

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



July 8, 2016

The Honourable Norm Letnick
Minister of Agriculture
Government of British Columbia
PO Box 9120, Station Prov Govt,
Victoria, BC V8W 9B4

Dear Minister:

Re: Report the Recent BC Wine Industry Plebiscite Regarding Certain Proposed Amendments to the *Wines of Marked Quality Regulation*

This letter provides our report on the results of a BC wine industry plebiscite (the "**Plebiscite**") recently conducted by the BC Wine Authority (the "**Authority**") relating to proposals for certain amendments to the *Wines of Marked Quality Regulation* (the "**Regulation**").

1. Background Regarding the Plebiscite

The Plebiscite related to certain recommendations for amendments to the Regulation that were proposed by the BC Wine Appellation Task Group (the "**Task Group**"). As you are aware, the Task Group was established with the mandate to bring forward industry recommendations for proposed amendments to the Regulation that would 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 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 industry information sessions 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 revised its Recommendations in order to gain broader industry support. The Task Group then released its final Recommendations to the industry on April 28, 2016. A copy of the Task Group's final Recommendations is attached.

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2. The Plebiscite Process

Following release of the Task Group's final Recommendations the Authority initiated the Plebiscite in accordance with the Authority's Bylaws and our Operating Agreement with the Province. However, at your request, the Plebiscite was not limited to only those wineries holding Practice Standards Certificates (also known as "Members" of the Authority); all producers of BC grape wine were asked by the Authority to participate and voting was open to all licensed grape wineries currently operating in the Province.

The Plebiscite was conducted over a period of approximately six weeks - from May 20 to July 1, 2016. During this period the Authority undertook significant efforts to contact and encourage all wineries in the Province to vote. Wineries were contacted on multiple occasions through various means, including personal contact, email and/or telephone calls. In particular, Authority staff made special efforts to individually reach out to all wineries that are not currently Members of the Authority. We can advise with a high degree of confidence that all licensed grape wineries in the Province were made aware of the Plebiscite, were encouraged by the Authority to vote and were provided with ample opportunity to do so. We therefore believe that any winery that did not vote made a conscious and fully informed decision not to do so.

3. Number of Ballots Received

Through our preparations for and administration of the Plebiscite, the Authority determined that, as of the date the Plebiscite commenced, there were a total of 252 licensed operating grape wineries in the Province.¹ Of this total, 174 wineries are currently Members of the Authority, leaving a total of 78 non-member grape wineries in the Province.

The Authority received a total of 180 ballots, representing over 71% of the total BC industry by number of wineries – 136 ballots were received from Authority Members and 44 ballots were received from non-members.² In volume terms, the ballots received by the Authority represent in excess of 93% of all BC wine produced by Authority Members

¹ The Authority obtained information indicating that a total of 323 winery licences are currently outstanding in the Province. However, the BC Liquor Control and Licensing Branch, in its winery licence category, generally makes no distinction among grape wineries, fruit wineries, cideries and sakeries. Therefore, from this total the Authority had to deduct any licensee not producing grape wine. In addition, the Authority further determined that a total of six licensed grape wineries were not in operation at the time of the Plebiscite and these were also deducted from the overall number to arrive at our total of 252.

² With regard to the 35 non-Members that chose not to vote, 17 specifically informed the Authority that they would not be voting. Three informed the Authority that they intended to vote but no ballot was ever received from them even after extensive follow-up. The remaining 15 were contacted on a number of occasions but expressed no intention either way to the Authority.

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and approximately 90% of total BC wine production. All ballots the Authority received were determined to be valid. The information regarding ballots received is summarized in the table below:

	Total	Total Number Voting	% Voting of Total Number	% Voting of Total Volume
Member Wineries	174	136	78%	93%
Non-Member Wineries	79	44	56%	45% ³
Total Industry	252	180	71%	90%

Our Bylaws and Operating Agreement with the Province specify that Authority's Board must ensure that any amendment proposed to you is first approved by a special double-majority of Members – at least 65% of the Members that vote on the amendment, who processed at least 50% of total volume of grapes processed by all voting Members.

Applying these requirements to the Plebiscite, each Recommendation being voted on required a minimum of 89 votes from Members in favour in order to meet the required 65% of Members voting threshold. With respect to the volume threshold, the 136 Members who voted reported a total volume of 28,714 tons of grapes for the 2015 vintage (out of a total reported 2015 volume for all Members of 30,952 tons). Therefore, the minimum volume required to meet the 50% of volume threshold for approving voting Members was 14,357 tons.

Non-members reported a total volume of 1,137 tons, representing approximately 4% of the overall voting total.⁴

³ This percentage based on our estimate of overall total volume of all non-Members of 2,500 tons. See footnote 3 below.

⁴ Based on volume information provided by most voting non-Members, we estimate that the grape volume represented by all 79 non-Member wineries totalled approximately 2,500 tons in 2015, or approximately 7.5% of the total BC volume, with Authority Members therefore representing 92.5% of the total volume.

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4. Summary of Plebiscite Results

While the Task Group put forth a total of 15 individual Recommendations only 11 of these Recommendations were included in the Plebiscite.⁵ Below, we briefly summarize the content of each Recommendation voted on, and then provide the voting result, separately by Members and non-Members, and then by total industry. The percentage amounts in parenthesis represent the percentage of volume represented by each voting category. For Members, these are the percentages of voting Members' reported 2015 harvest (totaling 28,714 tons). For non-Members, these are the percentages of the 2015 harvest of those non-Members that voted, based on information they provided to the Authority as part of the Plebiscite (totaling 1,137 tons).⁶ The total percentage amounts provided in the right-hand column reflect the percentages of the total combined 2015 volume for all wineries that voted (totaling 29,851 tons).

As is detailed below, 10 of the Task Group's 11 Recommendations covered by the Plebiscite obtained the special double-majority approval of the Authority's voting Members as required under our Bylaws and Operating Agreement. One Recommendation - Recommendation #2(b), which deals with a proposed change to the permitted use of prescribed Geographical Indications - did not achieve the required double-majority approval.

Recommendation #1 – Mandatory Membership

As a condition of having a BC winery licence, producers making wine from 100% BC grown grapes should be required to become a Member of the Authority and be subject to audits conducted and enforced per the Regulation.

Members		Non - Members		Total	
Approve	Reject	Approve	Reject	Approve	Reject
110 (97%)	26 (3%)	15 (35%)	29 (65%)	125 (95%)	55 (5%)

⁵ Four of the Recommendations were not put to a vote because they either recommended 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 implemented without any regulatory amendment (Recommendations #3, #9 and #12(b)). Note also that the Task Group's Recommendations #2, #8 and #12 each contained two recommendations and therefore each of these combined Recommendations was separated by the Authority into two distinct Recommendations for voting purposes.

⁶ While the Authority has no method to verify the volumes declared by non-Members these volumes are not individually significant. In addition, a small number of non-Members refused to provide the Authority with their 2015 volumes, in which case they were allocated a volume of zero.

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Recommendation #2(a) – Wines of Distinction Name

The current category name of “Wine of Distinction” should be changed to “British Columbia Wine”.

Members		Non - Members		Total	
Approve	Reject	Approve	Reject	Approve	Reject
124 (99%)	12 (1%)	34 (64%)	10 (36%)	158 (98%)	22 (2%)

Recommendation #2(b) – Use of Geographical Indications

Both BCVQA and British Columbia Wine (currently Wine of Distinction) should be allowed to use all approved Geographical Indications on their labels.

Members		Non - Members		Total	
Approve	Reject	Approve	Reject	Approve	Reject
109 (44%)	27 (56%)	35 (81%)	9 (19%)	144 (45%)	36 (55%)

Recommendation #4 – Prohibition on the Use of Unregulated Geographical Indications

After the establishment of a system of Sub-Geographical Indications (that should take no longer than January 1, 2019) the Authority should be given the authority to prohibit the use of any unregulated geographical indications associated with British Columbia on Members’ wine labels.

Members		Non - Members		Total	
Approve	Reject	Approve	Reject	Approve	Reject
118 (96%)	18 (4%)	22 (45%)	22 (55%)	140 (94%)	40 (6%)

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Recommendation #5 – Mandatory Qualification as a Wine of BC

All wines made from 100 percent BC grapes must register as either a BCVQA wine or British Columbia Wine in order to qualify for recognition as a Wine of British Columbia.

Members		Non - Members		Total	
Approve	Reject	Approve	Reject	Approve	Reject
114 (97%)	22 (3%)	19 (50%)	25 (50%)	133 (96%)	47 (4%)

Recommendation #6 – Mandatory Conjunctive Labelling

Wines of British Columbia that use an approved Sub-Geographical Indication should be required to use conjunctive labeling to show both the region and sub-region on the primary display panel.

Members		Non - Members		Total	
Approve	Reject	Approve	Reject	Approve	Reject
112 (81%)	24 (19%)	26 (51%)	18 (49%)	138 (80%)	42 (20%)

Recommendation #7 – Establishment of New Geographical Indications

New Geographical Indications should be established in four emerging wine grape growing regions – Thompson Valley, Shuswap, Lillooet-Lytton and Kootenays – subject to a final review of the boundaries and in consultation with stakeholders within each region.

Members		Non - Members		Total	
Approve	Reject	Approve	Reject	Approve	Reject
130 (99%)	6 (1%)	35 (70%)	9 (30%)	165 (98%)	15 (2%)

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Recommendation #8(a) – Identified Sub-Regions as the Basis for New Sub-Geographical Indications

Industry should review the set of sub-regions of the Okanagan Valley as identified by the Task Group as the basis for establishing new Sub-Geographical Indications.

Members		Non - Members		Total	
Approve	Reject	Approve	Reject	Approve	Reject
115 (64%)	21 (36%)	28 (64%)	16 (36%)	143 (64%)	37 (36%)

Recommendation #10 – Flat Membership Fee for Small Wineries

The Authority should establish a flat fee for small wineries, which would cover membership, grape levies, audits and wine certification, with an appropriate production threshold not to exceed 50 tons, to be set by the Authority after consultation with its Wine Industry Advisory Committee.

Members		Non - Members		Total	
Approve	Reject	Approve	Reject	Approve	Reject
113 (92%)	23 (8%)	28 (62%)	16 (38%)	141 (91%)	39 (9%)

Recommendation #11 – Grape Growers to be Included in the Required Ballot for New Sub-Geographical Indications

Section 29(3)(c) of the Regulation should be amended to allow grape growers to vote in the ballot required to approve any new Sub-Geographical Indication.

Members		Non - Members		Total	
Approve	Reject	Approve	Reject	Approve	Reject
126 (97%)	10 (3%)	31 (71%)	13 (29%)	157 (96%)	23 (4%)

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Recommendation #12(a) – Delete Paragraph 29(3)(e)

Paragraph 29(3)(e), setting out certain requirements for new Sub-Geographical Indications, should be deleted from the Regulation.

Members		Non - Members		Total	
Approve	Reject	Approve	Reject	Approve	Reject
119 (95%)	17 (5%)	33 (66%)	11 (34%)	152 (94%)	28 (6%)

Unlike previous plebiscites and associated amendment requests where the Authority has worked closely with our Wine Industry Advisory Committee in the development of the proposal, the Authority did not directly participate in the development of the Task Group's Recommendations. The Authority's role in the process was largely limited to providing information to the Task Group, on request, relating to our administration of the current Regulation. This being the case the Authority does not believe appropriate nor in keeping with our independent role in the process to provide any specific recommendation to you regarding any of the proposed amendments. We let the results of the Plebiscite speak for themselves. However, we remain available to meet with you or your staff at any time to discuss any of the proposed amendments or related implementation issues.

We recognize that the process to amend the Regulation may take some time but we note that industry interest in the Recommendations is very high overall. Therefore, on behalf of all of the BC wine industry, we do ask that you proceed to consider these proposed amendments at your earliest opportunity.

Yours truly,

BRITISH COLUMBIA WINE AUTHORITY

A handwritten signature in blue ink, appearing to be 'Jeffrey Thomas', written over a blue circular stamp or seal.

Per:

Jeffrey Thomas,
Chair, Board of Directors

Attached: Summary of Task Group Recommendations



BC Wine Appellation Task Group

RECOMMENDATIONS – Revised April 16, 2016

1. We recommend that as a condition of having a winery license producers making wine from 100% BC grown grapes be required to become a member of the British Columbia Wine Authority (BCWA) and be subject to audits conducted and enforced per the Wines of Marked Quality regulations (“the Regulations”).
2. We recommend changing the Wines of Distinction category name in the Regulations to British Columbia Wine. Both BC VQA and British Columbia Wine will be allowed to use the geographic indication on their labels.
3. We recommend that taste panels are put to a review by the Wine Industry Advisory Committee (WIAC), and make reference to the results of the June 2015 BC Wine Task Group industry survey. The terms of reference should include a review of panel member qualifications, and whether to limit tasting to tank samples.
4. After the establishment of a system of sub-GIs that should take no longer than January 1, 2019, we recommend that BCWA be given the authority to prohibit the use of any unregulated geographical indication associated with British Columbia on its members' wine labels.
5. We recommend that all wines made from 100 percent BC grapes must register as either British Columbia VQA (“BC VQA”) or British Columbia Wine in order to qualify for recognition as a Wine of British Columbia.
6. We recommend Wines of British Columbia that use an approved sub-GI be required to display conjunctive labeling to show both the region and sub-region on the primary display panel. (See example)

Golden Mile Bench, Okanagan Valley BC VQA

-or-

*Golden Mile Bench
Okanagan Valley*

7. We recommend the establishment of new geographic indications in four emerging wine grape growing regions – Thompson Valley, Shuswap, Lillooet-Lytton and Kootenays –



subject to a final review of the boundaries and in consultation with stakeholders within each region.

8. We recommend that industry review the proposed set of contiguous sub-regions of the Okanagan Valley as identified by the Task Group as the basis for establishing sub-geographic indications. [See document: "Okanagan maps - Terroir boundaries (final Oct 26).pdf"]

As a guideline for naming these new sub-geographic indications, the Task Group recommends only accepting a village or town name, or a place name that is historically associated with a region. A defining geographical feature may also be used in combination with a village or place name.

9. We recommend that the current 3 separate audits by the Liquor Control and Licensing Branch, BC Liquor Distribution Branch and the BC Wine Authority be harmonized into one.
10. We recommend that BCWA seeks to establish a flat fee for small wineries, which covers the cost of membership, grape levies, audits and wine certification, with the appropriate production threshold not to exceed 50 tons, to be set by BCWA after consultation with WIAC.
11. We recommend that section 29 (3) (c) of the Regulations be amended to include the following underlined phrase:

At least two thirds of the vote measured by registrants of productive wine grape acreage in a proposed geographical area or subdivision, who produce at least two thirds of the total production of wine made from grapes grown in that area or subdivision, must have voted, by ballot, in favour of the proposed geographical area or subdivision;

12. We recommend deleting section 29 (3) (e) from the Regulations, and propose an additional review of the entire Section 29 by BCWA and WIAC.