

BRITISH COLUMBIA WINE AUTHORITY

120-888 Westminster Avenue West, Penticton, BC Canada V2A 8S2
Telephone: 250-49-BCVQA (22872) Toll Free: 1-877-499-2872 Fax: 250-492-2992



May 20, 2016

Distributed by email

To All BC Wineries

Re: BC Wine Industry Plebiscite on Recommended Changes to the *British Columbia Wines of Marked Quality Regulation* as Proposed by the BC Wine Appellation Task Group

This cover letter and the attached material relate to a Plebiscite that is now being conducted of the BC wine industry by the British Columbia Wine Authority (the “**Authority**”) concerning certain changes to the current regulatory oversight of the industry that have been proposed by the BC Wine Appellation Task Group (the “**Task Group**”).

As is discussed in detail below, the Task Group has recommended to the Authority that certain changes be made to the *Wines of Marked Quality Regulation* (the “**Regulation**”). Before the Authority is able to propose to the BC Minister of Agriculture that any of these changes be made to the Regulation it is required by its Bylaws to conduct a plebiscite of its Members. Because some of the Task Group’s recommendations have wider application and, if implemented, would affect all BC wineries, including those not currently Members of the Authority, the Minister of Agriculture has requested that the Authority extend this Plebiscite to all BC wineries. Consequently, all currently–licensed wineries in BC are being asked to participate, and are able to vote, in this Plebiscite.

1. Background Information Concerning the Task Group

The Plebiscite relates to certain recommendations for regulatory change that have been proposed by the Task Group. The Task Group is an *ad hoc* group of the BC wineries, coordinated by the Board of the BC Wine Institute, in partnership with the Minister of Agriculture and the Authority. The Task Group was established with the mandate to work in cooperation with the Authority to bring forward industry recommendations to propose amendments to the Regulation that represent the interests of all 100% BC wine producers, to better meet the demands of today’s market conditions and for potential application for other BC beverage sectors, including 100% BC fruit wine, ciders and beer. The Task Group only had the ability to make recommendations for change to the

BRITISH COLUMBIA WINE AUTHORITY

120-888 Westminster Avenue West, Penticton, BC Canada V2A 8S2
Telephone: 250-49-BCVQA (22872) Toll Free: 1-877-499-2872 Fax: 250-492-2992



Authority. The Task Group has no power to amend the Regulation. Such power resides solely with the Lieutenant Governor in Council (the Provincial Cabinet) acting on the recommendation of the Minister of Agriculture.

The Task Group was initially established in March, 2015 and met several times during 2015 to develop its recommendations. The Task Group's Report and initial Recommendations were publicly released in November, 2015. This was followed by a series of "town hall" information sessions for the industry held at several locations around the Province.

After receiving feedback on its initial Recommendations from wineries of all sizes across the Province, the Task Group concluded that some of its initial Recommendations did not fulfil industry's vision for the future and therefore would not obtain the support necessary to pass a plebiscite. The Task Group therefore refined its Recommendations in order to gain broader industry support. The Task Group then released its final Recommendations to the industry on April 28, 2016.

Further information regarding the Task Group and its membership and procedures can be found in its full Report, available here: [Task Group Report](#). The Task Group's initial Recommendations can be found in that Report. The Task Group's final Recommendations can be found here: [Final Recommendations](#). A Q&A document prepared by the Task Group explaining the nature of some of the changes made to its Recommendations can be found here: [Recommendations Q&A](#).

2. The Plebiscite Process

This plebiscite is being conducted in accordance with the Bylaws of the Authority. However, as noted, all members of the BC wine industry are being asked to participate and voting is not being limited to current Authority Members.

Voting will be open for a period of approximately six weeks, commencing as of the date of this letter and closing as of 11:59 PM on June 30, 2016. Votes may be submitted to the Authority by any of courier, mail, personal delivery, email or fax. The Authority is also prepared to accept votes by telephone in special cases with advance notice. Full contact details for ballot delivery are set out on the face of the attached Ballot.

In the attached Ballot each of the Task Group's Recommendations that is being voted on is addressed separately. For ease of reference and to assist in understanding the Recommendations in their proper sequence and context we have grouped the Recommendations on the Ballot into three separate categories:

BRITISH COLUMBIA WINE AUTHORITY

120-888 Westminster Avenue West, Penticton, BC Canada V2A 8S2
Telephone: 250-49-BCVQA (22872) Toll Free: 1-877-499-2872 Fax: 250-492-2992



- (1) Recommendations related to Membership in the Authority and general wine certification (Recommendations #1, #5 and #10);
- (2) Recommendations relating to wine labelling issues (Recommendations #2(a) and (b) and #4); and
- (3) Recommendations relating to the development and implementation of new prescribed geographical indications and sub-geographical indications (Recommendations #6, #7, #8(a), #11 and #12(a)).

We provide some background information regarding each Recommendation and related implementation issues. We then provide appropriate references to the Task Group's Report where additional background information concerning the Recommendation can be found, if applicable. (You may also contact any member of the Task Group if you require additional information.) In the final column of the Ballot you are then asked to indicate whether you "Approve" or "Reject" each Recommendation.

Each Recommendation is being voted on separately so it is essential that you indicate your vote for each specific Recommendation separately. "Approve" means you agree with that one specific Recommendation only, and "Reject" means that you do not agree with that one specific Recommendation only. If no vote is indicated in the voting column for a given Recommendation we will take that to mean that you have abstained from voting on that one Recommendation.

Following the closure of voting the Authority will tabulate the results and report them to the Minister of Agriculture and to the industry generally. In order to assist in the review and assessment of the results the Authority expects to separately tabulate and report on the results received by the Authority from Members and non-Members. (Further information regarding voting by non-Members is provided below.)

3. Voting by Wineries that are not Currently Members of the Authority

Because implementation of some of the Task Group's Recommendations would have wider application and, in some cases, would affect all BC wineries not just current Members of the Authority, the Minister of Agriculture has requested that the plebiscite be extended to all BC wineries. Consequently, all currently-licensed wineries in the Province are being asked to participate in this plebiscite and are able to vote.

While the Authority currently has harvest and production information from all of its Members, the Authority has no such harvest or production information relating to any non-Member winery. This being the case, non-Member wineries are each being asked to provide the Authority with the total amount of BC grapes (in tons) that they processed into wine during 2015 as well as their total production (by volume and by number of individual

BRITISH COLUMBIA WINE AUTHORITY

120-888 Westminster Avenue West, Penticton, BC Canada V2A 8S2
Telephone: 250-49-BCVQA (22872) Toll Free: 1-877-499-2872 Fax: 250-492-2992



SKUs). This information will be kept confidential by the Authority and will not be individually disclosed to any other party, including the Minister, as part of the plebiscite reporting process. The Authority will disclose, **on an aggregated basis only**, the total tonnage processed and volume of wine produced in 2015 by all voting (and reporting) non-Members. In the event that Recommendation #10 (flat fee for small wineries) passes, this information will also be critical to determining the appropriate flat fee.

Should a non-Member winery choose not to provide this information, its vote will still be considered to be valid, but its processed tonnage and production will be considered to be zero. It is to the advantage of all non-Members to disclose this production information to the Authority so as to ensure that their votes are accorded appropriate weight when the results are compiled and analyzed.

4. Procedure Following Closure of the Plebiscite

Following closure of voting the Authority will tabulate the results and report them to the Minister of Agriculture and to the industry generally. The Authority expects to separately tabulate and report on the results received from Authority Members and non-Members. The Minister of Agriculture is expected to then review and consider the results. It will be up to the Minister to determine, in his sole discretion, whether any of the approved Recommendations will be implemented by way amendment to the Regulation.

In the event that any of the Recommendations are approved and implemented, the Authority expects to work with the Minister of Agriculture and Ministry staff to ensure that an adequate transition period will be provided so as to allow both the industry and the Authority sufficient time to adjust before any new requirements come into effect. The length of any such transition period will depend on the nature of the changes being implemented, but the Authority does expect that adequate transition period(s) will be provided either through the Regulation itself, or through the Authority's administration and application of any new requirements.

5. Task Group Recommendations Not Being Put to a Vote

The Task Group has put forth a total of fifteen individual Recommendations. (Note that Recommendations #2, #8 and #12 each contain two separate recommendations and therefore these Recommendations have been separated by us for plebiscite purposes.) As is further outlined below, four of the Task Group's Recommendations are not being put to an industry vote in this plebiscite because they either recommend a continuation of certain existing requirements or practices of the Authority (Recommendation #8(b)) or they have been accepted by the Authority and can be fully implemented by it without any regulatory amendment (Recommendation #3, #9 and #12(b)). The four Task Group Recommendations that are not being put to a vote are summarized below.

BRITISH COLUMBIA WINE AUTHORITY

120-888 Westminster Avenue West, Penticton, BC Canada V2A 8S2
Telephone: 250-49-BCVQA (22872) Toll Free: 1-877-499-2872 Fax: 250-492-2992



5.1 Recommendation #3 – Review of BCVQA Taste Panels

In its Recommendation #3 the Task Group has recommended that the Authority's BCVQA taste panels be reviewed by the Authority's Wine Industry Advisory Committee ("WIAC") taking the results of the Task Group's industry survey into account. Specific aspects to be reviewed include panel member qualifications and whether to limit tasting to tank samples, rather than final bottle samples.

Industry is not being asked to vote on this Recommendation in this Plebiscite as no regulatory amendment is required in order for the Authority or WIAC to undertake this review. Following WIAC's review if it does recommend changes to the tasting process that would require regulatory amendment, those proposed amendments would then be put to a second industry plebiscite at a later date.

5.2 Recommendation #8(b) – Guidelines Regarding the Naming of New Sub-Geographical Indications

In its second recommendation contained within Recommendation #8 (which we refer to here as Recommendation #8(b)) the Task Group has recommended that as a guideline for the naming of new sub-geographical indications that the Authority only accept a village or town name, or a place name that is historically associated with a region. A defining geographical feature could also be used in combination with a village or place name. For example, Golden Mile (place name) Bench (defining geographical feature). (See the discussion at page 36 of the Task Group Report in this regard.)

Industry is not being asked to vote on this Recommendation in the Plebiscite as it only recommends the continuation of the Authority's existing approach and practice relating to the naming requirements for proposed sub-geographical indications and no regulatory amendment or other change is required.

5.3 Recommendation #9 – Potential Harmonization of Audits

In its Recommendation #9 the Task Group has recommended that the three current and separate audits conducted by the Liquor Control and Licensing Branch, the BC Liquor Distribution Branch and the Authority be harmonized. (See the discussion at pages 27 and 28 ("On Audits and Red Tape") and page 32 ("Streamlining audits") of the Task Group Report in this regard.)

Industry is not being asked to vote on this Recommendation in the Plebiscite as no regulatory amendment is required for its implementation. While these three agencies audit for different purposes and largely review different information, the Authority has had previous discussions with these other agencies on audit consolidation. In light of the

BRITISH COLUMBIA WINE AUTHORITY

120-888 Westminster Avenue West, Penticton, BC Canada V2A 8S2
Telephone: 250-49-BCVQA (22872) Toll Free: 1-877-499-2872 Fax: 250-492-2992



Task Group's recommendation the Authority will redouble its efforts in that regard and has already engaged in further discussions with these other Provincial agencies regarding the potential for greater audit consolidation in the future.

5.4 Recommendation #12(b) – Review of section 29

In its second recommendation contained within Recommendation #12 (which we refer to here as Recommendation #12(b)) the Task Group has recommended that the Authority and WIAC undertake a further review of section 29 of the Regulation (which concerns the requirements to apply to the Authority for new sub-geographical indications). In its Recommendations #11 and 12(a), the Task Group is proposing certain related regulatory changes to paragraphs 29(3)(c) and (e) of the Regulation. These are discussed below.

The Authority and WIAC have already concluded this recommended review and no further changes to section 29 are being proposed by the Authority or WIAC at this time (over and above those changes being proposed by the Task Group in its Recommendations #11 and #12(b)).

6. Conclusion

Your participation in this Plebiscite and your reviews regarding the Task Group's Recommendations are important. Please review the attached Ballot carefully, indicate your votes in the areas provided and return your Ballot to the Authority no later than 11:59 PM on June 30, 2016.

If you have any questions concerning this material or the plebiscite process generally, please contact the Authority at (250) 492-2872. If you have any questions concerning the Task Group's Report or any of its Recommendations, please contact the Task Group directly, by email, at info@bcwinetaskgroup.ca.

Sincerely,

BRITISH COLUMBIA WINE AUTHORITY

per: Jeffrey Thomas, Chair
Board of Directors