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Chair

Mr. James Rajotte

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● (1530)

[*English*]

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

Orders of the day—we are televised—are pursuant to the order of reference of Wednesday, December 7, 2011, a study of Bill C-311, An Act to amend the Importation of Intoxicating Liquors Act (interprovincial importation of wine for personal use).

This is our second session on this topic.

We have six witnesses before us here this afternoon: firstly, the Alliance of Canadian Wine Consumers; secondly, the British Columbia Wine Institute; next, we have Château des Charmes; we have the Grape Growers of Ontario; the Wine Council of Ontario; and our last presenter, Winelaw.ca.

I want to thank you all for being with us here this afternoon. We will allow you five minutes for an opening statement, and then we'll have questions from members.

We'll start with Ms. George, please.

Ms. Shirley-Ann George (President, Alliance of Canadian Wine Consumers): Thank you.

On behalf of Canadians, especially those who love wine, we are pleased that you have sought out the views of the Alliance of Canadian Wine Consumers. We represent a grassroots volunteer organization, more commonly known by our campaign name “Free My Grapes”.

We exist for a single purpose—that it should be legal for Canadians to directly buy from Canadian wineries and have the wine shipped across provincial borders for their personal consumption. We call this winery-to-consumer or WTC sales. Bill C-311, ideally with our proposed amendment, has our full support. I have five quick points to make, plus an important request on the amendment.

First, Canadians want interprovincial wine barriers removed. We believe there should be a single Canadian market and expect that everything should be available via the Internet. Bill C-311 will provide an opportunity for greater consumer choice, the ability to visit a winery and have the wine shipped home, to reorder this wine, to join wine clubs, and to go to a winery's website and order wines that you hear about through word of mouth or through local blogs.

Canadians are unwilling to accept this archaic prohibition-based law that has been mocked in major national and local newspapers, radio, and even the national evening newscast. Canadians in every province and territory support our cause. They have signed our petitions, sent letters to MPs, and joined us on Facebook and Twitter. There's even been one individual, Terry David Mulligan, who has been willing to go to jail in his protest of this law.

Second, this is affordable. Our WTC request has been carefully crafted to minimize the impact on provincial revenues. Our analysis, based on ShipCompliant data—which has been tracking the U.S. impact of direct-to-consumer sales, where it is legal in 38 of 50 states to ship across state lines—only 0.6% of a single one per cent of U.S.-produced wine is shipped across state lines. If we apply these numbers to Canada and assume no economic benefit, which is an ultra-conservative projection, 0.6% of 1% translates into 0.001 to 0.015 of the liquor board revenues, ranging from a potential loss to provincial and territorial treasuries of $44 in Nunavut to $619,000 in Ontario. These amounts can be easily recovered through cost savings. For example, WTC and a change of just 1¢ per bottle of wine sold would result in a revenue increase for each and every province.

On the plus-side, we believe that taxes, jobs, and other economic benefits will result in the provinces, more than covering their costs, and that wine-producing provinces will gain significantly from increased tourism, wine sales, and grape sales. The high cost of shipping wine means WTC is only attractive for wines not locally available and will be largely used for higher-end wines. As in the U.S., all this translates to 98% of wines still being purchased locally.

Third, the vast majority of Canadian wines simply are not available to Canadians. A quick tour down the aisle of your local liquor store clearly demonstrates that very few of the 450-plus wineries are actually represented, and the limited shelf space in existing outlets means they never will be.

Fourth, the greatest benefit is going to go to small and medium rural businesses. U.S. experience shows that every state that has allowed WTC has had their local wine sales increase, and most small wineries cannot or will not sell their wines through liquor boards. Also, wine and culinary tourism will increase.

Finally, this bill does not undermine the need or the ability of provinces to properly regulate the sale of wine. Provinces will still set the regulations, such as limiting the changes to winery-to-consumer sales. They will still ensure the protection of minors through such vehicles as licensing shipping companies and demanding proof of age at delivery.

Earlier I mentioned one area of concern, and I will quickly conclude with this. The current amendment is worded in such a way that liquor boards could flaunt the will of Parliament and not actually make a single change. Given that they have been unwilling to work with Canadian vintners and establish a winery-to-consumer framework and that the provinces have refused to respond positively to Minister Gerry Ritz's invitation to discuss the needed changes, we have no reason to believe, with the exception of British Columbia, that they won't just ignore Bill C-311. This will disappoint and anger Canadians, who widely believe that Bill C-311 will make a difference, otherwise why would we be spending our collective time and our collective money working on it?

Our request is that you add the word “reasonable” before “quantity”, and remove the word “and” afterwards.

● (1535)

There is legal precedent that demonstrates that such a change would not create the concerns raised by Mr. Albas, and the provinces would still have the ability to set quantity limits. This change would only encourage them to go beyond the pointless two bottles per year limit that some have today. Mr. Hicken is capable of addressing this further.

In summary, we're asking you to vote in favour of Bill C-311 with the amendment.

Thank you.

The Chair: Thank you for your presentation. We'll now hear from the B.C. Wine Institute, please.

Mr. Miles Prodan (Executive Director, British Columbia Wine Institute): Good afternoon and thank you for this opportunity to state the B.C. wine industry's case before this committee.

The B.C. Wine Institute is an organization of voluntary members that represents 95% of all wine production in the province and is wholly supported through member sales. The BCWI represents the interests of B.C. VQA—that is 100% B.C.-produced wine—in the marketing, communication, and advocacy of their products to all stakeholders.

Specifically, the B.C. wine industry has enjoyed tremendous growth provincially over the past five years, with over $4 million of average growth annually, and almost 9% over the last five years. With approximately 10,000 acres of grapes planted in B.C., the B.C. wine industry is small. Compared to 15,000 acres here in Ontario and 40,000 in Napa, for instance, we are a cottage industry. This bill goes a long way in helping us to grow our markets. Of the total of 210 grape wineries currently licensed in the province—an additional 24 growers have indicated they will start a winery in the future—approximately 80% produce less than 10,000 cases, and the majority of those are family-owned agribusinesses making fewer than 5,000 cases a year.

As of January of this year, of the total provincial B.C. VQA wine sales, 25% were sold through the B.C. LDB and 24% were sold directly from wineries, with the remainder sold through private liquor stores, restaurants, and the rest.

While it is difficult to estimate how many direct winery sales are done through wine clubs, in-province direct delivery, etc., the majority of B.C. wineries offer such services, and it is an effective and efficient marketing and distribution strategy, specifically for the small operators. It is reasonable to assume that a minority of wineries may currently be illegally shipping wine directly to customers, but the majority do not and are at a distinct disadvantage to those who may be.

B.C. wine tourism has been experiencing tremendous growth over the last number of years, specifically since the 2010 Olympics. We've seen a tremendous number of wineries making significant capital investment in accommodation, restaurants, and the rest to augment the wine tourism industry in B.C.

Provincially, wine tourism was estimated to be worth $75 million in B.C., according to a study done in 2003. While all agree that it's substantially more than that, the number is pegged at $75 million. It is a significant attribute of B.C. tourism.

As you are aware, the Importation of Intoxicating Liquors Act provides no legal exemption in federal law to transport wine across provincial borders, even for small quantities purchased for personal use. The IILA makes it illegal for Canadian wine consumers to take wine that is not purchased in or consigned to the province across a provincial border. It also prohibits a consumer from directly ordering out of province after returning from a B.C. wine tour.

Since June 2011, several liquor boards have allowed a quantity “on your own person” into the province. While this is an improvement, it is only of benefit to residents of border communities, and provides limited benefit to wine consumers or tourists who may have travelled, say, from Nova Scotia to British Columbia to visit wine country once every couple of years.

We see Bill C-311 as having a tremendous impact on the wine business of B.C. The number of wineries in B.C. has grown by 281% in the last ten years. Today, many of those are small family-based wineries focused on small-lot wine. The investment made in the B.C. wine industry has been in response to a growing interest in B.C. wine and tourism.

● (1540)

The Chair: You have one minute, please.

Mr. Miles Prodan: In conclusion, the BCWI strongly supports this bill and encourages the House of Commons standing committee to complete its review with the goal of achieving royal assent before the House rises in June.

We are encouraged by Premier Christy Clark's and opposition leader Adrian Dix's support of this bill and see that it will go a long way in helping to foster growth in the B.C. wine industry.

Thank you.

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

[*Translation*]

Now we move to the representative from Château des Charmes. Go ahead, please.

Mr. Paul-André Bosc (President, Château des Charmes): Thank you very much, Mr. Chair.

I will make my remarks in English, but if any members of the committee prefer to ask me questions in French afterwards, I can answer in French.

[*English*]

As I just said, I will deliver my main remarks in English.

My name is Paul Bosc. I'm the president of Château des Charmes wines in Niagara-on-the-Lake. This is a business that I have spent my entire adult life in. My father founded the business in 1978. My family came to Canada from France in the 1960s. My dad represents the fifth generation, and I represent the sixth generation of my family to grow grapes and make wine professionally. We've made wine on three continents.

I've had the opportunity over the course of my career to travel all over the wine world. I have built friendships and relationships with wineries all over the world.

I'm here to state that I firmly believe that the status quo, as we have it in this country, is anti-competitive and puts the Canadian wine industry at a distinct disadvantage to our foreign competitors who enjoy DTC privileges in their home markets. I can assure you that they are not holding hearings in France right now to debate whether a French winery in Bordeaux could ship wine to their customers in Paris. In fact, a winery in France can deal directly with consumers all over the EU market of 400 million potential consumers. As Shirley-Ann so rightly pointed out, right next door in the United States, 38 U.S. states permit DTC, which captures something like 82% or 85% of the U.S. population.

Why are we at a disadvantage? When you are cutting out the middleman, the wholesaler, or the retailer, and you act as the retailer yourself, this becomes a very lucrative channel. Wineries in other parts of the world that do participate in this trade are stronger in their home markets as a result. That, in turn, makes them powerful exporters. You can't become a powerful exporter unless you have a pretty strong position in your home market. I will use the French as an example again. They have 90% of their domestic market. It puts them in a good position to tackle an export market like Canada.

Much of the interest in DTC is tourism-driven. Canada is a very big country. It's very much about visitors to our winery who come to us from sometimes thousands of kilometres away, from Alberta, Saskatchewan, B.C., or Nova Scotia, and they would like to buy a couple of cases of wine. They would like some help to ship it back. It's just that simple. It happens to be my personal view that it is none of the business of the province they are from, or of the liquor board where they are from, what they are doing when they are visiting Niagara-on-the-Lake and wanting to buy a couple of cases of wine.

Now, I did mention that these are lucrative retail transactions. Wine is now made in six provinces in Canada. There are more than 400 wineries in Canada. Most of them are small family businesses.

● (1545)

The Chair: One minute.

Mr. Paul-André Bosc: If we were to sell a $75-dollar-per-bottle case of ice wine in retail, we collect on that case $152.59 in taxes—both provincial and federal taxes. These transactions generate lots of revenue for both the federal and the provincial government.

I can't comment on the entire IILA. It's more than 80 years of age. Maybe most of it has been quite successful. I don't know. It is certainly my view that after more than 80 years, this specific portion of the IILA is out of step with Canada in 2012. You are able to arrange, at your counter, to ship a few cases of wine all the way back to Asia, perfectly legally, for visitors from Hong Kong or Japan. And then beside them is a fellow Canadian who says, “That's great. Could you help me ship a couple of cases back to Calgary?” and I say, “Sir, I can't do that for you. You're a Canadian and it's illegal”.

The Chair: Thank you very much for your presentation.

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

Ms. Debbie Zimmerman (Chief Executive Officer, Grape Growers of Ontario): Thank you very much.

The Grape Growers of Ontario support Bill C-311. We welcome the all-party support for expanding the cultivation and use of Canadian wine grapes. The legislation is well-intentioned, and if properly implemented, could be very helpful to our members. The excellent reputation of Canadian wines is spreading around the world. All Canadians should be able, legally, to enjoy our wonderful Ontario wines. It should not be easier to ship from a winery in Ontario to Memphis than to Montreal.

While we certainly do not want to stand in the way of this exciting initiative, we must ensure that the modifications proposed in Bill C-311 are the best or the safest way to achieve the goal. We believe that the initiative should apply—and we join with our partners in Nova Scotia—only to wines containing 100% Canadian grapes. However, we understand that the WTO rules require that equivalent competitive opportunity must be provided to all wines from all WTO members. Would Canadian wine blenders and bottlers of imported wine be far behind? Could Costco, offer their Juila Cellier—bottled in Quebec, foreign-origin—wines across the country? Our members are concerned that Bill C-311 could be much more beneficial to imported wine than to 100% Canadian. Could we lose more than we gain?

The Importation of Intoxicating Liquors Act is the basis for the liquor boards' right of first receipt. Amending this law could attract attention from NAFTA and the WTO. Should Canada be challenged about the way, or any way, or all provinces, or prominent provinces implement Bill C-311? Other, indeed, all liquor board practices based on the IILA could be challenged.

There were two challenges of liquor board practices under GATT in the late 1980s and the early 1990s, and Canada lost both. There was another EU challenge under the WTO a few years ago, and this was settled by more concessions than were made. These decisions were not only about markup. They also condemned Canadian practices on point-of-sale and direct delivery, which are at issue here.

Last week you asked whether U.S. practices had been challenged. In fact, Canada did challenge the U.S. on a wide range of their practices related to wine and beer. Canada won. That report was adopted by GATT in June 1992. Several practices linked to use of local grapes or local fruit wine were condemned. Earlier GATT and WTO challenges were settled on a negotiated and/or compromised basis. The WTO is more logistical than the GATT. Relitigating could result in great cost to Canadian wineries and grape growers.

I would say that hoping the changes pursuant to Bill C-311 will not be noticed or challenged is not sound business practice. Indeed, we know Mr. Dunning's testimony at the EU is closely being monitored.

We agree with Bill C-311. It is no doubt more politically attractive and would be popular—we realize that—but there are potential risks and downsides that need to be carefully examined to ensure that we're not opening a Pandora's box.

Thank you.

● (1550)

The Chair: Thank you, Ms. Zimmerman.

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

Ms. Hillary Dawson (President, Wine Council of Ontario): Good afternoon.

I'm Hillary Dawson. I'm president of the Wine Council of Ontario. On behalf of our membership, I'm very honoured to be invited to come and participate in these committee hearings today.

The Wine Council of Ontario is the champion of Ontario's high-quality, authentically local vintners quality alliance wines, and of promoting wine country as a destination. As a non-profit trade association, the WCO represents 80-plus wineries from across the designated viticulture areas of the province. Our members are grape growers, manufacturers, and leaders in tourism in their communities. We're the future of Ontario's wine industry, which is a source of new investment, jobs, and award-winning wines. Additionally, the Wine Council of Ontario promotes the unique qualities of Ontario's locally grown wines through its consumer-facing brand Wine Country Ontario.

The Wine Council of Ontario is a strong supporter of Bill C-311 and has been encouraged by the support that this bill has received from all parties in the House. Clearly, there is consensus that modernizing our commercial relationships with our customers is an idea that's time has come.

One of the reasons that my member wineries have a strong interest in the passage of this bill relates to the challenges of our marketplace. VQA wineries in Ontario currently have the following sales outlets for their wines. First is sales through the LCBO. The LCBO is the sole avenue for mass distribution of wines in Ontario. It has two lines of business: LCBO wines, which it sells in larger volumes at lower price points, and Vintages, which is the key vehicle for sales of premium-priced wines. Though the LCBO is an excellent retail partner and a big supporter of VQA wine sales, Ontario's VQA wineries are mainly challenged by the lack of opportunities to connect with the consumer at the premium price level.

On average, Vintages has been releasing less than 200 VQA wines per year through this channel. Additionally, these releases can be as few as 20 cases, but generally are in the range of about 125 cases. As a result of these realities, VQA wineries are very focused on other avenues to sell premium-priced VQA wines.

Another important channel is sales to other provinces through liquor boards. The Wine Council of Ontario and its winery members have been actively engaging interested liquor boards across Canada to grow the presence of VQA wines on shelf. Channels, like the Manitoba Liquor Control Commission, have partnered with the industry to create promotions for VQA wine, which have led to sustained listings in that market.

It should be noted that these opportunities work best when there are market conditions for both winery and retailer that drive positive results. Not all provinces are interested in developing this market in this way, but the industry has been active in engaging as many as make sense, and will continue to do so in order to ensure a strong presence of 100% Canadian wines for Canadian consumers.

A third avenue for premium VQA wines is direct sales to the trade. When given the opportunity to sell directly to the customer, Ontario's VQA wineries have made a strong success in sales to trade in this province. From our perspective, the lesson around direct delivery is that our wineries are prepared to invest and hustle in driving sales in these channels, which are extremely competitive, and that with this personal service we can grow our business even in the face of imported wines and consignment pricing.

Fourth is our export of wines. This continues to be a significant opportunity for Canadian wines, particularly icewines. Working together under the auspices of a national export strategy, VQA wineries continue to grow the profile of icewines and premium table wines abroad.

Last but not least, our sales at the cellar door. For the vast majority of wineries in Ontario, transactions at the winery itself are the primary vehicle for sales. Currently in Ontario, there are approximately 130 wineries commercially active in producing and selling VQA wines. Cellar door sales are primarily driven through the significant tourism numbers that the wine country experience attracts into our market. It is at the cellar door that our customers make an important emotional connection to both the wine country experience and to the wines. This is what customers want to be able to subscribe to and bring back home. Whether this be an on-site transaction of any volume or a desire to reorder product, the inability to service this request directly for any Canadian out-of-province customers is embarrassing for the winery and exceptionally frustrating for the consumer.

These customers are very wine involved and have an expectation that they'll be able to continue this very personal relationship with their favourite winery at any time. Being able to service this customer directly will allow wineries to have a commercial relationship with their customer that parallels the one that they can have with virtually any other store or supplier currently.

I look forward to the discussions here today. Please know that the Wine Council of Ontario supports the proposed amendments as articulated by the Canadian Vintners Association. This will ensure that the bill's intended impacts are realized, and the opportunities it affords Canadian wine customers are clear.

Direct-to-consumer sales will give Ontario's VQA wineries an opportunity to continue relationships with their most interested and discerning customers. The passage of this bill will be an important and critical first step in being able to carry on these relationships in a modern commercial environment. This will complement the ongoing efforts of Ontario's wineries to grow their shelf presence and sales at both the LCBO and other Canadian liquor boards.

Thank you.

● (1555)

The Chair: Thank you very much, Ms. Dawson.

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

Mr. Mark Hicken (Vintage Law Group, Winelaw.ca): Thank you for the invitation to speak on this important issue. I would like to briefly review four issues that are also covered in the brief I submitted.

The first is the legal effect of the current law. Contrary to what you may have heard, the current law entirely stops the direct shipment of wine from one province to another, and the personal transport of wine across a provincial border. In this regard, it's very useful to note that Canada's shipping prohibition is different from the U.S. equivalent law that says that interstate shipments are illegal, only if they violate the laws in the destination state. The absolute prohibition in Canada is problematic because on its face it even creates a problem if a province wants to allow the importation of wine from other provinces. I'll deal with that in more detail later, particularly in reference to the laws in Alberta.

It's important to note also that this matter is a matter of exclusively federal jurisdiction under the constitution. It deals with interprovincial trade, which is exclusively a federal jurisdiction under the constitution.

The second issue that I'm going to cover flows from the first one, and I'd like to illustrate why we need to reform at the federal level by using examples of what—

The Chair: You're getting some feedback on your mike, just back up a little.

Mr. Mark Hicken: Sorry.

The second issue that I'd like to deal with flows from the previous one. I'd like to illustrate why we need reform at the federal level by using examples of what the provincial liquor boards have done recently. Following a lot of media attention on this issue—mostly generated by Terry David Mulligan's cross-border run between B.C. and Alberta—a number of liquor boards have taken the position that it is in fact legal for individuals to personally transport wine between provinces, but that it is not legal for wineries to ship directly to consumers. For example, Alberta and Prince Edward Island have interpreted their own provincial laws to this effect, and the LCBO issued a policy statement in June 2011, also to this effect.

In my opinion, the LCBO policy statement is simply wrong in law. The Importation of Intoxicating Liquors Act, or the IILA, makes absolutely no distinction between the personal transport of alcohol and its shipment. Both of those actions are equally prohibited, and in my legal opinion, it is beyond the constitutional jurisdiction of a provincial liquor board to override a federal criminal prohibition by using a policy announcement.

It's arguable whether a province could change the effect of the IILA by passing its own provincial laws dealing with importation. However, I've included a quotation in my brief that shows you that as recently as 2009, the Alberta Gaming and Liquor Commission took the position that a provincial government could not do so, even though Alberta's own provincial laws clearly permit personal importation.

As a result federal action is needed, because we now have a situation with extremely problematic legal consequences. Firstly, provincial governments and liquor boards appear to be so embarrassed by the current law that they are making bizarre distinctions between the personal transport of wine and its shipment, when there is no basis in the relevant laws for those distinctions.

Secondly, provincial governments, such as Ontario, are trying to override the federal law using policy announcements, which in my opinion is untenable.

Thirdly, there are conflicts now between federal and provincial law, such as in Alberta, which produce unfair levels of uncertainty for both consumers and wineries.

The third issue that I was going to deal with is the likely effect on provincial liquor revenues if the amendments proposed by C-311 were adopted. I'm just going to say that I completely agree with the earlier comments of Shirley-Ann George on that issue.

My final point is that if amendments to the bill are possible, I think that the House should consider adding a definition of a minimum reasonable amount for personal consumption into the exemption. As it's currently worded, the bill leaves those definitions to the provinces. If that happens, that will likely result in a patchwork quilt system of regulation, like the United States currently has, or as Shirley-Ann said earlier, it may result in very little change at all to the current situation.

If we had a national minimum standard, then wineries could ship to that standard without any additional regulatory burdens. Provinces would be free to legislate their own choices above those minimum standards. Such a system, if it was put into place, would be better than the American system and would be much closer to what is in place in the rest of the world, such as in France, as Mr. Bosc mentioned earlier.

Those are my comments for now. I'd be happy to answer your questions.

Thanks.

● (1600)

The Chair: Thank you very much for your presentation.

We'll now go to members' questions.

[*Translation*]

Let's start with you, Mr. Mai. Go ahead, please.

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

My thanks to the witnesses for appearing today. Thank you for your submissions and your presentations.

We have to respect what exists today, namely a structure that allows the provinces to exercise some control. But then we have wine producers and consumers. We must find a balance.

Mr. Hicken and Mrs. George, you made the same argument as the Canadian Vintners Association. The amendments you are proposing would result in the federal government becoming more involved and giving more direction to the provinces. But the thinking is for the federal government to get out of this program and let the provinces run with it.

Mr. Hicken and Mrs. George, do you think that, by using the term “reasonable”, you are imposing conditions on the provinces that, according to them and to the Constitution, are actually theirs?

[*English*]

Mr. Mark Hicken: That's exclusively in the area of federal jurisdiction. The matter of interprovincial trade is exclusively an area of federal jurisdiction, so I don't see any interference with the provinces' jurisdiction on that issue. The federal government is free to legislate as it wants on that issue and in fact, the history of the Importation of Intoxicating Liquors Act is that the provinces asked the federal government to introduce the original IILA in 1928 because they did not have the power to regulate interprovincial trade. So if the federal government chooses to put a particular standard in there, it is certainly free to do so, in my legal opinion.

The Chair: I'm sorry, Mr. Hicken, we're getting feedback. We need some distance between you and your mike.

Mr. Mark Hicken: I'm sorry.

M. Hoang Mai: Maybe the question is now more in terms of balancing for the consumers. Can you tell us what the consumers want in terms of why this bill is good for them?

Ms. Shirley-Ann George: Thank you for the question.

This is something where consumers literally don't understand why the law exists. The comments I get.... Even in an interview that I did today, neither one of the folks who were on CTV News even knew that the law existed.

We have studies that show that over 75% of Canadians believe the law should change and almost an equal number admit that they have, in fact, transported wine or had wine delivered to them. So it's a law that isn't being adhered to today, and it is a law that Canadians do not support. The way that we have crafted our request, it is not a large financial imposition on the provinces at all. In fact, it is very small. So we have tried very hard to find the balance that you think is so necessary.

With our recommendation of adding the word “reasonable”, that does not force the provinces to set a specific amount, although that would be ideal. We believe, again, that we've tried to find the proper balance. “Reasonable” just encourages the provinces and the territories to review the amount that they set and to be able to justify that it is, in fact, reasonable. We believe this will be enough to encourage the provinces to set a limit that is more than something silly like two bottles of wine a year.

Mr. Hoang Mai: Another question I have is regarding grape growers. From the production side, do you feel that by opening the market and the fact that we are sort of opening it to blending—where you have competition from imported wine going through the provinces—do you feel that's an issue for Canadian grape growers?

● (1605)

Ms. Debbie Zimmerman: I want to make it clear, first and foremost, to assure the committee today, that we support the bill. What we've asked specifically to be added to the bill is that if this bill is amended, that it only be amended to allow for 100% Canadian-made wine. I recognize that may be a WTO challenge, but I've been assured—if you read the comments from the last hearing, and you were here—that in fact everybody is saying it won't be a challenge and we don't need to worry about it. Well, if we don't need to worry about it, why not add it to ensure that it happens?

That is our request. We do support the bill. We have over 600 members. We manage 15,000 acres of grapes and we do support the bill from that perspective. We're just raising that issue and saying we don't want to increase the competition of imported product. In Ontario today, as has been stated by the WCO, we have three-quarters of our marketplace that's owned by the importers. If we give up any more market share, we're not going to be successful in the province of Ontario.

The Chair: Thank you.

We'll go to Mr. Cannan, please.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thank you to all the witnesses who have been here today.

It's been a journey that many of us embarked on and I want to thank Shirley-Ann for starting Free My Grapes. I don't think you ever envisioned this after retiring from the Canadian chamber, that you'd be on this labour of love. I thank you for volunteering your time for the last several years and working with my legislative assistant, Lynne Nicolson and setting the ground work. I join with Dean Allison and my colleague Dan Albas, who is a sponsor of this bill, and all members of the House who appreciate all the efforts of the local, provincial wine institutes as well as the Canadian Vintners Association.

So I would ask Ms. George this, first of all. You mentioned the impact of “reasonable”. Why is that so important as an amendment?

Ms. Shirley-Ann George: As I stated, we have evidence from the actions that have been taken to date by the liquor boards that they're unwilling to make the needed changes. So in the way it's worded now a province could literally set the limit at zero or at a thimbleful, and that would meet the requirements of Bill C-311. If the word “reasonable” was added, then the provinces would be forced to ask themselves the question and be able to defend why an amount is reasonable. They could still set a limit that we might feel is too low, but we feel that it is more likely that they will set a limit that they can defend to the public, which is very much in support of this change.

Mr. Ron Cannan: Thank you.

Mr. Hicken, I well appreciate your articles in support of work with Terry David Mulligan over the years, and I appreciate his passion for the bill.

I have two questions. What is your definition of minimum reasonable amount? Could you speak to Ms. Zimmerman's request about having 100% Canadian wine?

Mr. Mark Hicken: On the minimum reasonable amount, you can look to the United States. That's open to debate obviously. My personal definition would be one or two cases per month per person. That would be my personal definition. That's probably a legal issue you need to discuss in greater detail. But I think it's very important, as Shirley-Ann said, to add that to the bill because I think the history has been that the liquor boards are not particularly receptive to the changes that are needed.

If you look to the experience in the United States on the same issue, there have been a lot of attempts by individual states to seriously limit the ability of wineries to ship into a state, by imposing very strange low limits or other requirements that are difficult for wineries to satisfy. I guess that's my answer to the first question.

On the second question, it's my opinion that the amendments to the bill, as they are currently written, or the amendments that include “reasonable” would be trade agreement compliant. With great respect to the passion exhibited by Ms. Zimmerman, I do not think you could make the bill apply solely to 100% Canadian wine. I do not think that would be trade agreement compliant. I think that would be a clear violation of GATT and NAFTA. You'd have some serious problems with trade agreement compliance if that were done.

● (1610)

Mr. Ron Cannan: Having been a member of the International Trade Committee for the last six years, that would be my understanding as well.

Mr. Prodan, coming from British Columbia, I appreciate you coming out here, and also Josie Tyabji, you presented to the red tape reduction committee that my colleague Ms. McLeod hosted in Kamloops.

Maybe you could just elaborate on the impact this private member’s bill would have on the small vintners, not only in British Columbia but across Canada, those that are producing 3,000 or 4,000 cases and cannot supply to the liquor boards today.

Mr. Miles Prodan: Thank you.

Absolutely. I think, as my colleagues have said, we're a small producing region and a small producing country. The tourism aspect of this industry is critically important and there's a lot of value added there.

The fact is that in B.C., the liquor control board is very supportive of our registry, and so are other liquor control boards across Canada. The fact is, though, that with the small amounts we produce, it just is not reasonable for any of those small producing wineries, which make up the bulk of wineries, to sustain the allotment required to go into those liquor control stores. It's just not a viable way to grow their businesses.

If we want to grow, and we do, it's important that we have access to the customer. Direct-to-consumer is the only feasible and practical way to do so.

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

Mr. Regan, you have five minutes.

Hon. Geoff Regan (Halifax West, Lib.): Thank you very much, Mr. Chairman.

I'd like to ask if any of the witnesses have a different position or perhaps some legal advice, from what Mr. Hicken has indicated. In relation to the clause on the importation of 100% Canadian wine and limiting this bill to 100% Canadian wine, does anybody else have a view on that? Mr. Hicken's view is that it would not be trade compliant, and you'd be challenged at WTO. Do others have a different view, and do you have a legal opinion to that effect?

The Chair: Mr. Bosc, go ahead.

Mr. Paul-André Bosc: I'm a wine producer, not a lawyer, but I am interested in a bill that is trade compliant. If that has to permit some imported wine to be traded, so be it. If that means blended wines, so-called ICB wines, or international-Canadian blends, are traded, so be it.

The fact is that the overwhelming majority of wine trading in this channel in the U.S. is premium and super-premium authentic wine. This is tourist-generated. Commercial ICB wines are available in any liquor store in the country. Go down to your corner liquor store and buy it. Why would you pay an extra $3 to $5 a bottle to ship it from the other side of the country? It's not an effective distribution channel. But for wines that are hard to find, that are premium, that are made by small family businesses having limited distribution across the country, this could potentially be a very important channel for those types of businesses.

We know that is the case in Europe and the United States, among other countries. Our colleagues tell us that this is a really important aspect of their business.

Hon. Geoff Regan: That is the case, so to speak. The case? Never mind.

Ms. Zimmerman.

Ms. Debbie Zimmerman: Thank you. I think we're here today because we felt it was important to raise this issue. Obviously we're a Canadian-grown industry. What's important for us is that we continue to have that opportunity to grow in our own marketplace.

The reason I raised the concern, and I think it's a very valid question, is that we don't want to see someone in Ontario who thinks they can order their fine wines from Europe from an LCBO in Alberta, and starting to eat into our marketplace.

That is our concern. That's one of the reasons we raised it today. If there were a way in which this bill could have been crafted—obviously we're sitting in the House of Commons in Ottawa, in Canada—to include 100% Canadian-grown grapes, we would have liked to have seen that consideration.

Those are the things we felt we needed to raise for our future issues. It is important, and if we could have prevented that we would have liked to see that in the bill. We've raised it a number of times.

● (1615)

Hon. Geoff Regan: To help me understand the economic impact the bill might have on wine producers in various provinces, can you tell me what we're talking about here? I would think in most cases where wine is purchased in one province and brought to another, you are talking about a case, but you aren't talking about a hundred cases.

What can you tell us about the economic impact? Can you put a dollar value on it?

Ms. Debbie Zimmerman: I can defer to my wine partners on either side of me, but I would say we don't anticipate that this is going to be a massive amount of wine. This will be particular to each province.

Hon. Geoff Regan: I see that Ms. Dawson is anxious to answer.

Ms. Hillary Dawson: Yes. We recently finished a study in Ontario on the economic impact of the sale of VQA wines, and we looked at their impact on the economy over and above taxation. For every litre of VQA wine that is sold in Ontario, it's $12.29 in added economic value for both the province and the country. From our perspective the net-plus side of each and every sale far outweighs any downside that any of the liquor boards could forecast.

If you think about it, certainly in our province, in B.C., and Nova Scotia for sure, these industries aren't just wine stores. They're tourism. They're agriculture. They're manufacturing. They're all the things. There are all these elements built into rural economies across this country.

I think the impact would be significant.

Hon. Geoff Regan: Thank you.

Ms. George.

The Chair: Very briefly.

Ms. Shirley-Ann George: Very briefly, the questions that have been raised by Ms. Zimmerman are absolutely legitimate questions that we would expect small businesses to ask. However, we do have U.S. experience to draw on.

I'll read a quote to you:

> Many U.S. states have opened their borders, and in no case have they seen a decline in sales because of that.

Experience has shown that while there may be some increases in other wines, Canadian wines will in fact benefit.

The Chair: Thank you.

Thank you, Mr. Regan. We'll go to Mr. Allison.

Mr. Dean Allison (Niagara West—Glanbrook, CPC): Thank you. I'd like to thank my colleagues for letting me substitute in to talk about this very important issue.

Because I don't have a lot of time, I'm going to go to Ms. Dawson and Ms. Zimmerman. I'm glad we touched back on value-add. I know that Mr. Prodan talked about it. I think we need to emphasize what value-add VQA wines do for the wineries and the local economies.

Can you comment on that again, Ms. Dawson? I don't think that can be underscored enough.

Ms. Hillary Dawson: I try to stress how diverse an industry the wine industry is. I know in your community, say, in the town of Lincoln, wineries are the biggest industrial taxpayers in that community. They're very significant and they're there to stay.

People have tens of millions of dollars of investments in capital and manufacturing in those communities. We need to create a commercial environment for them to be able to grow and to service a very discerning customer. They're very frustrated that they're one of the very few channels where people cannot do what they do normally, which is to shop direct, call from home, go on the Internet, and carry on these very modern commercial relationships.

It's frustrating. The investments are there. The ability to grow is there. The demand from the customer is there. We're just trying to maximize on those opportunities to the benefit of Ontario and Canada.

Mr. Dean Allison: One of the things I find challenging is access to market. In talking to multiple winery owners, it's not like this is going to be a crazy.... I think your stats were 1% in the States.

What do you anticipate in Canada? Will it be a similar hit? Is it still going to be a very small percentage?

Ms. Hillary Dawson: Absolutely.

Ms. Debbie Zimmerman: Absolutely.

Mr. Dean Allison: Okay. Mr. Bosc, and then I'll come back to you because I have another question.

Mr. Bosc, did you have a comment?

Mr. Paul-André Bosc: Even if it is 2% of the total wine market in Canada, in my opinion the overwhelming majority of the trade is going to be 100% Canadian VQA premium and super-premium wine. On a national market share basis, the wines I just described have 6% of the national market. If 2% of the national market accrues to VQA, it's a significant impact on premium small producers, but on the broad national market it will only be up to 2%.

We were also talking about a reasonable limit. Not too long ago we had a pretty wealthy Hong Kong businessman, I assume, who ordered 20 cases of icewine in the boutique, at $18,000. Through what is called “a personal exemption”, all he had to do was satisfy the authorities back in Hong Kong that his intent was for personal use.

I understand that he did that because the wine got through. That transaction, which unfortunately is fairly rare—we don't see enough of them—generated more than $3,000 in retail taxes for the Province of Ontario and the federal government. It's extremely frustrating—and not only to Canadian wine producers—that we can do a transaction like that with a fellow in Hong Kong, but we can't do a transaction like that with a fellow Canadian.

I wear another hat in this industry. I'm the chairman of the Canadian Vintners Association, and I've talked to wine producers across the country on this issue—big guys, medium guys, and little guys. I have yet to run into a winery principal who doesn't feel that this needs to be addressed. In such a diverse national industry, it's hard to find that kind of unanimity of opinion on anything, and on this one we have it.

● (1620)

Mr. Dean Allison: Thank you. I apologize. There is not a lot of time and I want to get Ms. Zimmerman in.

You were talking about VQA and what it adds in terms of value. I know there's not a lot of capacity in B.C. I mean, all the grapes go to VQAs, as I understand it.

Talk to my colleagues a bit about Ontario. There's still more capacity. Could you talk about it?

Ms. Debbie Zimmerman: Dean, I think you're well aware that the last time we had a serious oversupply in the province of Ontario was 2008, and we dropped 8,000 tonnes of grapes on the ground.

What we're trying to suggest today with the bill is that by going to 100% Canadian, we don't ever want to do that again. I think the reason we may be overcautious, and some may suggest we're a little sensitive, is that a number of vineyards we currently have obviously can't afford to go back to where we were in 2008. We can only look forward.

So yes, use their capacity and we don't want that capacity eaten into by the imports coming into Canada or into the province of Ontario. But I think, as both my colleagues have said, with the growth in our industry the opportunity is there. So with good caution we support this bill.

The Chair: Thank you, Mr. Allison.

[*Translation*]

Mr. Giguère, you have five minutes, please.

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

My thanks to all the witnesses; my congratulations for having developed such a flourishing industry.

There is a problem, as I see it. It is not so much your industry as protecting your industry against international markets. My first question, given the complete lack of harmonized rules, is this.

Would you be opposed to the idea of a transition period that would allow provincial governments to harmonize their rules on what a reasonable quantity is?

The Chair: Go ahead, Mr. Bosc.

Mr. Paul-André Bosc: In principle, yes.

Mr. Alain Giguère: You agree with the idea of giving provincial authorities the time to harmonize their regulations as to the definition of a reasonable quantity.

Mr. Paul-André Bosc: It must also be done in a reasonable time.

Mr. Alain Giguère: Let's say less than 18 months.

Mr. Paul-André Bosc: You never know with the government. If it is going to take 10, 15 or 20 years, we do not have the time. But, in principle, I would agree with something up to 18 months.

[*English*]

Mr. Mark Hicken: I think we've waited 80 years for the provinces to agree on reasonable limits and there's been no progress at all. I don't put much faith in the provinces coming to any agreement within any kind of reasonable time on that issue.

Ms. Hillary Dawson: I think the provinces have been discussing this when they meet at the Canadian Association of Liquor Jurisdictions. So I think they've had an opportunity to discuss this and to see if they can come to terms, and if what we've seen reflected in their policy is any indication, I don't think harmonization has been their goal. I would like to see things move along quickly.

Ms. Debbie Zimmerman: I just wanted to add that the presentation by CALJ was here last week, so that would have been a perfect opportunity to get their opinion on it. I'm not sure whether that question was asked of them but it might be a good question to ask them.

Mr. Miles Prodan: I would agree with my colleagues. I think that trying to get harmony across the provinces is the great Canadian tradition, so I think there's been plenty of time to do that. As Mr. Hicken says, it's been 80 years, so I think now's the time to put our best foot forward.

● (1625)

Ms. Shirley-Ann George: I think it's a wonderful idea that has no practical ability to be successful.

[*Translation*]

The Chair: Two minutes, Mr. Giguère.

Mr. Alain Giguère: Fine, thank you very much.

Free trade is governed by a number of rules, including the mechanism called national treatment. If, under the national treatment rule, we provide an advantage to a Canadian producer, do you think that your members will have to provide foreign competitors with the same advantages? That is a big deal. I am thinking essentially about large quantities of very high-quality wine being imported from France or Italy. Have you considered the national treatment mechanism as a problem?

[*English*]

Mr. Mark Hicken: I'm sorry, I don't quite understand the question.

The Chair: Okay, Ms. George would like to take it and then we'll have....

Ms. Shirley-Ann George: The national treatment is a fundamental principle of international trade agreements, and we're wise to make sure we adhere to the principle. The way the bill is worded right now, I believe it does meet that principle. And to address some of your concerns, using information that's available on the LCBO website, if you were to order a case of wine from Australia through the LCBO, they would charge $300 to ship that case of wine to Canada. I think the reality is that, while it would be available, it's highly unlikely that very many Canadians would be lining up to add $300 to their case of wine.

The Chair: You have about 30 seconds, Mr. Giguère.

[*Translation*]

Mr. Alain Giguère: The Canadian market is hugely dependent on imports. Do you not get the unpleasant impression that opening this door nationally would also open a door to the entire international production, given that we really are giving an advantage to Canadian producers?

[*English*]

The Chair: Unfortunately, we have time for about one comment. Who would like to comment? We'll take Ms. Zimmerman and Mr. Hicken, very quickly, please.

Ms. Debbie Zimmerman: I think we've raised some of the concerns about opening up the Importation of Intoxicating Liquors Act. Obviously, there has to be some careful scrutiny about that, and we've raised the concern about imports in our marketplace. It's already being done in Quebec right now, so we've raised the concerns, but I think it can be addressed appropriately through the bill.

The Chair: Thank you.

Mr. Hicken, briefly.

Mr. Mark Hicken: The one comment I would make on that is that this bill does not affect and will not affect the situation at the international border. Any imported wine will still come in exactly the way it does today. The only difference would be that there would be some ability for consumers to move wine back and forth between provinces. So I think the effect would be extremely minimal. As Shirley-Ann and others have said, it's likely to get half a per cent.

The Chair: Thank you.

We'll move on to Ms. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair, and I also would like to thank the witnesses. As you can see, we have many extras on our side of the bench just because they have such enthusiasm for seeing this move forward.

First I want to quickly remember and clarify. In Canada, what is the percentage of the consumption of international bottles versus our domestic product?

Mr. Paul-André Bosc: About 17% of the national market is imported.

Mrs. Cathy McLeod: Thank you.

I want to go back to where Dean was going in terms of the capacity. I think we heard from Ms. George that there wasn't a lot of change in terms of revenue to the provinces, so you have to assume that a few things were happening. Were people drinking more wine, were they drinking less international wine? In practice, what do you think would happen if this bill comes into place? Are you thinking there's not going to be an impact in terms of provincial sales, or a very modest impact?

Ms. Shirley-Ann George: The potential exists for Canadian wine consumption to increase. Paul and Mark might have better data on that than I do. But we expect that the pie will grow bigger.

● (1630)

Mr. Mark Hicken: Certainly, as Paul said, the experience in the United States has been that the main effect is on the premium and ultra-premium sector of the marketplace. I think there would be definite growth in that segment of the market for the Canadian wineries.

Mrs. Cathy McLeod: If there's going to be growth, does that mean that some of those wineries will be increasing capacity? We heard that a few years ago there was an issue of grapes not getting utilized. Do we have a lot of product or some product currently having a struggle getting to the market?

Ms. Debbie Zimmerman: We certainly have the capacity, from the grapes perspective. Hillary can comment on the wine. We have the capacity. As I've outlined, one of our concerns is obviously a bill that would open up the opportunity for more import wines. We don't even own our own market share right now in the province of Ontario. Three-quarters of our marketplace is owned by imports. So there is opportunity for growth.

One of the cautions, again, is that the bill does not address 100% Canadian grapes.

Ms. Hillary Dawson: I think the important thing to understand is that, certainly in Ontario, when we're building our premium brands, they are sold primarily, right now, at your cellar door or through the Ontario Liquor Board through Vintages.

They release so few SKUs of Ontario VQA wine every year, under 200, and that's across 130 commercial wineries. If you think of 130 commercial wineries and you have five or six or ten SKUs competing in the Vintages market, there's a lot left out there.

You could appear in Vintages one year and not be in for the next two years. But your vineyards are still producing and the premium wine is still there. That's why we're always out there trying to seek new markets for this wine so that we have a more consistent ability to sell it, because we're making it every year.

Mr. Miles Prodan: I could speak to B.C. We're in a very similar situation with our VQA-producing wineries. We're fortunate that the great majority being produced is being consumed. Yet we still have only 19% of that market in B.C. So there is lots of room for growth for us there.

We're seeing that start to cap out. It is starting to plateau, yet more grapes are being planted, so we're going to see more product coming on stream.

It's about opening up the market. We talk about export markets and looking over to China and Asia, but really, the export market for us in B.C. is Alberta and Saskatchewan and Manitoba. That's really where we want to be able to grow to.

The similar limitation, as Hillary expressed, is with the liquor control boards in those provinces. They just have restricted shelf space. They don't physically have the room to carry the product, whether it's from Ontario or B.C.

The Chair: You have about 30 seconds.

Mrs. Cathy McLeod: I guess it's fair to say that this particular bill will probably work to enhance production and market share. That's the general thinking from the best expert advice.

Thank you.

The Chair: Thank you, Ms. McLeod.

We'll go to Ms. Sims, please.

Ms. Jinny Jogindera Sims (Newton—North Delta, NDP): Thank you very much.

First of all, I want to say that over the last 30 years, I've been impressed by the growth of our winemaking industry, specifically in B.C. The quality of wine coming out is truly amazing and I would say very competitive in the international market. You are hearing from a person who is not a great connoisseur, but I have found quite a few of what I call my favourite B.C. wines.

The question I have has more to do with the Agreement on Internal Trade, the AIT. Are there remedies under the AIT for wine producers whose products encounter barriers within Canada?

Mr. Mark Hicken: I am not an expert on that particular agreement, but I believe that it excludes the alcohol market completely. I think there's an exception in that agreement for access to alcohol markets in the other provinces. Unfortunately, I don't think that agreement solves the problem.

Ms. Jinny Jogindera Sims: It's been a few years since I read that agreement. Maybe it has been a year and a bit. I did read it thoroughly at the time. But I must admit that I was paying more attention to the education factor than to the impact on wine. Thank you for that answer.

Does anybody have any more information on that? Obviously it is not your bedtime reading either, which is always good to know, right?

Here's another question. How would Bill C-31 benefit provinces or territories in which, at present, wine grapes are not grown and/or wine is not produced?

● (1635)

Ms. Shirley-Ann George: If I can just clarify a point, wine is actually produced in every province. It might not be grape wine, but I've had communications with a winery in Newfoundland that was producing a wine from a local fruit there. There is a potential for growth with saskatoon berry wine and every other type of wine, including grape wine, in the country.

Ms. Jinny Jogindera Sims: Did you want to answer, Debbie?

Ms. Debbie Zimmerman: Certainly. You were asking about the impact that it would have. As Hillary has identified, our future is in the growth of VQA, or 100% Canadian wine, obviously because of the direct economic impact.

If we can balance out what is Canadian versus what may be imported, there will be growth. It's not going to be significant, but it is getting consumers access to a product that is Canadian, we hope, for the majority. There will be some growth opportunities between provinces, there is no doubt about that.

On the other side, the liquor boards can maybe come up with their own analysis of what they may lose in terms of tax benefits. We think the economic opportunities are there, as long as they are going to outweigh the number of imports that may potentially take advantage of the bill.

Ms. Jinny Jogindera Sims: Thank you very much.

Sorry?

The Chair: Mr. Bosc did want to respond.

Ms. Jinny Jogindera Sims: I'm sorry. I didn't notice.

Mr. Paul-André Bosc: Consumers in non-grape wine producing provinces and that jurisdiction would benefit from helping to build a national wine industry that all Canadians could be proud of. Americans are proud of their wine industry; the French are proud of theirs.

If national pride isn't a good enough reason to do it, I would suggest another. If I go down to Rue Saint-Denis in Montreal, get myself a nice sports jacket, pay for the jacket, and leave revenue and taxes in Quebec, how has Ontario benefitted from that transaction? If you applied that logic, you could shut down the tourism industry in this country. You couldn't travel through this country and not leave some money where you were visiting. Wine is no different.

The Chair: You have about 30 seconds.

Ms. Jinny Jogindera Sims: As you can see, none of us around this table want to shut down the tourism or wine industries for obvious reasons, because we all participate.

Do I have time?

The Chair: Yes.

Ms. Jinny Jogindera Sims: I'll ask a very quick question. What general changes would be required to provincial legislation to allow wineries to sell and deliver their wine to an individual located in another province?

The Chair: We'll have just Mr. Hicken please.

Mr. Mark Hicken: Sure. It depends on the province. Some of the provinces have restricted provisions right now. As I mentioned earlier, Alberta's provincial laws right now say that a consumer in Alberta can import wine from another province. But there is a debate about whether they actually can do that or not, because the federal law contradicts that.

The Chair: Mr. Hicken, please answer just very briefly.

Mr. Mark Hicken: Sure. It varies from province to province. Some provinces need do nothing. Some provinces would have to do something, and change their existing laws.

Ms. Jinny Jogindera Sims: Thank you very much.

The Chair: Thank you, Ms. Sims.

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

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thanks to all of you for attending.

Ms. George, it's good to see you in another capacity and using your talents in a worthwhile endeavour.

I come from the most southerly part of Canada. If anybody doesn't know where that is, that's Point Pelee, of course, and in that area we have a number of wineries. Now, they're not all in the riding that I represent, but we have Smith & Wilson. I see everybody nodding their heads. It has some pretty good wines.

I'm not a wine connoisseur, but I think I'm a typical Canadian who takes a glass of wine and says either “ugh” or “gee, this is really good”. That really is the market we're trying to sell to. Would you all agree?

Voices: Oh, oh!

Mr. Dave Van Kesteren: It would be great if we all knew exactly the textures and all the other stuff that people talk about when they drink wine, but for the most part, most of us just want to enjoy something that tastes good.

There was a question I asked last week—I believe it was last week —when we had witnesses on this bill. I started out first of all with a statement saying that I was in Costco, and I think Ms. Zimmerman or somebody mentioned Costco. I'm telling you that Costco in the States had a better wine selection than the LCBO. Of course, that's in Ontario, and I can't speak for the rest of the provinces, but it was profound.

As we talk about this issue—and Ms. Zimmerman, you mentioned that you're somewhat protective of the grape growers and I'm not asking you a question at this point—I'd hate to see us get bogged down with that being the focal point. I would like to see our wine industry grow to the point where we would do basically what they're doing in the States. I know that we don't have their population, but we are, as I always tell people in our area, a day's drive from 200 million people, so we have this huge opportunity.

Maybe I could just go down the line very quickly and ask you if we are moving in that direction, because I have tasted some really good wines in this country. We had a display of Nova Scotia wines, for instance, and they were outstanding. I know that our wines are good. The B.C. guys will tell you theirs are, and Dean even seems to think that his wines are better than ours, so we know we really have some good wines. But will this move us in that direction, where we can really start to expand and get away from this trap that I think we get ourselves into as Canadians, in that we want to protect what we have rather than exploit what we have?

Ms. George, I'll start with you. What do you think?

● (1640)

Ms. Shirley-Ann George: Very briefly, this bill will allow small wineries to be more economically viable. That is the foundation for growth. It will encourage more businesses and encourage more people to get into the winery business, to grow grapes or to produce wines. In order to get the big guys that can sell internationally, you need to have a lot of little guys, so this bill is a step in that direction.

Mr. Miles Prodan: I would agree. Clearly, the answer would be yes. That's what we in B.C. see as the opportunity in this bill. It's access to market and access to consumers, and that being here at home in Canada.

Mr. Paul-André Bosc: The Canadian wine industry already exports its wine to the tune of more than $20 million a year, and this figure—

Mr. Dave Van Kesteren: Can I interrupt just for a second and ask you something? Because we talked about—

The Chair: You have about a minute.

Mr. Dave Van Kesteren: Very quickly, if somebody said that 70% of the wine we sell is foreign—

Mr. Paul-André Bosc: Right.

Mr. Dave Van Kesteren: —do we export as much?

Mr. Paul-André Bosc: No. We import well over a billion dollars into this country—

Mr. Dave Van Kesteren: But do our exports make up for that import?

Mr. Paul-André Bosc: No, not even close.

Mr. Dave Van Kesteren: All right.

Mr. Paul-André Bosc: It's a small industry, but we're going to be more powerful exporters if we're stronger in our domestic market. There is no exception to that in the wine world. The powerful exporting countries are very strong in their domestic markets.

While it's not an immediate intent, it will be a by-product of this initiative down the road. If we're stronger at home, we're going to be stronger export players. There's no doubt about it.

Ms. Debbie Zimmerman: If this bill accomplishes what you've said, then it's accomplished what we want to see in the bill, which is that the Canadian market grows.

Ms. Hillary Dawson: Also, it's complementary. Not only are our wineries trying to sell directly to the consumer, but we are trying to build that profile across Canada in liquor boards. It's a matter of capacity and how able you are in doing business with a liquor board versus doing piecemeal business with consumers.

The Chair: Okay. Thank you.

Ms. Hillary Dawson: Also, they mesh well. One grows the other, just like in Ontario. Wineries grow liquor boards grow wineries grow liquor boards....

The Chair: Thank you.

I'm just trying to be fair to members in terms of their time; sorry.

I'll go now to Monsieur Caron, *s'il vous plaît*.

[*Translation*]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much, Mr. Chair.

My first question is for Mr. Hicken. Thank you very much for joining us. As an economist, I am very interested in the question of incentives being the illogical result of legislation. I was not here for the first part of the discussion, but I would like to hear your opinion as a lawyer.

Could legislation like this actually open the door to a new import industry that could make its money by importing products from areas with the lowest financial standards in order to subsequently distribute those products in the other provinces?

● (1645)

[*English*]

Mr. Mark Hicken: Generally the answer is no, because the realities of the retail wine market, particularly for this direct-to-consumer channel, are that, first of all, consumers only buy wine for immediate consumption. More than 90% of wine in North America is consumed within 48 hours of purchase. If you look at the retail wine market, too, in British Columbia about 97% of the volume of wine is under $25 a bottle. The reality is that the direct-to-consumer channel will only apply to premium to ultra-premium wines.

So even with respect to imports, you're not really going to see any difference unless prices are hugely different across the country. I mean, nowhere in Canada can you buy wine as cheaply as you can at Costco in the United States. It's just not the reality in Canada.

So I don't really see any significant economic impact, because no jurisdiction in Canada has prices that are significantly lower.

[*Translation*]

Mr. Guy Caron: Yet it is quite a major concern to the extent that Ms. Zimmerman is talking about including provisions that require the grapes to be 100% Canadian.

[*English*]

Mr. Mark Hicken: Yes, absolutely it's a concern, and it's a very legitimate concern. But if you look at the experience in the United States, this particular channel, the direct-to-consumer channel, applies only to more expensive wines, so I do not see any danger in....

As I think somebody already mentioned, the reality is that for the blended wines that sell for whatever it is—$8 or $9 a bottle—in a liquor store, a consumer will not pay $3 or $4 per bottle to have that wine shipped across the country. They'll just go to the store that's near them.

[*Translation*]

Mr. Guy Caron: I understand that and I understand that we are talking about high-quality and premium wines. But, in a given jurisdiction, is it possible at the moment to buy a bottle…? I know that Mrs. George mentioned Australia, whose wines are expensive to import, but there are closer places, like California and even Europe, whose wines might be cheaper to import privately, outside the various regulations.

What I am really asking is whether there is anywhere in Canada where you can buy bottles for $80 and resell them for $120 and make enough profit to break even in what we might call a new wine speculation industry.

[*English*]

Mr. Mark Hicken: The only effect will be if a price was so different from one province to another that it completely overcame the cost of shipping and also the risks and delays of shipping.

I know that already there are B.C. wine consumers who purchase wine in Alberta. They do so illegally right now, and presumably they could do so legally if this bill passed, but the reality is that the price difference would have to be huge for that to have any kind of significant effect. The price differences within Canada are not huge. The price differences from one province to another are not very substantial.

[*Translation*]

Mr. Guy Caron: What is your opinion on the matter, Ms. Zimmerman? We talked about national treatment and the problems that could arise with legislation like this or amendments to the act. You said that you were in agreement with the legislation, but we should come to grips with the question of the actual origin of the grapes, meaning that we should have only wine that is 100% Canadian.

Do you not think that, if an amendment like that is proposed and passed, it will frankly be difficult to be able to change the direction in which the legislation leads?

[*English*]

The Chair: You have 30 seconds for a response.

Ms. Debbie Zimmerman: Thank you.

We could say that there could be potential unintended consequences. However, we have stressed that we would like to see this bill apply only to Canadian. We've heard about the limitations on that because of the WTO issues, and we've been cautioned by our trade specialists, who are raising some issues with us as well. But I'm not a trade specialist. I can only say that we intended to raise the issue today, saying we support the bill. However, as grape growers in Ontario, we don't want our marketplace affected by imports. If it's only the premium brands, that would be great, because then we wouldn't just be shipping a massive amount of imports across the provinces.

I don't know how you control that. It will be up to the trade individuals.

The Chair: *Merci*.

As chair, I'm going to take the next round. I do want to try to address in my five minutes the two issues of "reasonable" and 100% Canadian grapes.

On "reasonable", the question is for Ms. George.

As you know, we've worked together for many years on many different issues. I have a tremendous amount of respect for you and for your organization. I sympathize with the intent of your amendment in terms of not allowing the provinces to restrict interprovincial trade or the interprovincial movement of wine.

My concern is the same as that of Mr. Albas, though, which is that liquor distribution is a provincial responsibility. It is so under the Constitution, and as the federal government, we have to recognize that. What is your response to that?

● (1650)

Ms. Shirley-Ann George: Yes. The addition of the word "reasonable" would not remove their ability to set the quantity, so that concern doesn't exist.

Also, on "reasonable", Mr. Hicken could respond to this—

The Chair: But if they can set the quantity with "reasonable", then why make the change by adding the word "reasonable"?

Ms. Shirley-Ann George: Because it will force them to actually question their current amount and hopefully increase the amount that exists. If they will have to defend.... The potential exists for them to have to defend what "reasonable" is.

The Chair: For instance, if the change were made and Alberta put in restrictions, the Alberta government would have to defend that to me as a citizen of Alberta—if Bill C-311 were passed as currently written.

Ms. Shirley-Ann George: Mr. Hicken can talk to the point that there is precedent for the word "reasonable" in law. For example, Europe has that in its own wine law. This is something that exists and can be dealt with.

The Chair: Mr. Hicken, you have 30 seconds on this.

Mr. Mark Hicken: Sure. I think it's a valuable addition to the bill. Because if it's not there, then conceivably you could have a province that sets the limit at two bottles per person, or even per year. You could end up with an unreasonably small limit.

The Chair: Okay, but let me ask this specifically, because Ms. George said that the province can still set a limit. With "reasonable", if the amendment is passed, can a province set a limit or not?

Mr. Mark Hicken: The way it's written right now, it just says that the provinces will set a limit—

The Chair: I understand that.

Mr. Mark Hicken: We're asking for that limit to be defined to be a reasonable limit.

The Chair: Okay. I'm asking a very specific question. If you add "reasonable", can the province still set a limit?

Mr. Mark Hicken: Sure, but they then have to be able to defend it, because legally the limit has to be a “reasonable” amount for personal consumption. If they set the limit at two bottles per person, then theoretically somebody could go to court and say that it's not a reasonable limit for personal consumption if they've set it at two bottles.

The Chair: So instead of me as a citizen of Alberta pressuring my government, if you had “reasonable” there, the expectation is that you would sort it out through the court system.

Mr. Mark Hicken: Well, hopefully you wouldn't have to sort it out through the court system, because it's then in the law, and hopefully the province would act responsibly and actually set a reasonable limit, not something that is unreasonable.

The Chair: A reasonable limit as defined by the province.

Mr. Mark Hicken: Well, then at least you have to be able to defend it. Legally, there's a difference between saying there's a reasonable limit and just setting a limit. A limit could be an unreasonable limit.

The Chair: Okay. I'm going to move on to the issue of 100% Canadian grapes.

Ms. Zimmerman, I'd like to hear from you and Mr. Hicken on this issue. We had testimony at our last session saying that if this were adopted we would have trade challenges presented to Canada. Now, you clearly disagree with that, so I wanted to get you on the record in response to what was said at our last session. I'd like to get Mr. Hicken's response as well.

Ms. Debbie Zimmerman: Again, I'm not a trade specialist. We've been given advice on it saying that our position is clear. We would have liked to see the bill address 100% Canadian. We feel that would have been fair.

We are raising the issue and are on the record that if there are potential issues in the future and we have issues related to the fact that we cannot move our grapes for whatever reason.... And if the intoxicating liquors act is opened up and is previewed for other issues and they cause concern for our industry—because this is not the only issue and there may be others—obviously we wanted to be on the record today to say that. That's why we're here.

The Chair: Okay. Thank you.

Mr. Hicken, you have 30 seconds on this.

Mr. Mark Hicken: I think the bill as currently written, or if it included the word “reasonable”, would clearly be compliant with our trade agreement obligations. I do have reservations, as we discussed earlier, about the 100% Canadian wine issue, but I think the bill, as it is currently written, would not prompt any kind of trade challenge.

The Chair: Thank you.

For our last round, we'll go to Mr. Allison, please.

Mr. Dean Allison: Thank you, Mr. Chair.

I just want to go back again, because I don't think everyone around the room understands exactly how foreign markets work in terms of how they own their markets. We talked about Australia, Italy, and France. Can you talk to me about what they own in terms of their domestic market, generally speaking? You may—

● (1655)

Ms. Debbie Zimmerman: How much do they own of our domestic market, or...?

Mr. Dean Allison: In places like France, how much of their own markets—

Ms. Debbie Zimmerman: It's over 75%, in most cases.

Mr. Dean Allison: Over 75%?

Ms. Debbie Zimmerman: In most cases.

Mr. Dean Allison: And that's the case for most wine-producing countries?

Ms. Debbie Zimmerman: Yes.

Mr. Dean Allison: So what we have—

Ms. Debbie Zimmerman: In fact, they have laws that actually encourage that growth, and discourage the growth of imports.

Mr. Dean Allison: Okay.

So what we have—just for all my colleagues—is that in most wine-producing markets in the world, they own their own markets. Then they come into our markets, where we own only 25% of the markets, or 30% or whatever the case is. I just want to be clear and have that on the record.

I think people fail to understand that our small producers—I realize that we also have a couple of big producers in the country—struggle in terms of trying to get access to market share.

Ms. Debbie Zimmerman: Yes, very much so.

Mr. Dean Allison: Is that fair?

Ms. Debbie Zimmerman: Absolutely.

A voice: Yes.

Mr. Dean Allison: So I guess the challenge I have is that what we're trying to do today, the whole point behind Mr. Albas's bill, is to try to increase that market share for local producers or for VQA.

I think it's fair to say that this is what you understand the bill to be as well?

Ms. Debbie Zimmerman: The only caution, again, is it opens up to the importers as well.

Mr. Dean Allison: No, fair enough; fair enough in terms of that.

Let's just change gears quickly, because five minutes goes by way too quickly. Let's talk about the bill the way it's written.

With the bill the way it's written, if there are no amendments, or amendments aren't taken or don't move forward, do you think you can work with your local jurisdictions to come up with some reasonable amounts given what we've talked about today in terms of the intent and where we're trying to go with this bill?

Just talk to me about your concerns or your thoughts on working with provincial jurisdictions—who, just to clarify, are going to set the amounts anyway.

The Chair: Mr. Bosc.

Mr. Paul-André Bosc: We would be delighted, either as individual producers or trade association members, to share with liquor regulators across the country.

We'd be delighted to help them define “reasonable” based on the many examples around the world. If an amount is reasonable for an American, and in the U.S. it seems to be as high as.... An annual threshold is 40 cases, but often it's defined as 18 or 20 cases annually.

Many places have dealt with this issue, and we'd be delighted to share that information and help define what's reasonable. I have my own idea of what's reasonable.

Mr. Dean Allison: Sure.

Ms. Dawson, you guys work with the LCBO all the time. What are your thoughts on being able to deal with them and connect with them?

Ms. Hillary Dawson: I think it's not just “reasonable”; it's also how the transactions can happen, right? Let's find an environment where we can have some modern commercial relationships, 21st-century relationships, with our customer that, frankly, “personal transport” doesn't address.

So yes, it will be an ongoing dialogue not only with the liquor board but with the Government of Ontario—and governments across Canada, quite frankly, because we want the consumers from other provinces to take our wine and order our wine back there.

Mr. Dean Allison: True.

Ms. Hillary Dawson: So it's a national effort. It's an ongoing effort on our part. We're hopeful that the liquor boards will be receptive, because it's not just the limit, it's how.

Mr. Dean Allison: Sure. That's a good point.

Mr. Prodan, did you have something to add?

Mr. Miles Prodan: [*Inaudible—Editor*]...like Ms. Dawson, in B. C. I think we'd have no problem in having that conversation. It's the other provinces where I can't speak to, but those are the markets that we want to reach to.

What constitutes “reasonable” is the discussion point we need to address.

Mr. Dean Allison: Okay.

So we'll try to open the door with this bill, and then you may need some help to keep it forced open, I guess. That's what we're going to have to say as we move forward.

All right. Thank you very much. Those are all the questions I have. Thank you once again for taking the time to come up here today and talk to us.

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

To the witnesses, I want to thank all of you for your presentations and for your excellent discussions in responding to our questions.

Colleagues, we will suspend for about 30 seconds. Then we will go to clause-by-clause consideration of the bill.

Thank you.

● (1655)

(Pause)

● (1700)

The Chair: I call the meeting back to order. I'd ask colleagues to find their seats, please.

Witnesses are free to sit and observe the committee.

Colleagues, we do have Bill C-311. We also have a motion by Mr. Mai.

I'm just informed that we have bells at 5:15. I thought we had a little more time than that, but we're on compressed time.

We all know Bill C-311. We have one clause.

I have no amendments, as the chair.

Is there any discussion on clause 1 of Bill C-311?

(Clause 1 agreed to)

The Chair: Shall the title carry?

Some hon. members: Agreed.

The Chair: Shall the bill carry?

Monsieur Giguère.

[*Translation*]

Mr. Alain Giguère: I just have one question, Mr. Chair.

Is the date of coming into effect the same as the date of royal assent, or is there a gap? Since the bill affects federal and provincial jurisdiction, and in connection with another section of this bill, when we amend the act dealing with a federal-provincial agreement, is there not a notice date?

Let me ask the legal expert. If I am not mistaken, there is a waiting period.

[*English*]

The Chair: Okay, Mr. Giguère.

Ms. McLeod, do you wish to speak to this?

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

I think from the very beginning we said that this is really an enabling piece of legislation. It will allow the provinces to move forward. Certainly our piece comes into effect with royal assent.

That piece with the provinces is about enabling. Given that, I think we can move forward.

The Chair: This bill amends a federal statute, and it comes into effect with royal assent, assuming that it passes the Senate and gets royal assent.

[*Translation*]

Mr. Alain Giguère: Let's ask the senators to continue their favourite activity: falling asleep.

Voices: Oh, oh!

[*English*]

The Chair: I think we should be very judicious in how we speak of the other place, Mr. Giguère.

Shall the bill carry?

Some hon. members: Agreed.

The Chair: Shall I report the bill to the House?

Some hon. members: Agreed.

The Chair: Thank you, colleagues. Bill C-311 has been dealt with.

Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): I just want to give notice of a motion. My notice reads as follows:

> That the Standing Committee on Finance call witnesses to appear before the committee on the subject of aggressive use of tax havens and other international tax planning in order to ascertain emerging best practices in foreign jurisdictions. Evidence and documentation received by the committee during the 3rd Session of the 40th Parliament on the subject will be taken into consideration by the committee in planning these meetings, and they shall be scheduled at the discretion of the steering committee.

● (1705)

The Chair: You're making a motion—

Mr. Randy Hoback: I'm giving you notice of a motion, and I'm asking that the rest of the meeting go in camera. It is future business, so we should go in camera.

The Chair: We have a motion to move in camera.

(Motion agreed to)

[*Proceedings continue in camera*]

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