

Wednesday, January 31st

Dear David Eby, Attorney General Province of British Columbia

Thank you for your encouraging words to the media on Friday. They give our industry hope for change and confidence that you are approaching the subject with an open mind. I believe that this situation provides an excellent opportunity for our three political parties to work together to deliver much-needed change for our province.

I understand that your government is considering law reform to accommodate our industry buying specialty products from private retailers. In this discussion, a change of law or law reform is not required but rather the standard terms and conditions applied to our licenses. It is the terms and conditions alone that bar licensee to licensee sales. This is an exercise of discretion by the general manager of LCLB. No change in law is required to amend those standard terms and conditions.

A change in law can take quite a long time, during which our wine, spirit and craft beer festivals and other events, such as The IVSA Product Salons, winemakers dinners and whisky festivals will continue to possibly contravene the law. Most of our industry festivals, including the upcoming Tip a Wee Dram whisky festival, raise money for charitable organizations, yet the current law and enforcement policy severely hinders these events and their charitable recipients. As you are most surely aware the Victoria Whisky Fest, one of the world's finest whisky festivals, was hindered by enforcement. Distillery operators, importers and brand ambassadors from across the globe descended on our capital only to be told that they were unable to share their products with us, as they weren't bought from an LDB store (although legally registered and approved for sale through private liquor stores in BC). Vancouver's Whisky Classique held the following Monday also had empty tables as the presenters brought whisky to share purchased from outside the LDB. Liquor Inspectors made a visit to the two IVSA (International Vintners & Spirits Association) Product Salons this month to check for LDB receipts even though some of these products are showcased for private retailers. After operating outside of the current policy for much of its tenure The Vancouver International Wine Festival has only recently become compliant.

Restaurants and bars need to stay competitive; offering choice to our guests is one such way we do so. B.C. is already fortunate in having a wider selection of products than most provinces, but each LDB store cannot stock the vast array of beer, wine and spirits available in the system and therefore these products, which are often of a specialty nature, need to be made available through private licensees. In saying that, we all understand that there is a system in place for Specialty item ordering, however aside from having to purchase slow moving inventory items by the case. We were, until very recently, unable to even see what is available within the system. Currently, if we wish to have a list of all available LDB SKU's we must purchase it from the LDB head office for \$55. I also have applied to Store 100 to access spec products for our restaurant but my application was denied. The private LRS's, however, have access to Store 100 and its inventory, and thus are able to provide wider selection to our

industry. As an example, there is a Powell River LRS that reportedly stocks upwards of 300 craft beer SKU's yet the local LDB stocks only 20. What are the restaurants and bars to do?

One of the arguments the government has used during these discussions relates to the small discounts (16%) made available to the private retailers and how this affects the bottom line of the LDB. The small margin lost is offset by the labour component being passed onto the private stores (whose labour costs are greater than 16% of product pricing) resulting in a net win, financially, for the province. There should be no fear in our industry changing course and buying solely from the private stores as they too cannot stock all of the products we use. Without this change in policy how are we to acquire the rare, interesting and slow-moving specialty items that B.C. consumers are asking for and that are required to operate our businesses?

We understand that there are pressures from the BCGEU not to change the policy, but by limiting access to specialty products that businesses need to survive simply limits their economic success, which limits their ability to employ workers, to make more tax contributions, as well as reducing the amount of business they do and the liquor they sell. The overall economic impact of permitting an industry to survive is far greater than any lost revenue from the 16% discount to LRS's.

I do not want to see this become a partisan debate when the legislature reconvenes on February 15th. If this were to happen, my fear is that no change will occur. I have spoken with the parties, associations and stakeholders that Mr. Hicken is consulting and feel that some of the requests that are being made; wholesale pricing, flat tax on high-end products among others, require more consultation and discussion. At issue is choice for consumers; the reversal of this policy is an easy fix and shouldn't require more consultation and discussion. Several Liberal party members reached out to us asking what they could do to help. We have told them that they had their chance to fix this issue, that they chose not to and that we would not be used for political gain. We told them that they need to take ownership and work with every member of the legislature to make this right.

Again, a change in law is not required. The restriction on licensee to licensee sales is a policy of the general manager of the LCLB, so the issue could be addressed tomorrow by a change in policy at the LCLB level. Not only do the current LCLB's policies bar licensees from offering a wider selection, there are other systemic issues. When an LDB store runs out of a product (beer, wine or spirits), we cannot, under the current policy, purchase these products from a private retailer, even as a temporary stop-gap solution. Moreover, if the LDB, as a whole, or an individual LDB store, decides to de-list a product, we are forced to re-write our beer, spirit, wine and cocktail lists. Those of us operating in metropolitan areas face an inconvenience of possibly sourcing the product at other LDB stores, while rural and small-town licensees don't have that option.

I have a proposal that will help our entire industry and boost your government's profile among small-business owners and consumers. I would like to see your

government direct a change in LCLB policy to allow licensee to licensee sales while the changes in law are being discussed, drafted and passed. As for government reporting; virtually all of the LRS's have a "membership" program where an individual's account holds a record of purchase, we could use our licensee number and the retailer could submit a record of sales electronically. Any retailer that does not have the infrastructure in place would not be able to participate in licensee to licensee transactions.

Our industry owes choice and quality to our guests - neighbours and tourists alike. Our little place in the world has whisky lovers from all over the globe dropping in for a rare dram or two (yes, we do have a drinks and whisky tourism industry in our province and need to stay competitive in what we can offer tourists from places like Seattle and Portland). Our craft beer producers have made our province a global microbrewery capital and our wine industry is recognized worldwide. It is only a matter of time before our distilled spirits producers follow suit. For these industries to flourish we need their products on our industry's wine, beer and cocktail lists and the spirits on the back bars in full display for the world to see. Sadly, most are not available on the LDB shelves. Without this change in policy, our small producers may not succeed. We feel that the government, regardless of which party is in power, should be aligned with these interests.

For the past 15 years our drinks and tourism industries have flourished with this non-enforced policy. There are few bars or restaurants in this province that do not have something that was acquired outside of an LDB store on the back bar to make their cocktails shine, in a cooler to quench a thirst or on their wine list to accompany a fine meal. We in the hospitality industry are only responding to consumer demand.

I know this is what the people of our province want and will support this change in policy and eventually in law. Please do the right thing and reverse this archaic policy and let the people of B.C. have choice.

Thank you for taking the time to read this.

Sincerely
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cc. Shane Simpson, MLA