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VIEWPOINT

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REMOVING INTERPROVINCIAL BARRIERS TO ONLINE ALCOHOL SALES

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In October 2012, retiree Gerard Comeau was stopped by the RCMP and fined for bringing a too large quantity of beer and liquor from Quebec into New Brunswick, violating the personal exemption limit in place. In its ruling on the Comeau case in April 2018, the Supreme Court of Canada upheld provincial governments' right to maintain such restrictions, provided they did not intentionally impede interprovincial alcohol trade.[1]

A year later, however, the federal government and the provinces agreed on an Action Plan "to enhance interprovincial trade of alcoholic beverages," stemming from the 2017 *Canadian Free Trade Agreement* (CFTA).[2] This included increasing, and ultimately eliminating, personal use exemption limits (which set the amount of alcohol one can bring back from another province) and creating e-commerce platforms.[3]

Some progress has been made to raise or remove personal exemption limits across the country, meaning that Canadians can now import and transport alcohol more easily across most provincial lines for personal consumption, without penalty.[4] Most provinces, however, have failed to liberalize other areas of interprovincial alcohol trade, such as interprovincial online retail sales of alcoholic products, thus depriving Canadians of the benefits of greater competition, namely a broader choice of products and lower prices.

THE CURRENT STATE OF ONLINE ALCOHOL RETAIL SALES

There have been some efforts to allow greater freedom in online alcohol sales, such as Saskatchewan and British Columbia allowing a limited form of direct-to-consumer sales and shipping of wine and craft spirits from producers in the other province.[5] However, most Canadian provinces continue to prohibit the online retail sale of alcoholic beverages from other provinces directly to their consumers. For example, the Société des alcools du Québec (SAQ) states that while producers are not restricted formally from offering to sell to residents of Quebec, it is illegal for those Quebec residents to make such purchases and have them shipped into the province.[6]

As can be seen in Table 1, few provinces allow producers from other provinces to ship directly to consumers. Manitoba is the only Canadian

Table 1

Interprovincial shipping of alcohol

	Direct-to-consumer online sales of alcohol
BC	Partial (wine & spirits from SK + wine from AB allowed)
AB	Partial (wine from BC allowed)
SK	Partial (wine & spirits from BC allowed)
MB	Allowed
ON	Completely restricted
QC	Completely restricted
NB	Completely restricted
NS	Partial (wine allowed)
PEI	Completely restricted
NL	Completely restricted

Note: Alberta only recently agreed to once again allow BC wines to be shipped directly to consumers.
Sources: Keyli Loeppky *et al.*, *The State of Internal Trade: Canada's Interprovincial Cooperation Report Card – 2024 Edition*, Canadian Federation of Independent Business, July 2024, p. 11; Government of British Columbia, "Agreement Reopens Direct-to-Consumer B.C. Wine Sales to Alberta," News release, July 16, 2024; Government of Alberta, "From Vine to Wine, B.C. and Alberta Reach Deal," News release, July 16, 2024.

province with no interprovincial online purchasing restrictions. The restrictions that have been removed in Western provinces and Nova Scotia are also relatively limited (and mainly concern wine). Quebec and Ontario retain complete prohibitions, which is hardly surprising as they are also among the provinces that have made the least progress towards the liberalization of internal trade more broadly.[7]

While we see some improvement in Alberta's willingness to allow some direct-to-consumer shipments, continued protectionism still exists in the province's alcohol trade. For example, in January 2024, the Alberta Gaming, Liquor and Cannabis (AGLC) corporation argued that direct-to-consumer shipping was having a negative impact on the provincial liquor monopoly.[8] In reaction, it threatened to stop selling BC wines in its stores until this practice ceased, and this position was seemingly supported by the Alberta government as there was no action to condemn the stance of the AGLC.[9]

Although a memorandum of understanding was reached six months later, ending a temporary ban that had been imposed, this showcases that provincial liquor monopolies, and provincial governments, are willing to enforce interprovincial trade barriers that ultimately deprive Canadian producers and consumers.[10]

THE BENEFITS OF DIRECT-TO-CONSUMER PURCHASING ONLINE

There has been a general growth in the online consumer goods market, but Canadian producers and consumers of alcohol products have been unable to fully participate in, and benefit from, this opportunity. This protects provincial alcohol monopolies with their brick-and-mortar stores, which are thus shielded from online competition, at the expense of consumers and producers, whose ability to engage in trade with each other is limited.[11]

Liquor monopolies thus find it easier to impose artificially high prices on the products they retail. The SAQ, for instance, imposes markups on bottles of wine which, when combined with excise and sales taxes, can account for over 75% of the retail price of the product.[12]

Abolishing these restrictions on interprovincial shipping directly to consumers would allow Canadians in any province to freely order online from alcohol producers anywhere in the country. Online sales are one of the most convenient ways for consumers to purchase alcohol from other provinces. Opening up this type of commerce would also be good for smaller breweries, wineries, and distilleries, allowing them to expand their reach within the domestic market.

The federal government has declared a commitment to an increasingly liberalized domestic alcohol market.[13] Yet, this liberalization is being hindered by provincial governments and alcohol monopolies that limit the growth of the domestic market. For the sake of Canadian consumers and producers alike, the provinces should simply allow the unrestricted online purchase and shipment of alcohol from other provinces.

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12. *Idem*.
13. Internal Trade Secretariat, *op. cit*., footnote 2.

This Viewpoint was prepared by **Shal Marriott**, Research Associate at the MEI, in collaboration with **Gabriel Giguère**, Senior Policy Analyst at the MEI. The MEI's Regulation Series aims to examine the often unintended consequences for individuals and businesses of various laws and rules, in contrast with their stated goals.

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