

Hi Mark;

Further to previous emails, I would like to submit two points for consideration.

Brewer mark-up schedule & policy

We would like to see changes to the mark-up structure for BC brewers to reflect an equal treatment of all brewers in BC. These proposed changes would also result in the removal of the cap, which discourages growth of mid-size brewers. Our proposal is quite simple actually. We feel that provincial mark-up should be treated much like federal excise. The mark-up should be progressive as a brewer grows to 350K hl, after which a maximum rate is applied to all volume above 350K hl. Like excise the progressive mark-up is applied to all brewers regardless of size. Example below;

Mark-up structure for all BC brewers:

| | |
|--|--|
| [if !supportLists]· [endif]First 20,000 HL | \$0.40/L |
| [if !supportLists]· [endif]>20K to 350K HL | \$0.70/L (remove the sliding scale, and split the difference between the current range of \$0.41 & \$0.99) |
| [if !supportLists]· [endif]Over 350K HL | \$1.08/L |

By removing the cap or the sliding scale up to 350K HL and treating all brewers equitably (regardless of size) we feel this fosters a stronger brewing industry, and provides certainty in a brewers long term strategic planning. Brewers no longer have to worry about exceeding the cap, and will be encouraged to continuously invest in their brands and equipment, in order to compete and grow. This model allows all brewers to maintain their tax savings on the equity/volume and business model they have built up to 350K HL, and then plan their future cost of goods for growth with the higher tax structure.

BCLDB variable retail mark-up transparency

We have submitted this recommendation for the past 2+ years, to both BCLDB management directly, and the Minister responsible for the BCLDB.

The BCLDB is a Crown Corporation for the provincial government in BC. In our opinion any and all mark-up from the wholesale price can arguably be considered a tax. The BCLDB call this their margin. This “margin”, should be applied to all like products equally, and should not favour one supplier/brand over another, for whatever reason.

There are many examples of like beer sku’s (e.g. BC brewed, 5% ABV, 6x341ml bottle) that have the same wholesale price to the LDB, but end up with a very different final retail price. This additional “margin” on one product vs. the other, can only be considered an additional or hidden tax. Consumers are unaware that their favourite 12pk of beer Brand A, is sold to their provincial liquor board for a the very same wholesale price as a competing 12pk of Brand B. They are also unaware that when these two brands hit the shelf, they are paying as much as \$1.00 more for Brand A vs Brand B. How is this not a hidden tax on the unsuspecting consumer of Brand A?

Consumers & suppliers require certainty on the retail mark-up. Consumers for the reason’s outlined in the above example. Suppliers need certainty from the province so that they can decide which brands and sku’s they wish to compete with in an open and transparent LDB system. There is no other provincial jurisdiction in Canada, where the government controlled retail channel does not have a published (transparent) mark-up policy. This allows the suppliers to choose their competitive price point, and market their brands accordingly. The role of the BCLDB is not to decide the price positioning of brands, nor to pick winners and losers.

I thank you for your consideration on these two matters. I am available to discuss further at your convenience.

Cheers

Nick

I have attached this article from May 2017 which references the hidden tax, with quotes from then candidate and now Minister Eby.

<http://www.cbc.ca/news/canada/british-columbia/b-c-liberals-accused-of-secretly-imposing-hidden-booze-tax-1.4099626>

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