

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 was to ensure the AGLC's policies are effective in supporting a viable liquor manufacturing industry in Alberta. The review process encompassed three phases: stakeholder consultation, cross jurisdictional review, and research into best practices and industry trends. The information gathered during the consultation, in conjunction with the cross jurisdictional review and other research, was used as an input by the AGLC to amend or develop the policy recommendations contained in this report.

Process to Arrive at Recommendations

An internal committee of the AGLC considered stakeholder input, policies in other jurisdictions, and research into industry trends and best practices. The AGLC also gathered input from Alberta Agriculture and Rural Development (ARD) and Alberta International and Intergovernmental Relations (IIR). The committee considered:

- **Necessity:**
 - Is the current policy relevant in the current market?
 - Does the policy support a viable liquor manufacturing industry in Alberta?

- **Opportunity:**
 - Does the policy support innovation or growth?
 - Do policies provide a level playing field for those in the liquor marketplace and/or those wishing to enter the marketplace?

- **Transparency:**
 - Is the policy clear?
 - Can the policy be easily applied and interpreted?

- **Effectiveness:**
 - Can the policies be adequately complied with and enforced?
 - Do the policies minimize administrative burdens?

- **Collaboration:**
 - Do the policies meet the needs of stakeholders?

List of Recommendations

This report contains the complete set of recommendations stemming from the Class E Liquor Licensing Review. Thirty-nine recommendations have been made. The AGLC has already acted on many of those, and will continue to work with the industry partners to implement the remaining ones over time.

In June 2013, a number of changes were made by the AGLC that incorporate ideas received from stakeholders during the consultation phase of the Class E liquor manufacturing policy review. These changes addressed concerns raised by the industry that could be quickly implemented to assist manufacturers within the province. They are identified as completed within the recommendations.

On November 28, 2013, the AGLC approved further policy changes that address four additional recommendations. They are:

- eliminate minimum production capacity requirements for manufacturers (*Recommendation 1*)
- expand the types of products that can be produced in Alberta (*Recommendation 5*)
- allow manufacturers to conduct off-sales at the location that best suits their individual circumstances (*Recommendation 7*); and,
- allow cottage wineries to use up to 25 per cent of fruit from other sources for flavor enhancement purposes (*Recommendation 10*).

More detail is provided in the body of this report.

Once fully implemented the changes will ensure that AGLC policies respecting manufacturers:

- create new opportunities and support innovation;
- provide flexibility to manufacturers while maintaining effectiveness in a changing environment;
- ensure clarity and transparency for current and prospective manufacturers;
- create efficiencies for manufacturers; and,
- support Alberta's liquor manufacturers while upholding the integrity of Alberta's privatized liquor marketplace.

Create new opportunities and support innovation

The AGLC supports innovation within the industry and through its policies seeks to foster new opportunities for Alberta's liquor manufacturing industry. Creating a new "cottage operations" class of liquor manufacturers will provide new opportunities for agri-businesses in Alberta. Eliminating production minimums will provide new opportunities for small manufacturers to establish in Alberta and will provide existing manufacturers with an opportunity to diversify their business. Additionally, allowing small manufacturers to own restaurants, for example, and brew pubs selling to other licensees will allow small manufacturers to expand and grow their business.

#	Topic	Recommendation
1.	Minimum Production Capacity Requirements	Eliminate production minimums to allow for micro-operations and establish policies to ensure that liquor products manufactured in Alberta are "fit and safe for human consumption".

#	Topic	Recommendation
2.	Cottage Operations	Recommend to Government that the cottage winery licence type be expanded to a “cottage operation” licence. This licence would be a value added opportunity for agricultural businesses to expand beyond wine.
3.	Packaging of Liquor	Amend regulation and policy to provide the authority for a packaging licence under the Class E category of licences. (Completed May 2013)
4.	Small manufacturers owning Class A licensed premises	Recommend to Government that regulation and policy be amended to permit small manufacturers (under 25,000 hL Annual Worldwide Production [AWP]) to own and operate Class A licensed premises in addition to their manufacturing facilities. The manufacturer must own at least 80% of the Class A facility(ies) and must adhere to all existing Class A policies including the requirement to carry a reasonable variety of products. Once a manufacturer produces 25,000 hL it would no longer be allowed to open additional Class A licensed premises. Once it produces 100,000 hL it would be required to sell all Class A licensed premises.

Provide flexibility to manufacturers while maintaining effectiveness in a changing environment

The following seven recommendations demonstrate our commitment to ensuring we are progressive and flexible to support a changing environment. Allowing manufacturers to choose the location of their Class D Manufacturer’s off-sales outlet will provide flexibility to manufacturers to conduct off-sales at the location that best suits their individual circumstance. Permitting distilleries to have an off-site aging warehouse provides distilleries a way to grow and expand their operations. Allowing cottage wineries to purchase up to 25% of fruit for flavour enhancement purposes enhances alignment between policies for fruit and honey and provides cottage wineries with additional flexibility.

#	Topic	Recommendation
5.	Types of alcohol that can be produced in Alberta	Clarify AGLC policies to refer to product definitions provided in the federal Food and Drug Regulation (where they exist) and accept applications for additional product types (not specifically defined in the FDR), with the intent of providing as much flexibility as possible with respect to the types of alcohol that can be produced in Alberta.
6.	Alberta Wine Certification	Support the cottage wine industry should they pursue the development of a quality certification for Alberta wines.
7.	Retail operations separate from the manufacturing location	Remove the requirement that a Class D Manufacturer’s off-sales outlet be located on the same site as the Class E licensed premises.
8.	Off-site aging warehouse	Amend policy to permit licensees to have an off-site aging warehouse as long as the bonded warehouse is controlled and operated by the licensee. (Completed June 2013)
9.	Raw materials purchased from other suppliers (cottage wineries)	Engage in subsequent discussions with Alberta Agriculture and Rural Development and the cottage wine industry to determine if importing honey from outside of Alberta would be beneficial for the cottage wine industry.

#	Topic	Recommendation
10.	Fruit production shortfall	Amend the fruit wine policy to permit a maximum of 25% of fruit to be purchased from another Alberta grower for blending, flavour enhancement, and to make up fruit production shortfall.
11.	Mark-up structure for wine and spirits	The AGLC is reviewing the mark-up on an ongoing basis and will be providing feedback received from manufacturers to the government as part of a comprehensive package.

Ensure clarity and transparency for current and prospective manufacturers

Seven recommendations are focused on ensuring clarity and transparency for current and prospective manufacturers. By establishing of a central contact email address and creating a Cottage Winery/Brewery Industry Liaison the AGLC seeks to improve its communication with stakeholders. Establishing a policy review schedule will allow stakeholders to understand when significant policy changes may be anticipated which will allow them to create reliable business plans and provide more stability in the policy environment. Enhancing the information provided on our website to better assist our stakeholders will provide easier access to information and ensure greater efficiency.

#	Topic	Recommendation
12.	Differences between a winery and meadery	Continue to distinguish between wine, fruit wine, and honey wine (mead) in policy.
13.	Lack of stability and predictability for long-term business planning	Establish a policy review schedule for comprehensive policy reviews and communicate it to industry stakeholders.
14.	Specialty Information Officers	Implement the following in an effort to improve collaboration, communication, and consistency: <ul style="list-style-type: none"> • a central email address where Class E licensees can pose questions to be answered by a team from within the AGLC; and • “policy bulletins” to answer questions and provide clarity to all Class E licensees.
15.	Cottage Winery/Brewery Industry Liaison	Establish a Cottage Winery/Brewery Industry Liaison to assist new and existing liquor manufacturers. (Completed August 2012)
16.	New liquor manufacturers	Review and enhance the information available on the AGLC website for prospective liquor manufacturers in Alberta.
17.	Collaborate with stakeholders	Support the brewing industry should it pursue the development of an industry council or association.
18.	Collaborate with stakeholders	Collaborate with Government of Alberta departments to ensure information is available on relevant funding programs.

Create efficiencies for manufacturers

Three recommendations are proposed to create efficiencies for manufacturers. These include creating single harmonized Class E licence for all commercial manufacturers and enhancing the electronic exchange of information and online reporting.

#	Topic	Recommendation
19.	Single harmonized Class E licence	Recommend to Government that a single manufacturer's licence for the manufacture of all liquor products be implemented to reduce barriers to manufacturers while ensuring that the AGLC has the information it needs to fulfill its mandate. The cottage operations and new liquor packaging licences would remain as a separate licence type and the Brew Pub licence type would be merged with other manufacturing licences.
20.	Electronic information exchange and online reporting	Allow all required forms to be submitted in the most efficient method for manufacturers – faxed, mailed, or emailed.
21.	Electronic information exchange and online reporting	Work towards streamlining administrative processes and offering online based self-service solutions as part of an overall modernization project.

Support Alberta's liquor manufacturers while upholding the integrity of Alberta's privatized liquor model

To support Alberta's liquor manufacturers and uphold the integrity of Alberta's privatized liquor model, 18 recommendations are proposed. These recommendations seek to ensure a level playing field in Alberta for all manufacturers and prospective manufacturers while ensuring integrity and stability in Alberta's liquor marketplace.

#	Topic	Recommendation
22.	Ensure a level playing field	Advocate on behalf of the liquor industry in Alberta when consulted on proposed liquor policy changes in other jurisdictions that may be detrimental to the Alberta industry.
23.	Liquor warehousing in Alberta	Liquor warehousing in Alberta continue to be served through a single warehouse operator.
24.	Connect Logistics Reporting and Storage Fees	Continue to review the fees proposed by Connect Logistics Services (CLS) on an annual basis to ensure they accurately reflect the services being provided.
25.	Excise Reporting Processes	Continue to administer excise reporting requirements as required by the Government of Canada.
26.	Mark-up on stolen product	In the event of a loss or theft of liquor by a carrier, warehouse, or manufacturer, responsible parties continue to be responsible for provincial mark-up.
27.	Product Sample Importation Policy	Continue to regulate the importation of liquor samples from manufacturers pursuant to the policies currently defined in the Liquor Agency Handbook.

#	Topic	Recommendation
28.	Enforcement of policies surrounding inducements	Continue to enforce existing policies that address inducements.
29.	Enforcement of policies surrounding inducements	Add Advertising and Promotions policies to the policy review schedule.
30.	Allegations of “Dumping”	Liquor agencies/suppliers continue to set the wholesale price of liquor products.
31.	Business names of licensees	Continue to ensure business names are appropriate, for example, they have a distinct business name and do not use slang words.
32.	Winery sales	Continue to allow cottage wineries to deliver products to customers by applying for a delivery endorsement to their Class D off-sales licence.
33.	Requirement for 80% of the spirits to be distilled on site	Continue to ensure a minimum of 80% of spirits are distilled on-site.
34.	Winery labelling requirements	Manufacturers continue to adhere to Canadian Food Inspection Agency (CFIA) standards with respect to labelling requirements.
35.	Winery labelling requirements	Support the cottage wine industry should they pursue the development of a quality certification for Alberta wines.
36.	Liquor manufacturers selling products at Farmers’ Markets	Continue to ensure that only wine produced by “cottage operations” (cottage wineries) is permitted to be sold at Agriculture and Rural Development approved farmers’ markets (with an approved extension to their Class D off-sales licence).
37.	Liquor manufacturers selling products at Farmers’ Markets	Work with Alberta Agriculture and Rural Development to determine if other cottage made products could be sold at farmers’ markets.
38.	Selling liquor products at Farmers’ Markets	Continue to allow sampling at farmers’ markets to provide cottage operations (cottage wineries) with flexibility and business opportunities.
39.	Selling liquor at Farmers’ Markets	Work with Alberta Agriculture and Rural Development (ARD) to ensure that only approved cottage operations and approved products are permitted to be sold at ARD approved farmers’ markets.

Review Process

In December 2012, the AGLC distributed a discussion paper to all Class E (manufacturers) and D (retail stores) licensees, liquor agencies, and industry groups. Other interested parties, primarily those interested in entering the industry, were also invited to provide input. 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. 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 in Edmonton and Calgary. Stakeholders were invited to respond to the issues identified in the discussion paper and to raise any other related concerns.

The AGLC reviewed the input received from stakeholders and in May 2013, released a “What We Heard” document to all consultation participants.

Analysis of stakeholder feedback, a cross-jurisdictional policy review and research into industry trends and best practices followed. Preliminary administrative and policy changes, which focussed on streamlining administrative processes and creating new opportunities for Alberta’s liquor manufacturers, were released in June 2013.

Acknowledgements

Stakeholders play a vital role when it comes to helping the AGLC understand the industry’s views and expectations. The AGLC would like to thank all consultation participants for their valuable input, which is reflected in these recommendations. During the course of this review, the AGLC received 52 written responses and feedback from 35 individuals representing 22 Class E licensees participated in facilitated discussions.

Review Findings and Recommendations

Create new opportunities and support innovation

The AGLC supports innovation within the industry and through its policies seeks to foster new opportunities for Alberta’s liquor manufacturing industry. Creating a new “cottage operations” class of liquor manufacturers will provide new opportunities for agri-businesses in Alberta. Eliminating production minimums will provide new opportunities for small manufacturers to establish in Alberta and will provide existing manufacturers with an opportunity to diversify their business. Additionally, allowing small manufacturers to also own restaurants, for example, and brew pubs selling to other licensees will allow small manufacturers to expand and grow their business.

Minimum Production Capacity Requirements	
<i>What stakeholders told us:</i>	<p>In general, stakeholders had a lack of understanding regarding actual production versus production capacity resulting in a misinterpretation of the policy itself. Many thought that manufacturers had to produce the minimums, not have the capacity to do so.</p> <p>Many stakeholders felt that the AGLC should reduce production minimums and permit micro-distilleries and micro-breweries.</p> <p>Many felt that it would foster a craft culture which could lead to a greater variety of products being offered and enhancing the focus on locally produced products.</p> <p>Many felt that policies respecting quality control would need to be in place to ensure that the introduction of micro-operations did not negatively impact the industry overall.</p> <p>Some current manufacturers felt that if micro-operations were allowed, the AGLC should ensure that existing operations are not put at a disadvantage and that preferential treatment should not be given to new market entrants.</p> <p>Some felt that production maximums for brew pubs are appropriate and suggested that they should be considered for other streams as well, specifically for micro-operations. Others felt there should be no production maximums.</p> <p>Some stakeholders felt that current production capacity minimums are appropriate, indicating that they represent a reasonable investment requirement for commercial operations, ensure that unsustainable operations are not able to enter the Alberta marketplace, and ensure a higher standard of manufacturing and that quality and integrity prevail in the Alberta marketplace.</p> <p>Others felt that production capacity minimums should be reduced as it would foster a craft culture which could lead to superior products being produced.</p>

<p><i>What we learned:</i></p>	<p>BC currently has both minimum production capacities and minimum actual production requirements for wineries. Other streams do not have minimum production requirements or capacity requirements.</p> <p>Saskatchewan has actual production minimums and maximums for cottage wineries, micro-breweries, micro-distilleries, and brew pubs. Therefore, it can be concluded that they must have actual production minimums for breweries, wineries, and distilleries. Saskatchewan has reduced production minimums for brew pubs.</p> <p>Manitoba has minimum actual production requirements for breweries and wineries and production maximums for micro-breweries and cottage wineries. They also have minimum production capacity amounts for distilleries and production maximums for micro-distilleries.</p> <p>BC, Manitoba, and Ontario allow for micro-breweries. BC, Saskatchewan, Manitoba, and Ontario allow for brew pubs.</p>
<p><i>Considerations:</i></p>	<p>Minimum production capacity requirements are in place to ensure the safety of alcoholic beverages produced in Alberta. They represent a need to make a reasonable investment to enter the market. This requirement could be achieved by reducing production capacity minimums and introducing policies to ensure that products produced are fit and safe for human consumption.</p> <p>Reducing production capacity minimums would provide opportunities for Albertans to embark on new business endeavours.</p> <p>As part of the policy review, the AGLC has also consulted with Agriculture and Rural Development (ARD) officials, who expressed concern with the proposed elimination of production capacity requirements due to potential negative impact this may have on existing land-based cottage wineries.</p> <p>ARD officials suggested that minimums for commercial wineries should continue to be significantly higher than cottage wineries' minimums so that the two remain distinct, and that the cottage wineries are not put at risk from potential increased competition. However, because other AGLC policies related to cottage wineries would remain intact, therefore clearly differentiating cottage operations from other manufacturers, the AGLC believes that eliminating production capacity requirements would not put cottage wineries at risk and would at the same time provide opportunities for Albertans to embark on new endeavours.</p> <p>In further discussions with ARD officials it was determined that the following is an appropriate recommendation.</p>
<p><i>Recommendation 1:</i></p>	<p>Eliminate production minimums to allow for micro-operations and establish policies to ensure that liquor products manufactured in Alberta are "fit and safe for human consumption".</p>
<p><i>AGLC Response</i></p>	<p>Production minimum requirements have been eliminated and then appropriate amendments have been made to Section 3.13.2 of the Licensee Handbook.</p>

Cottage Operations	
<i>What stakeholders told us:</i>	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 the product being Alberta-made. Commercial wineries would not have the same requirements and could purchase 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 at farmers’ markets.
<i>Considerations:</i>	<p>Given the prior recommendation to amend minimum production capacity amounts, consideration should be given to the treatment of the Cottage Winery licence type versus a commercial licence. Manufacturers, including Cottage Wineries, have indicated that they wish to produce multiple types of alcoholic beverages.</p> <p>The defining characteristic between a commercial operation and a “cottage operation” is that for a “cottage operation” the raw materials must be produced on the licensee’s land and for a commercial operation purchased from a third party. Cottage operations would be a value-added option for existing agricultural businesses and would be land-based with the product being Alberta-made. Commercial operations (wineries, distilleries, and breweries of all sizes including micro-operations) would not have the same requirements and could source raw materials from other sources. Cottage operations 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 operations would not be eligible for. Only cottage operations would be eligible to sell approved products at Alberta Agriculture and Rural Development approved farmers’ markets.</p>
<i>Recommendation 2:</i>	Recommend to Government that the cottage winery licence type be expanded to a “cottage operation” licence. This licence would be a value added opportunity for agricultural businesses to expand beyond wine.
<i>AGLC Response</i>	This recommendation will be submitted to government for further consideration.

Packaging of Liquor	
<i>What stakeholders told us:</i>	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.
<i>Considerations:</i>	In May 2013, a packaging licence under the Class E category of licences was implemented. This new licence allows the blending, flavouring, and packaging of liquor products. This new licence type provides a new value-added business opportunity for new businesses and current manufacturers.
<i>Recommendation 3:</i>	Amend regulation and policy to provide the authority for a packaging licence under the Class E category of licences. (Completed May 2013)
<i>AGLC Response</i>	In May 2013, the Gaming and Liquor Regulation and AGLC policies were amended to provide the authority for a packaging licence under the Class E category of licences. This new licence allows the blending, flavouring, and packaging of liquor products. Complete details can be found in section 3.14 of the Licensee Handbook.

Small manufacturers owning Class A licensed premises	
<i>What stakeholders told us:</i>	<p>Most stakeholders indicated that they felt “Tied Houses” should continue to be prohibited in Alberta. However, many believe the policy is not enforceable, and as such creates a market that is not a level playing field.</p> <p>Some advocated for the AGLC to remove the prohibition on “Tied Houses”. Some suggested allowing tied houses with restrictions and others suggested without restrictions. Others suggested that tied houses should be allowed if the current policy is not enforced.</p> <p>Brew pubs were passionate about being able to sell their products to other licensees while continuing to own and operate a chain of restaurants.</p> <p>Some breweries indicated they would like to have one off-site Class A licence.</p> <p>Suggestions for restrictions included:</p> <ul style="list-style-type: none"> • Only allowing “Tied Houses” for manufacturers under a certain size • Requiring “Tied Houses” to carry a certain percentage of other products • Only allowing Alberta-based manufacturers to have “Tied Houses” • Ensuring consumers are notified when a licensed premises is a “Tied House” • Requiring manufacturers to own 100% of the bar/restaurant <p>Some suggested a multifaceted approach that takes into consideration multiple elements may be appropriate. Others felt that placing arbitrary restrictions on tied houses would not work and would not add value.</p>

<i>What we learned:</i>	<p>BC allows manufacturers (brewers under 300,000 hL) up to three tied house associations with off-site licensed establishments which include bars, restaurants and retail stores that sell/promote their product.</p> <p>Manitoba allows brew pubs to sell their products through other retailers.</p> <p>Ontario only allows tied houses on the same site as the manufacturing premises – this is the same as Alberta’s current policy.</p>
<i>Considerations:</i>	<p>During the course of this review, the AGLC has explored the concept of “Tied Houses” in terms of allowing liquor suppliers owning and operating a restaurant or bar. While most stakeholders feel “Tied Houses” - in terms of relationships that result in an unfair advantage to one particular large supplier - should continue to be prohibited, there was an appetite from small manufacturers to be allowed the opportunity to own off-site Class A licensed premises. Smaller manufacturers view this as a potentially worthwhile business opportunity.</p> <p>Maintaining the current regulations and policies related to prohibited relationships and financial arrangements is important to ensuring the integrity in the industry, and the AGLC will be vigilant in enforcing these regulations and policies. However, the AGLC believes that amending the current regulation to allow small manufacturers to own Class A licensed premises will increase flexibility for those breweries that wish to have off-site Class A licences. In the meantime, brew pubs that wish to sell their products to other licensees while continuing to own and operate a chain of restaurants would be able to do so as there is a policy framework that enables this</p>
<i>Recommendation 4:</i>	<p>Recommend to Government that regulation and policy be amended to permit small manufacturers (under 25,000 hL Annual Worldwide Production [AWP]) to own and operate Class A licensed premises in addition to their manufacturing facilities. The manufacturer must own at least 80% of the Class A facility(ies) and must adhere to all existing Class A policies including the requirement to carry a reasonable variety of products. Once a manufacturer produces 25,000 hL it would no longer be allowed to open additional Class A licensed premises. Once it produces 100,000 hL it would be required to sell all Class A licensed premises.</p>
<i>AGLC Response</i>	<p>This recommendation will be submitted to government for further consideration.</p>

Provide flexibility to manufacturers while maintaining effectiveness in a changing environment

The following seven recommendations demonstrate our commitment to ensuring we are progressive and flexible to support a changing environment. Allowing manufacturers to choose the location of their Class D Manufacturer’s off-sales outlet will provide flexibility to manufacturers to conduct off-sales at the location that best suits their individual circumstance. Permitting distilleries to have an off-site aging warehouse provides distilleries a way to grow and expand their operations. Allowing cottage wineries to purchase up to 25% of fruit for flavour enhancement purposes enhances alignment between policies for fruit and honey and provides cottage wineries with additional flexibility.

Types of alcohol that can be produced in Alberta	
<i>What stakeholders told us:</i>	<p>We heard from many stakeholders that manufacturing is from “seeds to sip” or “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. We also heard 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.</p> <p>We also heard that many felt that the entire manufacturing process should occur within Alberta.</p> <p>Some stakeholders also indicated that definitions for types of products such as beer, wine, mead, and spirits should be included in policy.</p> <p>In general, stakeholders feel that all forms of potable alcohol product should be allowed to be produced in Alberta.</p> <p>Specifically, they feel that Braggot and Cider should be allowed to be produced.</p> <p>Some stakeholders feel that the AGLC should prohibit the production of caffeinated alcoholic beverages and vaporized alcohol.</p>
<i>What we learned:</i>	<p>BC defines manufacturing as including one or more activities related to the brewing, distilling, and fermenting of liquor, including packaging, blending, and flavouring.</p> <p>Saskatchewan does not define manufacturing, but defines a manufacturer as a brewer or distiller (licensed by the Government of Canada) or a wine manufacturer conforming to the laws of Canada. They define brew pubs, micro breweries, micro distilleries, and cottage wineries. Saskatchewan indicates that for local manufacturers, the full manufacturing process, from fermentation to ageing, must take place at the location specified on the permit.</p> <p>Quebec does not define manufacturing, but provides definitions of what</p>

	<p>manufacturing does include. Quebec defines distillers, brewers, beer blends and vintners.</p> <p>Manitoba does not define manufacturing, but defines manufacturers as breweries, wineries, or distilleries.</p> <p>Ontario defines a manufacturer as a person who produces liquor for sale and a manufacturer’s licence is actually a licence to sell to the LCBO and not a licence to manufacture liquor.</p> <p>Product definitions are readily available in the federal <i>Food and Drug Act</i>.</p> <p>BC, Saskatchewan, and Manitoba all provide some type of definition in their policies. Ontario and Quebec define what Beer/Beer Blends are.</p>
<i>Considerations:</i>	<p>The AGLC considered the industry’s concerns and suggestions regarding the definition of manufacturing. Many liquor products are defined in federal legislation. Given the broad nature of the term manufacturing, the team recommends no changes to existing policy. However, to ensure simplicity and consistency between policies, the Liquor Licensee Handbook will refer existing licensees to the relevant federal legislation for product definitions. If appropriate, and where federal legislation does not exist, the AGLC will define those specific products in policy.</p> <p>The AGLC supports the notion “if you can buy it in Alberta, it can be produced in Alberta”. Where possible, the AGLC will continue to leverage existing product definitions in the Federal Food and Drug Regulation. For manufacturers of beer products, all liquids produced by a manufacturer are included in the calculation of their annual worldwide production.</p> <p>Current AGLC policy prohibits the sale of energy drinks in liquor stores.</p>
<i>Recommendation 5:</i>	<p>Clarify AGLC policies to refer to product definitions provided in the federal Food and Drug Regulation (where they exist) and accept applications for additional product types (not specifically defined in the FDR), with the intent of providing as much flexibility as possible with respect to the types of alcohol that can be produced in Alberta.</p>
<i>AGLC Response</i>	<p>The AGLC policies have been clarified and are reflected in Section 3.11.2 of the Licensee Handbook.</p>

Alberta Wine Certification	
<i>What stakeholders told us:</i>	It was suggested that Alberta introduce a VQA-type certification for Alberta-made wines.
<i>Considerations:</i>	<p>In line with Alberta's privatized liquor model, the AGLC is responsible for ensuring integrity in the liquor industry and fostering a culture of moderation. The AGLC is responsible for controlling the manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta.</p> <p>Vintners Quality Alliance (VQA) is a regulatory and appellation system which guarantees high quality and authenticity of origin for Canadian wines made under that system. It is currently available for British Columbia and Ontario wines. VQA indicates that it is for grape-based wines. Fruit Wines of Canada has a Quality Certified (QC) designation for fruit wines.</p> <p>Where possible, the AGLC will support the cottage winery industry in any endeavours they undertake, for example pursuing the development of a quality certification for Alberta wines.</p>
<i>Recommendation 6:</i>	Provide support to the cottage wine industry should they pursue the development of a quality certification for Alberta wines.
<i>AGLC Response</i>	The AGLC will support the cottage wine industry if they pursue the development of a quality certification.

Retail operations separate from the manufacturing location	
<i>What stakeholders told us:</i>	Some manufacturers would like to hold one Class D licence for a retail store separate from their manufacturing premises.
<i>Considerations:</i>	To increase flexibility for Alberta's liquor manufacturers, Class E licensees may apply for one Class D Manufacturer's off-sales licence for a retail sales outlet at a location of their choosing (either at the manufacturing premises or at an alternate location). In June 2013, the Cottage Winery policies were amended to allow Cottage Wineries to conduct off-sales from a separate building on the same parcel of land as the winery.
<i>Recommendation 7:</i>	Remove the requirement that a Class D Manufacturer's off-sales outlet be located on the same site as the Class E licensed premises.
<i>AGLC Response</i>	This recommendation has been accepted and is reflected in Section 3.7.1 of the Licensee Handbook.

Off-site aging warehouse	
<i>What stakeholders told us:</i>	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.
<i>Considerations:</i>	In June 2013, the AGLC amended policy to allow bonded warehouses for aging to be located on the same site as the manufacturing facility or at an off-site location, as long as the bonded warehouse is controlled and operated by the licensee.

<i>Recommendation 8:</i>	Amend policy to permit licensees to have an off-site aging warehouse as long as the bonded warehouse is controlled and operated by the licensee. (Completed June 2013)
<i>AGLC Response</i>	Bonded warehouses for aging may now be located on the same site as the manufacturing facility or at an off-site location, as long as the bonded warehouse is controlled and operated by the licensee. See policy 3.11.1 of the Licensee Handbook.

Raw materials purchased from other suppliers (cottage wineries)	
<i>What stakeholders told us:</i>	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.
<i>Considerations:</i>	Given that there is approximately 40 million lbs of honey produced in Alberta every year, there is no shortage in the supply of local honey. Honey produced in Alberta is considered to be a premium honey. The purpose of the cottage winery licence type is to promote value added options for Alberta products. Honey used in the production of mead should be “local”.
<i>Recommendation 9:</i>	Engage in subsequent discussions with Alberta Agriculture and Rural Development and the cottage wine industry to determine if importing honey from outside of Alberta is beneficial for the cottage wine industry.
<i>AGLC Response</i>	The AGLC will continue working with government and industry stakeholders regarding this policy.

Fruit production shortfall	
<i>What stakeholders told us:</i>	Some stakeholders 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?
<i>Considerations:</i>	Current policy which allows for 25% of the fruit to be purchased from elsewhere in Alberta provides blending opportunities and an option for making up fruit production shortfalls. To maximize flexibility for Alberta’s manufacturers, the policy will be amended to allow for a maximum of 25% of fruit to come from another Alberta grower for blending, flavour enhancement and to make up fruit production shortfalls.
<i>Recommendation 10:</i>	Amend the fruit wine policy to permit a maximum of 25% of fruit to be purchased from another Alberta grower for blending, flavour enhancement, and to make up fruit production shortfall.
<i>AGLC Response</i>	This recommendation has been accepted and is reflected in Section 3.13.b of the Licensee Handbook.

Mark-up structure for wine and spirits	
<i>What stakeholders told us:</i>	<p>Distillers indicated that the current mark-up structure for spirits makes it unattractive for new investment and business growth.</p> <p>Distillers encouraged a review of spirit mark-ups to encourage the development of Alberta-based distillers on the global stage.</p> <p>Distillers would like to see the equalization of mark-ups across the various liquor categories based on a standard drink or litre of alcohol basis.</p> <p>Distillers supported an Alberta-based spirits mark-up policy to recognize the level of risk they must undertake. Some suggested that micro-distillery operations should receive a preferential mark-up and others advocated that the rates should be the same for all manufacturers.</p> <p>Cottage wineries suggested that mark-ups for cottage wine should be consistent for all points of sale and not just at the farm gate and farmers' markets (at the lower rate).</p> <p>Some suggested that a graduated mark-up, similar to beer, may be beneficial.</p>
<i>Considerations:</i>	The AGLC will review wine and spirits mark-ups to determine if any changes need to be made. The AGLC will also conduct analysis to determine if implementing a standard mark-up based on the absolute alcohol in a liquor product, regardless of the source of the alcohol (i.e. equivalency) has merit.
<i>Recommendation 11:</i>	The AGLC is reviewing the mark-up on an ongoing basis and will be providing feedback received from manufacturers to the government as part of a comprehensive package.
<i>AGLC Response</i>	The AGLC believes it is important to have a mark-up structure that is transparent, allows growth and competition, and considers the AGLC and industry's social responsibility obligations. The AGLC reviews the mark-up structure on an ongoing basis to ensure efficient liquor operations that meet the expectations of Albertans.

Ensure clarity and transparency for current and prospective manufacturers

Seven recommendations are focused on ensuring clarity and transparency for current and prospective manufacturers. By establishing of a central contact email address and creating a Cottage Winery/Brewery Industry Liaison the AGLC seeks to improve its communication with stakeholders. Establishing a policy review schedule will allow stakeholders to understand when significant policy changes may be anticipated which will allow them to create reliable business plans and provide more stability in the policy environment. Enhancing the information provided on our website to better assist our stakeholders will provide easier access to information and ensure greater efficiency.

Differences between a winery and meadery	
<i>What stakeholders told us:</i>	It was 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.
<i>What we learned:</i>	The Food and Drug Act Regulations define wine as an alcoholic beverage that is produced by the complete or partial alcoholic fermentation of fresh grapes, grape must, products derived solely from fresh grapes, or any combination of them; fruit wine as the product of the alcoholic fermentation of the juice of sound ripe fruit other than grape; and honey wine as the product of the alcoholic fermentation of an aqueous solution of honey.
<i>Considerations:</i>	To ensure alignment with federal legislation, policies should continue to distinguish between wine, fruit wine, and honey wine (mead).
<i>Recommendation 12:</i>	Continue to distinguish between wine, fruit wine, and honey wine (mead) in policy.
<i>AGLC Response</i>	The AGLC’s existing policies continue to distinguish between wine, fruit wine, and honey wine (mead).

Lack of stability and predictability for long-term business planning	
<i>What stakeholders told us:</i>	<p>We heard from a number of stakeholders that the Alberta liquor manufacturing environment is challenging due to a lack of stability for long-term business planning given the number of policy reviews over the past decade and the instability of what the future may hold pending the outcome of this policy review and the small brewer mark-up review.</p> <p>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.</p>
<i>Considerations:</i>	The AGLC recognizes the challenge that the industry faces due to ongoing policy reviews. The AGLC shares the industry’s concern and would also like to see more discrete policy reviews in the future. The AGLC recommends that a policy review schedule be established for comprehensive policy reviews, whereby significant policy changes would be limited to the established review schedule.
<i>Recommendation 13:</i>	Establish a policy review schedule for comprehensive policy reviews and communicate it to industry stakeholders.

<i>AGLC Response</i>	The AGLC will be establishing a policy review schedule and communicating it to industry stakeholders.
----------------------	---

Specialty Information Officers	
<i>What stakeholders told us:</i>	<p>Generally, stakeholders were appreciative of the AGLC’s efforts to improve accessibility and communication over the past few years. They also indicated that staff were willing to help when needed.</p> <p>However, several stakeholders expressed concern that they were provided with incomplete or inconsistent information from AGLC representatives.</p> <p>Many would like to see the AGLC develop “specialty information officers” who would be well versed in Class E policies.</p>
<i>Considerations:</i>	<p>To improve collaboration, communication, and consistency in policy interpretations made by the AGLC, the AGLC will implement a central email address where Class E licensees can pose questions to be answered from a team of subject matter experts within the AGLC. This email address will also be utilized by AGLC staff if they encounter situations where they need clarification or assistance.</p> <p>Additionally, the AGLC will introduce “policy interpretation bulletins” when additional information is sought on what a policy means. These bulletins will be available to all licensees.</p> <p>The AGLC will also continue to issue “policy directives” when policy is amended.</p> <p>The AGLC feels that greater consistency can be achieved via this combined approach rather than implementing specialty information officers.</p>
<i>Recommendation 14:</i>	<p>Implement the following in an effort to improve collaboration, communication, and consistency:</p> <ul style="list-style-type: none"> • a central email address where Class E licensees can pose questions to be answered by a team from within the AGLC; and • “policy bulletins” to answer questions and provide clarity to all Class E licensees.
<i>AGLC Response</i>	The AGLC is establishing a central email address to respond to licensee questions. The AGLC will also be providing policy bulletins as required to ensure clarity on policies.

Cottage Winery/Brewery Industry Liaison	
<i>What stakeholders told us:</i>	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.
<i>Considerations:</i>	The Cottage Winery/Brewery Industry Liaison is available to assist all prospective manufacturers. This position is also available to assist new distillery applicants. A checklist for new liquor manufacturers is also available.
<i>Recommendation 15:</i>	Establish a Cottage Winery/Brewery Industry Liaison to assist new and existing liquor manufacturers. (Completed August 2012)
<i>AGLC Response</i>	The position of Manager, Liquor Planning and Reporting, has been identified as the Industry Liaison and is available to respond to questions.

New liquor manufacturers	
<i>What stakeholders told us:</i>	Some stakeholders suggested that the AGLC should do more to assist new manufacturers.
<i>Considerations:</i>	Through its position as a regulator, the AGLC will attempt to provide as much guidance as possible to potential liquor manufacturers.
<i>Recommendation 16:</i>	Review and enhance the information available on the AGLC website for prospective liquor manufacturers in Alberta.
<i>AGLC Response</i>	The AGLC will be working to ensure the information on its website is up-to-date, easily accessible and comprehensive.

Collaborate with stakeholders	
<i>What stakeholders told us:</i>	<p>Some stakeholders felt that the AGLC needs to better support the liquor manufacturing industry in Alberta, suggesting that policies should reflect a distinct “Alberta Advantage”.</p> <p>Suggestions on what the AGLC could do to support an “Alberta Advantage” included:</p> <ul style="list-style-type: none"> • Marketing and promotions initiatives to promote the industry, • Implement a grant based marketing program for small scale manufacturers, • Offer loans to Alberta-based manufacturers, • Provide additional guidance to new manufacturers who wish to enter the industry (i.e. establishing a help desk to answer questions or by creating a booklet or website with relevant information). <p>Some breweries think the AGLC should do more to promote the brewing industry in Alberta. Suggestions included:</p> <ul style="list-style-type: none"> • A grant-based marketing program for small scale local manufacturers • Publishing an Alberta breweries magazine • Allowing greater discretionary spending through a “Growing Forward”

	<p>program</p> <ul style="list-style-type: none"> • Establishing an Alberta Craft Brewers Growth Fund • Allowing small brewers to conduct farm-gate style sales • Providing incentives for Alberta-grown ingredients
<i>What we learned:</i>	<p>BC currently provides some advantages to BC based manufacturers, primarily with respect to eliminating mark-up for products with 100% BC ingredients or no listing fees.</p> <p>Manitoba provides incentives such as reduced mark-ups and promotional assistance for made-in-Manitoba products. Manitoba is introducing some specialty express-style stores that showcase made-in-Manitoba products.</p> <p>Ontario offers many benefits to its manufacturers. Manufacturers receive preferential tax rates in their manufacturer’s stores, preferential access to LCBO listings, and promotional opportunities at a reduced cost. Growing the sales of Ontario products is one of the LCBO’s strategic objectives.</p> <p>Ontario has also worked hard to support its domestic wine industry and craft brewers by:</p> <ul style="list-style-type: none"> • Developing a wine strategy in conjunction with the Wine Council of Ontario, • Working to promote Ontario wines in LCBO stores, • Showcasing some local beer through a “Brewery Spotlight Program”, • Promoting Ontario craft beer through a “know your craft” pamphlet, and • Offering the Ontario Craft Brewers Opportunity Fund.
<i>Considerations:</i>	<p>Alberta’s privatized liquor model provides an equal opportunity for all liquor manufacturers to sell their products in Alberta. Any liquor manufacturer can become a registered agency to market its products in Alberta.</p> <p>AGLC is responsible for ensuring integrity in the liquor industry and fostering a culture of moderation. The AGLC is responsible for controlling the manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta. This mandate does not include promoting liquor products.</p> <p>Where possible, the AGLC will seek to support the liquor manufacturing industry in any endeavours they undertake. There are a number of programs available through various Government of Alberta departments that liquor manufacturers may be eligible for, including the Growing Forward 2 program (GF2). Manufacturers are encouraged to consult with those programs directly to determine their eligibility.</p> <p>In addition, the AGLC will work to facilitate greater communication between the various levels of the supply chain, for example, facilitating greater communication between manufacturers and retail stores.</p>

	Grant-based marketing program for small scale manufacturers and loans for Alberta-based manufacturers are outside of the AGLC's mandate.
<i>Recommendation 17:</i>	Provide support to the brewing industry should it pursue the development of an industry council or association.
<i>AGLC Response</i>	The AGLC is committed to productive working relationships with all of its stakeholders, and is open to opportunities for future collaboration. In addition, the AGLC welcomes the formation of the Alberta Small Brewers Association, and looks forward to working with the association to ensure a vibrant brewing industry in Alberta.
<i>Recommendation 18:</i>	Collaborate with Government of Alberta departments to ensure information is available on relevant funding programs.
<i>AGLC Response</i>	The AGLC will be working with government partners to determine if there are any existing and appropriate funding mechanisms to support small scale manufacturers.

Create efficiencies for manufacturers

Three recommendations are proposed to create efficiencies for manufacturers. These include creating single harmonized Class E licence for all commercial manufacturers and enhancing the electronic exchange of information and online reporting.

Single harmonized Class E licence	
<i>What stakeholders told us:</i>	<p>Some stakeholders suggested that the AGLC should move towards a single liquor manufacturer’s licence, rather than individual licences for brewing, distilling, and wine making, which would allow for greater consistency in policies between the different streams given that they are all producing the same product – potable alcohol.</p> <p>It was also suggested that the historical distinctions between beer, wine, and spirits are no longer relevant or beneficial.</p> <p>Stakeholders indicate that a single licence would allow for secondary manufacturing activities – for example distilling the leftover products in the brewing or wine-making process. Others indicated they were interested in mixed manufacturing opportunities (producing multiple types of liquor i.e. producing both beer and spirits).</p> <p>An alternate suggestion was to allow manufacturers to hold multiple Class E licences.</p>
<i>What we learned:</i>	<p>Saskatchewan licenses manufacturers to produce any type of alcohol, but they must meet certain requirements depending on the type of alcohol they produce. Special provisions are available for brew pubs.</p> <p>Manitoba recently announced a reduction in the number of liquor licences from 12 down to 3 (sales, manufacturing, and service).</p>
<i>Considerations:</i>	<p>This move will provide manufacturers with options for mixed or secondary manufacturing. The new Class E – Packaging licence will remain as a separate licence type. Class E licensees will be required to declare the type of liquor they are manufacturing to the AGLC which will be endorsed on the Class E licence. A manufacturer may only produce liquor products for which it has an endorsement to produce.</p>
<i>Recommendation 19:</i>	<p>Recommend to Government that a single manufacturer’s licence for the manufacture of all liquor products be implemented to reduce barriers to manufacturers while ensuring that the AGLC has the information it needs to fulfill its mandate. The cottage operations and new liquor packaging licences would remain as a separate licence type and the Brew Pub licence type would be merged with other manufacturing licences.</p>
<i>AGLC Response</i>	<p>This recommendation will be submitted to government for further consideration.</p>

Electronic information exchange and online reporting	
<i>What stakeholders told us:</i>	<p>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.</p> <p>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.</p>
<i>Considerations:</i>	<p>In an effort to reduce administrative burden, the AGLC has introduced a number of electronic and streamlined processes including:</p> <ul style="list-style-type: none"> • a detailed AGLC contact list for liquor manufacturers; • a new manufacturer’s checklist is available for new breweries, brew pubs, and cottage wineries; • an Excel-based remittance report for cottage wineries including the calculation of bottle deposits, recycling fees, mark-ups, GST, and total remittance; • an Excel-based production report for brew pubs including the calculation of bottle deposits, recycling fees, mark-ups, GST, and total remittance; • an Excel-based sample invoice for small brewers and cottage wineries; and • an Excel-based tool for breweries and cottage wineries for the submission of Sales Transaction data. This tool replaces the former text file format. Existing breweries and cottage wineries will have the option of continuing to submit via a text file or to utilize the new Excel format. The AGLC will contact all existing breweries and cottage wineries to schedule the roll out of this new tool.
<i>Recommendation 20:</i>	Allow all required forms to be submitted in the most efficient method for manufacturers – either faxed in, mailed in, or scanned and emailed in.
<i>AGLC Response</i>	The AGLC will continue to improve its business processes to provide the most efficient service to its stakeholders.
<i>Recommendation 21:</i>	Work towards streamlining administrative processes and offering online based self-service solutions as part of an overall modernization project.
<i>AGLC Response</i>	The AGLC will continue to improve its business processes to provide the most efficient service to its stakeholders.

Support Alberta’s liquor manufacturers while upholding the integrity of Alberta’s privatized liquor model

To support Alberta’s liquor manufacturers and uphold the integrity of Alberta’s privatized liquor model, 17 recommendations are proposed. These recommendations seek to ensure a level playing field in Alberta for all manufacturers and prospective manufacturers while ensuring integrity and stability in Alberta’s liquor marketplace.

Ensure a level playing field	
<i>What stakeholders told us:</i>	<p>We heard from stakeholders that they feel that AGLC’s policies need to ensure a level playing field for those in the liquor marketplace and that any changes that are made need to ensure a level playing field.</p> <p>Some stakeholders feel that there is not a level playing field in other provinces, for example, listing policies in other provinces that benefit in-province producers.</p> <p>Some current manufacturers felt that if micro-operations were allowed, the AGLC should ensure that existing operations are not put at a disadvantage and that preferential treatment should not be given to new market entrants.</p>
<i>Considerations:</i>	<p>Alberta’s privatized liquor model provides an equal opportunity for all liquor manufacturers to sell their products in Alberta. There are no barriers to trade or to listing liquor products. Any manufacturer can become an agent in Alberta, or use an existing registered agency, to market its liquor products in the province.</p> <p>To the extent possible, the AGLC will continue to advocate on behalf of Alberta’s liquor industry when consulted on liquor policy changes in other jurisdictions.</p>
<i>Recommendation 22:</i>	<p>Advocate on behalf of the liquor industry in Alberta when consulted on proposed liquor policy changes in other jurisdictions that may be detrimental to the Alberta industry.</p>
<i>AGLC Response</i>	<p>The AGLC will work with Alberta International and Intergovernmental Relations to ensure the views of Alberta’s liquor industry are represented in discussions with other jurisdictions. This includes ensuring that proposed policies are consistent with existing trade agreements.</p>

Liquor warehousing in Alberta	
<i>What stakeholders told us:</i>	<p>Some stakeholders also expressed concern about the challenges they face due to Connect Logistics Services (CLS) being the sole warehouse in Alberta.</p> <p>Distillers feel that they pay unnecessary shipping costs given the location of the warehouse in relation to their Southern Alberta-based operations.</p> <p>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.</p> <p>Distillers also question why brewers can have their own distribution system while others cannot.</p>
<i>Considerations:</i>	<p>An independent review by PriceWaterhouseCoopers in 2009 identified that a single warehouse carrying all products (excluding some domestic beer) is the most efficient warehousing option in Alberta. The review examined both inbound and outbound costs (costs to ship to the warehouse and from the warehouse). The review concluded that on average, inbound costs to a warehouse in the Calgary area were not significantly different than those to a warehouse in the Edmonton area and that inbound costs to a warehouse outside of the Edmonton or Calgary area would be significantly higher. It also concluded that on average, there was no significant difference between the cost of outbound transportation from Calgary or Edmonton. The entire PriceWaterhouseCoopers report can be found on the AGLC's website.</p> <p>Given the PwC review and due to the different application of excise duties between breweries, wineries, and distilleries the current distribution system should be maintained to ensure stability in the liquor supply chain. A change to the distribution system for spirits would require spirits manufacturers to change to a duty-paid distribution system.</p>
<i>Recommendation 23:</i>	Liquor warehousing in Alberta continue to be served through a single warehouse operator.
<i>AGLC Response</i>	The AGLC will maintain a system of a single warehouse operator, which has been evaluated by independent reviews as the most appropriate model to provide efficient and effective service across the province.

Connect Logistics Reporting and Storage Fees	
<i>What stakeholders told us:</i>	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.
<i>Considerations:</i>	CLS fees are determined annually based on Activity-based costing and are directly related to the services provided. Any changes to this method of allocating fees would be outside the level playing field.
<i>Recommendation 24:</i>	Continue to review the fees proposed by Connect Logistics Services (CLS) on an annual basis to ensure they accurately reflect the services being provided.
<i>AGLC Response</i>	The cost of warehousing and distribution services have either gone down or been held in line for many years. As part of the liquor distribution contract, CLS is required to submit its annual budget and proposed service fees for AGLC's approval. The AGLC will continue to review CLS fees and monitor service performance to ensure the most cost-efficient services.

Excise Reporting Processes	
<i>What stakeholders told us:</i>	Some stakeholders suggested that excise reporting is onerous for products that are clearly 100% Canadian-made, for example, products created under a cottage winery licence.
<i>Considerations:</i>	Excise reporting requirements are a requirement of the Government of Canada.
<i>Recommendation 25:</i>	Continue to administer excise reporting requirements as required by the Government of Canada.
<i>AGLC Response</i>	Federal reporting requirements are beyond AGLC's jurisdiction. The AGLC will continue to fulfilling its responsibilities related to federal reporting requirements.

Mark-up on stolen product	
<i>What stakeholders told us:</i>	Some stakeholders expressed concern that they must pay mark-up on product that is stolen from a third party carrier.
<i>Considerations:</i>	In the case of loss or theft of liquor by a carrier, warehouse, or manufacturer, the responsible party's obligation is to make those who suffer damages whole. The damages include: transportation costs; the applicable flat mark-up; customs duty (if applicable); excise duty and tax (if applicable); container recycling fee; GST; and container deposit. This is referred to as "wholesale cost" in the Warehouse Terms and Conditions.
<i>Recommendation 26:</i>	In the event of a loss or theft of liquor by a carrier, warehouse, or manufacturer, responsible parties continue to be responsible for provincial mark-up.
<i>AGLC Response</i>	Liquor that goes missing results in damages to the AGLC in the form of lost mark-up, and therefore in the loss to government revenue The AGLC will continue to hold the owners of the products responsible for any damages.

Product Sample Importation Policy	
<i>What stakeholders told us:</i>	It was suggested that the AGLC should implement a streamlined product sample importation policy for product samples from affiliated companies which are located outside of Alberta.
<i>Considerations:</i>	Alberta's privatized liquor model provides an unparalleled choice of liquor products to consumers. All liquor products in Alberta are represented by a liquor agency and are sold through the AGLC. The AGLC is the purchaser (importer of record) and the liquor agency is the consignee.
<i>Recommendation 27:</i>	Continue to regulate the importation of liquor samples from manufacturers pursuant to the policies currently defined in the Liquor Agency Handbook.
<i>AGLC Response</i>	Policies respecting liquor samples are defined in the Liquor Agency Handbook. The current policies will remain in effect to ensure the integrity and stability within the liquor supply chain.

Enforcement of policies surrounding inducements	
<i>What stakeholders told us:</i>	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. In particular, Alberta's small brewers expressed frustration that large manufacturers can come into Alberta and offer inducements without being fined in any way. Some suggested that if current policies are not enforceable, then the AGLC should remove them altogether and open up the playing field. Some felt that the restrictions limit their options rather than protect them which makes it difficult for them to compete with large multi-national brewers.
<i>Considerations:</i>	The AGLC currently enforces its policies respecting inducements. The AGLC has a number of dedicated resources that directly work on the enforcement of inducements. A further review of the Advertising and Promotions policy is outside of the scope of this review, however, it will be added to the regular policy review schedule.
<i>Recommendation 28:</i>	Continue to enforce existing policies that address inducements.
<i>AGLC Response</i>	With a dedicated team of investigators, the AGLC will continue to be vigilant in enforcing inducements in the industry.
<i>Recommendation 29:</i>	Add Advertising and Promotions policies to the policy review schedule.
<i>AGLC Response</i>	This policy will be added to the AGLC's policy review schedule as it is developed.

Allegations of “Dumping”	
<i>What stakeholders told us:</i>	Some brewers feel that manufacturers from outside of Alberta take advantage of Alberta’s open/free market and “dump” their products in Alberta.
<i>Considerations:</i>	<p>Alberta has a privatized, competitive marketplace, and it is the marketplace that determines the prices, product selection and locations. Alberta’s open and competitive marketplace provides an equal opportunity for all manufacturers to sell their products in Alberta.</p> <p>Liquor agencies/suppliers set the wholesale price of liquor products. At the retail level, retailers set the retail price of liquor products.</p>
<i>Recommendation 30:</i>	Liquor agencies/suppliers continue to set the invoice price of liquor products.
<i>AGLC Response</i>	The AGLC will continue to respect the free market principles of Alberta’s privatized liquor model.

Business names of licensees	
<i>What stakeholders told us:</i>	Brewers do not agree with restaurants and bars being able to label themselves as “breweries” in the public name of their establishments. They would like to see the AGLC consider a policy which does not allow for restaurants and bars that are not breweries to include the terms “brewery” or “brew pub” in their name.
<i>Considerations:</i>	<p>Alberta’s privatized liquor model provides an equal opportunity for all liquor manufacturers to sell their products in Alberta. AGLC is responsible for ensuring integrity in the liquor industry and fostering a culture of moderation.</p> <p>Consistent with this mandate, the AGLC ensures that business names are appropriate, for example, they have a distinct business name and do not use slang words.</p>
<i>Recommendation 31:</i>	Ensure business names are appropriate, for example, they have a distinct business name and do not use slang words.
<i>AGLC Response</i>	Through the existing policy framework the AGLC will continue ensuring that business names are appropriate.

Winery sales	
<i>What stakeholders told us:</i>	<p>Concern was expressed 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.</p> <p>Some cottage wineries indicated they would like the AGLC to consider allowing them to sell at house parties and/or other venues.</p>
<i>Considerations:</i>	Consistent with other streams of liquor, liquor may not be taken to an event with intent to sell, unless the event is licensed. Cottage wineries may deliver products to customers by applying to the AGLC for a delivery endorsement to their Class D licence. To control the sale of liquor and consistent with the sale

	of other liquor products, manufacturers' off-sales may only be conducted at designated locations and under the authority of a Class D licence.
<i>Recommendation 32:</i>	Continue to allow cottage wineries to deliver products to customers by applying for a delivery endorsement to their Class D off-sales licence.
<i>AGLC Response</i>	Through the existing policy framework the AGLC will continue ensuring that all liquor sold in this province is sold under the authority of a licence to maintain the integrity and social responsibility of the industry.

Requirement for 80% of the spirits to be distilled on site	
<i>What stakeholders told us:</i>	Some stakeholders suggested that the requirement for 80% of spirits to be distilled on site should be eliminated as it 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.
<i>Considerations:</i>	Although the minimum 80% distilled on-site will remain for manufacturers distilling on-site, in May 2013, a packaging licence under the Class E category of licences was implemented. This new licence allows the blending, flavouring, and packaging of liquor products. This new licence type provides a new value-added business opportunity for new businesses and current manufacturers.
<i>Recommendation 33:</i>	Continue to ensure a minimum of 80% of spirits are distilled on-site.
<i>AGLC Response</i>	The AGLC has introduced a new licence for packaging and/or blending of existing liquor products, which could potentially introduce new value-added opportunities and contribute to the long-term success of the industry.

Winery labelling requirements	
<i>What stakeholders told us:</i>	It was suggested that Alberta introduce standards for labelling a product as "organic" and/or introduce a VQA-type certification for Alberta-made wines.
<i>Considerations:</i>	<p>In line with Alberta's privatized liquor model, the AGLC is responsible for ensuring integrity in the liquor industry and fostering a culture of moderation. The AGLC is responsible for controlling the manufacture, importation, sale, purchase, possession, storage, transportation, use and consumption of liquor in Alberta.</p> <p>The Canadian Food Inspection Agency (CFIA) has standards for the labelling of alcoholic beverages and for the labelling of organic products. Liquor manufacturers are responsible to ensure that labels adhere to CFIA requirements.</p> <p>Vintners Quality Alliance (VQA) is a regulatory and appellation system which guarantees high quality and authenticity of origin for Canadian wines made under that system. It is currently available for British Columbia and Ontario wines. VQA indicates that it is for grape-based wines. Fruit Wines of Canada has a Quality Certified (QC) designation for fruit wines.</p>

<i>Recommendation 34:</i>	Manufacturers continue to adhere to Canadian Food Inspection Agency (CFIA) standards with respect to labelling requirements.
<i>AGLC Response</i>	Labelling requirements are under federal government's jurisdiction and are out of the scope of this review. The AGLC will continue to ask manufacturers to follow federal labelling guidelines.
<i>Recommendation 35:</i>	Provide support to the cottage wine industry should they pursue the development of a quality certification for Alberta wines.
<i>AGLC Response</i>	Where possible, the AGLC will support the cottage winery industry in their endeavours, for example pursuing the development of a quality certification for Alberta wines.

Liquor manufacturers selling products at Farmers' Markets	
<i>What stakeholders told us:</i>	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.
<i>Considerations:</i>	Alberta Agriculture and Rural Development regulates what vendors and products are permitted to sell at approved farmers' markets. Among other requirements, allowed vendors are those who have "made, baked, or grown" their products. Farmers' markets provide an opportunity for land-based agri-businesses to sell their products. Currently, there may be some support for wine to be sold at farmers' markets. At this time, it is unknown if farmers' market customers and other vendors would support the sale of cottage made sprits and beer at farmers' markets.
<i>Recommendation 36:</i>	Continue to ensure that only wine produced by "cottage operations" (cottage wineries) is permitted to be sold at Agriculture and Rural Development approved farmers' markets (with an approved extension to their Class D off-sales licence).
<i>AGLC Response</i>	The existing AGLC policies will ensure that liquor manufacturers respect requirements related to provincial farmers' markets.
<i>Recommendation 37:</i>	Work with Alberta Agriculture and Rural Development to determine if other cottage made products could be sold at farmers' markets.
<i>AGLC Response</i>	The AGLC will work with government partners to determine if other cottage-made products could be accepted for sale at farmers' markets.

Selling liquor products at Farmers' Markets	
<i>What stakeholders told us:</i>	Some cottage wineries suggested that the AGLC clarify the approval procedure for farmers' markets as there is a 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.
<i>Considerations:</i>	With the introduction of micro operations, AGLC and Alberta Agriculture and Rural Development will work together with market managers to ensure that only cottage operations are approved to sell at approved farmers' markets. To ensure flexibility and provide business opportunities for cottage operations, sampling at farmers' markets will continue to be allowed.
<i>Recommendation 38:</i>	Continue to allow sampling at farmers' markets to provide cottage operations (cottage wineries) with flexibility and business opportunities.
<i>AGLC Response</i>	The existing AGLC policies ensure that sampling activities are conducted in a controlled and responsible manner. Any complaints regarding the enforcement of policies should be directed to the Inspections branch. All complaints will be investigated.
<i>Recommendation 39:</i>	Work with Alberta Agriculture and Rural Development (ARD) to ensure that only approved cottage operations and approved products are permitted to be sold at ARD approved farmers' markets.

<i>AGLC Response</i>	The AGLC will continue to work with government partners and respect the requirements that guide the operations of provincial farmers' markets.
----------------------	--