

March 27th, 2024

President's Report to the ALSA Board

Government of Alberta

On Thursday, February 29, 2024, Alberta's Minister of Finance and President of the Treasury Board, Hon. Nate Horner, tabled the Government of Alberta 2024-27 Fiscal Plan: A Responsible Plan for a Growing Province.

Budget 2024 includes \$367 million surplus with revenues projected to be \$73.5 billion. A relatively positive economic position with 2.9 per cent projected real GDP growth. Population growth was significant this year but will lower slightly to 3.7 per cent in 2024-25.

Tax updates include a new electric vehicle tax and a new Land Titles Registration Levy. The government will increase cigarette and smokeless tobacco taxes and adopt the federal-provincial vaping tax framework. A campaign commitment to introduce the Alberta is Calling Attraction Bonus is also included. Education Property Taxes remain the same.

Grocery issue

ALSA spoke to the Deputy Chief of Staff to the Premier, Mitch Gray. Mitch used to be the Chief of Staff to the Minister of Finance, Travis Toews and he is very familiar with our industry and issues that it faces. Mitch conveyed that currently there are no plans by the Government to allow liquor on Grocery Shelves. He mentioned that the Premier likes to muse about issues, but that this has not turned into government policy. He expects that the report by the MLA Committee studying the issue will reflect the fact that industry stakeholders do not support this change in government policy.

MLA Yany Tao, Fort McMurray – Wood Buffalo is the Parliamentary Secretary for Small Business, and he has communicated that he and other caucus members have spoken against making any changes to the current model of liquor retailing. He anticipates that the rules will not change and that independent liquor retailers will be happy with the government's direction. As Parliamentary Secretary for Small Business, he will continue to support the liquor retailers and the current arrangement. He anticipates that the task force of MLA's are currently reviewing this issue, will provide industry with the same answer.

ALSA's call to Action by its members has generated letters and calls to the Premier's office, Minister Nally's Office and regional MLAs.

Howard Riddel has been calling every liquor store in Alberta providing information and polling stores on support for both liquor on Grocery Shelves and controlled entrances.

MLA Committee on Grocery issue.

Minister Nally struck an MLA committee to meet with Stakeholders and ascertain if liquor on Grocery Shelves was a viable option. The committee held several meetings with Industry including ALSA, Board members, Grocers Manufactures to hear feedback on this issue. Feedback from the MLA Committee on Liquor on Grocery Shelves is that they have not heard from any group that supports liquor in Grocery Shelves. This includes the National Brewers, Molson and Labatt and the small craft brewers of Alberta. Spirits Canada did not participate.

Report is scheduled to be ready for March 16th, 2024.

Controlled entrances Roundtable Discussion – Minister Nally

the Minister of Service Alberta and Red Tape Reduction, ALSA and selected Board Members, to a roundtable session to discuss theft reduction solutions in the retail alcohol industry.

The Government was interested in hearing industry's thoughts on the adoption of identification scan/swipe devices to enable access to liquor stores and help reduce theft. As leaders of your respective organizations, your unique insight into the safety challenges encountered by the alcohol sector will help identify opportunities for proactive measures to enhance the security of alcohol establishments.

In attendance: Adam Koziak, Allison Radford, Michael McDougall, Joe Hudon, Tank Vander and Loblaws and Ivonne Martinez along with department officials and EPS Representatives. ALSA took this opportunity to share its position and opposition, on mandatory installation of ID Scanning devices at the entrance of every liquor retailer in Alberta.

AGLC

Class E Small Manufacturer's Liquor Remittance Model Survey Invitation

Alberta Gaming, Liquor and Cannabis (AGLC) is reached out to stakeholders to review the Class E small manufacturer's liquor remittance model for self-distribution.

Alberta's self-distribution model allows Class E small manufacturers to sell their products to other licensees or to the general public through their own Class A (e.g., taproom) and Class D (e.g., off-sales) premises. AGLC has heard concerns from some Alberta small manufacturers with the current payment process. This survey invite is being sent to all Class E small manufacturers, Class D retail liquor stores and Liquor Industry Associations to obtain more feedback regarding the current process and improvements that could be made.

Direct-to-Consumer (DTC) Shipping

AGLC recently conducted an investigation into suppliers/manufacturers providing DTC shipping of liquor products to Alberta residents in contravention of:

- Section 3(1) of the federal *Importation of Intoxicating Liquors Act*;
- Sections 50 and 77 of Alberta's *Gaming, Liquor and Cannabis Act*; and,
- Section 89 of Alberta's *Gaming, Liquor and Cannabis Regulation*.

The investigation found tangible evidence of DTC shipping of wines across provincial borders into Alberta. To maintain the integrity of Alberta's liquor model and to protect the interests of Alberta retailers and liquor agencies, AGLC has notified all impacted suppliers and agencies that we will not accept inbound shipments from January 22, 2024, onward. Shipments enroute to Alberta's central warehouse prior to the notification date will be accepted, and sell-through of current inventory will continue. AGLC will resume acceptance of inbound shipments upon receipt of written agreement from the supplier to immediately cease DTC operations to Alberta.

There is open and extensive opportunity for vintners to market their products to Albertans, and AGLC is supportive of the continued distribution of the impacted suppliers' product through legal channels.

ALSA's Position : historically, ALSA has been again direct to consumer shipping. ALSA has held the view that DTC bypasses regulators and liquor retailers and that it is good policy to support AGLC on this specific issue. As such ALSA has conducted media interviews in support of the actions taken by AGLC. Minister Nally's office also requested a letter from ALSA supporting the Alberta Government's measures. Although there is nothing AGLC can do to stop direct shipment to consumers, this measure is being used by the Government to negotiate better access for Alberta products into BC.

New Extra Slow-Moving Category

On Dec. 4th, 2014 AGLC announced a new category of storage at Connect Logistics: Extra Slow Moving Category. This is to address a large increase in liquor stock keeping units (SKUs) which has put severe pressure on the amount of available inventory warehouse space and the efficiency of our central warehouse operations

Extra Slow-Moving (ESM) SKU category for storage charges will be applied on April 1, 2024, as planned with no special exceptions or delays in implementation. Agents and Suppliers with SKUs in this category can expect to see the new charges reflected in their invoice for storage charges incurred in April