

ITEM	18
MANAGER'S REPORT NO.	27
COUNCIL MEETING	Apr. 12/77

Re: CHANGES IN LIQUOR POLICY

As requested by Council, attached is a news release dated March 31, 1977 which explains the Provincial Government's recently announced changes regarding liquor regulations. The underscoring and other notations on the attachment were made by an employee of the the U.B.C.M. who gave us his working copy, and should be ignored by Council as these notations are not germane to our consideration of the matter.

As a point of interest, comments at the bottom of pages 8 and 9 and the penultimate item on page 14 advise that the sale of hard liquor will not be allowed in beer parlours.

This is for the information of Council.

* * * * *



British Columbia Ministry of
CONSUMER & CORPORATE AFFAIRS
The Honourable K. Rafe Mair Minister

NEWS RELEASE

LDB - Liquor Distribution Branch

For Release: March 31, 1977.

GOVERNMENT ANNOUNCES LIQUOR POLICY

The Government today announced changes in liquor policy that are aimed generally at promoting an approach of greater moderation in the consumption of beverage alcohol in British Columbia. They will provide support for British Columbia products, as well as a new set of rules for the licensing of neighbourhood pubs, and various changes relating to the distribution of liquor and the administration of licensing policy.

The Honourable K. Rafe Mair, Minister of Consumer and Corporate Affairs, who is responsible for both the Liquor Distribution Branch and the Liquor Control and Licensing Branch, in making the announcement said that the Government's prime concern was to acknowledge and recognize the health and social costs caused by the abuse of alcohol on the one hand and consumer demand for better products, better prices, and better premises in which to have a drink, on the other.

"Liquor is very much a double-edged sword - as well as being a factor in the health of us all, and affecting our performance at the wheel and at work, as well as in society, liquor and wine are central to many of our modern concepts of hospitality. Liquor is important

-2-

to the economy of British Columbia - not only to the agricultural and manufacturing concerns which produce it, but good restaurants, for instance, which are fundamental to our tourist industry. They must be able to offer a broad choice of wine and liquor in pleasant surroundings."

"For many years," said Mair, "British Columbia liquor policy appeared to lag behind accepted social custom. The Morrow Commission Report resulted in a number of changes over the past six years and the split between liquor distribution and liquor licensing has been achieved. However, a number of regulatory matters have had to be sorted out and our statement of policy at this time is a reflection of our perception of some change in what people want by way of provincial liquor law and it may result in some reversal of what people wanted in the 'Free-Wheeling Sixties'.

"If I had to put a one word tag on the general thrust of this policy," said Mair, "that word would be 'moderation'. Almost all of the changes we are announcing are designed to encourage a more moderate approach to alcohol consumption and an awareness of the social policy implications. I am not concerned about the average moderate drinker who can exercise some judgment in how, where and what he drinks, but as we all know alcohol abuse is a very large social problem. The changes we are proposing here are designed to encourage a more civilized approach to drinking and de-emphasize the licensing of 'water holes' and the sale and consumption of excessive amounts of liquor.

.... /3

ITEM 18
MANAGER'S REPORT NO. 27
COUNCIL MEETING Apr. 12/77

157

Mair said that the most important of his recommendations relate to wine. "We are taking some steps to encourage the consumption of wine, both imported and domestic and hope that British Columbians will drink more of it - and less hard liquor and beer. We have faith in the future of the British Columbia wine industry and are anxious to give it every advantage in marketing within British Columbia, while at the same time making the market more competitive - so that, as better grapes become available, better B.C. wines will be made. It has been clear for the last couple of years that British Columbia consumers prefer better grades of table wines and, within the limits of the grapes they had available, our wineries have tried to fill that market need. Nevertheless, because of a combination of factors - high labour and other costs in British Columbia and competition from low-price foreign wines, we have decided to lower the mark-up on both imported and domestic wines and to provide some marketing advantages to unfortified B.C. wines.

The mark-up on B.C. wines of under 14% alcohol will be reduced to 46% from 66% and the reduction in mark-up of imported wine will be from 117% to 100%. For the time being, there will be no new foreign wines listed that will retail below \$2.75 per bottle.

"The B.C. wineries have asked for a variety of advantages in the marketing of domestic wine and the Government is prepared to grant several of these. At the present time, shelf space assigned to domestic wines is about 25%, and this will remain unchanged. However, when a winery wishes to introduce a new brand, it may

ITEM	18
MANAGER'S REPORT NO.	27
COUNCIL MEETING	Apr. 12/77

-4-

introduce it in two sizes rather than one as at present. To maintain a listing, annual minimum sales of 2,500 gallons will be required. However, to maintain a second size, the present annual minimum gallonage of 15,000 is being reduced to 7,500. To maintain three sizes, the reduction in annual minimum gallonage will be from 70,000 to 20,000. The thrust of this is to encourage the production of better wines in smaller bottles. Three sizes will be allowed instead of four as was the case previously."

"To encourage B.C. wineries not to market wines with low sales volume, the number of listings allowed any one winery will be limited to 66. The industry had asked for 78 and some wineries already have about 70. However, we hope our restriction will encourage wineries to produce better wines.

"To encourage better promotional efforts by the wineries upon the introduction of new brands, there will be automatic distribution of all new listings to more stores than is presently the case. In principle, the intent is to allow initial distribution of new listings to all self-serve stores, ten other stores selected by the winery, and all licensed outlets. However, some stores face space limitations which have to be recognized.

"The industry has asked that domestic wines be integrated with imported wines in self-serve stores and this will be instituted insofar as corked wines are concerned.

"To encourage broader wine sales, sampling regulations will be eased

.... /5

-5-

for domestic wines. Hopefully, this will allow for the familiarization of licensed premises with some of the newer, better wines now being produced in British Columbia which are attractive and reasonably priced alternatives to many low priced imported products.

"The industry has also asked that the frequency restrictions on print advertising be altered to apply to 'brands' rather than 'corporations'. While this has been rejected because it was felt that it would lead to brand proliferation, frequency restrictions will be eased, although they will still apply to 'corporations'. The ban on electronic media advertising will continue.

"Additional merchandising techniques will be allowed, such as distribution of one detailed product information pamphlet per winery, and local wine industry pamphlets will be available in Liquor Distribution Branch outlets. Wineries will also be allowed to establish in-store display counters for a two-month display of new wines where space is available. As well, each winery will be granted the right to operate a retail outlet for the sale of its products at the site of the winery. This should be an enhancement to tourism and may encourage tours of some wineries.

Jim Hewitt

"The Ministry of Agriculture is already involved with the grape growers of the Okanagan Valley in an aggressive program of planting better quality grapes which should, over the years, allow for continued and increasing quality of British Columbia wines.

.... /6

-6-

"We should not in any way apologize for trying to help our own wineries and grape growers", said Mr. Mair. "In recent years, France has protected its industry against cheap Algerian wine and other European countries have set quotas and otherwise protected their own wine and grape industries against surpluses elsewhere.

We have the potential in British Columbia to produce better wine a few years from now, and in the interim, we are prepared to provide some support for the industry. There are no subsidies involved here - simply some new approaches to marketing, and recognition of the fact that wine prices have increased more rapidly than other liquor products over the last ten years or so.

"The introduction of a policy which favours wine consumption is one part of an overall effort by the government to encourage moderation in the drinking habits of British Columbians. Within the next month or so, a major educational and advertising campaign will be launched by the Government to encourage better drinking habits. We have no real idea of the 'costs' of alcohol or extent to which bad drinking habits cause accidents, deterioration of health, accidents on the job, lost productivity and so on - but we recognize that there is a serious problem. Because of this, ^{The} government will be undertaking a major long-term program designed to change attitudes toward drinking and emphasize moderation.

"In the area of licensing, the Government is announcing today that legislation will be introduced to abolish the Liquor Control Board, the appeal body which has heard appeals from liquor licensing and listing decisions. Appeals will now be referred to the Corporate

..../7

-7-

and Financial Services Commission, the general appeal body that hears appeals from a broad range of administrative decisions in the Ministry of Consumer and Corporate Affairs. In one particular case only - the issuance of neighbourhood pub licences - the appeal will reside with the Minister. This change has been made because the Liquor Control Board has not been operating as it was envisaged, and had become, in many respects, a second licensing body. It had licensed a number of neighbourhood pubs where the Liquor Licensing and Control Branch had refused licences for discretionary reasons of public policy.

"Neighbourhood pubs were established by the previous government but there was no firm policy established to control either licence proliferation or the placing of neighbourhood pubs in areas which were unsuited to them. Because of the great number of applications that were being prepared and the need to develop standards and some method of controlling the issuance of such licences, this Government indicated in December that there would be no more licences issued until a policy could be developed.

Freeze

"The general policy is as follows:

1. Neighbourhood pub sites will be subject to Liquor Licensing Branch pre-clearance before the promoter seeks support within the local community or from the municipal government.
2. The promoter will be required to circulate a petition to residents within six blocks or one-half mile radius and obtain support of 60% of the residents. Municipal approval will also be required.

.... / 8

3. The Liquor Licensing Branch will not consider licensing known problem areas, locations adjacent to highways, close to schools and other social facilities and will be required to consider the question of proliferation of establishments and the economic viability of licensed premises as a whole.
4. The Branch and the municipality will take into consideration the question of zoning, parking, appearance, the need of the local community for such an outlet, and the problems that might be created by traffic, noise and so forth.
5. A refusal by the General Manager would be appealable only to the Minister rather than to the Corporate and Financial Services Commission.
6. Once a license has been granted, control by the municipality will be limited to the pub operating beyond 11 P.M. and, of course, the other normal matters of municipal regulations.
7. It will be the general intent to have neighbourhood pubs in areas where in fact a ~~neighbourhood~~ exists. Although it is recognized that this cannot be an infallible rule, an attempt will be made to avoid establishing neighbourhood pubs in areas of shopping centres.

"The previous government amended the liquor legislation to allow for the sale of hard liquor in beer parlours, but this has not been

.... /9

ITEM	18
MANAGER'S REPORT NO.	27
COUNCIL MEETING	Apr. 12/77

-9-

provided for by regulation and it will not be.

"Although liquor is served in beer parlours in other provinces, the atmosphere in many beer parlours in the province is simply not amenable to that kind of wide-open licensing.

"However, where a hotel wishes to change its beer parlour premises to the standards approximating those of a neighbourhood pub, the Government will be prepared to hear applications for a new type of outlet to be termed simply a 'pub'.

"In general, such a 'pub' would be required to have first-class decor, adequate furniture, a bar with seats and a stand-up area. Seating will be limited to 125 people.

"These hotels will not need the approval of the municipality or a petition within a six-block area, but they would be subject to municipal control, as is a neighbourhood pub, insofar as keeping the premises open past 11 o'clock in the evening."

"In some cases of small non-conforming hotels in remote or developing areas, the Liquor Licensing Branch may require a petition be circulated within a half-mile radius, but otherwise the standards of decor and municipal control for hours would be the same.

.... /10

"A number of issues relating to the distribution of liquor have also been considered and the policy on these is as follows:-

- The price of some products bottled by the LDB have fallen behind their competitors because of increased costs faced by some distillers and bottlers. To allow this gap to exist creates unfair competition and henceforth, L.D.B. brands will have their prices pegged to the lowest price of a listed comparable product. The L.D.B. brands will maintain a competitive downward pressure on distillery prices without presenting unfair competition.
- Some local distillers have asked for price and other concessions that are available to local distillers in other provinces. The Government has rejected giving financial advantage to any distiller, but will allow packaging advantages such as Christmas gift packs or large sizes if these are asked for.
- There will be a realignment of the Liquor Distribution Branch costing upon which the mark-up is based. In this case, freight rates will play to the advantage of local suppliers - both distillers and bottlers - and give them something of a price advantage in the marketplace.
- The Scotch Whiskey Association has asked that the Scotch mark-up be reduced to the same as Canadian rye. The mark-up on Scotch reflects the higher mark-up applied to all non-Canadian products by most provinces and we see no reason to change that general policy at this time.

..../11

-11-

- Over the past couple of years rapid and large changes in costs have resulted from changes in currency valuations and to act within the terms of pricing policy laid down by the Government, the Liquor Distribution Branch changed shelf prices more often than was economically feasible. In the future, all price adjustments will be made quarterly.
- There have been requests that beer and wine be retailed through private outlets such as grocery stores. Any advantage to the consumer would be more than offset by increasing social problems - including those relating to sales to minors, hours of sale, the handling of beer by minors and credit purchases - and higher enforcement costs. Discussions with other jurisdictions, which this problem involves, have not been encouraging and the Government will continue to reject retailing of beer and wine through grocery stores.
- In some remote areas, the Liquor Distribution Branch has established 'Agency Stores'. The experience has not been universally favourable. There have been created some social problems and there is some evidence of attempts to traffic in licences. To some extent, the liquor concession is an economic advantage in a small community. The Government is therefore announcing that there will be no more Agency Stores appointed, except in highly unusual circumstances, and in their stead, the L.D.B. will be opting for one-man trailer based stores. While existing Agency Stores will be allowed to continue under the same ownership, transfers of appointments will not be allowed. In some small and isolated areas, instead of allowing the sale of liquor through stores, the Branch may allow the off-premises sale of

.... /12

- 12 -

liquor from premises which are already licensed for the sale of liquor by the glass. Hours of sale, of course would be restricted.

- A question of duty-free stores has come up as a result of changes in federal legislation. Although the federal government has not yet called for bids to establish land and sea departure duty-free stores, the sale of liquor through such stores will be subject to provincial regulation and the Government has now established a policy. A duty-free outlet licensed by the federal government which wishes to sell liquor, as well as other duty-free merchandise, will have to make space available to the Liquor Distribution Branch. The liquor will be sold by the L.D.B. employees. It should be added that a high standard of establishment will be expected and the provincial government will work closely with the duty-free outlets licensed by the federal government to encourage these outlets to stock British Columbia products and to advance the interests of British Columbia tourism and products.
- Special orders have always been a privilege allowed consumers to enable them to order products not normally listed in liquor stores. Increasingly, it appears that special orders are being used to circumvent normal liquor distribution policies, and the Government has decided to put some minor restrictions on such special orders. In general, the constrictions placed on the normal order system will be applied to special

..../13

ITEM	18
MANAGER'S REPORT NO.	27
COUNCIL MEETING	Apr. 12/77

-13-

orders. This will mean, for instance, that special order wines will sell for a minimum of \$2.75 per bottle. In addition, sizes not normally listed with the Board will not be ordered. A minimum deposit of 50% of the forecast selling price would be required by the L.D.B.

"In summary, the Government has made a number of very significant policy decisions. More important, however, is the fact that the Government has attempted to establish two basic principles.

First - while all facets of liquor distribution and licensing are under Government regulation - those regulations should be in writing and clear to those affected. They should also be sensible.

Second - the Government intends to encourage moderation in the use of liquor and will, in addition to supporting current programs, embark upon new projects of education and rehabilitation. It recognizes that the abuse of drugs, including alcohol, is the biggest social problem facing our citizens."

- 14 -

SUMMARY OF LIQUOR POLICY

- Reductions in the prices of all domestic and imported wines.
- Listing and marketing procedures to encourage the production and sale of better domestic wines.
- Easing of regulations relating to the promotion of B.C. wines.
- Reinstitution of the licensing of "neighbourhood pubs" under rules that will take local concerns into account and prevent licence proliferation. Some hotels will be allowed "pub" licences.
- Abolition of the Liquor Control Board as an appeal body; appeals to be heard by the Corporate and Financial Services Commission.
- Prices of L.D.B. brands to be pegged against lowest private brands so as not to compete unfairly.
- Local distillers will have some price advantages as a result of changes in calculating mark-ups, and local bottlers will have packaging advantages.
- There will be no changes in the mark-up of Scotch.
- Advertising of beer and wine on radio and TV will continue to be banned.
- Beer and wine will not be allowed to be sold in grocery stores.
- Retail prices of liquor will be changed only quarterly.
- Agency stores in remote areas will be phased out in favour of one-man L.D.B. stores.
- When duty-free stores are allowed by the federal government, liquor sales will be handled by the L.D.B. and L.D.B. employees.
- "Special orders" through the L.D.B. will continue in compliance with new policy. Orders for the importation of cheap foreign wines in bulk will not be taken.
- Hard liquor sales in beer parlours will not be allowed.
- An extensive long-term educational program to inform and moderate attitudes towards drinking will be undertaken.