

**November 3, 2016**

## **Special Wine Store Licence Auctions – 2<sup>nd</sup> Set Licence Application Information**

### **Introduction**

The Special Wine Store Licence Auction Act and Regulation allows the General Manager of the Liquor Control and Licensing Branch (LCLB) to hold auctions to determine eligibility for up to 18 licences, which will allow the sale of 100% BC wine, cider and sake from grocery store shelves. The purpose of the auction is to allocate a limited number of licences and raise revenue for government.

In the spring of 2016 there was a series of six auctions to determine eligibility for six licences. In December a further six auctions will be held. Up to six more auctions beyond this may be conducted at a later date, yet to be determined.

Interested parties will need to apply to participate in the auctions, even if you registered for the first round. Only grocery stores which meet the specified regulatory criteria will be eligible to bid. Successful bidders will be given the opportunity to apply for a new class of licence, a Special Wine Store (SWS) licence, which will only be available to these bidders.

### **SWS Licence Model**

#### **Products Permitted for Sale**

The SWS licence allows the sale of 100% BC wine products off grocery store shelves. The licence must be held by the same legal entity as the grocery store. SWS licensees may sell the following wine products manufactured in BC:

- Wine fermented from BC plant products, honey, or milk products
- Cider manufactured from BC plant products
- Sake made from BC grown rice

These are the only liquor products permitted to be sold by the grocer.

#### **Storage, Display and Tasting Requirements**

The product for sale must be stocked in designated display areas. The licensee is responsible for determining their product display area and the tasting area, if tastings are offered. The product display area does not need to be bounded and may encompass a variety of shelf configurations such as a small corner of the store, a kiosk, or multiple shelves on one or both sides of an aisle, for example, as long as the following conditions are met:

- All product to which the public has access must be within one contiguous product display area within the grocery store, and
- The liquor must be able to be secured and inaccessible to the public during the hours that liquor is not available for sale (e.g. when licensed hours do not align with the grocery store's hours of operation).

The licensee may move the product display area within the grocery store without notifying the Branch, as long as it continues to meet the above-noted conditions.

Liquor inventory must be securely stored within the non-public areas of the store (i.e. stockroom) or in an approved off-site storage facility.

One tasting area is permitted for each SWS licence. It must be immediately adjacent to the product display area and must be defined by a physical barrier (e.g. ropes and stanchions). Only product offered for sale by the licensee may be offered for tasting.

## **Auction Participation**

The auction will be conducted by BC Auction, an agency of the BC government, under an agreement with LCLB. The SWS Auction will take place on a secure private website, accessible off the BC Auction main page. The SWS auction site is only viewable and accessible to registered bidders.

### **Pre-Screening by LCLB and Auction Deposit:**

If you are interested in bidding on the opportunity to apply for an SWS licence, you must be pre-screened to ensure you meet the requirements. You must submit the [Special Wine Store Auction Bidding Registration Form \(LCLB313\)](#) and the required auction deposit to LCLB.

**Note: If you participated in the first round of auctions you will still need to apply for the second round and pay your deposit.**

To qualify to participate in the auction, you must own the grocery store business and you must either own or lease the establishment where it is or will be located, and the grocery store must:

- Be primarily engaged in retailing a general line of foods, including canned, dry and frozen food, fresh fruits and vegetables, fresh and prepared meats, fish and poultry, dairy products, baked products and snack foods, and non-liquor juices, carbonated beverages and flavoured beverages.
- Have an area of at least 929 square metres (approximately 10,000 square feet), including storage space.
- Not already be the site of an existing or proposed licensee retail store, wine store or BC Liquor Store (i.e. Liquor Distribution Branch store).

To maintain eligibility as a grocery store once licensed, food and non-liquor beverage sales revenue must account for:

- at least 70% of the total non-liquor sales revenue each year.
- over 50% of the total sales revenue each year.

Convenience stores and multipurpose stores are not eligible for licensing. Your proposed grocery store site may be located anywhere in the province.

There are no geographic restrictions on the locations of Special Wine Stores, and there are no other provincial restrictions on the proximity of your proposed site to other liquor retailers, public or private, whether they are standalone or are located in grocery stores. However, note that LCLB is not authorized to issue any type of licence, including SWS licences, unless the proposed site is zoned correctly by the appropriate local government/First Nation.

There are no restrictions on the number of SWS licences that may be held by any one business.

If you are bidding on more than one grocery store, you must provide the required information for each store, up to a maximum of 6, and submit a \$25,000 auction deposit for each of the grocery stores. The auction deposit must be in the form of a bank draft, certified cheque, business cheque or money order made payable to the Minister of Finance.

**The registration form and deposit must be received at LCLB headquarters by 4:30 p.m., November 24, 2016.** Please refer to the registration form for details. Late submissions will not be accepted.

#### **No Claim Against the Province**

All bidders will be required to acknowledge that they have no claim against the BC government arising from changes to law or government operations or policies that may affect the value of a grocery store in which a special wine store is located, a special wine store, or a special wine store licence, including but not limited to granting additional licences.

#### **Notification of Approved Bidders**

Once your LCLB auction registration form and deposit have been submitted to LCLB and approved, LCLB will notify both you and BC Auction that you may register as a bidder with BC Auction within the time frame specified in the approval notification. BC Auction will not finalize your registration until you have acknowledged in writing to them that you accept the [terms and conditions of the auction](#).

LCLB will also notify unsuccessful applicants that they are not eligible to bid and will refund the deposit.

#### **Bidder Registration and Activating Your Account for Bidding:**

As part of the notification from LCLB that you are an approved bidder, you will be directed to contact BC Auction to obtain your USER ID and temporary password. Each USER ID will be linked to your business and your pre-screened grocery store location(s). If you are interested in applying to put a SWS into more than one grocery store, your USER ID will be activated for the bidding for the number of grocery stores for which you have been successfully pre-screened. For example, if you have been pre-screened for 4 grocery store locations, your USER ID will allow you to bid on any SWS auction until you have won 4 auctions. If that occurs, your USER ID will be deactivated so that you may not enter any more auctions.

Once you are logged on you will be able to use the navigation pane to change your password, view BC Auction's auction terms and conditions, and view all open or closed SWS auctions you are watching or on which you have bid.

### **Auction Dates**

The six SWS auctions will run sequentially and are planned to begin on December 6, 2016. Each auction will take place over 24 hours, beginning at 12:00 noon Pacific time and ending at noon the following day, with one business day interval between each auction. Auction start dates, subject to change, are December 6, 8, 13, 15, 20 and 22.

### **Bidding on an Auction**

The minimum bid amount (also called the reserve bid) in each SWS auction is \$125,000.

The auction window contains all the information you will need for bidding, such as the auction number, auction start date and time, time left for bidding, the current high bid and number of bids.

The window contains a field to enter and submit your bid, which must be above \$125,000. A second window pops up to confirm the amount entered before applying the bid to the auction.

A successful bidder is determined by the highest bid.

### **Proxy Bidding**

You have the option of entering either a current bid or a proxy (maximum) bid. If you enter a proxy bid, your maximum bid is kept confidential from other bidders until your maximum bid has been exceeded by another bidder.

The system compares your bid to other bidders and places bids on your behalf based on set bid increments (see below), using only as much of your bid as is necessary to maintain your high bid position. The system will keep outbidding anyone who enters a bid lower than your proxy bid and inform you of the activity until you are outbid. If another bidder has a higher proxy bid, you'll be outbid right away. If you are outbid, you will be notified via email and you may enter a new bid. If your bid is the current high bid, the amount and your USER ID (but not your name) will be visible to other bidders. If no other bidder has a higher proxy bid, you win the auction, and you could pay significantly less than your maximum bid.

Bid increments for proxy bidding increase in conjunction with the value of the current highest bid. The following table shows how the bid increments will be applied.

<b>Current Highest Bid</b>	<b>Bid Increment</b>
\$125,000-\$199,999	\$1,000
\$200,000-\$299,999	\$2,000
\$300,000-\$399,999	\$3,000
\$400,000-\$499,999	\$5,000
\$500,000 and up	\$10,000

You will also be able to follow the progress of bids in the “Bid History” tab, which allows you to see:

- USER IDs of bidders and watchers;
- How many auctions they have won;
- The date and time the user submitted the bid; and
- The amount of the bid.

Successful bidders are notified at the end of each auction. If you have won the number of auctions permitted under your USER ID (i.e. this is the same as the number of grocery stores that have been pre-screened by LCLB) your USER ID becomes invalid for further bidding.

It is the bidder’s responsibility to determine the suitability of a bid. Bidders should ask any questions to BC Auction before placing a bid. Once a bid is placed, it cannot be retracted. If you are a successful bidder and do not honour your bid, your SWS licence will not be issued.

### **Return of Deposit**

If you are a successful bidder, your deposit will be subtracted from your bid amount when your licence has been approved. Successful bidders’ deposits are non-refundable. The lone exception to the non-refundable policy is if the LCLB general manager determines during the licence application review stage that the successful bidder is not a fit and proper person under section 16(1)(a) of the Liquor Control and Licensing Act.

If you are an unsuccessful bidder, and do not wish to remain on the record of unsuccessful bidders, you may request a refund of your deposit from LCLB. Once your deposit has been refunded, you will be removed from the record of unsuccessful bidders and will lose the opportunity to apply for a SWS licence should a successful bidder fail to complete the application process, withdraw or have their application terminated by the LCLB.

All remaining deposits from unsuccessful bidders will be refunded by LCLB once the 6 SWS licences have been issued.

### **Payment of Bid Amount**

Successful bids are not payable until the SWS licence has been approved by LCLB. If you are a successful bidder and have gone on to successfully complete the SWS application process, you will receive notification from LCLB at the appropriate time to pay your auction bid. At that time, the full bid amount, less the deposit, is payable. This is the final step in the process before your SWS licence will be issued.

Successful bids are not subject to PST, but 5% GST is payable (as per Canada Revenue Agency memorandum 18.2, paragraph 4). Payment must be in the form of bank draft, certified cheque, business cheque or money order made payable to the Minister of Finance.

## **Special Wine Store Licensing Process**

### **Rankings for LCLB SWS Licensing Purposes**

Once all the auctions are completed BC Auction will provide LCLB with:

- a list of the 6 successful bidders.
- a record of all unsuccessful bidders for each auction and the value of their bids.

The successful bidders from each auction will now be able to apply for an SWS licence. LCLB will provide successful bidders with a link to the SWS application package and these bidders will have 60 days in which to submit a complete application.

LCLB will also maintain a record of unsuccessful bidders, ranked according to the value of their bids. Should an SWS applicant fail to successfully complete the SWS application process, the LCLB will notify the highest ranked candidate on the record of unsuccessful bidders from the 6 auctions that they may apply. This process will continue until all the SWS licences have been issued.

In the event that the 6 licences have not been successfully issued at the end of this process, LCLB may conduct further auctions until all the licences have been issued.

### **SWS Licensing Process**

Your application package will contain information on:

- Required documentation
- Application and licence fees
- How to submit your application
- Required time frames
- Local government/First Nation approvals required
- Your responsibilities as a SWS licensee
- Inspections

The licensee must submit a security and staff training plan to the LCLB, indicating how they will guard against shoplifting, and how they will ensure minors and intoxicated persons do not access the product on the shelf.

### **LCLB Notification of SWS Licence Approvals**

Once your application has been approved you will be notified by LCLB and directed to pay your bidden amount to LCLB within 30 days. Once you have paid your bidden amount, less deposit, and your first year licence fee, your licence will be issued.

## **Licence Fees**

The licence application fee is \$2,200, payable with your application. The first year licence fee payable at the time of licensing is also \$2,200. The licence fee for subsequent years is determined by the dollar value of liquor purchases in the year preceding and the fee ranges from \$250 - \$2,200 per annum. All fees should be made payable to the Minister of Finance.

## **SWS Relocations and Transfers of Ownership**

If you wish to change the grocery store location associated with a successful bid, you may do so at any time during the application process by completing an application form ([LCLB092B](#)) and paying the associated \$330 fee. Any proposed grocery store will be subject to pre-screening.

After a licence is issued, a licensee may apply to transfer the licence to another person, or apply to relocate the licence to another eligible grocery store. To do so, you must complete the appropriate application form available on the LCLB website and pay the associated fee. Any proposed grocery store will be subject to pre-screening.

## **Additional Information**

### **Documents**

For additional information please see [LCLB Policy Directive 16-02](#).

Auction information available at the BC Auction Site:

<https://www.bcauction.ca/open.dll/welcome>

### **Contacts**

#### **Liquor Control and Licensing Branch**

For registration and licensing application queries:

Kayla Morris, Licensing Case Manager

Email: [Kayla.Morris@gov.bc.ca](mailto:Kayla.Morris@gov.bc.ca) Phone: 250 952-5749

For general policy queries:

Barry Bieller, Senior Policy Analyst

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#### **BC Auction**

For auction policies and registering with BC Auction queries:

Greg Lamb, Assistant Director

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#### **Media Inquiries**

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