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Chair

Mr. James Rajotte

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● (1535)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order.

This is the 50th meeting of the Standing Committee on Finance. Our orders of the day, pursuant to the order of reference of Wednesday, December 7, 2011, concern a study of Bill C-311, An Act to amend the Importation of Intoxicating Liquors Act (interprovincial importation of wine for personal use).

We have two panels today, colleagues. In our first panel we're very pleased to have our colleague, the member of Parliament for Okanagan—Coquihalla, Mr. Dan Albas. Welcome to the committee and congratulations on your bill passing second reading. I understand you have an opening statement for the committee, and then we'll have questions from members.

Please begin your opening statement.

Mr. Dan Albas (Okanagan—Coquihalla, CPC): Thank you, Mr. Chair.

Some 83 years ago, during the Prohibition era, the Importation of Intoxicating Liquors Act, known as the IILA, was passed, making it illegal for everyday citizens to transport or ship wine across provincial boundaries. It is for all intents and purposes an interprovincial trade barrier, meaning a winery in Quebec cannot legally sell a bottle of wine to a customer in Alberta.

Now, here's where it gets more redundant. That same Quebec winery that cannot legally send a bottle of wine to Alberta can send that same bottle of wine to a customer in Texas. Many small Canadian wineries can more easily access markets outside of Canada than they can within our own great country.

Canadians have proven that they can produce some of the best wines in the world, yet they cannot sell that wine directly to consumers in other Canadian provinces. We as members of Parliament have the opportunity to work together and change this by supporting Bill C-311.

Let's imagine if cars built in Ontario could not be sold in British Columbia. What if prize Nova Scotia lobster could not be sent directly to households across Canada? This is the reality for our small Canadian wine producers.

The wine industry has been battling this unjust Prohibition-era legislation for many years. Now it's time to open up the Canadian marketplace to support the hard-working families who run small wineries in provinces like Quebec, Nova Scotia, Ontario, and British Columbia.

How do we best eliminate the 80-year-old trade barrier, put an end to wine prohibition in Canada, and open up the Canadian marketplace? I would like to share the intent and direction of my proposed amendment to the IILA legislation. I would also like to add that I worked very closely with Minister Shea, parliamentary secretary Cathy McLeod, and their staff for the duration of this process. I would like to publicly thank them for their efforts and support in helping move this bill forward.

Essentially, Bill C-311 proposes an amendment that would allow private citizens to directly transport, or cause to be transported, wine that is purchased from one province to another province, provided it is for personal use and the personal exemption policy of the latter province allows it.

Let's be clear on a few points. Yes, this amendment supports Canadians being able to directly purchase wine online from a winery in British Columbia, Nova Scotia, Ontario, or Quebec and have that wine shipped back to a province such as Alberta. This action would no longer be in contravention of the IILA legislation.

Let's also be clear that this amendment will ultimately clarify that it is indeed the provinces that can set up their own personal importation policy as they see fit. In essence, my amendment proposes to take Ottawa and this trade barrier out of the way and let the provinces set policy that they feel is appropriate.

There are some interests that would like to propose an amendment to the language of my bill, an amendment that in my view would potentially be more restrictive on the ability of the provinces to set importation policy. An example is inserting the word “reasonable”. Now, who would decide “reasonable”, and what mechanism is there to address that definition?

For the record, I do not support efforts to amend the language of Bill C-311 in any way that might restrict the ability of the provinces to set their own personal importation policy. As much as we all support interprovincial trade, we must also recognize that liquor distribution is a provincial responsibility, and provinces and territories must be free to set their policies accordingly.

Again, I point out that ultimately my goal here is to remove the federal government and the IILA as a trade barrier. I shall also note that some provinces have already taken a leadership role in setting their own personal importation policy. In fact, I would suspect that you will hear from the Canadian Association of Liquor Jurisdictions, which will mention this as one of the reasons they are not likely to support the amendment.

However, provincial policy should not conflict with federal legislation. The fact that a federal law exists to prevent this practice does raise the obvious question of a potential conflict with provincial policy. In other words, how can a province essentially say it's okay to personally import wine while the IILA legislation is clear that this is a criminal act? That, of course, leads to another reason that this amendment in Bill C-311 is badly needed.

I would also add that not all provinces have a personal importation policy. In fact, one province has stated that it will not consider such a policy until the IILA legislation is amended, which is precisely what we are trying to do here.

The final discussion I expect you to hear is one of revenue. Will the amendment create a loss of revenue for liquor distribution monopolies?

I have a few thoughts on the subject. In my riding, many of the smaller wineries do not sell through provincial liquor distribution models. They simply do not have the volume and cannot afford the hefty fees. One small winery owner tells me that it costs him roughly 60% to sell through the liquor distribution branch, and he simply does not have the volume to absorb those kinds of costs. To maximize his income, he depends on the ability to sell directly. Unfortunately, for many of the vacationing Albertans who visit his winery every year, even though Alberta does have a consumer-friendly personal importation policy, IILA still makes it illegal for wine to be taken home by his customers, and shipping remains illegal.

I'd like to take a moment and illustrate another reason that Bill C-311 is not only good for the wine industry but also for the shipping industry. Today, major shipping companies will not ship wine precisely because of the IILA. I have had a few major shipping companies that wanted to be here in person to show their support for Bill C-311 and illustrate how this will be a positive economic policy for the Canadian shipping industry.

I'll get back to my small winery example. In this case, many small wineries currently do not sell through the provincial liquor distribution system. It is difficult to suggest or assess that there would be a loss of revenue, as many of these wineries are already engaged in direct sales. Bill C-311 simply looks to rightfully expand that marketplace across Canada.

We must also recognize that when wine is sold, it is fully subject to HST or PST and GST, depending on the jurisdiction. In other words, increased wine sales resulting from Bill C-311 would continue to benefit government revenues, just not solely directly through liquor distribution monopolies. I'd also like to add that there is GST on shipping as well, so any increased shipping activity as a result of this amendment would also increase GST revenues to both levels of government, not to mention all of the economic spinoffs that go along with it.

Who pays for all of this? Well, it is the consumer. That is also an important point to consider in this discussion. Wine as a commodity is fragile and heavy. As a result, this will be very costly to ship. Shipping an individual bottle can range upwards of $20, while shipping a case of wine can be in the $50 to $70 range. Why do I mention that? Ultimately, there is no cost savings to consumers in directly purchasing out-of-province wine. Consumers are not in support of this bill as part of an effort to avoid purchasing from a government-run liquor store; this bill is about consumer choice and opening up the market to small Canadian producers so that they can sell to Canadians.

Over the past six months, I have heard support from all across Canada, and I know that many of you have likely heard from your constituents on this bill as well. This is a small but important step for a Canadian industry that provides jobs and supports our local economies. In my region, the spinoff industries are considerable. I know that both Nova Scotia and Quebec are also emerging wine regions, while Ontario has become Canada's largest producer. We have an opportunity to take a small step that will eliminate a Prohibition-era trade barrier and legitimately help an industry grow and prosper.

I appreciate the time the committee will spend reviewing this bill. I certainly welcome your questions or comments.

Thank you, Mr. Chair, for your consideration today.

● (1540)

The Chair: Thank you very much, Mr. Albas, for your presentation.

Colleagues, we should have enough time for one full round. We will begin that round with Mr. Julian. It is a five-minute round of questions.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much, Mr. Chair. I think I will share my time with Mr. Mai, given that the time is brief and we only have one round.

Thank you very much, Mr. Albas, for coming forward today. I just wanted to quickly ask you four questions, and hopefully you can answer some of them or provide us with information later on.

You mentioned provinces and their personal importation policies. Can you give us more specifically which province hasn't developed one yet, but might if this bill is adopted? What provinces have it in place, and what might that policy be?

Second is the issue of whether it should apply just to grape wines or to all wines.

Third is whether you've seen any study on the impact in increased sales in wine-growing regions, whether we're talking about Nova Scotia or British Columbia—the Okanagan and southwestern B.C.—or any study on the impact on provincial liquor distribution branches. Has there been any study into potential loss or gain in revenue?

Mr. Dan Albas: I appreciate the question.

I believe you asked to see which provinces have an open policy as far as personal importation is concerned.

The two that stick out in my mind, Mr. Chair, speaking through you to Mr. Julian, are Ontario and Alberta. The Province of Alberta has one of the most liberal, I would say, exemptions. It allows an unlimited amount, as long as you transport it on your person. The Province of Ontario also has a limited one.

As I noted in my presentation, other jurisdictions—for example, B.C.—have long held that because of the IILA legislation, there is no point in their looking at a personal exemption. This stems largely from the fact that when the IILA came into force, it basically created separate jurisdictions. While each province has sovereign jurisdiction over its own area, it does not have any authority as far as interprovincial movement of wine goes.

Sir, I'm sorry, but I missed your second question. It was in relation to revenue, was it?

Mr. Peter Julian: It was whether there are any studies on loss or gain for provincial liquor distribution branches and personal sales, but I'll pass things over to Mr. Mai. Perhaps he can ask some additional questions, and you can answer them all then.

The Chair: You have about two and a half minutes.

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you.

Thank you very much, Mr. Albas, for your work.

Regarding wine, I have two questions.

I've heard comments regarding the possibility of having blended wines, which would be a concern for certain regions. Have you looked at that issue?

Mr. Dan Albas: That's a very good question.

Regardless of the type of wine—what kinds of blends, etc.—this would allow the interprovincial movement of wine. Anything that is subject to the Excise Act, such as foreign bottled wine, would be subject to that act instead. This particular amendment to Bill C-311 has nothing to do with that, but only with the interprovincial movement of wine.

● (1545)

Mr. Hoang Mai: Okay.

Also, for confirmation, can you say that this includes any type of wine and that it doesn't have to be grape wine?

Mr. Dan Albas: Again, as I said, it's important to recognize that it's actually the excise tax that imposes a federal duty on wine. Currently, wine that is composed wholly of agricultural or plant products grown in Canada is exempt from the federal excise duty. All other wine is subject to excise duty.

My proposed amendment in no way changes that. My amendment deals only with interprovincial movement of wine for non-commercial uses.

Mr. Hoang Mai: Okay.

I think my colleague has raised some other issues regarding the impact upon provinces in terms of loss of revenues. What is your view on that, or what is your conclusion?

Mr. Dan Albas: Thanks for the question.

The bill is specific in that it calls for an exemption under the federal IILA legislation for the personal importation of wine from one province to another, subject to provincial regulations. In other words, the federal government would be ending a Prohibition-era law and leaving it up to the provinces to decide how they would like to work with industry and consumers to respond and to develop workable and sensible regulations that are fair to everyone involved.

The Chair: Thank you.

Merci, Monsieur Mai.

We'll go to Mr. Cannan, please.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair and members of the committee, for this special opportunity to sit as a guest.

To my colleague Mr. Albas I will say that it has been a pleasure working together. It's been a labour of love for the last several years.

I've had the opportunity to serve the constituents of Kelowna—Lake Country for the past six years and more. It's a pleasure to be here for more than one reason, especially given the distinguished pleasure of being with Mr. Harry McWatters, the guru of VQA wine in Canada, who may live long enough to see that this archaic piece of legislation can be revoked.

As you mentioned, Mr. Albas, the consultation we've had across the country has been fully supported from province to province by the small vintners. Especially for our home base, the Okanagan, maybe you could expand a little bit more on what this will mean for some of the agri-tourism opportunities and for helping the small vintners—by which I mean 2,000- to 3,000-case producers—potentially become clients of the liquor boards and grow to be larger Canadian producers and employ more Canadians.

Mr. Dan Albas: Thank you, Mr. Chair, and through you to Mr. Cannan.

I certainly have appreciated your work on this file and the advice and the support you've given me so far. The expected economic impact is difficult to ascertain, and I do not endorse the practice of using optimistic numbers to paint a very bright picture, but what I can say is that many of the wineries I have spoken with have suggested a sales volume increase of at least 5% to 10%, which I think is a realistic expectation.

I can say that in every case, every winery I have spoken with has stated that the increased revenues will be directly and immediately reinvested into our local economies. New buildings, storage tanks, forklifts, barrels, and outright expansion are just some of the capital plans many wineries would like to accelerate. That's why they've been very supportive of Bill C-311.

On another note, in the riding south of mine, British Columbia—Southern Interior, is Oliver, a small town where there's a very strong business creating barrels for wine production, so there are a number of spinoff industries.

From my understanding in speaking to some of the purveyors in Nova Scotia, they are in an emerging wine region and they are trying to grow as much as they can. Whether that means wine tourism or agri-tourism and culinary tourism, it all seems to flow from great food and great wine.

Mr. Ron Cannan: Thank you.

I understand we may have an opportunity for a little tasting of some of that Nova Scotia beverage later this evening. I'm not sure how we got it into the province, but maybe we'll discuss that later.

The other question was whether the exemption itself was a reasonable amount. You referred in your opening comments to “reasonable”. Maybe you could expand a little on that and what the implications are. I know about 35 out of the 50 states have already implemented this type of interprovincial and interstate transfer of wines. Can you explain how we can do this so that we're working reasonably with our provincial partners and have an amount that won't affect the commercial industry as well?

● (1550)

Mr. Dan Albas: Thank you for the question, through you, Mr. Chair.

If any jurisdiction has found that these older archaic Prohibition-era laws certainly don't make sense in today's environment and are impeding jobs and economic growth, I think we'd all agree that they should be putting their shoulder to the wheel and making an effort to update some of these laws.

Cathy McLeod, the member of Parliament to the east of me, has done a lot of great work on the red tape commission. They actually identified this particular piece of legislation as being one of the major holdbacks for the wine industry. This is something that I think needs to be done.

I think, though, we also have to bear in mind that this is an area of provincial responsibility. That's why the language in the bill is such that it respects provincial jurisdiction and allows provinces to set appropriate policy in consultation with their industry and their consumers. That's something I'm very supportive of. If the bill can be improved by some other means while still protecting provincial autonomy in this regard, I certainly would appreciate the committee's views and its input.

Mr. Ron Cannan: One quick question—

The Chair: Very quickly.

Mr. Ron Cannan: I come from British Columbia; do we have the support of the Government of British Columbia?

Mr. Dan Albas: Through you, Mr. Chair, I'm very happy to say that Premier Clark and her government have been very steadfast. I had the opportunity to speak with her personally on the bill, and at the time Solicitor General Bond also reaffirmed their support of this bill and this approach as being good for B.C. and for the industry in general, and I appreciate that support.

The Chair: Okay. Thank you, Mr. Cannan.

We'll go to Mr. Brison, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you very much, Mr. Chair.

Thank you very much, Mr. Albas, for your work on this file. I'm delighted to be able to be one of the seconders of this important piece of legislation. In Canada there are a lot of challenges in agriculture and agrifood businesses in many regions of the country, but one of the things that's going really well is our wine industry.

When I was first elected in 1997, there weren't a lot of wineries in Nova Scotia. In fact, one of the pioneers of that industry is with us today. He's Hanspeter Stutz,who will be appearing in the next session. I'm delighted that tonight we're going to be entertaining so many parliamentarians and introducing them to great Nova Scotian wine.

There is growth in this industry, and the opportunities go beyond simply the wine industry. To be specific, they include the restaurant industry, the full hospitality industry, and beyond that. It's a significant opportunity.

I think it's great that we're moving toward one case on a personal basis, but why would it be only one case? Why not go for something more than that? In the nineties I lived in New York; I remember going to Napa Valley sometimes, and I wouldn't buy one case; I'd buy several, and ship them home. It was a great and ongoing part of my holiday. Is there the possibility to move to a greater liberalization in the future?

What are the barriers on the commercial side? Because the restaurant industry is important in terms of the development of our domestic wine industry, what should we be pushing for as next steps in terms of liberalizing the wine trade and reducing and eliminating interprovincial trade barriers?

Mr. Dan Albas: I welcome the member's comments, both here at the committee and in the House. Clearly he's very much an authority on Nova Scotia wine and wine in general. I've appreciated his office's support in this regard.

On your first point about why it is limited to a particular amount, in the bill it says there will be a personal exemption for wine, but it will be subject to the quantities identified by the host province.

This would be an excellent reason for you to meet with the Premier of Nova Scotia to bring your concerns forward. Ultimately I believe that the people closest to the issue should have the most say. I'm in support of the bill in its current form because it recognizes that provincial jurisdiction.

What was your second question again?

● (1555)

Hon. Scott Brison: On the commercial side, what are the barriers? The restaurant and hospitality industries are key to the development and promotion of Canadian wines. Tourists coming here from other countries will be spending their entire holidays eating in restaurants.

What are the barriers now to the sale of wine in restaurants? What should we be doing to address them?

Mr. Dan Albas: I appreciate the question. I received a phone call from one of the hospitality associations. They are in full support of the bill because they see it as a step toward eventually opening the market for commercial use.

We started with personal exemption first of all to offer Canadian consumers a choice of the Nova Scotia wines, Ontario wines, and even Saskatchewan fruit berry wines they want. They're very supportive of this as being a general trend to open up many of these interprovincial barriers.

We need to gauge the level of economic activity, continue to make the case to the provinces that this is an area we'd like their input on, and continue to get industry to get behind it. Then maybe we'll see some further legislation.

I want to again thank you for seconding the bill and for your voice in the House of Commons on this important file.

The Chair: You have 30 seconds.

Hon. Scott Brison: On this issue, should we be sitting down with the responsible ministers in each province? This could be something on which we could actually move proactively in the federal government, instead of just waiting for the provinces to move. We could actually work with them to encourage movement on this issue. Should we be more proactive?

Mr. Dan Albas: I believe that's an excellent idea. Any chance we have to move with our provincial counterparts when the federal government is moving out of the way to allow more economic activity and to allow more provincial say in it is a good thing for our country.

We have a marvellous country that is regionally different. The different products and different entrepreneurism we find are all world class. I hope this is a front we can continue to engage on, and I look forward to working on it.

The Chair: Thank you, Mr. Brison.

We'll go to Mrs. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair.

It's my pleasure to ask you some questions about this very important bill.

I always like to tell a story. I live in British Columbia, and my parents live in Ontario. They used to come out every summer, and there was a particular sparkling white that was very special to them. I remember that when they were celebrating their 50th wedding anniversary, we desperately wanted to have a few bottles of it at their wedding celebration, because it was so important. It turned out to be absolutely impossible. My sister looked at bringing it in through the distribution branches. We went through many avenues to see if we could provide this sparkling white that was special to them on their 50th wedding anniversary, with no success.

I always look at that and think there has to be something wrong in Canada when there are such barriers between British Columbia and Ontario that you can't share a special bottle of champagne on a special occasion.

Certainly that helped frame my thinking. Living next to Kelowna, I recognize what a great wine country we have there. Perhaps one day I'll get to Nova Scotia and also be able to enjoy some of the up-and-coming wines that are there.

I know that FreeMyGrapes.ca calculated a very minor percentage of impact in liquor board revenue. I think it was 0.001%. I know we'll have some witnesses later, and perhaps they'll have an opportunity to address that issue. The calculations I've seen have shown impacts very minor in nature.

You mentioned the red tape commission. I was a member of that commission. If you could bring those two pieces together—how your bill fits our government's goal in terms of red tape—that would be great.

Mr. Dan Albas: Thank you.

Through you, Mr. Chair, the IILA legislation is one of those obscure laws that leaves most Canadians I've spoken with shocked and shaking their heads in disbelief. It's almost unfathomable, when you think about it, that you can order wine from outside of Canada more easily than you can within our own country.

Canadians, first and foremost, want to support Canadians. In this case, Canadian wine is some of the best in the world, yet an 80-year-old Prohibition-era law stands in the way of that. Our government has made a commitment to support jobs and the economy, and removing interprovincial trade barriers in this case will do that exactly that.

In my region, the wine industry has expanded to custom barrel manufacturing, which I alluded to earlier, stainless steel tank fabrication, marketing aids and services, wine tourism, and more. The possibilities are endless. I'd also like to add that the Osoyoos Indian Band, one of Canada's most progressive first nations communities, also produces world-class wines. This is an industry that brings together many cultures, creates jobs, and supports agriculture in a very value-added manner.

● (1600)

Mrs. Cathy McLeod: Great. Thank you.

To get to this stage, I know that we had good support in the House, in terms of moving into committee. Again, I know it's broadly in line with our government's priority in terms of lowering trade barriers, so I wonder if you can speak a little bit to the importance of getting out of the way of an increase in internal trade and updating this clearly outdated piece of legislation.

Mr. Dan Albas: I can't think of a better example. The IILA legislation was created, as I said, 80 years ago, during the Prohibition era. In all that time, it has never been enforced, not even once in eight decades. In fact, there's a legitimate question as to how the federal government could enforce this law.

However, the majority of Canadians are law-abiding people. Certainly the major shipping companies comply with this legislation, as do the vast majority of wine owners. On the one hand you have a Prohibition-era law that's over 80 years old and has never once been enforced, yet on the other hand you have economic activity being blocked because this law is a trade barrier more than anything else.

Imagine being in a business, and because a customer lives in the province next door, you're forced to refuse that sale. Canadians have collectively proven to be a very trade-savvy nation, yet when it comes to the wine industry, we do not currently allow free trade within our own country. It's almost unthinkable, were it not true.

I'm very pleased to have all parties' support on this, as this trade barrier does need to come to an end.

The Chair: You have 20 seconds.

Mrs. Cathy McLeod: Thank you.

The Chair: On behalf of the committee, I just wanted to clarify one thing, Mr. Albas, in relation to questions from Mr. Brison. You indicated that it may be your wish at some point to see the commercial aspect or resale addressed, but this piece of legislation deals with personal consumption only. I just wanted to clarify that.

Mr. Dan Albas: Yes, it deals only with personal consumption, subject to quantities permitted by the host province or the province in question.

The Chair: Okay. Thanks very much for that clarification.

I want to thank you very much for your presentation and for appearing before us. You're certainly welcome to submit anything to the committee for further consideration. Our second day on this will be April 3. You're certainly welcome to stay around to hear our witnesses.

Colleagues, we will suspend for a minute, and then we'll bring our witnesses forward to the table.

Thank you again.

The Chair: Okay, I'll call the meeting back to order. Ladies and gentlemen, we're on a very tight timeline. I will ask all of the witnesses to take their seats, please.

We have six presentations, and then we will have the opportunity for, I believe, a couple of rounds of questions from members. I will ask my colleagues to take their seats as well, please. Thank you. Order.

We have, presenting as an individual, Mr. Hanspeter Stutz; we have the Alberta Liquor Store Association; we have the Canadian Association of Liquor Jurisdictions; we have the Canadian Vintners Association; we have the Vintage Consulting Group Incorporated; and we have the Winery Association of Nova Scotia.

As mentioned, you each have five minutes for an opening presentation, and then we will have questions from colleagues.

We will start with Mr. Stutz.

● (1605)

Mr. Hanspeter Stutz (As an Individual): Thank you, Mr. Chair.

Thank you for giving me the opportunity to express my thoughts in reference to Bill C-311. I wish to emphasize that this is my opinion in regard to this issue and has nothing to do with the opinion of an organization.

First you have to realize where I am coming from. One of my toughest challenges as an immigrant from Switzerland and a producer of alcoholic beverages is the existing—or not existing—rules and regulations here in Canada. The interprovincial barriers are one big issue, the lack of Canadian wine regulation the other, but I understand this is not the right place and time to talk about a Canada wine standard.

We want to talk about an open—or let's start with a more open—domestic market. Since you are the Standing Committee on Finance, I assume that the growth of the economy is one of pillars in your mandate.

Let's go back to Nova Scotia.

The local farm area in Nova Scotia disposes of around 50,000 acres of unused farmland. The prices are still reasonable, because there is no shortage yet. The opportunities in Nova Scotia are obvious when you consider the following comparison of the cost of land: one acre of farmland in Nova Scotia costs between $2,500 and $4,000. One acre of farmland in Switzerland is between a rocketing $30,000 and $50,000.

Of course, we could grow vineyards along the north mountain, about 50 kilometres in length, but the question would come up very quickly: where could we sell all this additional wine, with a Nova Scotia population of approximately one million people?

This point is underscored by the present barriers we face as wine producers in selling our products in other provinces. It is easier for our winery to ship 20 cases of wine to Beijing, Germany, Dubai, or Switzerland than to ship one case to our neighbour, New Brunswick. Surely this is counterproductive to our joint goals and objectives. We are in the 21st century and we need a completely open domestic market for private and commercial trade with respect to licensees.

I support what you will hear of Janice's Ruddock's concerns about —I call them the big boys. We have to review these rules and regulations. We have to add the wording “100% Canadian” in front of the word “wine” in the bill.

Furthermore, we should limit the import of foreign products and concentrate on the marketing of our own. No wine region in the world has this policy, and we are the laughingstock of many wine-producing countries. We should strive to be world class, but with our present policies limiting our marketing opportunities, this cannot happen.

Your help is needed on this issue.

The innovative and creative small or medium-size winery has a certain disadvantage in this current environment, and the big guys are clearly laughing at us. Canada has outdated rules and regulations where wine importing, wine growing, winemaking, and wine marketing are concerned. Our competitors abroad could not be happier about all the red tape we are facing. The red tape has to go.

The wine industry in Canada has changed dramatically and has the potential to continue changing, but the rules will need to change. Your Standing Committee on Finance is challenged and should take action to change this antique modus. We should be one proud nation of wine producers. Think Canadian and out of the provincial boxes.

Thank you.

The Chair: Okay. Thank you very much for your presentation.

We'll hear from Ms. Martinez, please.

● (1610)

Ms. Ivonne Martinez (President, Alberta Liquor Store Association): Thank you very much.

I'm here from Alberta, which apparently is the only province that has a system that is different from the rest of Canada. With that in mind, I'll let you know that the Alberta Liquor Store Association, or ALSA for short, represents 1,200 private liquor retailers throughout Alberta, which again is the only province in Canada with a privatized retail liquor industry. The majority of these stores are independently owned or family owned, and all of them would be affected by passage of Bill C-311.

The Alberta Liquor Store Association appreciates the intent of the bill. We don't have a problem with the bill itself. We do appreciate that increased interprovincial trade is needed; however, the implementation of the bill may have many unintended consequences.

The Alberta model is an open market model. Currently, liquor retailing in Alberta is a $2 billion industry that provides thousands of jobs in private sector investments in communities across the province. Provincial revenue from sales of alcohol last year alone was $700 million. Currently, there are over 17,000 liquor products available in Alberta to anyone who wants to go to a liquor store and buy them. Mr. Albas will be happy to know that there are over 1,200 types of B.C. wines available in Alberta, and last year we sold 10 million bottles of B.C. wine alone in Alberta, so the industry is thriving very well.

To address a point, Alberta does not have limits on the quantity of wine products that people can bring with them across provincial borders for their own personal consumption or limits on their frequency of travel, meaning that you can go back and forth to B.C. as many times as you like and bring back as much wine as you like, as long as it's for your personal consumption and you bring it with you. As a matter of fact, Albertans are able to order wine directly from wineries right now, whether from B.C., Nova Scotia, or France. All they have to do is just do it through a local store and go through the AGLC, which is a regulatory body in Alberta. Wine can actually be delivered to your front doorstep, if that is desired.

As I mentioned, we do have some concerns with the bill, the main one being that it would bypass a regulatory body in Alberta, which would then lose the revenue from this domestic liquor product. Most importantly for my stakeholders, it would bypass retail stores, which would also see a decline in sales. Should the Alberta government increase taxes on the rest of the liquor products to make up for this loss of revenue, it would present a compounded negative effect to store owners and their margins of profit.

Underage drinking is also an issue for my members. Social responsibility is something that we take very seriously. As stated in the Importation of Intoxicating Liquors Act, alcohol is indeed a controlled substance, and by allowing direct sale to consumers, Bill C-311 would bypass provincial regulation, making the market vulnerable to underage drinking without any means of monitoring. Anybody, any kid, can grab a parent's credit card and basically order wine, and it can be delivered to the doorstep without having anyone ask for ID.

Bill C-311 says that the province can impose limits on the quantities of wine a person can bring into the province. As Alberta would lose its revenue on domestic wine with Bill C-311, it stands to reason that the provincial government would impose restrictions on quantities that one can bring into the province. In other words, we would be imposing restrictions on a market that is currently open and without barriers, going backwards in some ways.

Bill C-311 would provide a precedent for other domestic liquor products such as beer and spirits to follow in the same path of being able to be sold directly to consumers. ALSA is of the view that Bill C-311 would be the beginning of a slippery slope for all other liquor products to be granted the same rights. Right now in Lethbridge there's a distillery that makes rum, so from the Alberta perspective we would be pushing the idea that they should be able to sell directly to consumers as well.

Bill C-311 could potentially create serious problems with Canada's various trade agreements, including NAFTA and GATT, which call for Canada to treat domestic wine and imported wine the same in terms of tax treatment. As B.C. wines already receive preferential treatment over other wines, this would create an even bigger platform for challenges under our trade agreements.

In conclusion, we again would like to emphasize that we appreciate the goal of this bill. However, we believe that the intended outcome of this bill can be better achieved by working under the federal-provincial agreement on internal trade. In this manner, the Canadian government can achieve its goal of better interprovincial trade in wine products while engaging and consulting all the parties necessary within government, provinces, and the liquor industry to ensure a successful outcome.

● (1615)

Thank you.

The Chair: Thank you, Ms. Martinez.

We'll hear now from Mr. Dunning, please.

Mr. Rowland Dunning (Executive Director, Canadian Association of Liquor Jurisdictions): Thank you, Mr. Chair.

Good afternoon. I'm Rowland Dunning, executive director of the Canadian Association of Liquor Jurisdictions, or CALJ for short. CALJ represents provincial liquor authorities in all ten provinces and the three territories. Thank you for the opportunity to speak today.

CALJ's members believe that Canadians deserve easy and comprehensive access to the fine wines produced across this country. How much access do consumers have, you might ask?

Well, they have a broad choice of Canadian wines in their province's or territory's retail stores, amounting to $1 billion in sales just last year, and they can order any Canadian wine any time through private or special ordering services, which we have outlined in our submission.

Provinces are ensuring these programs become even better and faster. They can take wine home with them on their person and for their personal use when they visit wineries in other provinces. In short, Canadian consumers already have good access to Canadian wine, and that's why we think the proposed amendment is unnecessary. In fact, the only reason Bill C-311 exists, and the only reason we're all here today, is that some wineries feel they shouldn't have to pay provincial markups on these sales.

We would be happy to elaborate on these liquor board supports for Canadian wine and on the private order systems that allow consumers to order any wine from any Canadian winery through their home province's liquor retailer.

Every province and territory does apply a markup or a commodity tax to the sale of alcohol to raise revenue and to help pay for government services such as health care, education, and other important priorities.

Yes, a portion of our markup revenue covers the cost of retailing, but most of it goes to provincial spending priorities as well as to helping offset the social, health care, and law enforcement costs that arise when alcohol is not used responsibly.

We're all for tourists visiting wineries in other provinces and taking wine home with them. However, we do have concerns with direct sales into other provinces, since this is a new and distinct retail channel. The impact on our businesses and provincial revenues from allowing direct sales could be substantial. In some U.S. states and the U.K., direct sales account for 4% to 5% of total wine sales. This is the equivalent of about $300 million in annual wine sales in Canada.

Proponents of the bill say the liquor boards could still collect a portion of their markups by adopting a permit system like that used in some U.S. states. These are cumbersome systems whereby out-of-state wineries and even consumers have to register with tax authorities and purchase permits. Our existing private ordering services are much simpler. Why would anyone want to change from the simple and convenient Canadian service to the bureaucratic American system unless they wanted to avoid legitimate provincial charges on wine sales?

Here's something else to seriously consider. Beyond being unnecessary, we think the bill may actually pose a threat to the overall well-being of the Canadian wine industry. Canada's international trade agreements require equal treatment of imported and domestic wines. CALJ's members are frequently reminded of this obligation by federal trade officials, and Canada's trading partners pay close attention to liquor boards, particularly the sale of wine.

I'm sure you all know that wine has been a focus of discussions between Canada and the EU during the current CETA negotiations. In fact, it is our understanding that the EU have asked DFAIT about this bill and its international implications and have not received a response. CALJ's members do a lot to support Canadian wine, supports our international trading partners readily assert are not entirely consistent with our trade obligations.

In the eighties, Canada lost a trade challenge about wine, and the focus of that challenge was differential markups between domestic and imported products. Proponents of Bill C-311 suggest it is consistent with our international trade obligations, as it allows for the direct sale of Canadian and imported wines; however, foreign wines would have to be sold by Canadian retailers and would be subject to provincial or territorial markups, while Canadian wines sold directly by wineries would not.

We're right back at the problem that caused the trade challenge in the eighties regarding differential markups. We believe this would be so large a concern that Canada would immediately face complaints from its trading partners. Even if direct sales from Canadian wineries paid full markups, it appears to us that foreign wineries would have to be allowed to make direct consumer sales as well.

In any trade dispute, Canada would face complaints not only about the new provisions allowed by the bill but also about all of the measures that support Canadian wine. In such a dispute, Canada and Canadian wine have much to lose.

In summary, and on three key messages that I would like to bring to this committee's attention, CALJ believes Bill C-311 is both unnecessary and potentially harmful to the Canadian wine industry.

● (1620)

First, it could create an unfair system whereby some wineries would pay provincial charges and others would not. Second, it could significantly undermine provincial revenues. Third, it could result in trade complaints that would significantly damage the domestic wine industry.

Thank you for allowing us the opportunity to present our views on this matter.

The Chair: Thank you very much, Mr. Dunning.

We'll now hear from the Canadian Vintners Association.

Mr. Dan Paszkowski (President and Chief Executive Officer, Canadian Vintners Association): Thank you, Mr. Chair.

My name is Dan Paszkowski, and I'm the president of the Canadian Vintners Association. On behalf of CVA members, I am grateful for the invitation to appear here today. I'm pleased to discuss Bill C-311, a proposed amendment to the Importation of Intoxicating Liquors Act .

CVA membership represents roughly 90% of all wine produced in Canada. We strongly support Bill C-311 and are encouraged by the support that direct-to-consumer wine delivery has received from consumers across Canada and from all parties in the House of Commons.

Canada has more than 400 grape-based wineries and 1,000 grape growers producing in six provinces. We have 196 grape wineries in British Columbia, 125 in Ontario, 70 in Quebec, and 22 across the Maritimes. The majority of Canada's wineries are small-volume, premium-focused operations that have significant capital invested in their vineyards, wineries, sellers, retail operations, tasting rooms, and increasingly in cellar door restaurants.

We are a young and growing industry. Each vintage, more wineries are opening and more wines are available for sale. While growth is positive, we are challenged by our limited sales channels and the physical brick-and-mortar limitations of provincial liquor board retail stores. In 2011, VQA 100%-Canadian wine sales represent a mere 6% share of the wine market nationally.

Consumer demand for our wines is thriving, and consumers expect to be able to purchase the wines they want in the manner of their choosing: from retailers, at the winery, and remotely by telephone or online.

In our support for direct-to-consumer wine delivery, we have engaged in discussions with consumers and wineries across Canada; with legal and trade experts; with federal and provincial regulators, liquor boards, and elected officials; and with NGOs focused on alcohol in moderation.

In response, we are recommending two minor amendments to the bill that we believe will enhance its clarity, satisfy consumer demand for choice in wines and how they are delivered, satisfy regulatory requirements, and create a new source of government tax revenues. In the interests of time, the amendments we are recommending are included in our written submission.

To comply with our international trade commitments, Bill C-311 must meet national treatment obligations. As such, imported wines must be afforded the best treatment provided domestic wines, but only once they have landed in Canada. Bill C-311 meets this obligation, but to be clear, it does not permit foreign wineries to ship directly to Canadian consumers.

Bill C-311 essentially legalizes the following: out-of-province tourists can buy wine at a winery and transport it home either on their person or by having it delivered; out-of-province consumers can order wine online directly from an out-of-province winery and have it delivered. This would permit Canadians to bring back or have delivered wine that was purchased outside of the consumer's home province. As is normally the case, these purchases would be taxed in the province in which the transaction takes place.

While there is limited concern with tourists bringing wine back home with them after an out-of-province trip, provincial governments and liquor boards have expressed concern about the prospect of Bill C-311 extending direct delivery to out-of-province winery wine clubs, online purchases, or liquor board retail stores.

Interprovincial wine shipments from a winery to an adult consumer would require the winery to collect all taxes, levies, and fees on behalf of the province in which the consumer places the order. It It is important to note that in November 2011 the chair of the New York State Liquor Authority testified that direct-to-consumer wine shipping has generated higher local and state sales tax revenues, providing benefits to the state, consumers, and local wineries.

The Province of Ontario, as do most wine-producing provinces, allows its wineries to sell directly to in-province consumers. This has not led to a displacement of wine sales through the Liquor Control Board of Ontario, whose share of retail sales increased from 83% in 2006 to 84% in 2010.

It has been argued that Bill C-311 will stimulate arbitrage opportunities based on varying provincial tax structures across Canada. Differences in tax rates and wine prices are nothing new in Canada, and Bill C-311 will not eliminate provincial authority addressing these concerns.

Finally, the intent of Bill C-311 aligns perfectly with regional efforts to break down trade barriers between provinces. The Trade, Investment and Labour Mobility Agreement between British Columbia, Alberta, and Saskatchewan, the Quebec-Ontario Trade and Cooperation Agreement, and the Partnership Agreement on Regulation and the Economy between New Brunswick and Nova Scotia are examples of efforts by Canadian provinces to seek new partnerships, expand trade opportunities, and collaborate on issues of mutual importance.

In closing, with a few minor amendments Bill C-311 will provide Canadian wineries with a new sales channel that will create a stronger internal market for Canadian wine, a solid base for the industry to sustain its growth ambitions, new opportunities for wine country tourism, new jobs, and enhanced government revenues.

Thank you.

● (1625)

The Chair: Thank you very much, Mr. Paszkowski.

We'll hear from Mr. McWatters, please.

Mr. Harry McWatters (Time Estate Winery, Vintage Consulting Group Inc.): Thank you.

I'm Harry McWatters and I'm the president of the Vintage Consulting Group. I've earned my living in the wine business for almost 45 years as a producer, grower, and consultant, and I was the founding chairman of VQA Canada.

Some of the things I'd like to address here have already been touched on, but the first thing is that this bill—and I commend Dan Albas for bringing this bill before the House—brings clarity to what can and cannot be done from a federal perspective, and hopefully, then, the provinces will follow suit to create clarity for the producers who will take advantage of this in the future.

Today I can speak most authoritatively for British Columbia, where we have approximately 200 producers, most of which are very small family operations. Some actually advertise that they will ship across the country, while others clearly state they won't do it because it's a federal offence, and even though people have not been prosecuted, they're not of a mind to break that law.

One of the things that is unique to this is that the small producers often do not have sufficient quantities to be able to appoint an agent or a distributor in other jurisdictions; therefore, even if they were to apply for the listing, they really don't have the inventory to support a meaningful listing in other jurisdictions. This would give them the opportunity to ship those unique products to other regions—and I'm not specifically talking about British Columbia—that have tried unsuccessfully to source wines from other wine-producing regions in Canada.

As a winery consultant, I have one client in California who, if it weren't for this kind of business, wouldn't be in business. He's a third-generation producer, producing a unique style of dessert wine. People aren't interested in buying case lots or multiple case lots in other jurisdictions, but his business survives from his cellar-door sales and the one or two bottles that are shipped as a result of mail-order business. I see this as a great opportunity for our small producers from coast to coast.

I should also add that I do have clients from Vancouver Island to Nova Scotia to Mexico, so I am involved in consulting in a number of jurisdictions.

One other aspect that I think is important, and it was alluded to, is the advantage the large producers may have of shipping non-100% Canadian wines. I can speak authoritatively for the three large producers in British Columbia, and all three, with their multiple outlets, sell only VQA wines from their wine shops, thus allowing for the purchase by their visitors of 100% British Columbian or Canadian-grown product from those particular outlets.

I think this bill is long overdue—80 some-odd years overdue—and I think it's a wonderful opportunity for us, if by no other means, to unite this country from coast to coast through wine.

The Chair: Thank you, Mr. McWatters.

We'll hear now from Ms. Ruddock, please.

Ms. Janice Ruddock (Managing Director, Winery Association of Nova Scotia): Hello. My name is Janice Ruddock and I am the managing director of the Winery Association of Nova Scotia.

I want to thank the Standing Committee on Finance for the opportunity to attend this committee hearing in reference to Bill C-311, the bill to amend the Importation of Intoxicating Liquors Act.

Please allow me just a few minutes to introduce the wine industry in Nova Scotia. We have a 2020 vision: that in 2020 we will have 20 wineries and over 1,000 acres of grapes planted.

Currently there are 14 wineries, but I'm going to tell you that they have enough enthusiasm for 140 wineries. There are enormous dreams and plans in the Nova Scotia wine industry, and the core part of my job is finding the support to help these dreams come to life by promoting Nova Scotia wines wherever possible. Nova Scotians have one of the lowest per capita consumptions of wine in Canada, so obviously the opportunity to move into other regions of Canada is a very attractive possibility for the growth of the Nova Scotia wine industry.

The majority of our wineries are located in the scenic Annapolis Valley, which is one hour from Halifax and a tourist destination.

With a population of only 945,000—I'm not sure where Hanspeter got the other 55,000—who historically are not wine drinkers, we have to spend a considerable amount of resources just on educating people about wine—not Nova Scotia wine, but wine in general.

Our Nova Scotia signature grape is L'Acadie Blanc, and most wineries in Nova Scotia will produce a L'Acadie Blanc wine, which is the most wonderful accompaniment to our delicious seafood. If you want to, as Scott has mentioned, you will see that this evening. Nova Scotia is being recognized for its high-quality sparkling wines, plus our off-dry whites. We also make red wines and icewines as well.

With current 100% Nova Scotia wine not even filling the shelves of the 105 Nova Scotia Liquor Corporation stores, today our key priorities remain simply to increase the production of 100% Nova Scotia wines and to educate the consumers on Nova Scotia wines. We like to say, “Created under the same earth, sea, and sky, the wines and seafood of Nova Scotia are, quite simply, a match made in Nova Scotia heaven”. That is why our symbol is a wineglass and a lobster claw. This symbol is put on our wine that is produced with only 100% Nova Scotia grapes.

Nova Scotia has great wines. We've been recognized with international accolades. For example, Prestige Brut, from L'Acadie Vineyards, was the only entry from North America to win a medal in the ninth international competition for the world's best sparkling wines.

Nova Scotia wines are very hard to duplicate. They add diversity and uniqueness to the Canadian wine industry, and aren't diversity and uniqueness what Canada is all about?

Therefore, the ability to ship our unique wines across Canada will give Canadian consumers an opportunity to sample truly unique and truly Nova Scotian wines. This year, we are formally launching a Nova Scotia signature wine called Tidal Bay, which again is unique to Nova Scotia. Only 14 months ago, Nova Scotia saw our own wine regulations come into effect. We have been asked whether it's VQA Nova Scotia; it is not, at this point in time, but we certainly are investigating the opportunity.

More to the point on Bill C-311, as you can appreciate, as a growing wine industry in a province of 945,000, the Nova Scotia wine industry is always interested in developing new channels of distribution for our products. Therefore, the Nova Scotia wine industry would support the opportunity for individuals to order or transport Nova Scotia wines across Canadian provincial boundaries.

We have only one request, though—and keep in mind that I am here on behalf of the Nova Scotia wine industry—which is that Bill C-311 reflect or be adapted to incorporate “100% Canadian” in front of the word “wine”. The fledgling 100% Canadian wine industry lacks the awareness that imported wines to Canada have among wine drinkers. Imported wines to Canada increased by 8.8% for the 10-year period from 1996 to 2006. We are concerned that without the definition of “100% Canadian” in front of the word “wine” in Bill C-311, there will be an opportunity for wines of all countries to be moved across provincial borders.

● (1630)

Nova Scotians, being price-sensitive shoppers, will have the opportunity to order imported wines that are under a different business model from our Canadian wines, and there is also a high awareness of the country of origin among our fledgling wine drinkers. No doubt Nova Scotia wine consumers would be thrilled with this opportunity.

The Chair: Ms. Ruddock, could you conclude? You are over time.

Ms. Janice Ruddock: I'll be really quick.

I want the committee to remember what my job is today. It's to speak on behalf of the Nova Scotia wine industry; it is not to discuss free trade agreements or the ramifications of using protected language in our bills. That's the key point. I know we're not able to put “100% Canadian” on it, but that is what we request.

To summarize, Bill C-311 is a step towards having more Canadians enjoy more Canadian wine if the spirit and the wording of the bill is to support the Canadian wine industry. We, as the Nova Scotia wine industry, are trusting it is.

Thank you for the opportunity, and I apologize; I just get so passionate about our Nova Scotia wines.

● (1635)

The Chair: Thank you very much for your presentation, and for your passion.

We will start members' questions with Mr. Julian, please.

Mr. Peter Julian: I don't know about you, Mr. Chair, but all this talk of fine quality Canadian wines is making me mighty thirsty.

It's a good thing you don't have samples of your product here today.

I'll be splitting my time with Mr. Chisholm. I thank all the witnesses for coming here today.

I'd like to direct two questions to Ms. Martinez, Mr. Dunning, and Mr. Paszkowski. The first is on the issue of sales that are already occurring.

Mr. Dunning, you mentioned that currently Canadians can ship directly to their homes through their provincial liquor boards. Could you give us a sense of the extent to which that's happening now? What percentage of overall sales are involved?

The second question is around the issue of trade that's been flagged in a number of presentations. In the United States, they're bound by the same trade agreements that we've signed. We have 39 or 40 American states that now have similar legislation in place. When the same thing is happening in the United States, to your knowledge, has that triggered any sorts of trade challenges?

Mr. Rowland Dunning: I can give you an example from Ontario on how the private ordering system works. They have a program they're rolling out in all of their stores for customers and consumers to order through the private ordering program. Last year alone, I know they had 240 private orders totalling 8,300 cases, and I believe the value of that was something close to $300 million or more.

Mr. Peter Julian: What percentage of sales overall would that be in Ontario?

Mr. Rowland Dunning: I don't have a direct answer to that, but I do have someone in the room from Ontario who might have those specific numbers.

Mr. Peter Julian: Perhaps you could give it to committee later on, if you have a chance.

Mr. Rowland Dunning: Sure. I can do that.

Mr. Peter Julian: Next was the issue of trade challenges.

Mr. Rowland Dunning: I'm not aware of any trade challenges into the U.S. market. Going back into the eighties, when I used to work at the LCBO and was part of the trade discussions, the EU, for many, many years, seemed to focus a lot more on Canada for some reason. We're a small market compared to the U.S., but for years the U.S. wasn't really dominated by any significant amount of wines from Italy or France, except for maybe the premium end. More recently, they have—

Mr. Peter Julian: I'm sorry; I'm going to interrupt you because I want Ms. Martinez and Mr. Paszkowski to answer that question as well.

Ms. Ivonne Martinez: I'm sorry. On the trade issue?

Mr. Peter Julian: Yes.

Ms. Ivonne Martinez: Again, I'm not aware of any issue. In the 1980s case, Canada actually lost the EU case, and we feel this would add to it and possibly cause other challenges to come forward.

Mr. Peter Julian: However, you're not aware of any challenges with similar legislation that's in place in the United States.

Ms. Ivonne Martinez: I don't believe there are.

Mr. Peter Julian: Mr. Paszkowski, would you comment?

Mr. Dan Paszkowski: With respect to the private order program, there are private order programs available through most liquor boards. It does take a significant amount of time for the wine to arrive. I think the websites rank it anywhere from three to six months. You require a one-case minimum, and typically not a mixed-case lot.

There are examples that I know of in which a consumer in Ontario, for example, wants a specific wine from British Columbia, but there is an agent in Ontario, so they cannot use the private order program; they're turned over to that winery's agent. The amount of paperwork that agent has to do to get that wine through the liquor board system is not worth his or her while, so it doesn't happen.

Yes, a private order program is there. Is it perfect? No, it's not perfect. Can it be improved? Yes, it can be improved. It can be improved to the point where many consumers will use it. That's no reason not to amend this bill and allow consumers to order directly from a winery.

With respect to trade laws, since 2005 the United States has been implementing a system of direct consumer delivery. They have not been challenged. I have spoken to the United States industry. I've spoken to the European industry as to whether Bill C-311 is open to challenge. As long as it meets national treatment obligations, there is no reason and no case for any country to challenge the outcome of passing this piece of legislation.

● (1640)

Mr. Peter Julian: Thank you.

I think I've used up Mr. Chisholm's time too, so I'll have to—

The Chair: Yes, you have, unfortunately, but Mr. Chisholm will have a round, for sure.

Mr. Peter Julian: Yes.

The Chair: We'll go to Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

Thank you, witnesses, for coming today.

First, to Ms. Martinez, I was in Alberta at the time when the industry was deregulated. I was just wondering if you could very briefly tell us some of the things that happened.

I know the industry grew, consumer choices went up, prices went down, availability of hours for liquor stores increased—

Ms. Ivonne Martinez: That's right.

Mr. Brian Jean: If I'm wrong on anything....

I was a criminal lawyer at the time, and all the things that people said about drunks on the streets getting alcohol at all times didn't happen. My understanding is that in fact nothing changed with regard to problems with alcohol.

Did anything bad happen for consumers?

Ms. Ivonne Martinez: In terms of increased sales?

Mr. Brian Jean: In terms of increased privatizing in Alberta.

Ms. Ivonne Martinez: The only part that was privatized was the retail side of it.

Mr. Brian Jean: Yes.

Ms. Ivonne Martinez: The liquor still was regulated.

Mr. Brian Jean: That's what I'm talking about.

Ms. Ivonne Martinez: Absolutely.

There used to be 230 stores, I believe, in Alberta before privatization. Right now we have 1,200 stores out there.

Mr. Brian Jean: There were lots of choices and a lot of positive feedback as a result of that.

Ms. Ivonne Martinez: And a lot of access in Canada to alcohol from all over the world.

Mr. Brian Jean: I understand.

In fact, some people say I have a perfect life. I was born in Kelowna, British Columbia; I sleep in Quebec; I work in Ontario; I pay taxes in Alberta. It works really well.

Voices: Oh, oh!

Mr. Brian Jean: My question really is this. I think, from my perspective, the financial aspect for Alberta liquor stores would get better. I mean, we have the lowest-cost liquor in the country. If people are able to order it from Alberta, and order online, why wouldn't they order British Columbia wine from Alberta?

Ms. Ivonne Martinez: That is the issue at hand. If people do that, basically they would bypass the liquor store owners, who would lose the sales and therefore would lose the profit margin. A lot of the stores we represent are mom-and-pop shops, where their margins are quite small. Therefore, if I as a consumer order directly from a winery, I don't have to go through AGLC. I don't have to go through a store—

Mr. Brian Jean: Why can't they order directly from a liquor store? In Alberta, for instance, we don't have a lot of wineries. Why can't they just go to a liquor store and order online from an Alberta liquor store in a competitive marketplace?

Ms. Ivonne Martinez: That happens right now.

Mr. Brian Jean: They could take advantage of the lower taxes. We don't pay provincial sales tax there, so we've got 5%. We are a competitive market, so it's much more competitive.

My point is that I can only see success for Alberta liquor stores, and I would encourage all liquor stores across the country to privatize. I think it would be a great move.

In fact, I will tell you that the number one complaint I have from my constituents is that they can't get two types of liquor. One is from Quebec, and it's maple syrup whisky. When they come here, they go over to Quebec and bring it back, and then they fly it back—Scott Brison shivers on that—and the other is Speaker's Scotch. I'm not sure why Speaker's Scotch is so popular, but....

I just think it can only be good for Alberta, and I think it would be good for the country as well.

Ms. Ivonne Martinez: Just to clarify, the wine, as stated in Bill C-311, is for personal use only—

Mr. Brian Jean: I understand.

Ms. Ivonne Martinez: If you go through a store, it would be commercial use, so therefore it would be illegal.

Mr. Brian Jean: But they can purchase it from a retailer for personal consumption. That's my understanding of the act, and since the mover is—

Ms. Ivonne Martinez: That's right, and that's already happening in Alberta, so therefore Bill C-311 is not—

Mr. Brian Jean: But the rest of the country as well.

Can I ask one final question, Mr. Chair?

The Chair: You have two minutes.

Mr. Brian Jean: Excellent.

I'm a free market guy. I'm a business person. Why are we not doing this for Crown Royal? Why are we not doing this for whisky, for beer? Why are we not doing this across the country?

Can anybody here, any of the witnesses in front of us, tell us why we're not doing that for all of those other intoxicating substances that Canadians love right across the country, such as maple syrup whisky from Quebec?

The Chair: There's about a minute left. Is there someone who'd like to respond to that?

Go ahead, Mr. Dunning.

Mr. Rowland Dunning: I'm not quite sure what the question is.

Mr. Brian Jean: Why are we not doing the same thing for other intoxicating liquors?

Mr. Rowland Dunning: Doing what?

Mr. Brian Jean: Freeing them from bondage.

Voices: Oh, oh!

A voice: Let my liquor go.

Mr. Rowland Dunning: Add it to the bill. I mean—

Mr. Brian Jean: Do you see any—

Mr. Rowland Dunning: —the distillers and the brewers, I'm sure —

The Chair: Order.

Mr. Rowland Dunning: —are watching these debates. If somehow, out of the bill being passed and whatever happens in the provinces, the market opens up for wine, I'm sure you'll be hearing from Spirits Canada and the brewers of Canada very, very quickly.

Mr. Brian Jean: In the last two seconds, is there a negative implication that you can see from doing that?

Ms. Ivonne Martinez: Absolutely: underage drinking.

Mr. Brian Jean: Well, I think we have that order in already. We've already heard some testimony that this is not really an issue, and I can't see it being so, either.

Ms. Ivonne Martinez: For rye or vodka?

Mr. Brian Jean: For wine?

Mr. Rowland Dunning: Perhaps I can just conclude on it, Mr. Chair.

The Chair: Go ahead, but just very briefly.

Mr. Rowland Dunning: You can go to any liquor store in Ontario and order any product—spirit, wine, or beer—from any place in Canada. It's available. As I said, we had—

Mr. Brian Jean: But you can't order it directly from the source in —

Mr. Rowland Dunning: No. That would be a direct sale.

Mr. Brian Jean: You can't do that.

Mr. Rowland Dunning: You'd be bypassing the system.

Mr. Brian Jean: So that's what we're going to be able to do now.

● (1645)

The Chair: Thank you.

Thank you, Mr. Jean.

We'll go to Mr. Brison, please.

Hon. Scott Brison: Thank you, Mr. Chair.

We should note that Mr. Jean may be the first Alberta MP to speak of liquor and bondage at committee.

Mr. Dunning, you say that Bill C-311 could hurt the Canadian wine industry. Is there anyone on your board who runs a winery?

Mr. Rowland Dunning: On the board of...?

Hon. Scott Brison: Your association.

Mr. Rowland Dunning: The board of my association comprises CEOs of all the liquor boards.

Hon. Scott Brison: Okay, just a.... Have you ever run a winery?

Mr. Rowland Dunning: No, I have not.

Hon. Scott Brison: Mr. McWatters and Mr. Stutz have run wineries, and Ms. Ruddock's and Mr. Paszkowski's organizations represent wineries, and they are incredibly supportive of this piece of legislation. Why do you think you know what's best for them when they have experience actually running wineries and building businesses? I'm just asking the question.

Mr. Rowland Dunning: In response, all I can say is that we're responsible for ensuring the trade agreements are upheld at the retail level, and they're not. Back in the eighties, the wineries were also pushing to maintain discriminatory practices that were flying in the face of our trade agreements, and they lost.

For example, in Ontario many, many wineries were in the process of getting off-site winery stores, and as a result of the trade agreements the only wineries that were able to keep them were the ones that already had them in operation. Wineries that had applications on the table and had agreements with landlords to open off-site wine stores were not allowed to go ahead. The wineries lost in that. We're feeling that they could lose again.

Hon. Scott Brison: My point is that these are fairly sophisticated business people who have put their own skin in the game and invested their life savings, in many cases, in these wineries. They're represented by smart organizations that presumably know the interests of their members, and they are incredibly supportive of this legislation. I'm just saying they're fairly intelligent, and I suspect they're thinking ahead about these potential trade challenges as well.

I'd like to ask a question to Mr. Stutz. First of all, I want to tell the committee how absolutely proud we are of the growth in the Nova Scotia wine industry. Hanspeter Stutz has been a pioneer in the wine industry in Nova Scotia and has helped build it, and we're very proud of him. Do you see potential for e-commerce in terms of growth in demand and the capacity for you to advertise your wines, for you to ship your wines, for people in other provinces to consume your wines? Do you see a potential in e-commerce to grow your industry within Canada, and for other Canadian wine industries in other areas?

I'd appreciate hearing from the organizations of Ms. Ruddock or Mr. Paszkowski as well.

Mr. Hanspeter Stutz: Absolutely. I think what we forget today is really the whole tourism aspect. What we're doing in the industry in general in Canada, really.... We noticed that experiential tourism is a very big trend. We can go around the world where wineries are, and it's a huge impact.

On the other hand, I have a little problem with Mr. Dunning if we talk about losing money for a province or losing money for a liquor commission. I see this on the other side, as better profit for wineries. If a winery has a better profit, then the winery has, at the end of the year, a better statement, and this winery can invest; if a winery can invest and expand, they'll hire more people.

Hon. Scott Brison: You pay taxes, don't you?

Mr. Hanspeter Stutz: For me, it's not an excuse to lose money on the liquor commission side for the province. We gain this money on the business side from each winery. I think that's really an economic impact for all wineries that can do this.

Hon. Scott Brison: What does the growth in e-commerce provide as a potential for Canadian wines if we unfetter them from these archaic regulations?

Mr. Dan Paszkowski: I think there are huge opportunities. You only have to look south of the border to our counterparts in the United States, who make significant use of Twitter, Facebook, and all forms of social media, because wine is about a story. Wine is different from other products in that tourism drives the wine industry; when people come to your winery, they want to buy your wine.

Liquor boards are producing apps for iPhones to attract customers to their retail stores, yet our investment in any form of social media is restricted to the population we have within our provincial borders. There is a restriction there. The benefit this will provide is that any sales will deliver tax revenues to all provincial governments.

● (1650)

The Chair: Thank you.

Thank you, Mr. Brison.

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): I'm from southwestern Ontario, and of course we have Point Pelee wine over there. If we're going to do any bragging about wines, if you haven't tasted our whites and our reds from Point Pelee, you really haven't....

The point is this. I just came back from the States—I wasn't born with this tan; I picked it up last week—where I went to a Costco store, and they have a better wine selection than any liquor control board store I've seen in all of Canada.

On the one hand, we want to expand our winery industry here in Canada. Are we afraid to move beyond Canada? We're talking about interprovincial. Why don't I see these great wines in Florida? What's going on? Are we afraid to make that move? Can we compete with the rest of the world, and as Mr. Jean was saying, free the bondage we've inflicted on wineries? It sounds almost Biblical.

I'll just open it up.

Mr. Hanspeter Stutz: It's very easy. We have, worldwide, an overproduction of wine, as we notice.

You can buy wine from Argentina for 62¢ a litre, but we also have a problem here: we have a very strong currency. If you import American wine to Canada, I think it is 11% or 12% more, because of this currency. There is sometimes a 25% higher Canadian dollar.

Now, to export in a very competitive market, as the wine market is worldwide, is a very tough sell. It's 25% more expensive. We're not talking here about icewine, which is, in general, much more expensive; we're talking about high-end good wine. That's one of the problems. That's one reason I say that if we have this strong Canadian currency, we can be proud of it, but we have a problem.

Why is it not better to open the domestic market and not talk first about exporting? It's good to go to Europe. If the euro is still weak, as it is now, it's okay, but we should first open the Canadian domestic market. That, for me, is so logical. Why are we building these barriers?

Mr. Dave Van Kesteren: Just to follow up on that, you are saying the bill itself, then, is a step in the right direction.

Take it a step further. I understand what you're saying about the strong dollar, and those are considerations that obviously make a whole lot of sense.

Somebody mentioned a little while ago that transportation is a huge factor. I'm not talking about transporting our Point Pelee wine to B.C.; we're a day's drive from 200 million people. Are we not able to expand that market? Can somebody answer that question?

Mr. Harry McWatters: I can answer that question for you.

I have dealt with U.S. importers. For them to do any kind of a marketing program for a single SKU, they want 5,000 cases of that single SKU in year one. I can tell you that in British Columbia, if you drew a line of the 200 wineries that produce more than 5,000 cases of wine in total, well over 50% of those wineries would fall off the table. We're a country of basically small family producers. Having that critical mass is a challenge.

Last year, by accumulating juice from other wineries, I packaged 8,000 cases and shipped to one chain in China. Those opportunities are there, but they're not huge, because it's challenging to do that.

This is a small step towards being able to grow the industry a little greater so that we may have those opportunities. We continue to garner huge recognition in competition for the quality of our wines, but we haven't had the commercial quantities in these regions to fulfill those markets in a meaningful manner.

Mr. Dave Van Kesteren: This is my final question.

Are we doomed to be submitted to the application we've chosen in this country, which is strictly liquor control boards and smaller vintages, or is there an opportunity to become a major wine exporter?

● (1655)

Mr. Harry McWatters: There is an opportunity, but it's a little challenging. If you have a group of really small producers, how do you go to the market with a large quantity to fulfill, such as the American market, where they have 10 times our Canadian population? You have to take niche markets, which is difficult to do.

The Chair: Thank you.

Thank you, Mr. Van Kesteren.

We'll go to Mr. Chisholm, please.

Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP): Thank you very much.

I too am from Nova Scotia, originally from the Annapolis Valley. I have to tell you that I've been very impressed by how the industry has progressed over the past 20 or 25 years. It's just phenomenal. There's no doubt.

Companies like yours, Mr. Stutz, are involved in a lot of province-wide initiatives to promote your product and other Nova Scotia products, and good for you.

I certainly don't profess to have the kind of wealth of experience and knowledge that Mr. Brison has. I am a moderate, of course.

I wanted to ask a couple of questions. You talked about the problems associated with sending one case to New Brunswick. Could you quickly tell me what that problem is?

Mr. Hanspeter Stutz: It's not allowed. It's just not allowed. With the regulations now, you're not allowed to send one case of wine to a private consumer in New Brunswick.

Mr. Robert Chisholm: We've heard from Mr. Dunning that you can do it by going through one of the liquor commissions.

Mr. Hanspeter Stutz: Yes.

Mr. Robert Chisholm: But the way it stands, you can't do it directly yourself.

Mr. Hanspeter Stutz: No.

Mr. Robert Chisholm: I think I heard someone say that if you were selling from, let's say, Nova Scotia, to somebody in Ontario, you would have to charge the Ontario tax—or would it be the Nova Scotia tax?

Mr. Paszkowski, would you comment?

Mr. Dan Paszkowski: If this bill went through and you were a Nova Scotia resident and you ordered a case of wine from an Ontario winery, the Ontario winery would quote you the price with the Nova Scotia taxes in place. Whatever the provincial sales tax was and whatever environmental and bottle levies were attached to that bottle of wine would be charged. As a result, the Province of Nova Scotia would gain some revenue and address the issues that its liquor board currently has in place in terms of the environment or bottle return levies, etc.

Mr. Robert Chisholm: I understand; it depends on the province where the person who orders it lives.

Mr. Dan Paszkowski: That's right.

Mr. Robert Chisholm: This goes to what Mr. Jean was talking about in terms of the advantage for Alberta. People from Nova Scotia will want to buy from Alberta because there are no taxes, or the taxes are lower. That would avoid that issue.

Mr. Dan Paszkowski: Yes. If you're a tourist visiting Ontario, you pay your taxes where you purchase the wine. If you're ordering online, once you go back home you'll pay the taxes to the Province of Nova Scotia, because that's where you reside.

Mr. Robert Chisholm: In terms of Nova Scotia, Ms. Ruddock, do you see any problems? I guess there are two parts to this question. First, has there been any estimation of economic benefit or any analysis done of what this would mean for the industry? Second, are people aware of the potential bureaucracy they would be involved in by doing it this way?

Ms. Janice Ruddock: First of all, you can't really judge what it is today, because you can't do it, but it would be anywhere from 2% to 5% of their sales that they would ship out of the province. You can't do it today, so it's an estimation.

On the bureaucracy, the way we have looked at it as an industry is that with 945,000 people and the opportunity to ship out to 33 million, yes, we'll go through a little record-keeping and bureaucracy to have that opportunity, for sure. We see it as a huge opportunity to go out and to sell our wines to a big population.

Mr. Robert Chisholm: Good. I don't think there's any question that anything we can do that would be a benefit to the industry in Nova Scotia, the small and medium-sized producers, would be a good thing.

In terms of taxes, I just want to make this statement, because I've been guilty of this before. You go down to the States and you buy a bottle of wine that you can buy here, but it's half the price. I heard a good line the other day. Somebody who had been in the States came here and went to a liquor store, bought a bottle of wine, and said, “My God, how come it's so much more expensive?” The clerk answered, “This one comes with free health care.” I thought that was a good line.

You're not laughing.

● (1700)

The Chair: I cannot believe that a good Nova Scotian wouldn't buy directly from a good winery in Nova Scotia.

Thank you, Mr. Chisholm.

We'll go to Mr. Adler.

Mr. Mark Adler (York Centre, CPC): I hope you paid your duties and taxes on that bottle, Mr. Chisholm, when you brought it back.

Mr. Robert Chisholm: Always.

Mr. Mark Adler: I want to congratulate Mr. Albas. I think he's done a wonderful thing.

A voice: Hear, hear!

Mr. Mark Adler: He has done more than he really knows. Let me explain why.

I don't know if it has to do with the new NDP leader seeing a future in moving more towards where we stand as a conservative party, as opposed to where his party was standing before, or—

Mr. Robert Chisholm: Stay focused, Mark.

Mr. Mark Adler: We're focused here; we're focused more than you know.

What he has done is get the NDP to agree to a free trade arrangement for the first time ever.

Mr. Robert Chisholm: This is back to the—

The Chair: Order. Mr. Adler has the floor.

Mr. Mark Adler: Let's not forget that back in 1988, the NDP and the Liberal Party were both against the Canada-U.S. Free Trade Agreement, mainly because it was supposed to lead to the destruction of the Canadian wine industry. In fact, free trade between Canada and the United States has created the most competitive and finest wine industry on the face of the earth. I say Mr. Albas is to be congratulated for his great foresight in all of this.

Mr. Dunning, do your members compete directly with the wine industry?

Mr. Rowland Dunning: That depends on what province you're talking about. In Ontario, there's a competitive relationship, because the wine industry has something like 350 off-site stores to compete with the LCBO. In Quebec, the SAQ competes with the depanneurs. In British Columbia, the British Columbia distribution brands compete with the winery sales, so yes, in some provinces there is some competition.

Mr. Mark Adler: Have you done any analysis to determine whether or not your members would lose any revenue if this bill becomes law?

Mr. Rowland Dunning: We figure that if the bill becomes law and provinces institute direct shipping, those kinds of sales could represent up to 5%, so we're figuring on about a $300-million loss.

Mr. Mark Adler: Is that why you're not in agreement with the others—because it would mean a loss to your business?

Mr. Rowland Dunning: I'm not in agreement with what?

Mr. Mark Adler: You're not in agreement with the others on the panel who are in the wine industry and support this bill.

Mr. Rowland Dunning: I'm not necessarily against any of the comments that have been made. The only thing we're saying is that our consumers should have full access to Canadian wines right across the country.

We sell $1 billion of Canadian wines in liquor stores in Canada. Last year we had 240 private orders in Ontario to B.C. wineries, totalling 800,300 cases. A billion dollars worth of Canadian wines sold in Canadian liquor stores is not too shabby.

Mr. Mark Adler: You're in favour of this bill, then.

Mr. Rowland Dunning: We don't think the bill is necessary, because we're already doing what the bill implies.

Mr. Mark Adler: You are, but they're not.

Mr. Rowland Dunning: Who? The wineries? I'm not sure what you mean. Any liquor board in Canada can order a wine for a customer from any winery in this country right now, and we do it all the time.

Mr. Mark Adler: However, if I were to go across the provincial border and buy a case of wine and bring it back, I'm technically breaking the law.

Mr. Rowland Dunning: Not in our perspective. Let me clarify—

Mr. Mark Adler: In your perspective I wouldn't be, but you're not the government.

Mr. Rowland Dunning: Federal lawyers say that's against the law. Provincial lawyers say it isn't.

Mr. Mark Adler: If I were to walk into one of your members' outlets and order something, how long would it take to get a case?

● (1705)

Mr. Rowland Dunning: It depends on the jurisdiction. In Ontario, if you wanted to pay an expedited fee, you would get it in three days, but most likely it would take a couple of weeks.

Mr. Mark Adler: The cheese would get a little mouldy in that time, wouldn't it?

Mr. Rowland Dunning: No, you can go to the liquor store and pick up a bottle. Nine times out of ten, if you're ordering from outside the province, it's not for consumption that evening.

The Chair: Thank you, Mr. Adler.

We now go to Mr. Mai, please.

Mr. Hoang Mai: I'll try to be less political than my colleague over there, but I'll just let you know that before our leader got elected, we approved the Jordan free trade agreement. Out of respect for our witnesses, I think we'll focus on the subject that is here.

Mr. Scott Brison: You need to get that Jordanian wine in.

Mr. Hoang Mai: I have a question to anyone who can answer it. The issue of trade has been raised a couple of times. Who can say there is not a problem with the trade issues if this bill were to pass? Can you say there are no consequences?

Mr. Dan Paszkowski: We have had significant consultations with government departments and with trade lawyers. In fact, our trade lawyers were the ones who participated in the two challenges that were mentioned by my colleagues to my right, both the EU and the U.S. GATT challenges.

If the wine enters Canada and national treatment obligations are provided, there is no case for any legal trade action. Now, wine has to enter into each province through first receipt. That is part of the IILA, and that does not change. This means that the wine has to enter in through a liquor board, go through the distribution system, and the charges are incurred on that particular case of wine.

In the case of imports, if a consumer in another province was interested in getting that unique case of Chianti that is available at the LCBO but not at the Manitoba liquor corporation, with national treatment obligations they would be allowed to access that case of Chianti, pick it up in Ontario, and carry it back to Manitoba, or to contact the LCBO in Ontario, procure that case of wine, and have it delivered back to the province of Manitoba.

As long as you meet those national treatment obligations, there is no trade violation. It does not mean that a consumer in Ontario can order directly from a vineyard in France; it has to go through first receipt to meet the federal obligations.

Mr. Hoang Mai: Do you believe that there would be any problem if we had the 100% Canadian wine amendment in terms of trade?

Mr. Dan Paszkowski: There is a discussion of 100% Canadian wine. The 100% Canadian wines typically sell at a higher price point than Canadian blended wine products, to which I believe my colleagues from Nova Scotia are referring.

Blended wine products typically sell below $10 per bottle. The transportation charges for a bottle of wine are $3-$4. The consumer group that you're looking at that is interested in purchasing wine from a winery in another province are typically connoisseurs and know something about wine. They're looking at wines that are about $15 or higher. I don't think the 100% Canadian wines are what we're talking about, but I don't believe they have to be mentioned in the legislation.

Mr. Hoang Mai: My question was more regarding trade agreements and the fact that it was transferred from one.... If we put in the amendment that it's 100% Canadian wine that goes from one province to another one, is there any trade agreement that we would go against?

Mr. Dan Paszkowski: No, because you still have to meet national treatment obligations for any foreign wines coming into the country.

Mr. Rowland Dunning: I'd just like to comment that at a large Canadian wine symposium in Niagara just last month, international trade experts said that direct sales could very likely result in a trade challenge and the loss of numerous existing advantages to the Canadian wine industry.

Mr. Hoang Mai: Ms. Martinez raised the point of the 18-year-old. Is there someone who can counter that argument and say that it will be covered, that we won't have any problems with minors being able to buy wine online?

The Chair: Would someone like to respond to that? Mr. Paszkowski, would you like to comment?

Mr. Dan Paszkowski: There are currently examples within Ontario and British Columbia, where for the past ten years you have been able to order wine online within the province. As an Ontario consumer, you can order wine directly from a winery, and there haven't been any issues.

The United States has a long list of measures in place to ensure that there is no underage consumption, including the requirement for the courier to get an adult signature and for the boxes to be labelled as containing alcohol. Also, in the United States significant studies have been done to show that wine is not the choice beverage for underage consumers, nor will most teenagers wait a week or two to have delivery when their parents aren't home to receive that case of wine.

If you take a look at the price elasticity of wine, you see that a 10% increase in price to youth would switch their consumption of wine down by about 18%. There isn't an incentive there.

● (1710)

The Chair: Okay, thank you.

Unfortunately, we are over time, Ms. Martinez, but maybe I'll give you a chance to respond in a later round.

We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod: Thank you, Mr. Chair.

I have one very quick question, and then I have a longer question. My first question is to Mr. Paszkowski.

Do you have any quick comments on including the 100% Canadian requirement and on the free trade issue that's been discussed?

Mr. Dan Paszkowski: I don't think it's necessary to put the 100% Canadian requirement into the bill, primarily because the wines we're talking about, the ones that will participate in a direct-to-consumer delivery model, would be 100% Canadian wines, based on the price points at which they sell.

Mrs. Cathy McLeod: Thank you.

I'm going to ask Mr. Dunning and Mr. Paszkowski to respond to my next question.

We've heard that wine is a bit of a story. My colleague from Manitoba is biking the Kettle Valley Railway trail. She has a credit card, but of course not a lot of capacity to take bottles of wine with her. If she runs across a particular wine in one of the vineyards that's $16 a bottle, I would like you to track through how she gets it to her house with the current system in place. Mr. Dunning can talk about that.

What could be done under this new system if we have provincial agreements that buy into it? Can you follow that $16 bottle of wine, plus added fees? What process is she going to have to follow to get it back to her house currently, and then with this legislation?

Who wants to go first?

Mr. Rowland Dunning: First, she could put it in her suitcase and bring it home.

Mrs. Cathy McLeod: No, she's on a bicycle—

Mr. Rowland Dunning: She's on a bicycle. Okay—

Mrs. Cathy McLeod: —and with a credit card. She would like to buy six bottles of this particular—

Mr. Rowland Dunning: Currently, the only way she could do it would be to write down the name of the product, and then when she gets back to her home province, order it through the liquor board and have it delivered to her house.

Mrs. Cathy McLeod: With six bottles?

Mr. Rowland Dunning: Well, we're actually moving to case weights, and a lot of bottles are now packed in six-bottle cartons, as they are in Europe.

Mrs. Cathy McLeod: Okay, so she would just have to write it down and go home.

Mr. Rowland Dunning: She'd go home and order it, yes.

Mrs. Cathy McLeod: What fees would be added to the $16 as it goes through this process?

Mr. Rowland Dunning: The liquor board would order it from the winery at their wholesale price, so the $16 wouldn't be $16; it would probably be less than that. Then the liquor board would add their markups on top of that. It could bring it back to the $16 level or slightly more, depending on the cost of getting that product back across the country. Because liquor boards, depending on the province she's in, order a vast amount of wines, the wines would be consolidated within the existing shipment and probably wouldn't cost her that much more.

Mrs. Cathy McLeod: Okay, and then she'd pay Manitoba tax, in her case.

Mr. Paszkowski, could you talk about how things would change on her bike trip?

Mr. Dan Paszkowski: The way things would change on her bike trip is that she'd arrive at the winery, identify the wine she wanted, purchase it, and then ask the winery to deliver it to her home. The job would be done, and the winery would receive full retail price for that wine, as opposed to a lower f.o.b. price that would apply if she went back home and ordered it through her home liquor board with all the markups attached to it, plus the transportation charges. In other words, it would be retail price plus transportation charges to get it home, and it would be at her home within a couple of days.

Mrs. Cathy McLeod: Does anyone else have any comments? Does that basically articulate what this bill would do, if the provinces create the appropriate enabling legislation? Have we essentially captured what we're trying to do?

Mr. McWatters, do you have a comment?

● (1715)

Mr. Harry McWatters: On your first question about 100% Canadian, my opinion would be that it wouldn't be trade legal. I'm not sure that Dan understood the question.

The reason I believe it wouldn't be trade legal is that you wouldn't be treating the foreign wine in the same way, because we would exclude it from having the opportunity to be shipped between provinces, so the amendment would be redundant.

I believe that by far the majority of what will be shipped is likely to go directly from the winery producer to the consumer, but this bill certainly doesn't preclude anybody from calling any liquor store in Alberta and having the wine that they can't find, wherever it comes from, shipped across the country. That's actually what makes it trade legal.

The Chair: Thank you.

Thank you, Ms. McLeod.

We'll go to Monsieur Giguère, *s'il vous plaît, pour cinq minutes*.

[*Translation*]

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): Thank you very much, Mr. Chair.

My first question is about the very definition of the term "wine" in the bill. It may include a lot of things, such as cider, hard lemonade and wine coolers. This term may also include wine concentrate.

Inasmuch as it is hard to ensure the traceability of products that will be sold locally, what happens when someone buys more than a case? What happens if a restaurateur purchases, in one province, some wine concentrate that comes from abroad? What happens to our capacity to enforce this bill if no liquor control board is going to regulate these sales?

I would like to have some information as to the possibility of this bill opening the door to a market we did not think about, a market that was not supposed to exist, but that is going to appear, such as the wine concentrate market.

[*English*]

Mr. Rowland Dunning: Let me take one shot at that.

There are producers in Quebec who bring in 100% Chilean wine, for example, bottle it, and sell it through the depanneur system in Quebec. If the bill goes through and provinces make changes to their regulations, consumers could technically order that product and have it shipped across the country, and it would be 100% Chilean, Argentinian, South African, or what have you.

That is one of our concerns as well, that it creates this business opportunity.

[*Translation*]

Mr. Alain Giguère: My second question is about free trade agreements.

At present, to sell wine in a province, it is mandatory to go through a liquor control board, which authorizes redistribution.

Canadian wines are going to be exempt from this obligation and will not be regarded in free trade agreements as a favoured product, an unlawful advantage. If there is a challenge, who is going to pay the legal fees for it?

[*English*]

Mr. Harry McWatters: I'll gladly address that.

First of all, all wines produced in Canada are actually listed with the province in which they are produced. That province may not take possession of it, but in British Columbia you can't sell a product from your cellar door without its being registered with the British Columbia Liquor Distribution Branch. The same is true in other jurisdictions, so that is a situation that would not arise.

Concerning your comment about the concentrate, by the way, they could now go to any UVin store and make wine from concentrate and avoid all of those taxes altogether.

[*Translation*]

Mr. Alain Giguère: Thank you.

The Chair: You have one minute left.

Mr. Alain Giguère: Good.

Let us talk about cider. We can also make ice cider, we can sell a lot of local products. Is there not a risk of the phenomenon of specialized microbreweries popping up, breweries that are going to sell a product widely, on-line, without necessarily complying with provincial legislation?

● (1720)

[*English*]

Mr. Harry McWatters: I'm not sure that I fully understand the question. In an earlier comment, you made it about wine. Wine is actually defined as a product of fully or partially fermented grape juice. That precludes a number of the products that you have talked about, and I believe that under this bill, that would be the case: in order to be called wine, it has to be made from grapes.

It can be made from other fruit, but that fruit must be identified. Cherry wine can't be called wine without being preceded by the word “cherry”.

The Chair: We're just on time.

Mr. Stutz, do you want to comment briefly?

Mr. Hanspeter Stutz: I think it's a very important question. I know it's coming from Quebec. We are also producing a high-end cider and ice cider, and I think it's really important to include this in this bill and find a wording that includes fermented cider and product from apples.

[*Translation*]

Mr. Alain Giguère: I just want a short answer. The definition of the term "wine" is given in section 2 of the 1901 Excise Act. This definition of the term "wine" is extremely broad; it even includes hard lemonade. That is the document we will have to work with.

[*English*]

The Chair: Does anyone want to comment briefly on that? No?

Okay. *Merci*.

I'm going to take the next round as the chair.

At the outset, Ms. Martinez, I want to allow you to respond briefly on the underage drinking issue.

Ms. Ivonne Martinez: I will just say quickly that many of the examples that were provided were from the U.S. We don't have any real studies here in Canada, because there's no monitoring that goes on from direct sales.

That's all.

The Chair: Okay. I want to thank you for that.

Ms. Martinez, I want to follow up with you. As you know, we had a discussion on this bill and did not come to an agreement. You represent an association, many of whose members I know very well and some of whom, I think, actually support this legislation, although as individuals.

You touched on the underage issue. We have touched on the trade issue that you raised. With respect to imposing barriers, though, the logic is really quite odd. Essentially I don't see what your argument is against this particular bill, because according to you, this bill is putting in place what Alberta as a province is currently allowing.

In that case, why are you opposing this specific bill, if it's in fact just putting in place the process that Alberta currently allows under its provincial regulation?

Ms. Ivonne Martinez: Currently the process goes through AGLC and the liquor stores, and right now that is legal. What Bill C-311 proposes is that you would bypass both of those and would go directly to the consumer, and you are asking the provinces to limit the amount a person would be able to order.

The Chair: It's not asking them to limit it; it's saying they have the authority to do so, but it's not asking them to set a limit. In fact, Alberta could leave the same model it has now in place, if this legislation is passed.

Ms. Ivonne Martinez: Basically, because it would lose the revenue from this liquor product—

The Chair: I'll come to that, but on this specific issue of your “imposing barriers” argument...?

Ms. Ivonne Martinez: I have had discussions with AGLC, and they have informed me that yes, they would have to impose restrictions, much as many of the other provinces would, if Bill C-311 goes through.

The Chair: Why?

Ms. Ivonne Martinez: It's because you're changing the way liquor is provided to consumers.

The Chair: But Alberta, you're saying, currently has a system whereby it allows someone like me who lives in Alberta to go to B. C. and bring wine across the border. You're saying Alberta currently allows that.

That's what this amendment is seeking to do, so why would Alberta, with the adoption of this amendment, have to change the way it does business?

Ms. Ivonne Martinez: Well, ordering online is not quite the same as going to the winery and coming back, they would argue, but perhaps I can defer to my friend Rowland.

Mr. Rowland Dunning: Let me add to this that it's not a question of your bringing a case of wine back from the Okanagan when you've been there visiting wineries; it's when you get back to Alberta and decide that you like that wine so much that you're going to go online and have them deliver four or five cases to you that the limits would have to be imposed.

● (1725)

The Chair: Okay, that's where I wanted to go, so let me go there.

In your statement you say, “As a matter of fact, Albertans are able to order wine directly from...wineries, as long as they go through a local store.”

Ms. Ivonne Martinez: That's right.

The Chair: Knowing Albertans as I do, if I put a question to Albertans asking whether they should be allowed to go online and order a box of wine from Quail's Gate Winery in B.C. delivered to their home or whether they should have to go through their local retailer to do it, I suspect that 98% of Albertans would say they should be able to do that directly.

Knowing Albertans as I do.... Even some of your own members, Ms. Martinez, would say yes, as an Albertan you should be able to order directly to your home without going through a third party.

Ms. Ivonne Martinez: I know the two store owners you've been discussing this with. I'll just comment that not many store owners have the ability to have this as a side job or to have a chain store. The majority of them are mom-and-pop shops across the province that may not be able to afford a loss of sales. From their perspective—and I hear from the majority of them—they're not opposed to this bill; they just object to how the implementation would happen and they believe that it is not necessary at this point in time.

The Chair: But would an Albertan favour this system for agricultural or natural resource products across the country? Would we say you can set up products that are local to Alberta? Would we allow other provinces to set up provincial regulatory authorities to determine how those products should be distributed across Canada?

Ms. Ivonne Martinez: I would defer again to the counsel here, but the regulatory bodies for alcohol already exist, so we're just working within the system or bypassing jurisdiction.

The Chair: Do you want to answer this, Mr. Dunning?

We are advocating for free trade around the world and arguing that we should lower barriers around the world. At the same time, in this country we're still supporting barriers on products between provinces. I'd like you to address that, because it is a fundamental issue. It's fundamentally why I support this legislation. We should support the free flow of goods and services across this country, as we're doing around the world by signing free trade agreements, and not impede it. We should not have more free trade between provinces and other countries than we have between citizens and companies within this country.

Do you want to respond to that?

Mr. Rowland Dunning: The only thing I can say is that Canadians have free access to wine from across the country. There are no trade barriers—

The Chair: —as long as it's through a provincial authority.

Mr. Rowland Dunning: Yes. That's the same for any wine from anywhere in the world, so that's the free trade aspect of it. Residents of Ontario or any other province can get wine from any country in the world through their liquor board. They can get wine from any province in Canada through their liquor board.

As for why we have the regulatory system in place, why it works so well, and why Canadian governments have decided they want to have liquor boards, it's because we're mandated to generate revenue to pay for provincial programs. One of the ways we do that is to have markups on products to cover off the health care system, as was mentioned earlier. It benefits greatly from the sale of alcoholic products in Canada. Our residents don't have to pay the exorbitant costs that are paid in the U.S. That's why we're there to generate revenue, but at the same time we have a free trade agreement right across the country through the liquor boards.

The Chair: We'll have to respectfully disagree, but I certainly appreciate your point of view.

I appreciate all of you being here. I want to thank you for your presentation to our committee.

As I mentioned, our second hearing on this will be on April 3. If you have anything further you wish us to consider, please let us know.

Mr. Brison, you wanted to extend an invitation to the committee.

Hon. Scott Brison: I have a brief announcement and an invitation to all committee members and staff, including our research staff of the House, to the “taste of Nova Scotia” wine reception. It begins right now, so we're cutting into valuable Nova Scotia wine time. It is in room 216 North.

Research is important. It's important that you do your research on these issues, and tonight is about delving into the situation.

The Chair: Thank you, colleagues.

The meeting is adjourned.

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