

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

Cliff #: 37278

Date: December 14, 2015

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

**ISSUE:** BC Land-Based Wineries – Hospitality Sales

**BACKGROUND:**

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

## DISCUSSION:

- As of February 2016, the LDB will be giving BC land-based wineries the ability to 'free price' products that are sold to hospitality customers.
- The products must be:
  - Non-listed<sup>1</sup>
  - Direct-delivery only (not distributed by the LDB)
  - Priced in accordance with the LDB's minimum wholesale price rules

- s.13,s.17
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- All other suppliers, such as commercial wineries, distilleries and breweries, will continue to sell their products to hospitality customers at the LDB Established Retail Price.

- s.13,s.17
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## Other Ministries Impacted/Consulted

- s.14
- The LCLB was consulted regarding the application of section 45 (inducements) in the *Liquor Control and Licensing Act*. s.13
- s.13

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

**NEXT STEPS:**

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

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MINISTRY OF SMALL BUSINESS, RED TAPE REDUCTION  
AND RESPONSIBLE FOR THE LIQUOR DISTRIBUTION BRANCH

**INFORMATION NOTE**

Cliff #:37286

Date: January 5, 2015

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

**ISSUE:** Refreshed Regulatory Reform Policy

**BACKGROUND:**

s.12,s.13,s.17

Extensive research and consultation has been completed to inform the development of a refined policy framework including a

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As well, a short term pilot project will be launched in early January 2016 to ensure these tools will work effectively when applied across government on new or proposed amendments to legislation, regulations and associated policies and forms. Finally, external consultations are being planned with selected stakeholders such as the Canadian Federation of Independent Business (CFIB) and the Small Business Roundtable.

**DISCUSSION:**

The newly revised regulatory reform policy (see Appendix B) includes clear direction on how to apply the policy and its regulatory reform principles.

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This refreshed policy will ensure that any new or amended legislation or regulations considers the impacts on citizens businesses and the economy early on in the development process.

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**TIMELINES AND NEXT STEPS:**

Next steps to finalize and operationalize the policy include:

- Completing the pilot project with the Ministry of Forests, Land and Natural Resource Operations to test the policy on a proposed regulation (**January 2016**)
- External consultations with CFIB and the Small Business Roundtable (**January/February 2016**)
- s.13
- Ministerial approval of the refined policy (**February/March 2016**)
- Implementing training program(s) to support proper application of the tool across government (**March 2016 onwards**)
- Launching refined policy as a government-wide regulatory reform tool that supports government's commitment to reducing red tape (**March 2016 onwards**)

**ATTACHMENTS:**

1. Appendix A – s.12,s.13,s.17
2. Appendix B - Refined Regulatory Reform Policy

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## APPENDIX A

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Withheld pursuant to/removed as

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