

August 12, 2015

The Honourable Coralee Oakes
Minister of Small Business, Red-Tape Reduction, and Minister Responsible for the LDB
Room 124, Parliament Buildings
Victoria, BC
V8V 1X4

VIA EMAIL: coralee.oakes.mla@leg.bc.ca

Dear Minister Oakes,

Congratulations on your recent appointment and new responsibilities. We are very much looking forward to working with you to help build a thriving and sustainable private liquor industry in British Columbia. On behalf of our respective associations, we would like to bring to your attention a BC Liquor Distribution Branch (BCLDB) pricing practice that is causing significant uncertainty and margin erosion to our industry.

WHO WE ARE

Together, our associations represent nearly \$17 billion in economic activity and 340,000 hospitality jobs. We are:

BC Import Vintners & Spirits Association (IVSA)

- Representing \$1 billion in beverage sales and several thousand employees,

Alliance of Beverage Licensees (ABLE BC)

- Representing \$1.6 billion in liquor sales and 100,000 employees in BC's pubs, bars, and private liquor stores,

BC Hotel Association

- Representing BC's \$3.2 billion hotel industry that employs 60,000 people,

BC Restaurants and Foodservices Association (BCRFA) and

Restaurants Canada

- Who together represent an \$11 billion industry with 178,000 employees.

OUR CHALLENGE

When purchasing beverage alcohol products for resale, BC's hospitality industry is required to purchase products exclusively from BC Liquor Stores (BCLS) at BCLS retail prices. We are deeply concerned that BCLS retail mark-ups are not transparent, they can (and often do) change monthly without warning, and they are not consistent from one product to another.

The uncertainty surrounding these margins is negatively impacting the profitability of several thousand low margin small businesses in BC, including manufacturers, suppliers, agents, and the entire hospitality industry. In the end, consumers are also negatively impacted when restaurant, bar, and hotel menu prices fluctuate wildly.



Our challenge is that it is currently impossible for agents and suppliers to offer accurate price quotes when selling to hospitality customers. This undermines customer confidence and constricts sales. For example, when the BCLS increases mark-up by anywhere from \$0.50 to \$4.50 on a single product (as happened in numerous cases on the most recent price list effective August 1), it can deter the hospitality trade from stocking that product. Alternatively, this price increase will eat into the fragile margins of the agents, suppliers, and thousands of hospitality industry businesses. The only way to avoid this loss of revenue is for hospitality industry businesses to pass along the unanticipated cost increase to consumers after first going to the time, trouble, and expense of reprinting their menus.

Another example of this practice is with Agent Stocked Products (formerly called “restricted” or “speculative” listings). Agent Stocked Products are purchased by hospitality businesses *through* the BCLS, but are *not* sold in government liquor stores. Yet these products are subject to the same non-transparent BCLS mark-ups that are inconsistent from one product to the next and from one month to the next. It seems extremely inappropriate that BCLS would use their discretionary retail mark up to increase prices on products brought in specifically—and exclusively—for resale at hospitality businesses.

A POSITIVE, WORKABLE SOLUTION

We propose a simple solution to this problem. We support a Fixed Hospitality Retail Markup so that agents, suppliers, and hospitality customers can anticipate the cost of their products, protect fragile margins, and increase business certainty. We recommend this retail markup to be set at BCLDB wholesale plus an appropriate fixed percentage to be established.

On behalf of our respective associations, we truly appreciate the British Columbia government’s clear commitment to the small business sector. We believe our proposal will add to greater business certainty and will encourage even more hospitality industry job creation and investment.

We look forward to meeting with you at your earliest convenience to discuss our proposal. For scheduling, please contact Richard Loewen, Executive Director of the IVSA, at richard@ivsa.ca or (604) 329-8033.

Respectfully submitted,



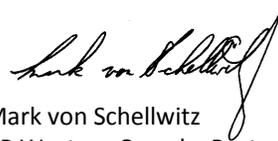
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CC: The Honourable Christy Clark, Premier of British Columbia
The Honourable John Yap, Attorney General for Liquor Policy Reform