

Introduction

In the fall of 2012, the Alberta Gaming and Liquor Commission (AGLC) started a comprehensive review of its policies that guide liquor manufacturing in the province. The goal of this review is to ensure the AGLC's policies are efficient in supporting a viable liquor manufacturing industry in Alberta. The review process encompasses three phases: a stakeholder consultation, a cross jurisdictional review, and research into best practices and industry trends. The information gathered during the review, in conjunction with the cross jurisdictional review and other research, will be used as an input into future policy considerations by the AGLC and the Government of Alberta.

Consultation Process

In December 2012, the AGLC distributed a discussion paper to all Class E and D licensees, liquor agents, and industry groups. Other interested parties, primarily those interested in entering the industry, were also invited to provide input. An invitation to provide input was also posted on the AGLC's website. In January 2013, the AGLC contracted Leger Marketing to conduct six facilitated discussions with Class E licensees. Stakeholders were invited to respond to the issues identified in the discussion paper and to raise any other related issues.

Twenty-six Class E licensees, 1,666 Class D licensees, 386 liquor agents, 8 industry associations, and 26 other interested parties were invited to provide feedback through the discussion paper. The AGLC received 52 written responses. Six facilitated discussions were conducted on the AGLC's behalf by Leger Marketing in Edmonton and Calgary. A total of 35 individuals representing 22 Class E licensees participated in those sessions.

What We Heard

This report contains a summary of the stakeholder input received during the consultation phase of the Class E Liquor Licensing (Manufacturing) review which was conducted in December 2012 and January 2013. The information provided by the industry as part of this consultation will be used as an input into future policy development. You may not agree with all views presented within the document and, at times, the opinions presented, may seem contradictory. All views will be considered when making policy recommendations.

1. What is manufacturing?

Stakeholders were asked to provide suggestions on how the term manufacturing should be defined.

Liquor manufacturing is from “seeds to sip” or “grapes to glass”

When asked to define “liquor manufacturing”, most stakeholders included elements related to raw materials, production methods, geographic location of production, and packaging.

The majority of stakeholders’ defined liquor manufacturing as being “from seeds to sip” or “from grapes to glass” meaning that manufacturing begins with a raw product (e.g. grains/grapes/fruit) and ends with the packing of a potable alcohol in a container. Specifically amongst breweries, most felt that an Alberta brewery was an operation in Alberta that that produced beer from malt, including the production of wort, the fermentation of wort, and the packaging of beer. Many cottage wineries felt that the fruit and honey used in the production of wine and mead must come from Alberta.

Liquor manufacturing is adding value to a base product

A few stakeholders also suggested that manufacturing should be defined as adding value to a base product, implying that the use of raw materials (grains/grapes/fruit) is not required and that manufacturing could begin with a secondary product such as wort or fruit juice.

The entire process should occur within Alberta to be defined as an Alberta Manufacturer

Many stakeholders felt that the entire manufacturing process should occur within Alberta to be considered an “Alberta manufacturer”.

Definitions for beer, wine, mead, spirits, etc., should be defined in policy

Many stated that definitions for beer, wine, mead, spirits, etc. should be clearly defined in policy as they directly impact mark-up, and thus, a manufacturer’s profitability.

2. Challenges within the liquor manufacturing industry

Stakeholders were asked to identify the key challenges their organization faces and ways in which the AGLC could help to ensure the Alberta market provides new opportunities for Alberta businesses and supports existing manufacturers.

The AGLC should ensure there is a level playing field

Most stakeholders felt that the AGLC’s policies need to ensure a level playing field for those within the liquor marketplace. Any changes that may be made need to ensure the level playing field to protect Alberta’s diverse marketplace. Existing licensees would like the AGLC to ensure that current licensees are not put at a disadvantage compared to potential new entrants to the market. They also want the AGLC to ensure that market is not dominated by large manufacturers. Potential licensees would like the AGLC to reduce barriers to entry into the liquor manufacturing industry in Alberta. Some felt that there is not a level playing field in other provinces, for example, listing policies that provide an advantage to in-province producers.

The Alberta liquor manufacturing environment is “challenging”

Stakeholders describe the current liquor manufacturing business environment in Alberta as having challenging taxation (mark-up) structures, an ‘Alberta Disadvantage’ for some and an “Alberta Advantage” for others, lack of stability and predictability for long-term business planning, and expensive labour and materials. Among small brewers, there is an overall sentiment that the business environment is not supportive of Alberta-based brewers and, therefore, negatively impacts the growth potential of the industry. Brewers also believe that liquor manufacturing in Alberta is harmed due to skilled labour shortages and the mere cost of labour in the province. Additionally, brewers feel that some manufacturers from outside of Alberta take advantage of Alberta’s open/free marketplace and “dump” their products in Alberta. Generally, brew pubs feel that the province offers an abundance of business opportunities but they would like to see policies amended to allow for additional growth opportunities. Given the high quality and quantity of grain available in Alberta, distillers believe that their business climate is strong, offering a multitude of opportunities around the world. However, they express concern with the shortage of skilled labour in the province and believe that their business environment in Alberta could be improved if certain policies were more flexible. Given the relative infancy of the cottage winery industry in the province, cottage wineries often comment that the business environment lacks the necessary infrastructure for their emerging market. Additionally, some cottage wineries believe that current policies restrict them from entering new product markets because of lack of clarity with policy definitions.

The significant capital required to enter the industry makes it prohibitive for new manufacturers to start up in Alberta

Manufacturers and potential entrants to the industry mention that significant capital is required to enter the industry, including the purchase of land, equipment and raw materials. The costs of entry are prohibitive to new manufacturers in Alberta and these individuals express a desire for AGLC policies to make it easier to enter the market and compete.

Alberta offers a positive or good environment for liquor manufacturing

Some potential liquor manufacturers indicated that Alberta offers a positive or good environment for liquor manufacturing, indicating that Alberta’s model is ideal in every way except that it does not allow for craft operations. Criticism from those that feel that Alberta offers a positive or good environment for liquor manufacturing stems from challenging start up costs, few supporting industries (e.g. equipment suppliers) being located in Alberta, and that Alberta’s market favours large scale producers over smaller ones. Some current manufacturers felt that Alberta provides a generally positive business climate with low business taxes, a skilled and educated workforce, access to good quality raw materials, and modern infrastructure. They also indicate that while Alberta’s distribution and privatized liquor model may have some challenges, generally, it provides an excellent opportunity for new businesses to establish themselves. Alberta’s flat mark-up structure was also identified as a positive element that promotes growth within the industry.

Lack of stability and predictability for long-term business planning

Stakeholders indicated that they want to make long-term business plans, yet feel that they must act with a great deal of caution given the number of policy reviews over the last decade and the instability of what the future may hold pending the outcome of this policy review, and of the small brewer mark-up review. Stakeholders indicated that being able to

predict – at least somewhat – what the future may hold would allow them to make decisions about their future in the industry.

Specialty information officers would be helpful

Stakeholders applaud the AGLC's efforts in recent years to improve accessibility and communication. Overall, stakeholders indicated AGLC staff are willing to help when needed. Several stakeholders mentioned that they occasionally were provided incomplete or inconsistent information from AGLC representatives. Most would like to “follow the rules” but cannot always receive a reliable answer about what the rules imply. Stakeholders explained that the interpretation of AGLC policies is crucial to their decision-making. To this end, many would like to see the AGLC develop “specialty information officers” who would be well versed in the policies and interpretation of those policies related to each type of Class E licence.

Create policies to offer an “Alberta Advantage”

Some stakeholders felt that the AGLC needs to better support the liquor manufacturing industry in Alberta. They feel that Alberta's liquor manufacturing policies should offer a distinct “Alberta Advantage”, which they feel is currently missing. They feel that they have placed a significant investment in the province and do not feel the province has placed a significant investment in retaining their business or attracting new business. Stakeholders embrace the free market; however, they feel they should experience an Alberta Advantage over other liquor manufacturers from outside the province. Suggestions that would contribute to an “Alberta Advantage” included: the AGLC should introduce marketing and promotions initiatives to promote the industry, the AGLC should implement a grant based marketing program for small scale manufacturers, the AGLC should offer loans to Alberta-based manufacturers and the AGLC should provide additional guidance to new manufacturers who wish to enter the industry (i.e. by establishing a help desk to answer questions or by creating a booklet or website with relevant information). They feel that this would help to elevate the identity and the quality of the industry at large.

Additional challenges

- A number of brewers felt that the AGLC needs to increase its enforcement of existing policies and regulations, particularly in the area of inducements.
- Distilleries and cottage wineries expressed distribution concerns, primarily stemming from challenges relating to Connect Logistics Services (CLS) being the sole warehouse in Alberta.
- Distillers feel that they pay unnecessary shipping costs given the location of the warehouse in relation to their southern Alberta-based operations.
- Distillers also question why brewers can have their own distribution system when they cannot.
- There was a perception from those outside the manufacturing industry that it was difficult or challenging for competitors from outside Alberta to enter the market and compete.

3. Administrative Processes

Stakeholders were asked to identify how AGLC processes could be changed to improve efficiency.

Electronic information exchange and online reporting

Many stakeholders indicated that to improve efficiency, there should be an easily accessible, secure electronic portal for all reporting requirements. They would like to see an improved electronic exchange of information for all data requirements. Specifically, many indicated that they would prefer to submit their information in an excel format rather than the current text file. It was also suggested that the AGLC provide stakeholders with a detailed contact listing so that stakeholders can contact the appropriate person within the AGLC when they require assistance. Another suggestion was that the AGLC provide stakeholders with an automated tool for calculating bottle deposits, invoices, and mark-up.

AGLC technology is outdated

The most common complaint with respect to AGLC administrative processes is that technology platforms are outdated. Many stakeholders find it difficult and time consuming to complete reporting requirements, and some mentioned experiencing stress and frustration with reporting deadlines. This was particularly apparent among cottage wineries, most of which are small home-based businesses without much staff to help.

Cottage wineries indicated that the implementation of the Cottage Winery/Brewery Industry Liaison has been beneficial and suggested it should be expanded to other manufacturing streams

Cottage wineries indicated that the implementation of the Cottage Winery/Brewery Liaison and the cottage winery checklist has been very helpful. It was suggested that a single point of contact be implemented for all potential entrants into the liquor manufacturing industry and that the checklists be expanded to cover other manufacturing streams. Implementing a single point of contact would allow that person to become an “expert” on liquor manufacturing which would allow them to provide a consistent response. Some stakeholders felt that at times in the past, different policy interpretations had been given based on the stakeholder’s geographic location. Many Class E licensees indicated they find the AGLC’s current policies to be ambiguous and difficult to interpret. Many stakeholders indicated that day-to-day interactions with the AGLC are positive and they are satisfied with the interactions they have with AGLC representatives.

Policies are unclear and outdated

Many stakeholders described AGLC policies as being unclear and somewhat outdated, supporting the need for this policy review. Other themes included that policies are repressive and restrictive, siloed, extensive but not enforced, and naïve (in that there is a belief that everyone will play by the spirit of the policies and the rules).

Additional areas of concern with respect to administrative processes

- Some cottage wineries felt that the fees Connect Logistics Services (CLS) charges for reports are too high for small scale manufacturers such as cottage wineries. They suggested that there should be multiple pricing levels for reports depending on the size of the manufacturer.

- Cottage wineries also suggested that storage fees should be reduced for small Alberta-based manufacturers.
- Some stakeholders felt that the AGLC's current licensing process takes too long. It was suggested that excise reporting is onerous for products that are clearly 100% Canadian-made, for example, products created under a cottage winery licence.
- It was also suggested that the AGLC should implement a streamlined product sample importation policy for product samples from affiliated companies which are located outside of Alberta. Another suggestion was for the AGLC to implement controls to ensure there are no delays in releasing shipments after payment is made.

4. Minimum production capacity requirements

Stakeholders were asked to identify if current production capacities are appropriate and whether or not Alberta should pursue the development of a policy to enable small-scale operations to manufacture in Alberta.

Lack of understanding among stakeholders regarding actual production vs. production capacity

Stakeholders expressed a wish to better understand the intent or purpose of the current policy which sets production capacity minimums versus minimum production amounts. Some manufacturers were confused with the terms 'production' and 'production capacity', misinterpreting the policy itself. Generally, brewers feel that the policy's intent should be focused on minimum capacity requirements. Brewers and brew pubs both acknowledged that the intent of the policy should be to manage quality control issues; however, the thresholds should not stifle originality within the craft beer industry.

Provisions for mixed manufacturing

Several manufacturers indicated they are interested in mixed manufacturing (i.e. producing both beer and spirits) but are anxious about the start-up costs involved with the current production requirements. As a result, clarity is required surrounding how these manufacturers would be licensed and some suggested the potential creation of combined licences. Clarity is also required surrounding how minimum production requirements would apply in a mixed manufacturing environment.

Create a single harmonized Class E Licence

Similar to mixed manufacturing opportunities, it was suggested that moving towards a single liquor manufacturer's licence (rather than individual licences for brewing, distilling, and cottage wineries) would allow for greater consistency in policies between breweries, distilleries and wineries that are all producing the same product – potable alcohol. It was suggested that the historic distinctions between beer, wine, and spirits are no longer relevant or beneficial and should be eliminated. A single licence would also allow for secondary manufacturing activities – for example, the distillation of the leftover products in the brewing or wine making process. Further, it was suggested that a single harmonized Class E licence should have no minimum production requirements. Another suggestion was to allow for a cottage winery or brew pub endorsement to the licence, which would provide small-scale manufacturers with additional benefits, but would require the operation to fall below a set production maximum. An alternate suggestion to a single harmonized Class E licence was to allow Class E manufacturers to hold more than one type of Class E licence.

Allow micro-distilleries and micro-breweries by reducing production capacity minimums

Many stakeholders, including both those within the industry and potential licensees felt that the AGLC should reduce production capacity minimums and permit micro-distilleries and micro-breweries. Many felt that micro-distilleries and micro-breweries would foster a craft culture which could lead to superior products being produced and enhance the focus on locally produced products. Many stakeholders felt that policies respecting quality control would need to be implemented to ensure that the introduction of micro-operations did not negatively impact the industry overall. If any changes are made to production capacity minimums it was suggested by some stakeholders that policies for micro-distilleries and micro-breweries should benefit Alberta-based operations only. Some current manufacturers suggested the AGLC should ensure that any changes to policy do not put existing manufacturers at a disadvantage and that preferential treatment is not provided to new market entrants.

Current production maximums for brew pubs are appropriate and production maximums should be considered for other streams

Some stakeholders felt that the production maximums for brew pubs were appropriate and that they should be considered for other streams as well. Stakeholders indicated that if micro-distillery and micro-breweries were allowed, there should be a production maximum for that type of licence. Others felt that there should not be production maximums.

Current production capacity minimums are appropriate

Some stakeholders felt that current production capacity minimums are reasonable and should be maintained. It was suggested that the minimums represent a reasonable investment requirement for commercial operations. Production capacity minimums also ensure that unsustainable operations are not able to enter the Alberta marketplace. It was also suggested that the minimums ensure a higher standard of manufacturing and that quality and integrity prevail in the Alberta marketplace. Some felt that it would be difficult to regulate a micro industry.

Additional considerations

- Some stakeholders felt that all Alberta-based manufacturers should be allowed to self-distribute their products to other licensees and the requirement that products flow through Connect Logistics Services (CLS) be removed.
- It was suggested that manufacturers should be allowed to hold one Class D licence for a retail store separate from their manufacturing premises.

5. Additional changes to brewery policies

Stakeholders identified a number of ways that policies could be amended that were specific to brewery operations.

Concern over the self-distribution of beer products

Some stakeholders would like to see all beer products manufactured outside of Alberta be distributed through Connect Logistics Services and not through other warehouses (e.g. BDL). It was felt that this contradicts the level playing field that Alberta seeks to provide. It was further suggested, that the self-distribution option should only be provided to those beers manufactured in Alberta.

Allow Class E Manufacturers to have an off-site Class A licence as an incentive

As an “advantage”, brewers indicated they would also like the ability to hold one off-site Class A licence as an incentive to having a brewery in Alberta. Some would also like a store, but simply ask for any advantage they could get over outsiders.

Provide incentives for Alberta-based operations

Some breweries felt that the AGLC should do more to promote the brewing industry within Alberta. Suggestions included offering a grant-based marketing program for small scale local manufacturers, publishing an Alberta-based breweries magazine, allowing greater discretionary spending through the “Growing Forward” program, establishing an Alberta Craft Brewers Growth Fund, allowing small scale breweries to conduct “farm-gate style” sales, and providing incentives for using Alberta-grown ingredients.

6. Additional changes to distillery policies

Stakeholders identified a number of ways that policies could be amended that were specific to distilleries.

Allow micro-distilleries to sell at Farmers Markets

Some potential micro-distillery operations advocated for provisions to allow them to conduct farm-gate style sales for those utilizing Alberta-grown ingredients. They also advocated for provisions to allow them to sell their products at farmers markets. Cottage wineries expressed concern that only those who produce the majority of the raw materials that go into their product be allowed to sell at farmers markets.

Allow products to be aged off site and eliminate the requirement for 80% of spirits to be distilled on site

Some stakeholders recommended that AGLC policies be changed so that the ageing warehouse does not have to be located on the same site as the manufacturing facility. It was suggested that the warehouse would be a bonded warehouse. Additionally, the elimination of the requirement for 80% of spirits to be distilled on site would allow for co-packing and third party bottling operations which would improve operational flexibility and help ensure the long-term longevity of the distilling industry in Alberta.

Concern over the treatment of mark-up in the case of stolen product

Some stakeholders expressed concern that spirits manufacturers are required to pay the mark-up on liquor that is stolen from a third-party carrier and while under the control of Connect Logistics Services (CLS)¹. They feel that once the product is out of their hands they do not have control over it and should not be required to pay the mark-up.

¹ AGLC Note: The warehouse (e.g. Connect Logistics Services (CLS)) pays the mark-up if the product is stolen while under the control of the warehouse.

7. Additional changes to commercial and cottage winery policies

Stakeholders identified a number of ways that policies could be amended that were specific to cottage and commercial wineries.

No difference between a winery and a meadery

It was suggested that a winery and a meadery are essentially the same thing and a meadery is a winery that produces honey wine. Accordingly, it was suggested that there be no differences in how policies apply to wineries and meaderies. It was also suggested that identifying wine as fruit wine is redundant. Some stakeholders felt that the cottage winery policies should be generalized to include a variety of raw materials including but not limited to, fruit, vegetables, honey, and grains.

Purchasing raw materials from other suppliers

Some stakeholders felt that cottage winery policies should be amended to introduce standardization between wineries and meaderies with respect to the percentage of raw materials that can be purchased from farms, specifically, the difference between wineries being limited to purchasing fruit from within Alberta only and meaderies being allowed to purchase honey from elsewhere. Other stakeholders disagreed and felt that the differences between fruit and honey warranted the different policies. It was also suggested that “fruit production shortfall” be defined in policy – is it because of natural forces (e.g., a hail storm) or simply because growers’ orchards did not produce as much fruit as desired? Another suggestion was to reduce the required number of hives for a meadery, given that the current number of hives does not align with current production minimums.

Reduce the production capacity minimums for commercial wineries to make them equal to cottage wineries

It was suggested that the policies pertaining to commercial and cottage wineries should be better aligned. Specifically, the policy respecting production capacity minimums for commercial wineries should be amended to be the same as cottage wineries. The defining characteristic between the two would then be whether the fruit/honey is produced on the licensee’s land or purchased from a third party. Cottage wineries would remain as a value-added option for existing agricultural businesses and would be land-based with 100% of the product being Alberta-made. Commercial wineries would not have the same requirements and could source raw materials from other sources. Cottage wineries would benefit from a reduced mark-up rate to recognize the risk they undertake with respect to potential crop failures and the need for a land base – a benefit that commercial wineries would not be eligible for. Only cottage wineries would be eligible to sell from the farm gate and at farmers markets.

Other considerations

It was suggested that the AGLC should allow cottage wineries to sell from a separate building as long as it is on the same parcel of land as the winery. Another concern was that by not allowing cottage wineries to take product with them to an event with the intent to sell, they are missing out on sales opportunities. Others advocated for the AGLC to reduce restrictions on product, promotion, sales, distribution and marketing. Some cottage wineries would like the ability to sell at markets other than farmers markets and to ensure that only cottage wineries (and not breweries and distilleries) be allowed to sell at farmers markets. They would also like the AGLC to consider allowing them to sell at house parties and/or

other venues. It was also suggested that the AGLC clarify the approval procedure for farmers markets with Alberta Agriculture as the perception among some that the process is not clear. An additional suggestion was to strengthen the enforcement of sampling activities at farmers markets or to simply not allow sampling at all. A final suggestion was to introduce standards for labelling a product as “organic” and/or introducing a VQA certification for Alberta-made wines.

8. Liquor suppliers owning and operating a restaurant or bar (i.e., “Tied Houses”)

Stakeholders were asked whether or not Alberta should change its policies to allow “Tied Houses” and what should be taken into consideration if the policies were to be amended.

Continue to prohibit “Tied Houses” in Alberta

Most stakeholders indicated that they felt “Tied Houses” should continue to be prohibited in Alberta. Opposition to “Tied Houses” is commonly based on the fear that larger players could take the opportunity to dominate the market. Many believe that the current policy is not enforceable, and as such, creates a market in which it is not a level playing field. Opposition also stemmed from the belief that allowing “Tied Houses” would give those places an unfair advantage, reduce consumer choice, and would alter the current level playing field. Some suggested that allowing “Tied Houses” would result in higher prices, decreased selection and profits going outside of Alberta and Canada.

Allow “Tied Houses” in Alberta

Some stakeholders advocated for the AGLC to remove the prohibition of “Tied Houses” in Alberta. Some felt that “Tied Houses” should be permitted with some restrictions in place. Some suggestions for restrictions included: only allowing “tied houses” if the manufacturer was under a certain size, restricting the number of “Tied Houses” any one manufacturer could have, requiring “Tied Houses” to carry other products, only allowing Alberta-based manufacturers to have “Tied Houses” (and the majority of products would have to be produced in Alberta), and ensuring that consumers are notified when a premises is a “Tied House”. Other stakeholders advocated for “Tied Houses” to be allowed with no restrictions. They felt that placing arbitrary restrictions on “Tied Houses” would not work and did not add value. The feeling was that the open market should prevail. Others suggested that “Tied Houses” should be permitted if the current policy is not enforced. Brew pubs support an option to rescind the current tied house policy and seek to open opportunities for small brewers and brew pubs to sell more beer.

Allow “Tied Houses” for operations under a certain size

Brew pubs were passionate about being able to sell their beer to other licensees like a small brewer does, while continuing to own and operate a chain of restaurants. They see it as a way to grow their business via additional sales opportunities. However, they recognize that safeguards may need to be put in place to protect the market. Some suggestions included: requiring manufacturers to own 100% of the bar/restaurant (“Tied House”), under the belief that large manufacturers would not want to fully commit to running bars and restaurants; requiring a certain percentage of production to remain in-house, which would effectively limit the size of the manufacturer; and only allowing “Tied Houses” to exist for very small scale producers who produce under a certain threshold. They also suggested that a multifaceted approach that takes into consideration multiple elements may be appropriate. Brew pubs

also supported the requirement that “Tied Houses” may need to sell a certain percentage of beers produced by other manufacturers.

Perception that “Tied Houses” already exist in Alberta

There is a perception that “Tied Houses” already exist in Alberta and some stakeholders question the loopholes in policy that allow this to occur. Stakeholders mention a variety of examples of restaurants and bars that they feel are currently operating as “Tied Houses” today. The current perception that “Tied Houses” exist in Alberta stems from licensing agreements to use a company’s name in Alberta (e.g., “The Canadian Brewhouse” and “Molson House”). Many express frustration with out-of-province deals that directly impact Alberta operations.

Clarity surrounding the terms “ownership” and “association” as they relate to “Tied Houses” is needed

Many licensees feel that the AGLC should clarify the definitions of the terms “association” and “ownership” as they pertain to this policy. Most brewers believe that the AGLC should be able to find a way to eliminate the loopholes that are currently being taken advantage of in Alberta.

Enforcement of the policies surrounding inducements

Many licensees would like to see the AGLC improve its policing of inducements, such as taps, and enforcing policies which are not being complied with. Alberta’s small brewers expressed frustration that large manufacturers can come into Alberta and offer inducements without being fined in any way. Some stakeholders suggested that if the current policies are not enforceable, then the AGLC should remove them altogether and open up the playing field. Some stakeholders felt that the restrictions on “Tied Houses” limit their options rather than protect them which make it difficult for Alberta based manufacturers to compete with multi-national brewers.

Implement a policy that does not allow restaurants or bars that are not breweries to include the term “brewery” in their name

Even though this challenge is not currently part of the tied house policy, many brewers resent restaurants or bars which label themselves as breweries in the public name of their establishments. As a result, brewers would like the AGLC to consider policy which does not allow for restaurants or bars that are not breweries to include the terms “brewery” or “brew house” in their name.

9. Brew pubs selling to other licensees

Stakeholders were asked to provide input on the policies restricting brew pubs from selling their products directly to other licensees.

There was no consensus amongst Class E manufacturers regarding whether or not this policy should be amended

Current manufacturers hold differing opinions. Some stakeholders support the policy being amended to allow brew pubs to sell to other licensees and others support retaining the existing policy.

Support to amend the policy to allow brew pubs to sell to other licensees

Some indicated they would support a policy change only if it applied to Alberta-based manufacturers and prohibited large manufacturers from dominating the market. Support for amending this policy stemmed from the view that it would foster a local craft and cottage brewing industry and enhance the focus on local production which could further expand the market in Alberta.

Support to retain the current policy which prohibits brew pubs from selling to other licensees

Other manufacturers indicated they oppose a policy change because it would give a market advantage to brew pubs over brewers, and it would open a “Pandora’s box” with respect to policy as many see too close of a connection between this policy and the policy surrounding “Tied Houses”. Many suggested that if a brew pub wants to sell to other licensees it should divest itself from its other Class A premises and become a brewery. Others suggestions included: brew pubs should only be allowed to sell to Class D licensees and if brew pubs were allowed to sell to other licensees other manufacturers should be allowed to as well.

Support for and against the 80% ownership restriction for brew pubs should remain

Some manufacturers felt that the existing 80% ownership restriction should remain in place. It was suggested that it was a concession that they don’t have to manufacture at all of their locations and as such should remain as is. It was also suggested that if this restriction were removed it would give brew pubs an unfair advantage over breweries. Alternate suggestions including reducing the percentage from 80% to 50 or 25% and broadening the restriction to include common control or a percentage of common directors. Others supported removing the 80% restriction entirely. The prevailing thought was that there should be fewer restrictions overall and that removing the restriction would allow brew pubs to expand their market.

Brew pubs would like to see the restriction on selling to other licensees removed

Alberta-based brew pubs want the ability to grow their business via additional sales opportunities, with safeguards in place that protect Alberta-based brewers and brew pubs. They would like the ability to sell to other licensees and to produce contract brews for other restaurants.

10. New liquor licence classes

Stakeholders were asked to provide input on what types of liquor products should be allowed to be produced in Alberta.

Allow any new product manufacturers would like to produce, including braggot and cider

In general, stakeholders feel that all forms of potable liquor product should be allowed to be produced in Alberta. Along the same lines, some felt that if it is a product that can be sold in Alberta, manufacturers should be allowed to produce it in Alberta. Stakeholders indicated that expanding the number of products they are allowed to produce will support and enhance Alberta’s manufacturing industry. Specifically, stakeholders agree that manufacturers should be allowed to produce cider and braggot. One cottage winery indicated that cider is already being produced in Alberta under a cottage winery licence. Additionally, it was suggested that manufacturers may want to produce cysers, payments, melomels, methaglins, wine from grains, and fortified wines and spirits. Some

manufacturers would also like the ability to create blended products, e.g. combining beer with spirits.

Create a new licence class to permit the packaging of liquor

It was suggested that the AGLC should consider creating a licence to permit the blending, flavouring, and packaging of existing liquor products with other ingredients and/or the co-packing of liquor products. It was also suggested that Alberta should implement a model for contract manufacturing, similar to the model in Quebec and Ontario.

Some stakeholders feel that caffeinated alcoholic beverages and vaporized alcohol should not be produced in Alberta

Some stakeholders feel that the AGLC should prohibit the production of caffeinated alcoholic beverages and vaporized alcohol in Alberta.

11. Additional areas of concern

Stakeholders were invited to address any additional areas of concern or interest that was not covered within the discussion paper.

Mark-up structure for spirits

Distillers indicated that given the current mark-up structure, the spirits industry is not attractive to new investment and business growth. Therefore, the distillers encourage a review of spirits mark-ups to encourage new entries and to support the development of Alberta-based distillers on the global stage. They would also like to see the equalization of mark-ups across the various liquor categories based on a standard drink or litre of pure alcohol basis. Some stakeholders suggested that the AGLC should have preferential mark-up rates for Alberta spirits that reflect the level of risk distillers must undertake. Given the aging process of spirits, distillers must predict what the market will be like in 3, 5, 10, 20, etc., years. Some stakeholders suggested that micro-distillery operations should be given a preferential mark-up rate (similar to the beer structure) and others advocated that the rates should be the same for all manufacturers. A mark-up reduction for existing distillers was also suggested, on the basis that it would allow them to invest in capital and hire additional employees. A mark-up reduction for the first five years of operations was also proposed.

Mark-up structure for Alberta produced wines and meads

Cottage wineries suggested that mark-ups for cottage wine should be consistent for all points of sale, not just the farm gate and farmers markets. They also suggested that a graduated mark-up system based on production volume (similar to the beer structure) may be beneficial. They felt that reducing the AGLC mark-up on wines from small-scale producers would allow small producers to invest more capital into expanding production and/or marketing their products. This would also assist new manufacturers in establishing themselves in Alberta.

Mark-up structure for beer in Alberta

A review of the small brewer mark-up policy was concurrently underway via the government and was therefore outside of the scope of this review. Nonetheless, small brewers expressed frustration with the current mark-up structure for beer. They felt that the mark-up structure unfairly restricts growth, new entries and competition in the current market. Several small brewers felt that the current mark-up structure does not offer Alberta-based

brewers a level playing field in which to conduct business and implied that they would be more successful if their breweries were located outside of Alberta. Many felt that the reduced mark-up rate should apply only to small brewers located in Alberta. Brew pubs shared the above concerns.