NATIONAL WINE POLICY UPDATE
FEBRUARY 24 2020

AIDV CANADA CONFERENCE – VANCOUVER BC

MARK HICKEN -- VINTAGE LAW GROUP

SCOPE OF REVIEW

- ‘Taxation’ of Wine – e.g. markups, taxes
- Hospitality Customers – e.g. availability of wholesale price, distribution issues
- Retail Distribution – e.g. wine in grocery, private stores
- Direct to Consumer – e.g. ability of consumers to order wine from another jurisdiction

- Provide Comparison: Global Standard vs. Canadian Policy
- Reform Initiatives

MARKUPS AND TAXES

GOVERNMENT IMPOSED CHARGES THAT INCREASE THE COST OF WINE

TAXATION OF WINE – GLOBAL STANDARD

- Thomas Jefferson: "I think it is a great error to consider a heavy tax on wines as a tax on luxury. On the contrary, it is a tax on the health of our citizens"
- Global Standard: Taxes on wine are usually in the form of volume based excise taxes, which are often justified on the basis of discouraging consumption (on lower priced products)

Examples	EU - Low	EU - High	USA - Low	USA - High
Per 750 ml bottle	0 (Spain, others)	3.19 euro (Ireland)	0.05 (California)	0.91 (Kentucky)
Sales Tax/VAT	21%	23%	7.25%	6%

TAXATION OF WINE – PROVINCIAL MARKUPS AND TAXES

	BC	AB	ON	QC	NB	PEI
Wine	89%/27%	$2.95 (750 ml)	71.5% + $1.21 + 0.45 + 0.21 + 0.12	118%/109% 80%/45%/65 %	147%/100% 50%	134.5%/45% 30%
	To wholesale	To wholesale	To retail	To retail	To retail	To retail
Local wine	Mostly exempt	Agnostic	Reduced	Reduced		
Sales Tax	15%	5%	13%	15%	15%	15%

- Changes? I am unaware of any significant proposed changes to markup
- Comeau principles may affect the above

EXAMPLES OF PRICING (INCL. TAX)

Wine	BC	ON	QC
La Vieille Ferme Red (France – Ventoux)	14.94	12.45	12.95
Robert Mondavi Chardonnay (USA - Napa)	33.91	22.25	30
Penfolds Koonunga Hill Cabernet/Shiraz (AUS)	22.41	17.45 (reg. 19.95)	16.95
Catena Malbec (ARG)	25.29 (reg. 28.74)	19.95	21.90




HOSPITALITY SECTOR (ON-PREMISE MARKET) PRICING AND ISSUES

POLICIES AFFECTING THE RESTAURANT/BAR/HOTEL SECTOR

ON-PREMISE MARKET – GLOBAL STANDARD

- Ability to generate wine programs of excellence in the on-premise market is dependent upon:
  a) ability to purchase at reasonable wholesale prices, and
  b) ability to access a good selection of products
- Global: on-premise sector always buys at WHOLESALE prices (same prices as other wholesale customers such as retailers)
- Global: on-premise sector can purchase from any licensed supplier and, in many markets, can purchase from individuals too

ON-PREMISE MARKET – WHOLESALE PRICE

	BC	AB	SK	ON	QC
Wholesale Price	No	Yes	No	No	No
	BTAP reco.		Access to neg. price through private retail		'Spot' discounts

- Ongoing lobbying for changes on this issue across Canada
- See Restaurants Canada "Raise the Bar" annual report: https://www.restaurantscanada.org/resources/raise-the-bar/

ON-PREMISE MARKET – PRICING EXAMPLES

La Vieille Ferme Red	BC
Pre-Tax Price	12.99
On-Premise Markup 100%	12.99
Wine List Price	26.00
Sales Taxes	3.90
End Consumer Cost in Restaurant	29.90

ON-PREMISE MARKET – PURCHASING/DISTRIBUTION

	BC	AB	SK	ON	QC
System Used	Monopoly Only	Open	Open	Monopoly Only	Monopoly Only
	Some local producers can self-distribute			Some local producers can self-distribute	Some local producers can self-distribute

❖ Changes? I am not aware of any pending changes to provincial distribution systems

RETAIL SECTOR (OFF-PREMISE MARKET) PRICING AND ISSUES

POLICIES AFFECTING RETAIL SALES OF WINE (OFF-PREMISE)

OFF-PREMISE MARKET – GLOBAL STANDARD

- The abundance of government liquor stores in Canada is unusual by international standards: some U.S. states (e.g. Pennsylvania) and Scandinavian countries (e.g. Sweden)
- Similarly, government control of the wholesale liquor business is also unusual
- Global standard: Private retail liquor stores purchasing directly from suppliers (i.e. no 'middleman' government distribution warehouses)
- Global standard: No or few restrictions on the type of stores that can sell retail wine (e.g. wine sales permitted in grocery stores, big box stores, and frequently in corner stores, drug stores or even gas stations)

OFF-PREMISE MARKET – PROVINCIAL RETAIL MARKETS

	BC	AB	SK	ON	QC
Retail System	Mixed Govt & Private	Private	Mixed Govt & Private	Mixed Govt & Private	Mixed Govt & Private
Wine in Grocery	Limited	No	No	Limited	Limited
Specialty Private Wine Stores	Limited	Yes	Limited	No	No
Notes	Approx 200 GLS, 750 Private	Grocery has freestanding stores	Expansion of private retailers	Phased grocery roll-out	

- Changes? Yes: many provinces are implementing expansion of private retail and/or grocery

OFF-PREMISE MARKET – RETAIL SYSTEM CHANGES

	BC	SK	ON
Changes	Regular shelf wine in grocery, restricted number of licenses	Freestanding store only, expansion of private retail	Regular shelf wine in grocery, restricted number of licenses
Roll-out	30 approx	50 approx	150 approx
Notes	Restriction for only BC wine removed in 2019	Expansion of private retailers, replacement of some GLS with private	Complicated product control rules continue

- This is the most significant structural reform of the past few years

OFF-PREMISE MARKET – PURCHASING/DISTRIBUTION

	BC	AB	SK	ON	QC
Wholesale System	Govt Monopoly	Private Monopoly	Govt Monopoly	Govt Monopoly	Govt Monopoly
Exceptions	Some local producers can self-distribute			Some local producers can self-distribute	Some local producers can self-distribute
Delivery	Issues	Fast		OK	
Changes	BTAP recos.				

- Changes? Not aware of any significant changes on these issues

DIRECT TO CONSUMER (DTC)

POLICIES AFFECTING THE ABILITY OF CONSUMERS TO ORDER WINE FROM OTHER JURISDICTIONS

DTC – GLOBAL STANDARD

- Outside North America, this is an 'unheard of' issue
- e.g. France – illegal to send wine from Bordeaux to Paris? Schengen zone – no limits
- e.g. UK Customs – from EU: 90 litres
- Global standard: zero restrictions on shipment of wine within a country
- North American restrictions stem from Prohibition & delegation of alcohol control to states/provinces
- In the USA, vast majority of states now open for DTC from wineries – battles still going on for retail DTC

DTC – DOMESTIC – WINERY TO CONSUMER

	BC	AB	MB	ON	QC
Permits shipments from winery	Yes	No	Yes	No	No
Permits “in-person” winery imports	Yes - unlimited	Yes - unlimited	Yes - unlimited	Yes - unlimited	Yes

- Frequent changes.
- Industry compliance subscription: http://alcaintel.com/
- Ongoing lobbying for changes on this issue across Canada.
- See CVA – Wine Growers Canada and BCWI web sites for information:
  http://www.canadianvintners.com/
  https://winebc.com/
  https://www.freemygrapes.ca/

DTC – DOMESTIC – RETAIL TO CONSUMER

	BC	AB	MB	ON	QC
Permits shipments from retailer	No	No	Yes	No	No
Permits "in-person" retailer wine imports	Yes - unlimited	Yes - unlimited	Yes - unlimited	Yes - unlimited	Yes - limited

- Changes? Not aware of any significant reform on these issues

DTC – INTERNATIONAL – WINERY/RETAIL TO CONSUMER

- Duty-free limit for wine: 1.5 litres (2 regular bottles); customs discretion
- Charges on imports above the limit vary by province; in most provinces amounts charged are lower than the regular markup so in-person import may be economically advantageous
- Fees are charged based on where you clear customs, not where you reside (e.g. BC resident: CDG – YYC – YVR is charged in Alberta)
- Possible changes?
- See www.winelaw.ca for detailed information

PROVINCIAL REFORM INITIATIVES

- See Restaurants Canada Raise the Bar report https://www.restaurantscanada.org/resources/raise-the-bar/
- Ongoing reform projects in a number of provinces
- BC: BTAP Report
- ON: Hughes Review

B	**ALBERTA** Best-in-class, but room for improvement. Licensed establishments are still hungover from actions taken by the previous provincial government and hoping for relief.
B-	**NOVA SCOTIA** Prohibition is history at last but current rules and regulations are creating an uneven playing field with craft breweries.
B-	**PRINCE EDWARD ISLAND** Recommended liquor rule reforms could soon lead to further reductions in red tape. But restaurateurs are still thirsty for better prices and a wider selection of beverage alcohol products.
B-	**QUEBEC** Many reasons to raise a glass, but wholesale pricing still needs work. Restaurateurs are also waiting for promised regulations that will reduce red tape.
C	**BRITISH COLUMBIA** Consultation with industry will hopefully result in operational improvements for bars and restaurants. But plans to phase out the liquor server wage could exacerbate labour pains.
C	**MANITOBA** Time to level the playing field: Restaurateurs face more restrictions than retail consumers when buying liquor and still can't sell alcohol for off-site consumption, unlike hotels and third-party delivery.
C-	**ONTARIO** New leadership is demonstrating a willingness to disrupt the status quo, but needs to apply itself more in the area of hospitality.
C-	**SASKATCHEWAN** Uneven wholesale pricing model continues to fall flat with many licensed establishments still at a competitive disadvantage.
D-	**NEW BRUNSWICK** The province's unfulfilled promise to introduce wholesale liquor pricing is continuing to leave a bad taste.
D-	**NEWFOUNDLAND & LABRADOR** The cost of doing business is still much higher for drinking places on the Rock compared to the rest of the country.

THANK YOU! QUESTIONS

- Mark Hicken
- Vintage Law Group
- www.winelaw.ca
- www.alcaintel.com
- T 604 670 2075
- E mark@winelaw.ca