



45 O'Connor Street, Suite 650
Ottawa, Ontario
K1P 1A4

Luke Harford
President

☎ 1.613.232.9601 x223

✉ lharford@beercanada.com

BY E-MAIL

January 29, 2014

Honourable Diana Whalen
Finance and Treasury Board Minister
PO Box 187
1723 Hollis Street
Halifax, Nova Scotia
B3J 2N3

Re: Consultations on u-brew operations

Dear Minister:

Thank you for the opportunity to provide input into the Government's consultation on legalizing u-brew operations in Nova Scotia. Such operations have the potential to drive interest in beer and a greater appreciation for the wide array of tastes, flavours and aromas that brewmasters create. As an industry that is heavily invested in Nova Scotia, we support initiatives that are good for beer. While u-brews could be a welcome addition to the beer category in Nova Scotia, there are some important considerations we wish to raise.

Beer Canada is the national voice for beer. We are a voluntary trade association with 26 members that account for 90% of the beer brewed in Canada. The sale of beer in Canada supports 1 out of every 100 Canadian jobs according to a November 2013 study published by the Conference Board of Canada. In Nova Scotia, there are 12 breweries in operation and the sale of beer supports 4,042 jobs and yields the Province \$113 million annually in beer tax revenues.

There is much to be optimistic about with respect to the beer category in Nova Scotia but there are also challenges that the province will want to consider as it develops its regulatory framework for u-brews.

The mark-up that the Nova Scotia Liquor Corporation applies to beer is exceedingly high at almost 85% of the wholesale price. In the five years ending December 2012, retail domestic beer sales in Nova Scotia declined by 6%. In the first 11 months of 2013, retail domestic beer sales were down a further 3.6% compared to the same period the year prior.

While u-brews can drive interest in beer, it is critical that the regulatory framework for such operations does not result in an unfair competitive advantage relative to the heavily regulated and highly taxed environment traditional brewers operate in.


The regulatory framework for u-brews in PEI, which Nova Scotia plans to emulate, appears to address several of our concerns. Specifically, that u-brew:

- Customers must pay for all ingredients in advance and personally add the ingredients to start the fermentation process.
- Customers must package their own beer and remove the product immediately after packaging.
- Operators must not advertise volume discounts or the price of finished product.
- Operators must report monthly production volumes to the government.

The Government of Nova Scotia must also take into account the effect of its social reference pricing policy (minimum price) as it develops its regulatory framework for u-brews. While Beer Canada does not question the Provinces' authority to set the social reference price for beer, the same policy must apply to u-brews. Recommendation #27 under Canada's National Alcohol Strategy states: ***"Where these industries currently exist (u-brews), make licensing contingent upon matching the socially referenced price for beverage alcohol in that jurisdiction."***

Beer Canada and its members will support regulatory initiatives that drive interest and excitement in beer. However, it must be recognized that traditional brewers operate in a heavily regulated and highly taxed environment. The regulatory framework that is ultimately adopted for u-brews should provide Nova Scotians with an opportunity to expand their appreciation for beer but the framework must prevent u-brews becoming a means to avoiding tax.

Kind regards,



Cc. Bret Mitchel, President & CEO, Nova Scotia Liquor Corporation

Michel Perron, President & CEO, Canadian Centre on Substance Abuse and Co-Chair to the National Alcohol Strategy Advisory Committee

Beer Canada is the national voice for beer. A November 2013 Conference Board of Canada study found that beer supports one out of every 100 jobs in Canada, generates \$5.8 billion in government revenues, and contributes more than \$14 billion to the domestic economy.