

Wine Council of Ontario President's Update

Hillary Dawson, President
October 30, 2013

The political environment

- ▶ As expected, gov't trying to shift gears and focus on the economy and growth which are still strongest drivers of voter support in core Liberal areas that they need to hold onto and grow
 - Need to restablilize centre/right base
 - Onslaught of economic announcements have already started – Have Min. Hoskins (MEDTE) on the road all the time trying to generate good news
 - Major focus on food and beverage processing at recent Agri Food summit. Opportunity to be part of those wins
- ▶ Conservatives are going to be looking to the fall session to get some momentum
 - Disappointment that they did not get bump from fall policy convention
 - Polling has shown that gas plant issue is not a deal breaker for electorate
 - Hudak still needs a win
- ▶ By election will provide an important opportunity
 - Yet to be called but not likely that they will stretch until spring
- ▶ Need to focus efforts with government on fall economic statement
 - Programming/\$\$\$ decisions need to be crystalized now
 - Budget will never really pass it is anticipated so even concrete announcements in a budget speech mean nothing if the budget will never pass

Where are we at?

▶ Government

- Very engaged in our industry – high level group meets regularly including the Premier's office – good and bad
- Focused on trying to do a “comprehensive” package/strategy for our industry
- This attempt to coordinate programs and decisions leads to delay on the most critical issues
- Ongoing issues around stakeholder consensus lead to inertia from decision makers

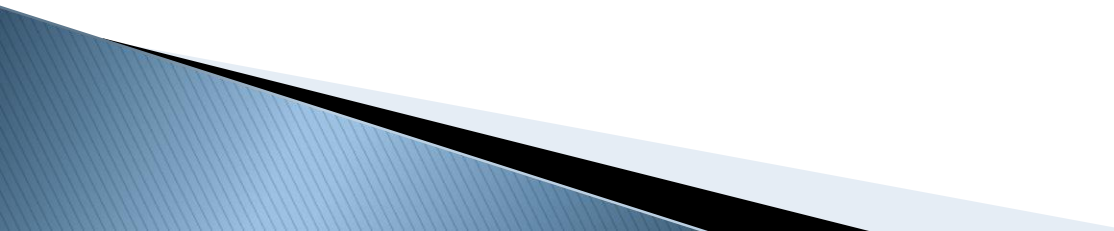
▶ Conservatives

- Still very off message on private retail model
- Opportunity to have a focus on our industry as they put forward strongest efforts to win by-election in Niagara Falls

▶ NDP

- Anti private sector approach
- Challenging to get them to see the economics of our industry – very focused on supporting OPSEU at the LCBO and that's about it

Meetings/Discussions/Presentations

- ▶ Min of Finance
 - ▶ Minister of Finance roundtable
 - ▶ MEDTE – Bureaucrats and staff (many)
 - ▶ Todd Smith, PC
 - ▶ Interviews on Private Retail (CTV, CFRB)
 - ▶ Premier's office
 - ▶ Drinks Ontario
 - ▶ GGO – Presentation to the BOD
 - ▶ Craft Brewers – Len
 - ▶ AGCO submission
 - ▶ Meeting with Ed Waitzer, LCBO Board Chair
 - ▶ Upcoming meeting with Tim Hudak
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Issues Review

▶ Margin Relief

- Reframed the proposal around Import Markup relief
 - Want to shift thinking from one of industry handout to one of making us competitive with imports
 - Want to fix the problems of the current program – cap, application process, delay in payment with tax relief, monthly payback
- Excellent meeting with Premier's office and with GGO to build support for our import markup relief proposal
 - GGO supporting
 - WGAO since expressed support
 - Joint letter prepared for government – waiting to be submitted for all groups to approve

▶ This has been getting serious consideration around government for the fall economic statement

- We need to continue to press
 - Ongoing discussions with Premier's policy staff
 - All Minister's offices engage
- Good news – all feel that “something” needs to happen
- Bad news – not sure that status quo, or a small extension will give the industry the confidence to move forward

Issues Review

▶ Retail Access

- Reframing the ask completely as an economic development play has helped advance the discussion on this issue
- This is a political win for whomever grabs the prize first and we need to continue to tell all parties that message
 - They are all looking for opportunities and we have been clear with both the Libs and PC's on that
- Drinks Ontario is coming on board with the proposal generally
- Craft Brewers aren't there yet
- GGO neutral on the subject to date
 - Did not have a follow up discussion at the Board meeting that we attended
- Continue to press the issues in public forums
 - Good narrative now, can build in challenges at LCBO, can also stress need for Import Markup relief in fall economic statement
- Convenience Stores did not do well on their event yesterday
 - Gave us good forum to tell our story to reporters
 - Was not OK with us and Craft Brewers that they attempted to use us for their own gain without any understanding of our businesses, our issues and the economics of the industry

Issues Review

▶ AGCO Review

- Will be a stakeholder roundtable towards the end of November
 - All wine industry stakeholders
- AGCO staff communicated to us that ours was the most comprehensive and constructive submission to them
 - Very few submissions had actual recommendations
- Will likely be a draft discussion paper to go with the roundtable process but they are not certain yet
 - Want to focus roundtable discussions on areas where all stakeholders are close to consensus to see if they can build consensus
 - ie. Number of winery licences needed
- Not likely for fall legislative session in terms of changes
 - Will move forward with anything they can act on unilaterally (election proof issues)
 - Package for spring session/post election

Issues Review

▶ EU Trade Deal

- Announced last week
- Implications still unclear though anticipated to be modest if at all for our industry
- 2 year implementation
- LCBO/Govt have to restructure the COS for EU wines (currently at 6%) from an ad valorem to a flat rate per bottle charge
 - Revenue Neutral within that envelope
 - Lower priced wines will go up, higher priced wines will go down
 - Unclear where the breaking point is
 - Also unclear what the Gov't will do with COS audit which suggests rate should be 8%
 - Unclear how suppliers will adjust shelf pricing or requote their prices to keep shelf price even
- Not something for panic or concern
- Upon signing, duties and tariffs will come off European winemaking equipment

Sales Challenges

- ▶ Clearly challenges with current performance of VQA in the LCBO (especially Period 7)
 - Shared concerns with Wine Council/LCBO
- ▶ Executive Committee struck a working group to do an initial review of issues in anticipation of meetings with LCBO around challenges/action plans
 - ▶ Participating – P. Speck, T Pennachetti, D MacMillan, S. Gash, D. Speck, N. Beal, E. Madronich, R. Lorenzo
 - ▶ 3 meetings to date
 - ▶ Committee working on 4 areas for research/recommendations
 - ▶ Shelving – ie impact of planogram, location of shelving
 - ▶ Listings – approach to purchase, support from wineries, tiering of stores/programs and impacts
 - ▶ Programs – design and impact
 - ▶ Promotion – how VQA wines are profiled in promotional calendar, options around Period 7
- ▶ LCBO clear that they are prepared to be bold on things like moving the section, separation from ICB, program design changes
 - Short term initiatives around P10
 - Some things may require more consumer research which LCBO is prepared to fund and want to work with industry on design
 - Should be anticipated that larger things (ie like shifting shelf placement, planogram) would roll out over time and could not be implemented on a large scale quickly

Membership Issues

- ▶ Focus on building more effective and consistent communication tools
 - E-blast format has changed and we have been getting good feedback
 - Separate email for Wine Country Ontario programming
 - Chair's notes on issues of importance/urgency including sharing presentations to government and reports on our efforts on your behalf
 - MOBILE enabled
- ▶ Better use of the Intranet site as a result
- ▶ Trade membership launched
 - 22 Trade Supplier members
 - Are coming here for social – PLEASE STAY

Ongoing Work

- ▶ Marketing Plan preparation for 2014–2015
 - Due to Government in December
 - Currently doing program reviews
 - Feel free to offer feedback – now is the time!
- ▶ Land Use Planning
 - Update coming up
- ▶ Research Committee
 - Ongoing fine tuning of asks to government – focus on Retail Access and Import Markup Relief
- ▶ Pre-Campaign briefings of PC's and Libs