



June 21, 2019

Terry Dobbin
Chair, Nunavut Liquor and Cannabis Board
nllb@gov.nu.ca

Re: Direction to allow the direct purchase of locally-brewed beer

Dear Mr. Dobbin:

I am writing to provide the Nunavut Liquor and Cannabis Board with policy direction regarding the purchase of locally-brewed beer by liquor licence holders in Nunavut.

Section 69 of the *Liquor Regulations* states:

"Unless authorized by the Board, no licence holder shall buy liquor for sale and consumption in licensed premises except from the Liquor Commission."

This means all licence holders must purchase liquor directly from the Nunavut Liquor and Cannabis Commission (NULC), unless the Board grants special permission to purchase directly from other sources. This requirement helps the Government of Nunavut (GN), through the NULC, monitor alcohol sales and generate public revenues, as the NULC transfers its profits to the GN each year.

I understand that at least one licence holder has approached the Board to request special permission to purchase beer directly from the Nunavut Brewing Company ("NuBrew"). NuBrew has also asked me to support direct purchases as a way to encourage their sales.

If the Board grants special permission to purchase directly from NuBrew, it would mean these transactions bypass the NULC entirely.

I have considered this issue, and in particular how to balance the requests of these firms with the intent of the regulations, our overall approach to liquor, and other factors.

Monitoring

First, it remains important that the GN continue to monitor the sale of liquor, in particular to help the Board, the NULC and the GN make informed decisions related to liquor. This is especially true here in Iqaluit, which is in the process of piloting its first retail outlet. Related to this, it is important to understand the movement of alcohol in support of our enforcement responsibilities.

Licensing fee

Second, licensed establishments pay the GN a licensing fee based on a percent of their purchases. By linking licensing fees to purchases, establishments that sell more alcohol pay more than smaller establishments with less sales. Currently, the NULC collects this regulatory fee on behalf of the GN as part of each transaction.

Administrative burden

Third, it is sensible to reduce, where appropriate, the administrative burden of these special authorizations on all parties, including the Board, the licenced establishments, the brewery and the GN.

Public profits

Fourth, it is reasonable to expect liquor sales to generate public profit. Currently, the NULC covers its costs and generates a profit, including by charging a mark-up on the products it sells. Permitting establishments to purchase directly from NuBrew would bypass the NULC and its mark-up. As the GN does not apply a liquor tax, direct-from-brewery purchases would not raise any public profits for the GN outside the basic licensing fee.

I have discussed this matter with my officials. Given the relatively small volume of NuBrew beer that licensees have purchased to date and as the NULC already applies lower mark-ups on NuBrew products than on other beer, the amount of money the NULC collects from NuBrew sales to licensees has been minimal. We are not, at this time, concerned about the loss of public revenues that allowing direct-from-brewery purchases would create.

Small brewer support

Finally, our government is interested in continuing to support our territory's small businesses, especially in new industries. In addition to the grants we have provided NuBrew and the favourable pricing we have put in place for small brewers, I am also prepared to support this request as a way to further facilitate their sales.

With these considerations in mind, and under the authority provided by Section 6 of the *Liquor Act*, I am directing the Board to authorize licenced establishments to purchase locally-brewed beer directly from locally-licensed breweries, with the following conditions:

- The Board must implement a system to regularly collect and monitor information about the direct purchases it authorizes, and should report on this information from time to time to ensure Board members, the NULC and the GN stay appropriately informed. The Board should include, as part of its annual reporting, general information (total volumes, total sales etc.) about all transactions it approves outside the NULC;
- The Board must implement a system to collect and remit all licensing fees due to the GN with respect to purchases the Board authorizes outside the NULC;
- In consultation with the enforcement team, the Board should define the days and times within which the brewery can deliver beer to establishments as a way to help focus enforcement efforts;
- The Board should consider authorizing direct purchases over a reasonable period (e.g. quarterly) to reduce administrative burden while creating opportunities for the Board to change its conditions as necessary;
- The Board may revoke its authorization at any time, especially if it deems that parties are not meeting its conditions or as part of other enforcement activities;

This letter updates any previous direction to the Board regarding direct purchases. Also, this direction is subject to change at the discretion of the responsible minister.

Please note, this letter does not extend to allowing off-premises sales to consumers. The directive my predecessor, Minister David Akeeagok, sent to the Board in January 2018 remains in place.

I trust you will inform Board members, licensed establishments and the Nunavut Brewing Company of this direction. Please do not hesitate to contact me or my staff should you require more information or clarification.

Sincerely,

A handwritten signature in blue ink, appearing to be 'G. Hickes', written in a cursive style.

Hon. George Hickes

Minister of Finance; Minister responsible for the Nunavut Liquor and Cannabis Board

c.c. Dan Young, Director, Nunavut Liquor and Cannabis Commission