

Ministry of Public Safety and Solicitor General

LIQUOR CONTROL AND LICENSING BRANCH

In response to:

CONSULTATION PAPER

January 2011

TIED HOUSES AND TRADE PRACTICES

CAMRA BC would like to be considered as a consultation resource with respect to the proposed legislation regarding Liquor Control and Licensing Branch and Tied Houses and Trade Practices.

#### **About CAMRA BC**

The Campaign for Real Ale Society of British Columbia is an independent, voluntary, consumer organization. Membership is open to all and an unpaid executive elected by the membership governs the society.

CAMRA BC was first incorporated in 1985 and is dedicated to the promotion and responsible consumption of natural, craft beers. We support the brewing of traditional styles of beer in the traditional manner, using traditional ingredients. The society promotes naturally brewed live beers of all styles.

CAMRA BC is financed through membership subscriptions and sales of products such as books and sweatshirts. We receive no funding from the brewing industry other than a limited amount of advertising in our magazine—*What's Brewing*—and none whatsoever from government. We are a not-for-profit society registered in the Province of British Columbia.

#### **CAMRA BC's Objectives**

CAMRA BC's mission is to act as champion of the consumer in relation to the B.C. and Canadian beer industry. We aim:

- to encourage the appreciation and production of natural, pure, additive-free ales and lagers in all their traditional styles;
- to promote the establishment and success of quality brewpubs, neighbourhood pubs and craft breweries in British Columbia;
- to support quality home brewing; and
- to encourage the responsible enjoyment of beer and actively support laws and regulations that contribute to that objective.

#### **CAMRA BC's position on proposed changes to Tied Houses and Trade Practices**

In principle, CAMRA BC opposes the general policy of "abolition of tied houses and relaxation of trade practices". Both of these changes are movements towards lack of



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consumer choice manipulation of industry development and consumer choices by the largest industry players.

Recent trends, as demonstrated quite clearly by BCLDB's sales reports<sup>1</sup>, breweries with annual production of less than 150,000 hectolitres are experiencing higher sales in both draught and packages sales, whereas breweries of greater than 150,000 hl are experiencing sales drops.

With changes to the laws to allow tied houses and change trade practices, larger companies, those with deeper pockets, can spend to eliminate competition from the smaller breweries. Those smaller breweries, by increase of sales volume and market share alone, are proving their worthiness to the consumer.

## **CAMRA BC comments to options presented in the discussion paper**

### **Section A: Tied House – Option 1**

#### **Eliminate tied house prohibitions altogether – permit exclusivity**

Without a doubt, this option presents the worst option for a beer consumer. Larger brewery concerns can buy retail establishments and attractive real estate options and make them available for exclusive business deals for themselves.

In an environment where the concept of tied houses is a given practice, there is nothing to stop a deep pocketed brewing company from buying or securing prime locations and offering them as turnkey lease operations where only that brewing company's brands are served. Nor is it improbable that existing establishments would be offered monies, whether for purchase outright, or "investment", to secure their tap lines.

The very concept of buying a tap line in a restaurant or bar could become a new business practice, a practice that favours those with deep pockets.

We can observe from the exclusive agreements already in existence at Roger's Arena and BC Place Stadium that such deals limit choice, and devalue the existence of a vibrant, consumer driven market. Why should we not have more choice when it comes to the beer we wish to drink, rather than less?

### **Section A: Tied House – Option 2**

#### **Permit tied houses between the same corporate entity, but limit the number of tied houses a person can hold to limit risk of market consolidation, e.g. 5 or 6**



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<sup>1</sup> <http://www.bcliqorstores.com/files/December%202010%20Quarterly%20Market%20Review.pdf>

Here the Pandora's box has been opened. Having the ability to open, own or operate a tied house, a major brewing concern can then use its various brand names to manage multiple outlets each arguably different from the others, perhaps even separated through umbrella ownership agreements. In this way, a major producer which houses many brands under its corporate auspices can control choice to an even greater extent at the consumer level - in other words, to appear to offer "choice", without really doing so.

As stated in the discussion paper the number is entirely arbitrary. Who is going to manage this? Beyond that, who in this industry can afford to own multiple tied houses? Only the larger corporate brewing companies, whose interests are not in the consumer choice but in maximizing their profit and minimizing their competition.

CAMRA supports initiatives in this area that enhance consumer choice. Careful consideration and clear direction will be needed to ensure that this is the result of changes to this option.

### **Section A – Tied House – Option 3**

#### **Permit tied houses with public interest restrictions**

Herein lies a tangled web. How would this question be posed for public input? Who makes the final decision? The buying consumer should be the final arbiter of what is a good range of product to be available.

A relaxation of tied house rules based on brewery production volumes with smaller producers having the latitude to sell their products in establishments in which they might have full or part ownership might be the more appropriate method of easing restriction. This is the model currently being discussed as changes to practices in various states south of the border as it answers many challenges to smaller producers.

CAMRA BC believes that every house that is permitted to sell beer should be able to operate on the basis of providing the quality product its patrons demand, not on the whims of a board or the behind the scenes workings of a legal or business team.

### **Section B – Trade Practices – Option 1**

#### **Eliminate trade practice restrictions altogether**

CAMRA BC strongly opposes any measure to allow the elimination of trade practices. Recent market statistics show quite clearly that the smaller brewers are growing in market share, whereas the larger brewing concerns are lagging. Given the flexibility of their financial muscle production volume, large brewing corporation have the ability to



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undermine the credibility of the industry and discount their product below market value, thus forcing independent brewers out of business.

As mentioned above, exclusive sponsorship agreements, as applied today (Rogers Arena and BC Place), not only result in less choice for the consumer, they favour large corporate brewers, who can afford to invest in exclusivity, whereas this option is all but impossible for a smaller producer.

### **Section B – Trade Practices – Option 2**

#### **Reduce or eliminate most trade practice restrictions**

Again, CAMRA BC strongly opposes a market condition that unfairly benefits larger brewing concerns with deep pockets over smaller, innovative breweries that offer choices of flavour the consumer is demanding.

### **Section B – Trade Practices – Option 3**

#### **Streamline some trade practice policies and procedures**

CAMRA BC does support joint sponsorship (licensee and supplier) of events, given that there are no tied house provisions in effect. Buy-Sell agreements should remain in effect and be documented to maintain a level of openness, honesty and integrity in the brewing industry.

### **In Summary**

CAMRA BC is keen to be involved in continued discussions with the Liquor Control and Licensing Branch with regard to its policy regarding the distribution and retailing of beer products. As a consumer group, we are here to ensure the BC consumer receives the selection, value and quality he or she deserves and demands.

We maintain that the best option for BC consumers is the notion of open houses, where licensed establishments may provide from any one of BCs over 50 breweries' products according to the demands of its patrons.

(sent by email)

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Martin Williams  
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**Campaigning for Real Ale, Pubs and Drinkers' Rights**



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