

July 20, 2021

# What We Heard

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LIQUOR AGENCY CONSULTATION

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## **INTRODUCTION**

Alberta Gaming, Liquor and Cannabis (AGLC) is responsible for licensing, regulating, and monitoring liquor activities in Alberta. AGLC administers the *Gaming, Liquor and Cannabis Act* (GLCA), Gaming, Liquor and Cannabis Regulation (GLCR), and related policy.

AGLC is focused on reviewing its policies to ensure they support economic development and industry growth while reflecting a commitment to public health and social responsibility. This report summarizes the results of a survey with industry stakeholders focusing on policies that relate to liquor agency operations and processes. This is part of an ongoing commitment to reviewing and modernizing Alberta liquor policies to remove red tape and reduce administrative burden for industry.

## **BACKGROUND**

Agencies and suppliers play an important part in Alberta's liquor industry. In Alberta, liquor agencies represent liquor suppliers through the importation and marketing of suppliers' liquor. Agencies may operate as dedicated representatives of the liquor products of one – or of many – different suppliers. As well, some suppliers may also become registered liquor agencies and choose to represent their own products in Alberta; small Alberta liquor manufacturers are also registered as liquor agencies to self-represent their liquor products.

Over the past several years, AGLC Liquor Services (LS) identified policy topics related to registered liquor agencies that may benefit from review. Registered liquor agencies were last consulted in 2016 regarding specific changes to AGLC's price change schedule; however, a formal consultation on a variety of topics related to operations and processes has never occurred.

This review aligns with the government's commitment to provide effective regulation and increase opportunities for businesses.

## **METHODOLOGY**

On April 26, 2021, AGLC sought feedback from stakeholders related to liquor agencies operating in the Alberta market. All registered agencies (i.e., companies dedicated to representing suppliers), Alberta liquor manufacturers (Class E licensees, registered in parallel as their own agency), liquor manufacturers based outside of Alberta (and established as an agency) and several liquor industry associations were contacted; 732 invitations to participate in an online survey were extended. The consultation remained open for two weeks and closed May 10, 2021.

## **RESPONSE RATES**

**AGLC received a total of 290 responses to the survey; this represents an approximate response rate of 40%.** Respondents were able to self-identify as an Alberta manufacturer (as their own agency), as agencies representing multiple suppliers, as agencies dedicated to one out-of-province manufacturer (i.e., that supplier becoming a registered agency in Alberta to represent their own product), or as an industry association.

Based on how respondents self-identified, AGLC estimates that approximately 44% of Alberta manufacturers (as agencies in their own right) contributed their views; of the remainder (reflecting all other agencies), the estimated participation rate was 35%.

## Who Represents What?

### Registered Liquor Agencies:

64 of the 171 who responded represent 10+ suppliers.

### Alberta Liquor Manufacturers:

78 of the 93 who responded represent their own product.

The range of mixed representation from all liquor categories speaks to Alberta's unique liquor model that makes approximately 28,000 liquor products available to Albertans.

## Liquor Products Represented by Category

### Registered Liquor Agencies:

Beer: 36%  
Wine: 67%  
Spirits: 61%  
Refreshment Bev: 35%  
Other: 7%

### Alberta Liquor Manufacturers:

Beer: 56%  
Wine: 13%  
Spirits: 40%  
Refreshment Bev: 35%  
Other: 6%

### Manufacturers Based Outside of Alberta:

Beer: 5%  
Wine: 17%  
Spirits: 17%  
Refreshment Bev: 50%  
Other: 1%

In addition to the breakdown above, stakeholders were asked to identify the type of supplier they represent: Domestic (produced in Canada), Imported (produced in another country and customs cleared to enter Canada), or both. Registered liquor agencies capture a broad range of liquor products represented in the Alberta market.

## CONSULTATION FINDINGS

The survey opened with questions to categorize respondents. The remainder of the survey focused on the following topics:

1. abandoned liquor and disposition of expired/faulty products;
2. disputes related to transfer agency transfers; and
3. management of liquor products.

### Topic One: Abandoned Liquor and Disposition of Expired/Faulty Products

Respondents were asked to review Subsection 2.1.6 of the Liquor Agency Handbook (LAH), which states: *"all products represented by an expired agency will, after a time period determined by AGLC, be deemed abandoned."* Abandoned product refers to product in the Central AGLC Warehouse represented by an expired agency. Respondents were asked to provide suggestions on *"What AGLC should consider in developing policy and processes to handle abandoned products?"*

The question garnered 212 responses while 78 respondents chose not to answer the question. Answers generally fell under two main themes. A few responses are listed below to provide additional context:

Theme 1 Economic	Theme 2 Clarity
<i>[Explore] “an opportunity for agents and or licensees to purchase abandoned inventory.”</i>	<i>“AGLC should be much clearer about the renewal period and advise agencies of the need for re-registration requirements in advance of expiry.”</i>
<i>“AGLC should reach out to the agency and if they do not respond they should reach out to the supplier to give them a chance to assign their products to a new agency.”</i>	<i>“Give manufacturers fair notice that their agency registration has expired and then destroy the product if another set of fair time has passed.”</i>
<i>[Product could be] “destroyed and disposed of or transferred to another liquor jurisdiction.”</i>	<i>“Ensure agencies know that they have to re-register every 2 years. I did not know this.”</i>
<i>“Offer product to existing agencies at the same wholesale pricing, if no takers, make the product available to retailers at a discount.”</i>	<i>“AGLC should make several attempts to contact the Agency by Email, phone and letter mail to ensure the Agency has been notified correctly.”</i>
<i>“Potentially auction them [abandoned products] to other active agencies.”</i>	



Respondents were also asked, “Do you feel the policies on faulty products are clear?” “Faulty” products could be products returned due to customer complaint, sealed bottles that are partially filled, have a damaged cap or cork, are contaminated with foreign material, or cases that have missing bottles without an imprint in the case. Of the 212 responses received, 67 per cent agree the current policies respecting faulty product are clear. To provide context, respondents were provided an opportunity to share what they would improve. A few responses are listed below:

Stakeholder Group	Responses
Registered Liquor Agencies	<p>“Many products are returned because a customer doesn't like it...There needs to be a quicker turn around so that the agent can assess the problem on behalf of the producer.”</p> <p>“Licensees seem to be consistently confused about how to deal with faulty products.”</p> <p>“The policy is clear, but the stores tend to call the agent and ask them to come into the store and buy the faulty product back.”</p> <p>“Time limits on ability to return product. Currently returned product is charged back to the agent who has no way of determining if the product is actually faulty.”</p>
Alberta Liquor Manufacturers (Class E Licensee)	<p>“More definition as to what constitutes faulty needs to be made. Some returns are deemed to be faulty, but it is due to inventory management...”</p> <p>“Buy backs of stale products should be prohibited. All stale or code dated products should lay with the retailer.”</p> <p>“Faulty sometimes includes small regulatory things that do not actually impact the actual product. Be more flexible. Re-label, if required, etc.”</p>
Liquor Manufacturers Based Outside of Alberta	<p>“I don't know what the AGLC definition of faulty is.”</p> <p>“Eliminate 90-day window for customers to return product.”</p>

In addition to faulty products, respondents were also asked, “Do you think policies on expired products are clear?” “Expired” product refers to a product that has surpassed a “best before” date or “stale-date” as indicated on the product label and/or container. Of the 212 respondents, 66 per cent agree the current policy pertaining to expired product are clear. Respondents provided further comments in respect to what improvements could be made to policies pertaining to expired products. A few responses are listed below to provide additional context.

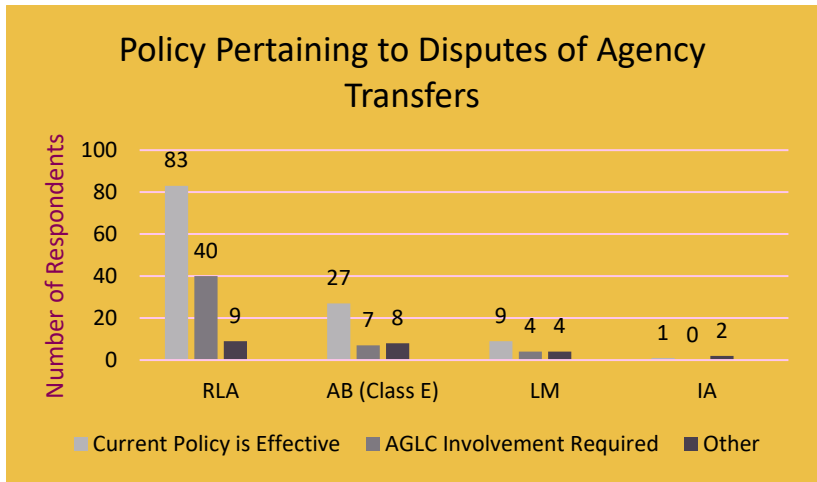
Stakeholder Group	Responses
Registered Liquor Agencies	<p>“Advanced notice, critical timelines, stop shipments - many products have been delivered past the date shown on package.”</p> <p>“Liquor normally does not go bad; however, quality degrades. The introduction of a clear, short dated website would provide transparency and terms would be no</p>

	<p><i>return on this product. No different than the mark downs on produce etc. at grocery stores."</i></p> <p><i>"Educate stores to check expiry dates."</i></p>
<p>Alberta Liquor Manufacturers (Class E Licensee)</p>	<p><i>"Bulk buying on LTO and then returning close to expiry because product hasn't sold is not good. Products that are returned well past the "drink before date" should not be refunded to the licensee. They should be held accountable for their inventory management not just pass it back to the manufacturer."</i></p> <p><i>"Especially during COVID, bars and restaurants are asking for fresh kegs and cans when it's their responsibility to maintain proper inventory."</i></p> <p><i>"It would be good to have some clear information on what deems the product as expired."</i></p>
<p>Liquor Manufacturers Based Outside of Alberta</p>	<p><i>"Automatic return to Manufacturer/Distributor of expired product."</i></p> <p><i>"I don't know the policies for expired product as we keep our stocks low and manage them ourselves. If the policies are clearly laid out online, I would be happy with that."</i></p>

**Topic Two: Disputes Related to Agency Transfers**

Liquor suppliers formally authorize dedicated agencies to represent their products, and agencies must reciprocally acknowledge this relationship; AGLC has a record of this mutually agreed upon arrangement between suppliers and agencies. Suppliers may opt to change agency representation, or agencies may wish to terminate an arrangement. As per long-standing policy, if a supplier and the registered agency designated to represent products in Alberta become involved in a dispute, AGLC will not become involved in resolving that dispute. AGLC relies upon direction agreed to by the parties or by a court order.

Respondents were asked if current policies concerning disputes related to the ownership of, payment for, or representation of liquor products, or any sort of conflict between a liquor supplier and the registered agency of the supplier, are sufficient as written. Respondents were asked to select the option that best aligned with their organization’s view related to current policies. 194 responses were received, while 96 respondents chose not to answer the question. The graph below shows responses by category and most common responses to provide additional context.



Of those who responded, 62 per cent (120 respondents) support current policy that states: AGLC will not become involved in resolving disputes.

Legend:

- RLA - Registered Liquor Agencies
- AB (Class E) - Alberta Liquor Manufacturer (Class E)
- LM - Liquor Manufacturer Based Outside of Alberta
- IA - Liquor Industry Association

Theme 1 Current Policy is Sufficient	Theme 2 Suggested AGLC Involvement
<p><i>"We have the best system which means LESS Government. If I transfer my Agency it is up to me to ensure a square deal, not the AGLC."</i></p> <p><i>"Dispute resolution without the involvement of AGLC or the courts is highly desirable."</i></p> <p><i>"Agents can figure this out without intervention."</i></p> <p><i>"Solving disputes inside the industry is always more efficient."</i></p>	<p><i>"I believe the AGLC should be able to provide some arbitration in cases where suppliers-agencies have agreements that are very specific as to breakup clauses, cancellations, timelines etc."</i></p> <p><i>"It may be resolved quicker and more cost-effectively if AGLC supports the contract in place."</i></p>

Suggestions on how disputes could be handled
<p><i>"Determine a common independent arbitrator to be used in the case of a dispute. This could be a good step in place before having to go to the courts"</i></p> <p><i>"There could be a mediation fee to encourage people to settle it themselves."</i></p> <p><i>"Perhaps a reasonable period of notification such as 6 months is the answer when an agent is dismissed."</i></p>

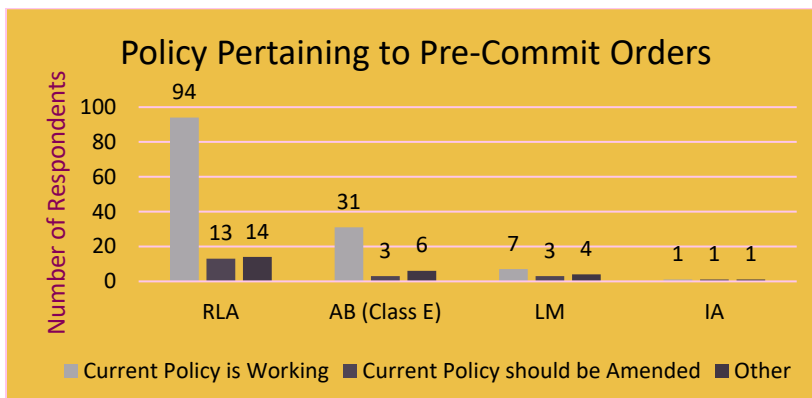


## Topic Three: Management of Liquor Products

### Pre-Committed Orders

Under current policy, the price of liquor must be the same, at any one time, for all licensees regardless of the quantity purchased; with this approach, all licensees can access a liquor product at the same wholesale price. For orders through the central AGLC warehouse (operated by Connect Logistics Services; CLS), licensees have a standard order date and a set delivery date that is based on geographic location to maximize delivery efficiency. Liquor agencies may change their invoice price for a liquor product weekly, with a new price taking effect on Fridays. To ensure equal access, a licensee with an order date other than Friday may “pre-commit” to an order in advance of their regular day to secure access to a product at a set price (as per the CLS Agency Handbook).

AGLC has received mixed feedback from agencies on this policy, which had 178 responses. Some feedback notes that this policy supports agencies reaching the broadest set of customers; whereas other feedback suggests that the current approach makes it more difficult for agencies to manage inventory.



Of those who responded, 75 per cent (133 respondents) support current policy permitting licensees to pre-commit to an order.

Legend:

RLA - Registered Liquor Agencies

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Topic	Responses
Pre-Committed Orders	<p>“Pre-committed orders in advance works for those with a different order day.”</p> <p>“This is working for ensuring majority of customers have the opportunity to order products on LTO.”</p> <p>“I support the current policy, however I would like to have something in place that stops liquor stores from ordering an item before it is on LTO and then canceling the order at the last minute on Thursday before the order desk closes and then re-entering the product for the next day. This practice currently takes away possible sales when the product is pre-committed.”</p> <p>“It is up to the agencies to best manage inventories. Compared to other jurisdictions in Canada the Alberta model has the most flexibility in stocking product for the market.”</p>

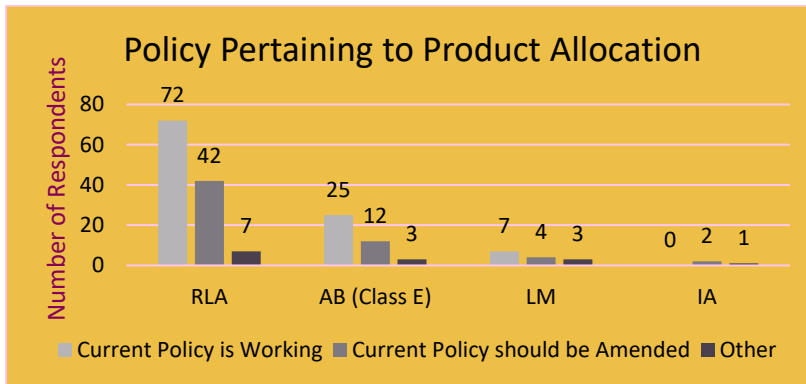
*“The wholesale price of product has to remain constant between all licensees regardless of volume of order, otherwise larger producers will manipulate the system in their favour and hurt Alberta manufacturers.”*

*“The licensee should not be able to decline the pre-committed order or the restocking fee should be charged to the licensee.”*

### Product Allocation

As part of AGLC’s commitment to a level playing field in the Alberta liquor industry, liquor products sold through the central warehouse are to be made available to all licensees in Alberta at the same wholesale price. However, to accommodate a level of exclusivity for specialty products within the Alberta model, long standing policy permits an agency to allocate product to specific licensees. Under current policy, only those customers who have been designated by the agency through the allocation process will be allowed to purchase these products.

Allocation of product is presently limited to 1,000 cases per product code in a calendar year and is not permitted if the product had case sales greater than 2,000 in the previous or current year. There were 178 responses to the question asking whether they support current allocation policy.



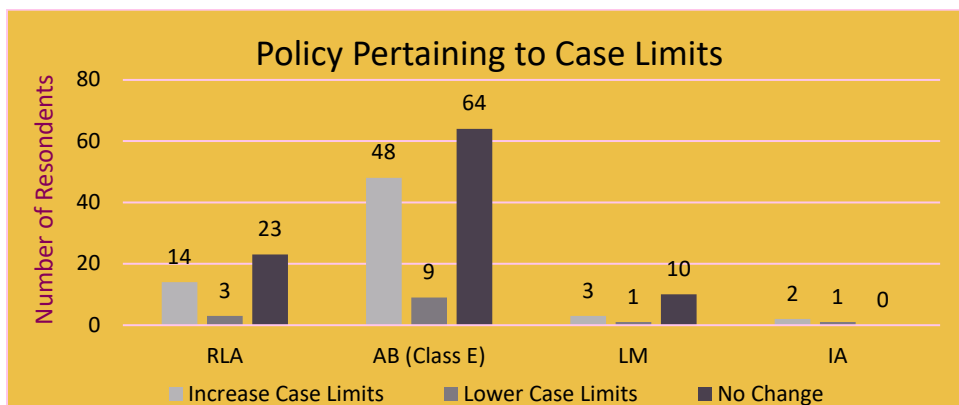
Of those who responded, 58 per cent (104 respondents) support current policy pertaining to product allocation.

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### Case Limits as it pertains to product allocation

Respondents were asked if current policy pertaining to case limits should be increased, decreased, or remain the same. There were 178 responses.



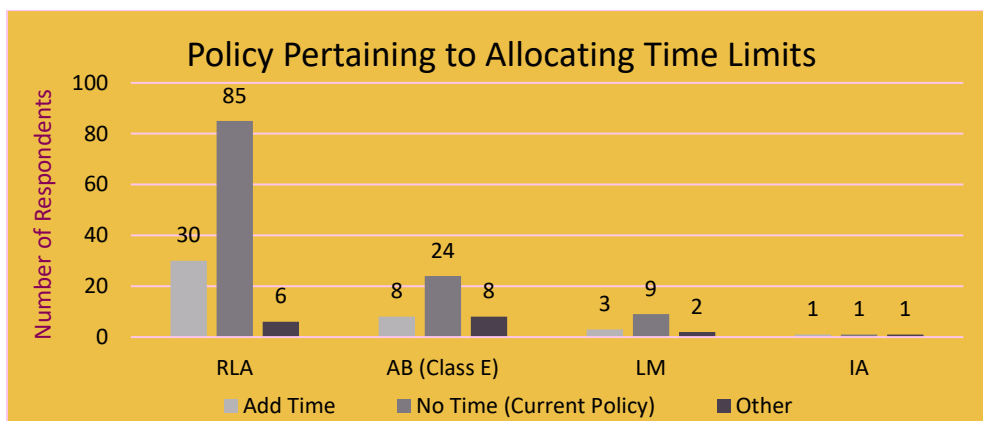
Of those who responded, 54 per cent (97 respondents) support current policy that case limits remain the same.

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### Time Limits

Currently, there is no time limit on how long a product may be allocated before it is to be released for purchase. Respondents were asked if they would increase the allocation time limit, leave it as is (no time limit), or choose another option. 178 responses were received for this question.



Of those who responded, 67 per cent (119 respondents) support current policy that time limits remain the same.

Legend:

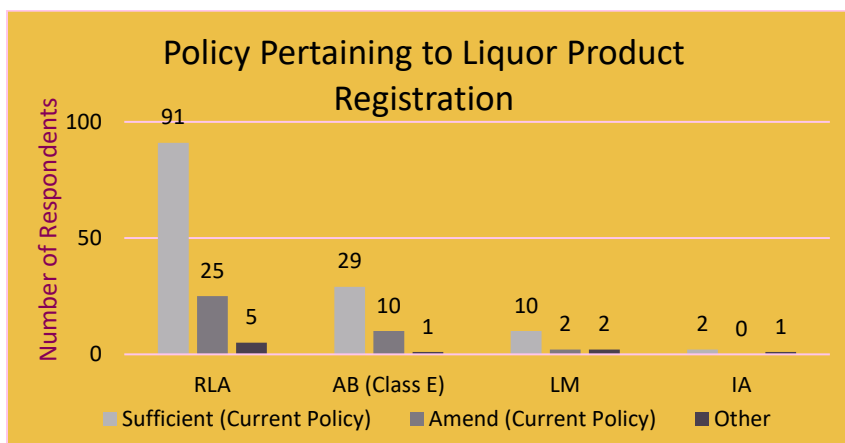
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<p>Product Allocation</p>	<p><i>“For smaller producers the current process works and exclusivity is usually limited to small batch runs anyway. This may not be true for larger suppliers.”</i></p> <p><i>“If this were to be amended you would see high volume SKUs being fully allocated to specific retailers/chains creating an unfair playing field amongst retailers and partnering of agent/suppliers only with specific retailers.”</i></p> <p><i>“Don't disagree with the current levels and higher would be better, but what is frustration is Connect charges per case for this computer entry. It would require the exact same amount of computer entry if it is one case or 1,000 cases. Why do suppliers who allocation 1,000 cases have to pay 1,000 times the cost of one case allocations?”</i></p>
<p>Case Limits</p>	<p><i>“More flexibility. With the amount of product selection and the amount of cases sold, 1,000 is a drop in the bucket and there are so many products that a retailer can almost always find comparable products at comparable prices.”</i></p> <p><i>“Seems reasonable amount for larger and small suppliers.”</i></p> <p><i>“The 1,000 case limit has been in place for many years. Perhaps increasing to 1,500 would be appropriate.”</i></p>
<p>Time Limits</p>	<p><i>“Most retailers need to manage cash flow...this means they cannot purchase all of an allocation at once. A time limit would be harmful to how business operates. We already have COVID taking a ding at people's cash flows.”</i></p> <p><i>“Suppliers and Agents already pay a fee for inventory and it should be at their discretion if they are willing to pay the fee in order to sustain an allocation.”</i></p> <p><i>“A 2- week time limit for allocation would be great! The inclusion of an email warning system just before they expire would also be great.”</i></p> <p><i>“Time limit instead of a case limit would prove to be beneficial.”</i></p> <p><i>“Agencies and licensees have no incentive not to utilize the system properly, as cases will incur storage costs to be warehoused at Connect, the licensee has incentive to keep product moving through the warehouse system.”</i></p>
<p>Additional Comments as it pertains to Product Allocation</p>	<p><i>“I really appreciate that the system has moved online. It is far more convenient. Product allocation remains an important part of our business to ensure the equal distribution of our premium wines, as well as keeping our private labels distributed to the stores that they are for.”</i></p> <p><i>“There should be no government involvement with respect to case limits or time limits.”</i></p> <p><i>“The fees associated for allocations 25 cents for every time we move that case is high, especially as agents do that work themselves online. An allocated product could be moved several times before finding its right home especially if premium in nature.”</i></p>

### Liquor Product Registration

Current policy related to liquor product registration includes a summary of the required steps for suppliers and agencies to establish a mutual agreement to represent products, as well as provides a short list of requirements that are to be met in order for an agency to register a new product.

Respondents were asked to review Section 3 of the LAH pertaining to the process for liquor product registration. They were asked if current policy as it is written is sufficient, or if they would recommend amendments for clarity. 178 responses were received.



Of those who responded, 74 per cent (132 respondents) agree current policy as it is written, is sufficient.

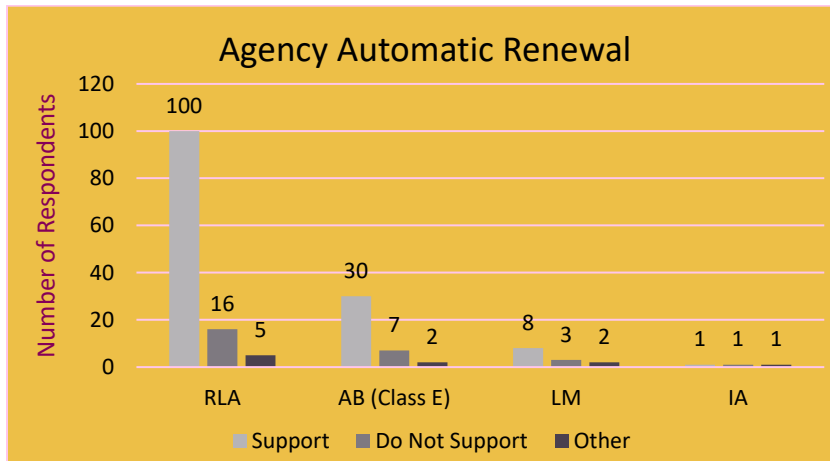
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<p><b>Liquor Product Registration</b></p>	<p><i>"I don't have an actual issue with the actual policy, but I do have one with how the registration process works."</i></p> <p><i>"Process is clunky and there are no means to amend submissions without human intervention. Anything out of the box or unique takes forever."</i></p> <p><i>"Agencies should be able to change details on new registrations before they become active. I often have to change descriptions or [details like] alc % e.g. We should be able to do this online as well as unarchive products online."</i></p> <p><i>"Compared to other provincial jurisdictions, the current reg process is a dream."</i></p>
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### Agency Renewal Fees

Registered liquor agencies pay AGLC a \$200 fee to maintain an active registration. Presently, agencies must submit a renewal application and pay the fee directly. A potential option for consideration is automatic renewal, whereby AGLC could withhold the first \$200 of a consignment payment at the time of renewal to cover the registration fee. Respondents were asked if they would support the introduction of automatic renewal option. 176 responses were received.



Of those who responded, 79 per cent (139 respondents) support developing new policy to permit automatic renewal of agency

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### Additional Comments

The final two questions provided respondents with an opportunity to identify any AGLC liquor policies, processes, forms, or activities (outside of the scope of the consultation), needing review for increased understanding and/or clarity. The comments below were representative of the responses received.

Responses
<i>"Samples need to be more accessible annually free of charge."</i>
<i>"A clearly written, simple, set of instructions on how to ship sample product and POS to Alberta either via direct courier or via Connect Logistics would be helpful."</i>
<i>"Review processes and communications with new agency registrations."</i>
<i>"Stale return policy to Connect needs to reviewed/amended."</i>
<i>"The defective keg policy needs to reviewed."</i>
<i>"An update to allow promotional activities could be beneficial."</i>
<i>"Warehouse charges are very expensive for small producers."</i>

### Comments about the Alberta liquor model:

*"Processes with AGLC are much more streamlined and effective than other jurisdictions in Canada."*

*"I operate in BC & Alberta. I believe that the Alberta process and management is a more effective and interactive system. Well done AGLC!"*

## **CONCLUSION**

This consultation captured a variety of perspectives from stakeholders both in support of current policies remaining unchanged and those interested in seeing amendments made to enhance their business.

Many concerns related to improved communication to stakeholders and further clarity of timelines and processes. AGLC continues to explore better ways to communicate with stakeholders including technology improvements to streamline updates. AGLC policies and updates related to liquor activities can also be found at <https://aglc.ca/liquor/liquor-legislation-and-policies> .

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AGLC is committed to continually reviewing and modernizing policies and AGLC wishes to thank all stakeholders for their participation in the Liquor Agency Consultation.