Sauvignon Blanc Oyster Bay Marlborough	\$17.99	\$17.99	—	No change
125617 – California Red Apothic Winemakers Blend	\$14.79	\$14.79	—	No change
313825 – Cabernet Sauvignon J Lohr Seven Oaks	\$20.99	\$20.99	—	No change
100594 – Sauvignon Blanc Kim Crawford Marlborough 2014	\$15.29	\$15.29	—	No change
268714 – Prosecco Frizzante – Villa Teresa Organic	\$15.79	\$15.79	—	No change
448548 – Riesling Gewurztraminer – Hardys Stamp Series	\$9.59	\$9.59	—	No change
309575 – Sauvignon Blanc Matua Hawkes Bay	\$14.99	\$14.99	—	No change
473843 – Malbec Finca Los Primos	\$11.59	\$11.59	—	No change
293043 – Sauvignon Blanc Stoneleigh	\$13.69	\$13.69	—	No change
325787 – Australia Red McGuigan Black Label	\$8.59	\$8.59	—	No change

### BC Wines

- 22% of the total increases in wine SKUs affect BC wines.
- 7.70% (72 SKUs) increased in price, 82.25% (769 SKUs) stayed the same and 10.05% (94 SKUs) decreased in price. There are a total of 935 BC wine SKUs.
- Of the BC wine SKUs that increased in price:
  - No increases that are less than 1%
  - 5.56% of the increases are between 1% and 5% (4 SKUs)
  - 13.89% of the increases are between 5.01% and 10% (10 SKUs)
  - 80.56% of the increases are more than 10% (58 SKUs)

- Reasons for increases in price:
  - 87.50% (63 SKUs) of the overall increases are due to WPPs that ended in period 3.
  - 12.50% (9 SKUs) are due to increases in supplier-related costs.
- Examples of retail price changes this period for the top ten-selling BC wine SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
201343 – JACKSON TRIGGS PROPRIETOR'S SELECTION MERLOT	\$31.29	\$34.99	\$3.70	WPP ending
361105 – PELLER ESTATES - PROPRIETORS RESERVE PINOT GRIGIO	\$29.49	\$29.49	—	No change
201434 – JACKSON TRIGGS PROPRIETOR'S SELECTION CABERNET SAUVIGNON	\$31.29	\$31.29	—	No change
198267 – COPPER MOON - MALBEC	\$26.99	\$26.99	—	No change
891416 – COPPER MOON - SHIRAZ	\$26.99	\$26.99	—	No change
106179 – DOMAINE D'OR WHITE	\$25.99	\$25.99	—	No change
201384 – JACKSON TRIGGS PROPRIETOR'S SELECTION SAUVIGNON BLANC	\$34.99	\$34.99	—	No change
201368 – JACKSON TRIGGS PROPRIETOR'S SELECTION SHIRAZ	\$34.79	\$34.79	—	No change
163683 – COPPER MOON - PINOT GRIGIO	\$26.99	\$26.99	—	No change
201376 – JACKSON TRIGGS PROPRIETOR'S SELECTION PINOT GRIGIO	\$34.79	\$34.79	—	No change

- Sales for BC wines, compared to last period, have increased.
- Sales for BC wines, compared to this same period last year, have increased.

### Beer

- 6.7% (88 SKUs) increased in price, 86.6% (1,138 SKUs) stayed the same and 6.7% (88 SKUs) decreased in price. There are a total of 1,314 beer SKUs.
- Of the beer SKUs that increased in price:
  - 1.1% of the increases are less than 1% (1 SKU)

- 21.6% of the increases are between 1% and 5% (19 SKUs)
- 26.1% of the increases are between 5.01% and 10% (23 SKUs)
- 51.1% of the increases are more than 10% (45 SKUs)
- Reasons for increases in price:
  - 52.3% (46 SKUs) of the overall increases are due to WPPs that ended in period 3.
  - 18.2% (16 SKUs) of the overall increases are due to increases in supplier-related costs.
  - 20.5% (18 SKUs) of the overall increases are due to the application of margin rules.
  - 9% (8 SKUs) of the overall increases are due to the application of price ending rules.
- Examples of retail price changes this period for the top ten-selling beer SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
906354 – LABATT - BUDWEISER CAN	\$31.79	\$31.79	—	No change
925222 – LABATT - BUDWEISER CAN	\$19.99	\$19.99	—	No change
919373 – COLUMBIA - KOKANEE CAN	\$31.79	\$31.79	—	No change
905844 – MOLSON - CANADIAN CAN	\$31.79	\$29.79	(\$2.00)	WPP starting
606285 – STROH CANADA - OLD MILWAUKEE CAN	\$18.29	\$18.29	—	No change
515643 – CORONA EXTRA	\$22.49	\$20.99	(\$2.00)	WPP starting
945543 – COLUMBIA - KOKANEE CAN	\$19.99	\$19.99	—	No change
923318 – MOLSON - CANADIAN CAN	\$19.99	\$19.99	—	No change
904334 – LABATT - BUDWEISER CAN	\$8.49	\$8.49	—	No change
906354 – LABATT - BUDWEISER CAN	\$31.79	\$31.79	—	No change

### BC Craft Beer

- 21% of the total increases in beer SKUs affect BC craft beer.
- 5.8% (24 SKUs) increased in price, 88.7% (369 SKUs) stayed the same and 5.5% (23 SKUs) decreased in price. There are a total of 416 BC craft beer SKUs.
- Of the BC craft beer SKUs that increased in price:
  - No increases that are less than 1%

- 12.5% of the increases are between 1% and 5% (3 SKUs)
- 37.5% of the increases are between 5.01% and 10% (9 SKUs)
- 50% of the increases are more than 10% (12 SKUs)
- Reasons for increases in price:
  - 67% (16 SKUs) of the overall increases are due to WPPs that ended in period 3.
  - 8% (2 SKUs) of the overall increases are due to increases in supplier-related costs.
  - 21% (5 SKUs) of the overall increases are due to the application of margin rules.
  - 4% (1 SKU) of the overall increases are due to the application of price ending rules.
- Examples of retail price changes this period for the top ten-selling BC craft beer SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
361527 – PACIFIC WESTERN - CARIBOO GENUINE DRAFT CAN	\$13.89	\$13.89	—	No change
110205 – PACIFIC WESTERN - CARIBOO GENUINE DRAFT CAN	\$22.69	\$22.69	—	No change
63149 – PACIFIC WESTERN - CARIBOO GENUINE DRAFT CAN	\$6.99	\$6.99	—	No change
188342 – PACIFIC WESTERN - PACIFIC PILSNER CAN	\$27.69	\$27.69	—	No change
542233 – HELL'S GATE - LAGER CAN	\$17.29	\$17.29	—	No change
729665 – PACIFIC WESTERN - PACIFIC PILSNER CAN	\$17.39	\$17.39	—	No change
456517 – CENTRAL CITY - RED RACER INDIA PALE ALE CAN	\$11.49	\$10.49	(\$1.00)	WPP starting
751081 – PHILLIPS - BLUE BUCK ALE	\$10.99	\$10.99	—	No change
844399 – DRIFTWOOD - FAT TUG IPA	\$5.39	\$5.39	—	No change
399717 – PHILLIPS - BLUE BUCK ALE CAN	\$10.29	\$10.29	—	No change
361527 – PACIFIC WESTERN - CARIBOO GENUINE DRAFT CAN	\$13.89	\$13.89	—	No change

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
110205 – PACIFIC WESTERN - CARIBOO GENUINE DRAFT CAN	\$22.69	\$22.69	—	No change

- Sales for BC craft beer, compared to last period, have increased.
- Sales for BC craft beer, compared to this same period last year, have increased.

### Spirits

- 7.12% (194 SKUs) increased in price, 88.73% (2,417 SKUs) stayed the same and 4.15% (113 SKUs) decreased in price. There are a total of 2,724 spirit SKUs.
- Of the spirit SKUs that increased in price:
  - 30.93% of the increases are less than 1% (60 SKUs)
  - 19.59% of the increases are between 1% and 5% (38 SKUs)
  - 35.57% of the increases are between 5.01% and 10% (69 SKUs)
  - 13.92% of the increases are more than 10% (27 SKUs)
- Reasons for increases in price:
  - 49.48% (96 SKUs) of the overall increases are due to WPPs that ended in period 3.
  - 21.65% (42 SKUs) of the overall increases are due to increases in supplier-related costs.
  - 9.28% (18 SKUs) of the overall increases are due to the application of margin rules.
  - 19.59% (38 SKUs) of the overall increases are due to the application of price ending rules.
- Examples of retail price changes this period for the top ten-selling spirit SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
38505 – Smirnoff Red	\$47.59	\$47.59	—	No change
313908 – Smirnoff – Red Label Pet	\$21.99	\$21.99	—	No change
45898 – Bacardi – Superior White	\$48.49	\$48.49	—	No change
236323 – Absolut	\$33.79	\$33.79	—	No change



SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
2691 – Tanqueray – London Dry	\$23.49	\$23.49	—	No change
67 – Smirnoff – Red Label	\$21.99	\$21.99	—	No change
10108 – Crown Royal	\$32.79	\$32.79	—	No change
114694 – Crown Royal	\$54.49	\$54.49	—	No change
205617 – Stolichnaya – Premium	\$33.79	\$33.79	—	No change
33928 – Wisers – Deluxe	\$50.49	\$50.49	—	No change

### Refreshments

- 15.2% (49 SKUs) increased in price, 70.2% (226 SKUs) stayed the same (226 SKUs) and 14.6% (47 SKUs) decreased in price. There are a total of 322 refreshment SKUs.
- Of the refreshment SKUs that increased in price:
  - 2% of the increases are less than 1% (1 SKU)
  - 51% of the increases are between 1% and 5% (25 SKUs)
  - 2% of the increases are between 5.01% and 10% (1 SKUs)
  - 45% of the increases are more than 10% (22 SKUs)
- Reasons for increases in price:
  - 43% (21 SKUs) of the overall increases are due to WPPs that ended in period 3.
  - 4% (2 SKUs) of the overall increases are due to increases in supplier-related costs.
  - 10% (5 SKUs) of the overall increases are due to the application of margin rules.
  - 43% (21 SKUs) of the overall increases are due to the application of price ending rules.
- Examples of retail price changes this period for the top ten-selling refreshment SKUs in BC Liquor Stores:

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
217133 – TWISTED TEA HARD ICED TEA CAN	\$22.79	\$20.79	(\$2.00)	WPP starting
210906 – TWISTED TEA HALF & HALF CAN	\$22.39	\$20.39	(\$2.00)	WPP starting

SKU/Product Name	Last period's retail price	This period's retail price	Difference	Reason
622282 – BULMER - STRONGBOW TALL CAN	\$10.89	\$10.99	\$0.10	WPP ending
168773 – LONETREE CIDER CAN	\$9.59	\$8.59	(\$1.00)	WPP starting
843052 – PALM BAY RUBY GRAPEFRUIT SUNRISE SPRITZ CAN	\$7.69	\$8.69	\$1.00	WPP ending
106054 – BULMER - STRONGBOW TALL CAN	\$19.19	\$18.19	(\$1.00)	WPP starting
793430 – PALM BAY - TROPICAL ICED TEA MANGO LEMON CAN	\$8.59	\$9.79	\$1.20	WPP ending
777631 – LONETREE GINGER APPLE DRY CIDER	\$8.59	\$9.79	\$1.20	WPP ending
824920 – HEY Y'ALL - HARD ICED TEA CAN	\$10.79	\$9.79	(\$1.00)	WPP starting
668947 – OKANAGAN PREMIUM - BARTLETT PEAR CAN	\$9.29	\$8.29	(\$1.00)	WPP starting
217133 – TWISTED TEA HARD ICED TEA CAN	\$22.79	\$20.79	(\$2.00)	WPP starting

**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, Minister

**ISSUE:** Changes to Wholesale Prices for period 4 (June 28 to July 28, 2015)

**SUMMARY:**

- Overall, in period 4, 2.95% of registered stock keeping units (SKUs) increased in wholesale price (1,118 SKUs), 94.88% (35,902 SKUs) remained the same, and 2.16% (819 SKUs) decreased in wholesale price. There are a total of 37,839 SKUs.
- Of the SKUs that increased in price:
  - 11% of the increases are less than 1% (120 SKUs)
  - 15% of the increases are between 1% and 5% (166 SKUs)
  - 20% of the increases are between 5.01% and 10% (224 SKUs)
  - 54% of the increases are more than 10% (608 SKUs)
- Reasons for increases in price:
  - 46% of the overall increases are due to increases in supplier price. These increases will cause a corresponding increase in wholesale price.
  - 53% of the overall increases are due to Wholesale Price Promotions (WPP) that are scheduled to end during period 4. As a result, these SKUs will no longer be sold at a decreased WPP price, but will be sold at the LDB's regular wholesale price.
  - 1% of the overall increases are due to a combination of both an increase in supplier price and a WPP that is scheduled to end during period 4.
- Reasons for decreases in price:
  - Approximately 25% of the overall decreases are due to decreases in supplier price. These decreases will cause a corresponding decrease in wholesale price.
  - Approximately 75% of the overall decreases are due to WPPs that will begin in period 4. As a result, these SKUs will be sold at a decreased WPP price in period 4.

## BACKGROUND:

- By product category:

### Wines

- 2.36% (591 SKUs) increased in price, 95.69% (23,983 SKUs) stayed the same, and 1.95% (489 SKUs) decreased in price. There are a total of 25,063 wine SKUs.
- Of the wine SKUs that increased in price:
  - 9% of the increases are less than 1% (51 SKUs)
  - 11% of the increases are between 1% and 5% (65 SKUs)
  - 17% of the increases are between 5.01% and 10% (104 SKUs)
  - 63% of the increases are more than 10% (371 SKUs)
- Reasons for increases in price:
  - 40% of the overall increases are due to increases in supplier price.
  - 59% of the overall increases are due to WPPs that are scheduled to end during period 4.
  - 1% of the overall increases are due to a combination of both an increase in supplier price and a WPP that is scheduled to end during period 4.
- Examples of wholesale price changes this period for the top ten-selling wine SKUs through the wholesale channel:

Product Name	Last period's wholesale price	This period's wholesale price	Difference	Reason
Sauvignon Blanc – Kim Crawford Marlborough 2014	\$15.67	\$12.67	(\$3.00)	WPP starting
Copper Moon – Malbec	\$19.99	\$22.79	\$2.80	WPP ending
Jackson Triggs Proprietor's Selection Cabernet Sauvignon	\$29.37	\$25.87	(\$3.50)	WPP starting
Prosecco Frizzante – Villa Teresa Organic	\$13.22	\$13.22	—	—
Cabernet Sauvignon – J Lohr Seven Oaks	\$18.28	\$18.28	—	—
Sauvignon Blanc – Oyster Bay Marlborough	\$12.60	\$14.60	\$2.00	WPP ending
Peller Estates – Proprietor's Reserve Pinot Grigio	\$27.86	\$24.36	(\$3.50)	WPP starting

Product Name	Last period's wholesale price	This period's wholesale price	Difference	Reason
Riesling Gewurtztraminer – Hardy's Stamp Series	\$7.79	\$7.79	—	—
Shiraz – Yellow Tail	\$9.31	\$9.31	—	—
Malbec – Finca Los Primos	\$9.51	\$9.51	—	—

### BC Wines

- 29% of the total increases in wine SKUs affect BC wines.
- 1.93% (169 SKUs) increased in price, 96.54% (8,445 SKUs) stayed the same, and 1.53% (134 SKUs) decreased in price. There are a total of 8,748 BC wine SKUs.
- Of the BC wine SKUs that increased in price:
  - 5% of the increases are less than 1% (9 SKUs)
  - 14% of the increases are between 1% and 5% (24 SKUs)
  - 17% of the increases are between 5.01% and 10% (28 SKUs)
  - 64% of the increases are more than 10% (108 SKUs)
- Reasons for increases in price:
  - 48% of the overall increases are due to increases in supplier price.
  - 52% of the overall increases are due to WPPs that are scheduled to end during period 4.
- Examples of wholesale price changes this period for the top ten-selling BC wine SKUs through the wholesale channel:

Product Name	Last period's wholesale price	This period's wholesale price	Difference	Reason
Naked Grape – Pinot Grigio	\$19.99	\$22.79	\$2.80	WPP ending
Domaine D'or White	\$24.08	\$21.38	(\$2.70)	WPP starting
Copper Moon – Pinot Grigio	\$19.99	\$22.79	\$2.80	WPP ending
Copper Moon – Malbec	\$19.99	\$22.79	\$2.80	WPP ending
Jackson Triggs Proprietor's Selection Merlot	\$25.87	\$29.37	\$3.50	WPP ending
Jackson Triggs Proprietor's Selection Pinot Grigio	\$29.37	\$29.37	—	—
Jackson Triggs Proprietor's Selection Cabernet Sauvignon	\$29.37	\$25.87	(\$3.50)	WPP starting

Product Name	Last period's wholesale price	This period's wholesale price	Difference	Reason
Peller Estates – Proprietor's Reserve Pinot Grigio	\$27.86	\$24.36	(\$3.50)	WPP starting
Naked Grape – Pinot Grigio	\$12.30	\$12.30	—	—
Copper Moon – Shiraz	\$22.79	\$22.79	—	—

### Beer

- 1.72% (136 SKUs) increased in price, 96.5% (7,632 SKUs) stayed the same, and 1.78% (141 SKUs) decreased in price. There are a total of 7,909 beer SKUs.
- Of the beer SKUs that increased in price:
  - 2% of the increases are less than 1% (2 SKUs)
  - 7% of the increases are between 1% and 5% (10 SKUs)
  - 24% of the increases are between 5.01% and 10% (33 SKUs)
  - 67% of the increases are more than 10% (91 SKUs)
- Reasons for increases in price:
  - 34% of the overall increases are due to increases in supplier price.
  - 63% of the overall increases are due to WPPs that are scheduled to end during period 4.
  - 3% of the overall increases are due to a combination of both an increase in supplier price and a WPP that is scheduled to end during period 4.
- Examples of wholesale price changes this period for the top ten-selling beer SKUs through the wholesale channel:

Product Name	Last period's wholesale price	This period's wholesale price	Difference	Reason
Stroh Canada – Old Milwaukee Can (15 x 0.355L)	\$14.89	\$14.89	—	—
Labatt – Lucky Lager Can (15 x 0.355L)	\$15.45	\$16.45	\$1.00	WPP ending
Labatt – Budweiser Can (8 x 0.355L)	\$10.87	\$10.87	—	—
Labatt – Budweiser Can (12 0.355L)	\$13.74	\$13.74	—	—

Product Name	Last period's wholesale price	This period's wholesale price	Difference	Reason
Labatt – Budweiser Can (6 x 0.355L)	\$7.26	\$7.26	—	—
Molson – Canadian Can (24 x 0.355L)	\$27.04	\$25.04	(\$2.00)	WPP starting
Labatt – Budweiser Can (24 x 0.355L)	\$17.06	\$17.06	—	—
Columbia – Kokanee Can (24 x 0.355L)	\$27.04	\$27.04	—	—
Molson – Canadian Can (15 x 0.355L)	\$17.06	\$17.06	—	—
Labatt – Budweiser Can (15 x 0.355L)	\$17.06	\$17.06	—	—

### BC Craft Beer

- 12% of the total increases in beer SKUs affect BC craft beer.
- 0.5% (16 SKUs) increased in price, 98.72% (3,150 SKUs) stayed the same, and 0.78% (25 SKUs) decreased in price. There are a total of 3,191 BC craft beer SKUs.
- Of the BC craft beer SKUs that increased in price:
  - No increases that are less than 1%
  - 6% of the increases are between 1% and 5% (1 SKU)
  - No increases between 5.01% and 10%
  - 94% of the increases are more than 10% (15 SKUs)
- Reasons for increases in price:
  - 69% of the overall increases are due to increases in supplier price.
  - 31% of the overall increases are due to WPPs that are scheduled to end during period 4.
- Examples of wholesale price changes this period for the top ten-selling BC craft beer SKUs through the wholesale channel:

Product Name	Last period's wholesale price	This period's wholesale price	Difference	Reason
Driftwood Brewing – Fat Tug IPA (keg)	\$180	\$180	—	—

Product Name	Last period's wholesale price	This period's wholesale price	Difference	Reason
Lighthouse – Shipwreck IPA	\$10.13	\$10.13	—	—
Big Surf – Laid Back Lager Can	\$6.31	\$6.31	—	—
Hoyne Brewing – Hoyner Pilsner (keg)	\$168.69	\$168.69	—	—
Red Truck Lager (keg)	\$156.09	\$156.09	—	—
Steamworks – Pale Ale Tall Can	\$1.55	\$1.75	\$0.20	WPP ending
Steamworks – Pale Ale	\$9.91	\$9.91	—	—
Lighthouse Brewing – Race Rocks Ale (keg)	\$165.22	\$165.22	—	—
Driftwood – Fat Tug IPA	\$4.75	\$4.75	—	—
Hoyne – Dark Matter	\$4.50	\$4.50	—	—

### Spirits

- 8.29% (344 SKUs) increased in price, 88.91% (3,689 SKUs) stayed the same, and 2.80% (116 SKUs) decreased in price. There are a total of 4,149 spirits SKUs.
- Of the spirit SKUs that increased in price:
  - 20% of the increases are less than 1% (67 SKUs)
  - 25% of the increases are between 1% and 5% (87 SKUs)
  - 25% of the increases are between 5.01% and 10% (87 SKUs)
  - 30% of the increases are more than 10% (103 SKUs)
- Reasons for increases in price:
  - 64% of the overall increases are due to increases in supplier price.
  - 34% of the overall increases are due to WPPs that are scheduled to end during period 4.
  - 2% of the overall increases are due to a combination of both an increase in supplier price and a WPP that is scheduled to end during period 4.
- Examples of wholesale price changes this period for the top ten-selling spirit SKUs through the wholesale channel:



Product Name	Last period's wholesale price	This period's wholesale price	Difference	Reason
Smirnoff – Red Label (0.750L)	\$17.13	\$18.15	\$1.02	WPP ending and supplier increase
Smirnoff – Red Label (1.14L)	\$27.17	\$27.19	\$0.02	Supplier increase
Smirnoff – Red Label (0.375L)	\$9.49	\$9.49	—	—
Crown Royal (0.750L)	\$19.79	\$19.79	—	—
Alberta Pure	\$8.69	\$8.69	—	—
Bailey's – Original Irish Cream	\$21.02	\$21.09	\$0.07	Supplier increase
Crown Royal (1.14L)	\$29.32	\$27.32	(\$2.00)	WPP starting
Smirnoff Red	\$41.74	\$41.74	—	—
Absolut	\$19.00	\$17.36	(\$1.64)	WPP starting
Smirnoff – Red Label Pet	\$16.94	\$18.14	\$1.20	WPP ending and supplier increase

### Refreshments

- 6.55% (47 SKUs) increased in price, 83.29% (598 SKUs) stayed the same, and 10.17% (73 SKUs) decreased in price. There are a total of 718 refreshment SKUs.
- Of the spirit refreshment SKUs that increased in price:
  - No increases that are less than 1%
  - 9% of the increases are between 1% and 5% (4 SKUs)
  - No increases between 5.01% and 10%
  - 91% of the increases are more than 10% (43 SKUs)
- Reasons for increases in price:
  - 13% of the overall increases are due to increases in supplier price.
  - 83% of the overall increases are due to WPPs that are scheduled to end during period 4.
  - 4% of the overall increases are due to a combination of both an increase in supplier price and a WPP that is scheduled to end during period 4.
- Examples of wholesale price changes this period for the top ten-selling refreshment SKUs through the wholesale channel:

Product Name	Last period's wholesale price	This period's wholesale price	Difference	Reason
Palm Bay Pineapple Mandarin Orange Spritz Can	\$6.37	\$7.37	\$1.00	WPP ending
Bulmer – Strongbow Tall Can (8 x 0.440L)	\$16.19	\$15.19	(\$1.00)	WPP starting
Lonetree Cider Can	\$8.13	\$7.13	(\$1.00)	WPP starting
Twisted Tea Half and Half Can	\$18.89	\$16.89	(\$2.00)	WPP starting
Twisted Tea Hard Iced Tea Can	\$18.89	\$16.89	(\$2.00)	WPP starting
Twisted Tea Hard Iced Tea the Original	\$9.93	\$9.93	—	—
Bulmer – Strongbow Tall Can (4 x 0.500 L)	\$9.20	\$9.20	—	—
Okanagan Premium – Bartlett Pear Can	\$7.54	\$6.54	(\$1.00)	WPP starting
Palm Bay Key Lime Cherry Spritz Can	\$7.37	\$7.37	—	—
Palm Bay Ruby Grapefruit Sunrise Spritz Can	\$7.37	\$7.37	—	—

#### 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, Minister

**ISSUE:** Minimum Wholesale Prices

**SUMMARY:**

- On April 1, 2015, the new wholesale pricing model came into effect. Under the previous model, the LDB was responsible for setting minimum retail prices. Today, this is the LCLB's responsibility and the LDB is now responsible for setting minimum wholesale prices.
- It is necessary to implement minimum wholesale prices to ensure that the LDB continues to meet its target revenue each fiscal year.
- The LDB has come up with recommended minimum wholesale prices. These have been calculated by adjusting the minimum retail prices that applied pre-April 2015 to a wholesale price amount. These amounts are equal to the pre-April 2015 minimum retail prices less 16 percent, with an exception for wine > 10 litres.
  - The recommended minimum wholesale price for wine > 10 litres is not equal to the pre-April 2015 minimum retail price less 16 percent. This is because prior to April 1, there were two separate minimum prices – one for wine > 10 litres, and one for wine < 10 litres. The LDB's recommendation is to have only one minimum price apply to wine (based on the minimum retail price of wine < 10 litres) to remain consistent with the new wholesale mark-up model that does not differentiate these products.
- The minimum wholesale prices will have a very minimal impact on volume and sales.
- The minimum wholesale prices will also have a very minimal impact on stakeholders, as the recommendations are in line with the pre-April 2015 minimum pricing and are based on the same structure as the new wholesale pricing model and pricing policies.
- Suppliers will be unlikely to react as there is no apparent change.
- The minimum wholesale prices are necessary:
  - to protect the LDB's revenue and its wholesale liquor contribution to the province of BC; and
  - to set a common basis for a stable wholesale price on sale to BC retailers.

## BACKGROUND:

### Minimum Retail Prices before April 1, 2015

- Before April 1, 2015, the LDB had minimum retail prices in place for liquor products sold at BC Liquor Stores (BCLSs).
- The table below summarizes the minimum retail prices previously in place for BCLSs and it's less 16 percent equivalent:

Product Category	Min. Retail Price (Excluding Tax) for BCLS	Min. Retail Price (excluding Tax) less 16%
Spirit	\$ 27.53/Litre	\$ 23.13/Litre
Liqueur	\$ 14.05/Litre	\$ 11.80/Litre
Wine <10 Litre	\$ 6.26/Litre	\$ 5.26/Litre
Wine >10 Litre	\$ 5.60/Litre	N/A
Refreshment (Packaged)	\$ 2.61/Litre	\$ 2.19/Litre
Cider (Draught)	\$ 2.13/Litre	N/A
Beer (Packaged)	\$ 3.05/Litre	\$ 2.59/Litre
Beer (Draught)	\$ 1.93/Litre	N/A
Beer (Pipeline)	Not applied in LDB's Pricing system today	Not applied in LDB's Pricing system today

### Recommendations for Minimum Wholesale Prices

- Today, all retailers (including BCLSs) pay the same wholesale price to the LDB, which is approximately equal to the pre-April 2015 minimum retail prices less 16 percent.
- s.17  
s.17 As a result, setting minimum wholesale prices is a necessary step to ensure that the LDB's target revenue is met by ensuring suppliers cannot underprice products and unexpectedly decrease mark-up revenue.
- The recommended minimum wholesale prices are approximately equal to the pre-April 2015 minimum retail prices less 16 percent and rounded up to the nearest nickel, as follows:

Product Category		Recommended Minimum Wholesale Price (per litre)
Spirits	Spirits	\$23.15
	Spirits - Liqueurs	\$11.80
Wine	Wine < 10 litres	\$5.30
	Wine > 10 litres*	\$5.30
Refreshments		\$2.20

Beer	Beer – Packaged	\$2.60
	Beer – Draught	\$1.95

\* Prior to April 1 there were two separate minimum prices – one for wine > 10 litres and one for wine < 10 litres. It is recommended that only one minimum price apply to wine to remain consistent with the new wholesale mark-up model. There is no known business reason for keeping separate minimum prices and it has been assumed that there is no longer a valid reason for it.

## Impact

- The recommended minimum wholesale prices will have a very minimal impact on volume and sales. LRSs will pay roughly the same amount as they paid pre-April 2015. The impact on independent wine stores and rural agency stores will be minimal as well.
- There will be a no impact on the top selling SKUs by volume and sales.
- There will be a very minimal impact on stakeholders, as the recommendations are in line with the pre-April 2015 minimum pricing and are based on the same structure as the new wholesale pricing model and pricing policies.
- This does not place any new pricing requirements on supplier's products across virtually all SKUs.
- Suppliers will be unlikely to react as there is no apparent change.
  - 95 out of approximately 30,000 active, registered active SKUs will be impacted, i.e. their prices need to be increased to meet the recommended minimum wholesale prices.
  - 84 percent of these 95 SKUs (80 SKUs) will be impacted for the following reasons:
    - a result of the move to the wholesale pricing model whereby the cost of service, volume mark-up, minimum mark-up and incremental packaging pricing were eliminated and slightly decreasing the wholesale price from pre-April 1 prices (41 SKUs); or
    - SKUs that would have been below the minimum retail price prior to April 1 and the LDB would have increased their price regardless (39 SKUs).
  - The reasons for the expected impact to the remaining 15 SKUs are:
    - Move to one common minimum wholesale price for the wine category causing >10L wines to fall below the minimum wholesale price (12 SKUs);
    - Decrease in supplier price (3 SKUs);

- Excluding products that were already falling below the minimum price pre- April 1 (and wine >10 litres) the largest impacts for each product categories are:
  - \$0.41/L for wine, \$0.14/L for a BC wine
  - \$0.68/L for spirits, \$0.68/L for a spirit with BC connections
  - \$0.64/L for beer; \$0.09/L for a BC beer
- The typical impacts range from \$0.04/L to \$0.15/L for impacted SKUs
- Of the products falling below minimum price, many are marketed as low cost products and priced at the exact minimum. The LDB anticipates that the supplier will adapt accordingly in these instances without issue.

**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, Minister

**ISSUE:** Supplier cost increases

**SUMMARY:**

- In preparation for the introduction of the new wholesale pricing model on April 1, 2015, the LDB has collected manufacturer and supplier cost information in order to calculate the new wholesale prices that will apply to all liquor products in BC.
- The full list of wholesale prices is scheduled to be released on March 6, 2015.
- The LDB has maintained that the new wholesale pricing model is not anticipated to cause any significant change in prices for most products. However, approximately 5,333 increases in supplier cost were submitted by manufacturers and suppliers.
- These increases in supplier costs may lead to an increase in wholesale price.

**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 BC Liquor Stores, will pay the same wholesale price.
- Manufacturers and suppliers were asked to provide cost information by February 13, 2015. This information was used to calculate the new wholesale prices.
- On March 6, 2015, the new wholesale prices for all liquor products will be released.
- While the LDB has previously stated that it does not expect the new model to cause prices to change significantly, if at all, there are a number of products that are subject to increased supplier-reported costs.
- These increases in supplier-related costs may cause an increase in wholesale price.
- Upon reviewing the increase in supplier costs, the LDB proactively contacted suppliers between approximately February 18 and March 3 to inquire about their new prices and encourage them to review their pricing models.
- Refer to Appendix A for a summary of the changes in supplier cost for all four product categories.
- Refer to Appendix B for a sample of affected SKUs across all four product categories.
- Refer to Appendix C for a list of BC wines that have decreases in supplier cost of greater than 5 percent.

**OTHER MINISTRIES IMPACTED/CONSULTED:**

- N/A

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**Attachment(s)**

Appendix A: Summary of Changes in Supplier Cost  
Appendix B: Sample of SKUs affected in each Product Category  
Appendix C: BC Wines with a Decrease in Supplier Cost of Greater than 5%



## Appendix A

### Summary of Changes in Supplier Cost

Product Category	% of SKUs that Increased in Supplier Cost	Number of SKUs that Increased in Supplier Cost	Number of SKUs with Increase in Supplier Cost > 5%	Average Supplier Cost Increase	% of SKUs that Decreased in Supplier Cost	Number of SKUs that Decreased in Supplier Cost	Total Number of SKUs
Spirits	14%	518	190 (37% of all SKUs that have increased)	12%	2%	79	3,720
Wines	14%	3,068	1,511 (49% of all SKUs that have increased)	7%	3%	731	21,995
Refreshments	13%	81	51 (63% of all SKUs that have increased)	3%	2%	8	599
Beers	29%	1,942	1,129 (58% of all SKUs that have increased)	10%	5%	326	6,860

#### Notes:

- This information is current as of March 3, 2015.
- SKUs refer to distinct products, as well as different size variations of a product. One product may have multiple SKUs.
- 16.9% of all products, across all four categories, increased in supplier cost, while 3.5% decreased in supplier cost.
- Approximately 156 domestic suppliers (BC and other Canadian) submitted cost increases.
- Approximately 978 import suppliers (non-Canadian) submitted cost increases.
- The total number of supplier cost increases submitted was approximately 5,333. Of these 5,333:
  - 1,835 are domestic SKUs (BC and other Canadian); and
  - 3,498 are import SKUs (non-Canadian).

## Appendix B

### Sample of SKUs affected in each Product Category <sup>1</sup>

#### Spirits

Of the top 20 selling spirits SKUs, 0 SKUs increased in supplier cost.

The following is a sample of recognizable spirits SKUs and their corresponding decreases in supplier cost:

SKU	Decrease in Supplier Cost (\$)	Decrease in Supplier Cost (%)
Canadian Club – 9 Year Old Reserve	s.21	
Schramm Organic		
Schramm – Organic Gin		
The Kraken – Black Spiced		
Pemberton – Single Malt Organic		
Pemberton Distillery – Absinthe Organic		
Central City – Seraph Gin		
Auchentoshan – American Oak		
Glen Grant 2004 10 Year Old – Hunter Laing Hepburn's Choice		
Craigellachie 2004 9 Year Old Sherry Oak – Hunter Laing Hepb		

#### Wines

Of the top 20 selling wine SKUs, 3 SKUs (15%) have increased in supplier cost. All 3 SKUs are import.

SKU	Origin (Domestic/Import)	Increase in Supplier Cost (\$)	Increase in Supplier Cost (%)
Cabernet Sauvignon – J Lohr Seven Oaks*	Import	s.21	
Malbec – Finca Los Primos	Import		
Prosecco Frizzante – Villa Teresa Organic	Import		

\* After this data was released on March 3, 2015, J Lohr reverted back to their original supplier cost.

The following is a sample of recognizable wine SKUs and their corresponding decreases in supplier cost:

SKU	Decrease in Supplier Cost (\$)	Decrease in Supplier Cost (%)
Chardonnay – Lindemans Bin 65	s.21	
Sumac Ridge – Private Reserve Cabernet Merlot 11/12		
Anna Spinato – Prosecco Brut Organic		
Jackson Triggs – Reserve Merlot 11/12		
North Coast Red – Tribunal 11/12		
Shiraz Malbec – Pampas de Sur		
Veneto Pinot Grigio – Ogio		
Sumac Ridge – Stellers Jay Brut 2008		
Jackson Triggs – Reserve Sauvignon Blanc 12/13		
Inniskillin Okanagan – Cabernet Sauvignon 2012		
Sumac Ridge – Private Reserve Merlot 10/11		
Shiraz – Wolf Blass Yellow Label		
Jackson Triggs – Reserve Shiraz 11/12		
Jackson Triggs – Reserve Cabernet Sauvignon 11/12		
See Ya Later Ranch – Pinot Noir 2012		
Pinot Grigio – Santa Julia		

### Refreshments

Of the top 20 selling refreshment SKUs, 0 SKUs increased in supplier cost.

The following is a sample of recognizable refreshment SKUs and their corresponding decreases in supplier cost:

SKU	Decrease in Supplier Cost (\$)	Decrease in Supplier Cost (%)
Bud Lime – Straw Ber Rita	s.21	
Breezer Freeze Pina Colada		
Breezer Freeze Strawberry Daiquiri		
Vex – Hard Strawberry Pineapple Lemonade		
Scarlett's Spritzers – Red Berries		
Bud Lime – Lime A Rita		
Vex – Hard Strawberry Orange Banana		
Sea Cider – Wassail		

## Beers

Of the top 20 selling beer SKUs, only one SKU (5%) has increased in supplier cost. This SKU is domestic.

SKU	Origin (Domestic/Import)	Increase in Supplier Cost (\$)	Increase in Supplier Cost (%)
Labatt – Busch Can (0.355L x 15)	Domestic	s.21	

The following is a sample of recognizable beer SKUs and their corresponding decreases in supplier cost:

SKU	Decrease in Supplier Cost (\$)	Decrease in Supplier Cost (%)
Molson – Old Style Pilsner Can (0.355L x 15)	s.21	
Molson – Canadian Can		
Alexander Keith's – India Pale Ale Can		
Molson – Coors Light Can		
Labatt – Busch Can (0.355L x 6)		
Czechvar		
Dos Equis XX Especial Lager		
Bowen Island – Deep 6 Lager		
Sol Beer		
Molson – Old Style Pilsner Can (0.355 x 12)		
Labatt – Budweiser Crown		
Central City – Red Racer Imperial IPA		
Labatt – Busch Can (0.355L x 12)		
Parallel 49 – Hoparazzi India Pale Lager		

<sup>1</sup> This information is current as of March 3, 2015.

## Appendix C

### BC Wines with a Decrease in Supplier Cost of Greater than 5%

Land Based (LBW) or Commercial (CW)	Product Name	Decrease in Supplier Cost (\$)	Decrease in Supplier Cost (%)
LBW	QUAILS' GATE SF PINOT NOIR - RESERVE DIJON CLONE	s.21	
LBW	3 MILE WINERY - TRIO		
LBW	VENTURI-SCHULZE - BRUT NATUREL KS CUVIE 2008		
LBW	3 MILE WINERY - CABERNET MERLOT		
LBW	BACCATA RIDGE 2011 PINOT NOIR		
LBW	FORBIDDEN FRUIT - TANNATIOUS/EARTH SERIES		
LBW	ALDERLEA - HERITAGE HEARTH 1998		
CW	SUMMERHILL ESTATE - PINOT NOIR PLATINUM SERIES		
LBW	VENTURI-SCHULZE - SASSI		
LBW	GOLDEN BEAVER WINERY - MERLOT VIN DE CURE 2006		
LBW	CASTORO - MERLOT		
LBW	CASTORO - PINOT NOIR		
LBW	CASTORO - PINOT NOIR 08/11		
LBW	GOLDEN BEAVER - CANADIAN TOKAY 2006		
LBW	CASTORO DE ORO - HEART OF GOLD 2010		
LBW	GOLDEN BEAVER - VIDAL VIN DE CURE 2006		
LBW	CASTORO - PINOT NOIR		
CW	1ST R.O.W. ESTATE WINERY - BIG RED 2011		
CW	1ST R.O.W. ESTATE WINERY 2011 CABERNET SAUVIGNON		
CW	1ST R.O.W. ESTATE WINERY 2011 SYRAH		
LBW	CASTORO - VIDAL		

LBW	FAIRVIEW CELLARS - BUCKET O' BLOOD 2008	s.21
LBW	VENTURI-SCHULZE KERNER	
LBW	FAIRVIEW - BUCKET O' BLOOD	
LBW	FAIRVIEW CELLARS - CROOKED POST PINOT	
LBW	SAXON GRAPE AND PILLAGE 2013	
LBW	THERAPY VINEYARDS GEWURZTRAMINER 2014	
LBW	CASTORO - VIN DU CURE MERLOT	
LBW	CASTORO - VIN DU CURE PINOT BLANC	
LBW	KALALA - ZWEIGELT ICE WINE 2006	
LBW	SEA CIDER - BLACK APPLEJACK	
CW	PACIFIC BREEZE WINERY G.S.M.	
LBW	ENRICO - PINOT GRIS	
LBW	HILLSIDE VIOGNIER	
LBW	BLUE GROUSE ESTATE - ORTEGA 2012	
LBW	CASTORO - GEWURZTRAMINER	
LBW	CASTORO DE ORO - GEWURZTRAMINER 2010	
LBW	VENTURI-SCHULZE TERRACOTTA	
CW	9ACRES - CHARDONNAY	
CW	9ACRES - MERLOT	
CW	JACKSON TRIGGS - RESERVE CABERNET SAUVIGNON 11/12	
CW	SCRAPBOOK - RED BLEND	
CW	SCRAPBOOK - WHITE BLEND	
LBW	MISTAKEN IDENTITY VINEYARDS - DEBUT	
LBW	SAXON LEON MILLOT RESERVE 2013	
LBW	3 MILE ESTATE WINERY GEWURZTRAMINER	

LBW	MISTAKEN IDENTITY VINEYARDS - ABBONDANTE BIANCO 2009	s.21
CW	INNISKILLIN OKANAGAN - PINOT NOIR 11/12	
LBW	BURROWING OWL SAUVIGNON BLANC 2013	
CW	JACKSON TRIGGS - PROPRIETORS RESERVE RIESLING ICEWINE 12/13	
CW	INNISKILLIN OKANAGAN - PINOT GRIGIO 12/13	
CW	SUMAC RIDGE - PRIVATE RESERVE MERLOT 10/11	
LBW	STONEBOAT VINEYARDS - PIANO BRUT	
CW	INNISKILLIN OKANAGAN - RIESLING ICEWINE 11/12	
CW	JACKSON TRIGGS - RESERVE SAUVIGNON BLANC 12/13	
LBW	GOLDEN BEAVER WINERY - MUSCAT 05/07	
LBW	HEART STONE VINEYARD - SAXUM, PASO ROBLES	
LBW	STAG'S HOLLOW - CABERNET FRANC	
CW	JACKSON TRIGGS - RESERVE MERLOT 11/12	
LBW	CASTORO - CHARDONNAY UNOAKED	
LBW	CASTORO DE ORO - PINOT BLANC 2010	
LBW	TIME ESTATE WINERY SUNDIAL WHITE	
LBW	MISTAKEN IDENTITY VINEYARDS - MERLOT 2008	
LBW	GOLDEN BEAVER WINERY - MUSCAT MADNESS 2008	
LBW	FAIRVIEW - MADCAP RED	
LBW	SERENDIPITY PINOT GRIGIO	
LBW	GOLDEN BEAVER WINERY - VIOGNIER 06/07	
CW	INNISKILLIN OKANAGAN - MERLOT 10/11	
CW	JACKSON TRIGGS - RESERVE SHIRAZ 11/12	
LBW	ALDERLEA - AUXERROIS 00&01	
LBW	THERAPY VINEYARDS - ARTIST SERIES VIOGNIER	

LBW	FAIRVIEW CELLARS - CABERNET SAUVIGNON	s.21
LBW	BLACK WIDOW - MERLOT	
CW	JACKSON TRIGGS - RESERVE RIESLING 12/13	
CW	JACKSON TRIGGS - RESERVE RIESLING GEWURZTRAMINER 2013	
CW	JACKSON TRIGGS - RESERVE VIOGNIER 12/13	
LBW	BENCH 1775 - SYRAH	
LBW	ROBIN RIDGE - FLICKER ROSE 2013	
CW	SUMAC RIDGE - STELLERS JAY BRUT 2008	
LBW	DAMALI -SCARLETT	
LBW	CASTORO - MERLOT 2010	
LBW	GARRY OAKS - ZWEIGELT D	
LBW	ENRICO PINOT GRIS	
CW	INNISKILLIN OKANAGAN - CABERNET SAUVIGNON 2012	
LBW	40 KNOTS PINOT NOIR	
LBW	HAYWIRE WILD FERMENT PINOT GRIS 2012	
LBW	GOLDEN BEAVER - FOCH 2003	
LBW	ROBIN RIDGE SUN SWEET CHARDONNAY 2013	
CW	JACKSON TRIGGS - RESERVE CHARDONNAY 10/11	
CW	ISABELLA IMPERIAL BLEND	
LBW	FORBIDDEN FRUIT WINERY - FLIRT	
LBW	ROBIN RIDGE - THE BIG BIRD 2011	
CW	TH WINES - CABERNET MERLOT 2012	
LBW	SYMPHONY VINEYARD - BLANC DE NOIR	
LBW	FORBIDDEN FRUIT - FLAUNT SPARKLING CHERRY ROSE	
LBW	SAXON CRANKY OLD MAN 2012	



LBW	SAXON LEON MILLOT	s.21
LBW	SAXON LEON MILLOT ROSE	
LBW	MOOBERRY WINERY - RHUBERRY	
LBW	3 MILE - PINOT GRIS - VIOGNIER	
LBW	CASTORO - MERLOT GRAND RESERVE	
LBW	SYMPHONY VINEYARD - PINOT GRIS BARREL FERMENT	
LBW	MOOBERRY WINERY - SPARKLING BABY KIWI	
LBW	MOOBERRY WINERY - SPARKLING BLACKBERRY	
LBW	MOOBERRY WINERY - SPARKLING RASPBERRY	
LBW	HILLSIDE - PRIVATE LABEL CABERNET MERLOT 01/02	
LBW	ENRICO MERLOT CABERNET SAUVIGNON	
LBW	ENRICO MERLOT - CABERNET SAUVIGNON	
CW	INNISKILLIN OKANAGAN - CHARDONNAY 11/12	
CW	INNISKILLIN OKANAGAN - PINOT BLANC 11/12	
CW	INNISKILLIN OKANAGAN - RIESLING 2012	
CW	SUMAC RIDGE - PRIVATE RESERVE CHARDONNAY UNOAKED 12/13	
CW	SUMAC RIDGE - PRIVATE RESERVE SAUVIGNON BLANC 12/13	
LBW	HILLSIDE VINTNER'S RESERVE RED BLEND	
LBW	THE VIEW PINOTAGE RESERVE 2012	
LBW	SAXON ESTATE PINOT NOIR 2012	
CW	SUMAC RIDGE - PRIVATE RESERVE CABERNET MERLOT 11/12	
LBW	SAXON PINOT NOIR ROSE	
LBW	HILLSIDE ESTATE - CABERNET FRANC 01/02	
LBW	HILLSIDE MERLOT - MALBEC 2009	
LBW	HILLSIDE PINOT NOIR	

LBW	RESERVE GAMAY - HILLSIDE ESTATE s.21 2010
LBW	CASTORO - VIOGNIER
LBW	HILLSIDE DICKINSON VINEYARD MERLOT
LBW	AVERILL CREEK - PINOT NOIR
LBW	CHURCH & STATE TREBELLA
LBW	CHURCH AND STATE - SYRAH ROSE
LBW	HILLSIDE HIDDEN VALLEY - MERLOT 2009
LBW	HILLSIDE TAYLOR VINEYARDS - MERLOT 2009
LBW	BLISS / FORTIFIED CHERRY
CW	MONTE CREEK FRONTENAC GRIS
LBW	ENRICO RED DRAGON
LBW	MISTAKEN IDENTITY VINEYARDS - PINOT NOIR
LBW	MISTAKEN IDENTITY VINEYARDS - PINOT NOIR 2008
LBW	SYMPHONY VINEYARD - MILLOT
LBW	SYMPHONY VINEYARD - MILLOT
LBW	SAXON - VIP
CW	SEE YA LATER RANCH - PINOT NOIR 2012
LBW	OWEN CABERNET FRANC 2011
LBW	ROBIN RIDGE - PINOT NOIR 2012
LBW	ENRICO CABERNET FOCH
LBW	ENRICO CABERNET LIBRE
CW	MONTE CREEK RIESLING
LBW	CASTORO - SIEGFRIED
LBW	CASTORO HEARTBREAKER
LBW	40 KNOTS - SPINDRIFT

LBW	40 KNOTS - SPINDRIFT SOLEIL ROSE	s.21
LBW	40 KNOTS - STALL SPEED MERITAGE	
LBW	KETTLE VALLEY - CABOOSE 2006	
LBW	PENTAGE - CHARDONNAY	
LBW	CASTORO - CHARDONNAY UNOAKED	

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

**PURPOSE:** For INFORMATION for the Honourable Naomi Yamamoto and the Honourable Terry Lake

**ISSUE:** Meeting with the BC Craft Brewers Guild

**SUMMARY:**

- The BC Craft Brewers Guild currently has 40 members, all of which are small production, local breweries.
- The Guild is concerned the introduction of the wholesale pricing structure by the Liquor Distribution Branch (LDB) will have a significant negative impact on their members' revenues.
- The LDB's position is that small-production breweries in BC are supported by a significant reduction in the mark-up applied to their products relative to large breweries.
- Further, the liquor wholesale/retail landscape has changed significantly with the introduction of the wholesale pricing structure that requires manufacturers across all product categories and retailers to adjust – it is premature to suggest small breweries will necessarily experience an appreciable decline in revenue.
- For the majority of cases, the retail price for small-production breweries packaged beer sold through BC Liquor Store and private retailers has increased as part of the transition to the new wholesale pricing model, while the price for small-production breweries draught products has decreased – assuming supplier costs remain the same.

**BACKGROUND:**

- The LDB has three tiers of mark-up on beer. Companies that produce 15,000 hectolitres (hl) or less have the lowest mark-up applied, companies that produce between 15,000 – 350,000 hl have the next lowest mark-up applied that is graduated and companies producing more than 350,000 hl have the highest mark-up applied. A hectoliter is 100 litres, or about 25 dozen beer. The LDB's mark-up rates for beer, based on annual brewery production, are shown in Appendix A.
- The purpose of this mark-up structure is to support small brewing companies that do not have the economies of scale of large companies and therefore have higher production costs. In order to direct the lower mark-up benefit to small companies, beer production is based on the total amount of beer produced by all facilities owned by the same company (e.g. a small brewery owned by a large brewery would not qualify).

- There has been a large increase in the number of small production breweries (the LDB does not designate breweries as 'craft') in BC over the last number of years, following the trend in the US and the increasing consumer demand.
- The tiered mark-up structure has been successful in supporting this growth. There are currently 82 breweries in the first tier, 10 in the middle tier and 13 in the last tier. This compares to 40, 7 and 3 respectively in 2012.
- The Guild's member breweries are predominantly in the first mark-up tier (< 15,000 hl).
- The Guild's consultant Craig Jangula has had a considerable amount of contact with the LDB regarding the introduction of the wholesale pricing structure and what impact those changes may have on the small-production beer industry in BC.

Wholesale Pricing Model – impact on small breweries:

**Positive:**

- The price for draught beer purchased by the hospitality industry (restaurants, bars, pubs) will decrease if the brewery does not raise its price of product because the LDB is not adding a retail margin to the wholesale price that must be paid by hospitality customers – previously the price paid by hospitality customers included a LDB retail margin. This may encourage sales growth of draught beer to the hospitality market. If the price the hospitality industry pays for a draught product is kept the same, that would mean the brewery would generate additional revenue.
- The mark-up applied to packaged product is now the same as the mark-up applied to draught beer (significantly reduced), therefore the revenue generated from the sale of packaged product at the brewery site will increase if the brewery chooses to maintain the same retail price.
- The LDB mark-up schedule was revised to align with the wholesale pricing structure and the opportunity was taken to eliminate the 'fiscal cliffs' that previously existed as a brewery moved from the first tier to the second tier and from the second tier into the third tier, as annual production volume grew. The second tier has been expanded from a production volume of 160,000 hl to up to 350,000 hl, and a graduated increase in the mark-up within that tier has been introduced.

**Potential Negative:**

- Under the previous discount-off-of-display wholesale price system for private retailers, the LDB would actually incur a loss on many small brewery packaged beer products when a private retailer bought those products because the private retailer discount was more than the LDB revenue from the mark-up and the retail margin. This was an unintended consequence of the discount-off-of-display model and the increasing discount that was provided to private retailers over the years.
- In other words, the LDB was subsidizing the shelf price of BC small brewers' packaged products sold through the private retail channel.

- The wholesale pricing model eliminates this unintended consequence, but may result in the retail margin offered to retailers becoming very small if the shelf price is kept the same and the brewery keeps its supplier price the same – thus becoming a disincentive for retailers to carry small brewers' products.
- It remains to be seen how this will work itself out in the marketplace. Small brewers may decide to reduce their revenue from the sale of packaged product in the wholesale channel so retailers are able to realize a better retail margin selling the product at current prices. This could be counter-balanced with the additional revenue provided by draught sales and the sale of packaged product at their on-site store.
- If the brewery keeps their wholesale pricing stable, retailers may decide to increase the shelf price in order to increase their retail margin, however given consumer demand for beer from local, small producers, sales may not be significantly affected.
- LDB sales data indicates that draught beer sales are the mainstay of most small-production breweries in BC, and as such, most breweries should be in a net positive position with respect to revenue if their overall operation is considered.

The Guild's Request:

s.13

LDB's Position:

s.13

**OTHER MINISTRIES IMPACTED/CONSULTED:**

- N/A

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## **Appendix A**

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

**PURPOSE:** For INFORMATION for the Honourable Suzanne Anton.

**ISSUE:** Craft beer briefing on June 24

**SUMMARY:**

- The retail pricing of beer produced by BC's small production breweries since April 1 when wholesale pricing was introduced has garnered significant public attention.
- The BC Craft Brewers' Guild has been effective in raising their concerns with MLA's, who in turn, are asking questions of the Minister responsible for the liquor industry.
- Minister Anton has requested a briefing on some of the more operational aspects, including the areas addressed below.

**BACKGROUND:**

**1. How do products get listed?**

- Category Managers make decisions on the products that are listed to be sold in BC Liquor Stores.
- Category Managers employ the same considerations as any other buyer in a retail organization in making these decisions. These considerations include:
  - Does the product bring something unique to the current BC Liquor Stores' product mix?
  - Is the product in line with current trends in the category?
  - Does the product fit within the category strategy?
  - Is the product's packaging likely to be appealing to consumers?
  - Does the manufacturer have effective marketing plans?
  - What is the price point of the product?
  - Does the product fill a price-point gap in BC Liquor Stores?
  - Does the product have a positive sales record in other retail channels or other jurisdictions?
  - What is the manufacturer's ability to supply product?
  - Is the product exclusive to BCLS?
  - Is the item a margin enhancer? Does it fit within the category profit strategy?

**2. Is it possible to do regional orders (e.g. can the GLS stores in Kamloops carry the beer made there?)**

- Although Category Managers make decisions regarding which products are listed to be sold throughout all BC Liquor Stores, BC Liquor Stores recognizes the growing desire of consumers to purchase products that are produced locally.
- Therefore, Store Managers have some discretion to offer a limited number of local products in their particular store that are not listed to be sold across the retail chain.
- Decisions are made on a product-by-product basis.
- Store Managers base their decision on factors that include:
  - the level of consumer demand for the product;
  - how many other local products they already have that are not listed products;
  - the likelihood of consumer uptake given the price point; and
  - the product's appeal.
- There is no guarantee that a BCLS will agree to carry a given product of a manufacturer simply because the manufacturer operates in close proximity to the store.

**3. Can breweries ship directly to licensees?**

Yes, in fact the vast majority of packaged beer, and all draught beer, is privately distributed to retailers, restaurants, bars and pubs (either by the breweries themselves or by a contracted delivery company).

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**2015/16 ESTIMATES NOTE****Liquor Distribution  
Branch Governance****Suggested Response:**

- In following through with my mandate direction to look at alternative governance options for the Liquor Distribution Branch, we continue to explore whether there is a model that would better service British Columbians.
- As it currently stands, our liquor retail model will remain status quo.
- The Liquor Distribution Branch will continue to generate revenue that will help pay for the social services, education and health care that British Columbians enjoy.

**Background:**

- In the Minister's 2013 mandate letter, Minister of Justice Suzanne Anton was asked to "consider and present options to convert the Liquor Distribution Branch into either a Crown agency or Crown Corporation with its own Board of Directors".
- This is separate from the recent liquor policy review led by Parliamentary Secretary John Yap, relating to modernizing BC's liquor legislation and regulations. The Liquor Review Terms of Reference excluded Liquor Distribution Branch governance.

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