

DRAFT ONLY

**THE ECONOMIC FEASIBILITY AND
IMPACT OF ESTABLISHING
U-VINTS AND U-BREWS
IN NOVA SCOTIA**

A report prepared for
the Canadian Home Wine Trade Association

Armand F. Pinard
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Introduction

U-Vints are facilities where the adult population (19 years of age and older) of the province can go and make their own wine on site by purchasing the needed ingredients and renting the winemaking equipment. Customers also receive professional assistance and advice throughout the winemaking process. This type of retail service establishment is not new to the Canadian landscape. They have successfully operated for a number of years in Ontario and are also located in British Columbia and the Yukon.

Local retail specialty stores which sell wine kits have expressed an interest in the introduction of U-Vints as an adjunct to their existing businesses. They have determined that a number of potential customers are hesitant to make wine for the first time. Many people feel they would require regular assistance and advice during the month or two that it takes to make the product. Others people simply do not have the needed space or appropriate space (e.g. the right type of storage or needed working space) to make wine in their own home. Still others view this activity as a recreational and learning experience and an opportunity for an evening out.

Potential customers are making regular inquiries about the possibility for on premise winemaking at retail specialty shops selling ingredients and supplies after having become aware that making wine in specialty shops takes place elsewhere in some other Canadian provinces.

The Wine Making Process

Starting with wine making, the initial stage in the process involves pouring the grape concentrate or juice into a clean and sanitized container and adding water and a few other critical ingredients. In U-Vint facilities the operator provides advice on the art of making good wine and in some cases may assist with mixing of some of the ingredients. Regulations in other provinces usually require that the final step of the initial stage, namely adding the yeast be undertaken by the consumer (since the product belongs to the individual and not the retailer). The winemaking process begins when the yeast is added.

Once the ingredients have all been mixed the pail is covered and stored on the U-Vint premises while most of the fermentation process takes place. The initial stage of production generally takes between six to ten days. After completion of this stage, the fermenting wine is moved to a sanitized and sealed glass or plastic jug, leaving behind the sediment formed through the fermentation process. This second stage, which takes

about a week or so to complete, can either be carried out by the consumer or the operator of the U-Vint and involves finishing of the fermentation process.

The third stage, which can again be carried out by the operator or consumers involves stabilizing the wine so as to insure that the process of fermentation has ended and also clarifying the wine so as to remove any residual sediment. This process usually involves the addition of a few ingredients and the possible transfer of the wine to another freshly sanitized and sealed container. This process can take anywhere from two to five weeks or even longer, depending on the type of kit or fresh juice that one is working with.

The final stage, which generally occurs four to eight weeks after starting the process involves filtering and bottling the wine. It starts with the wine bottles being washed and sanitized, either at home or on premise by the consumer. The wine is then filtered and bottled. Corks are added and the customer then can add shrink wrap covers to the corks and labels if they wish. Once the wine making process is complete and the consumer must immediately remove the wine from the premises of the U-Vint operator.

The Market for U-Vints

While the Nova Scotia population of legal drinking age is approximately 725,000, in 2,001, the actual potential market for U-Vints is considerably smaller. There is a large group of people who would simply have no interest in this kind of an activity, either because they do not drink alcoholic beverages or are only interested in drinking spirits. Other may simply not be well enough because of age, etc. to undertake this activity. In addition, there is a significant number of Nova Scotians who are already making their own wine at home. These people already have the knowhow, the equipment, and for the most part have sufficient space to pursue their hobby at home.

There are, however, some key niche markets that could benefit from having U-Vints available to them. The first group of appropriately aged individuals with a possible interest in making beer or wine on U-Vint premises involves those people who want to try getting into beer and/or wine making as a hobby. The easiest way of gaining experience and achieving the necessary comfort level would be to undertake this activity on site with the assistance of experienced personnel. For some consumers, this would help in achieving a level of comfort with wine and beer making and also help them recognize that quality product can be made with a little care.

Some individuals may not be sure if this is the right hobby for them. With U-Vints, these individuals can try their hand at making wine without having to buy all of the equipment for this hobby before determining whether or not this type of activity is the

right one for them. There are currently several thousand of first time wine makers annually in Nova Scotia.

The next group of individuals which form part of this potential market are those adults who see this activity as a possible evening out and learning experience. These are the same individuals who are interest in continuing education or evening recreational activities. While hundreds of thousand people participate annually in continuing education or get involved in local recreation activities, the actual market potential is significantly smaller. In Nova Scotia, there are so many options for evening courses and recreational activities, and as a result competition for people's limited free time would suggest that a relatively small but significant market potential also exists here. Experience has shown in other provinces which allow for U-Vints, that there is a population segment, particularly the younger adult working groups who see this as enjoyable evening out and a learning experience. It is seen as a relaxing activity at the end of a busy day.

The third group to form part of this potential market are those adults living in apartments, small condominiums, mobile homes and other space constrained housing units. In Nova Scotia, and particularly in urban areas, there is a significant concentration of people living in apartments or condominiums. Nova Scotia also has a fair number of mobile home units spread throughout the province. Apartments, condominiums, etc., are generally, but not exclusively occupied by younger and older adults. Limited space availability makes them a prime target market.

By way of illustration, at least some of the seniors who have downsized their housing or are living in one of the approximately 8,000 small government subsidized apartments would have an interest in U-Vints. This group of people generally has free time for new activities and hobbies but are faced with real physical space constraints.

Young adults, either living at home or in apartments, are often interested in new activities and learning experiences but tend to be faced with space constraints similar to the above noted seniors group. There are approximately 210,000 people in the age group from 19 to 35 years old in Nova Scotia.

Another possible market involve that group of individuals with job demands that require from moderate to heavy travel. Individuals in the marketing and sales field, many business people, and certain government officials all have extensive travel requirements. Some of these people would have an interest in wine making as a hobby but their travel schedules prevent them from undertaking any hobby which requires some on going time commitments and attention. U-Vints would make it possible for this group of individuals to participate in wine making as a hobby.

Many people in today's work world are required to put in long hours to meet the challenges of the job or have numerous commitments (e.g. family, work, education, etc.) which simply leave them with little time and energy for any hobbies. Certainly

some people in this group would welcome the opportunity to take part in wine making as a hobby without the need for any extensive or regular time commitment.

If experience in other provinces with U-Vints is used as a guide, the market demand is likely to be relatively small at first but should grow steadily as potential consumers become aware of the U-Vint concept. As this occurs, more and more small business people would likely decide to expand their specialized wine and beer ingredient and supply shop or create a new business. This type of a business decision would require a significant capital investment in equipment and also possible in physical space. The Ontario experience for the first few years was as follows:

Estimated Growth In	
Brew On Premises Facilities In Ontario	
Year	Number of Facilities
1986	1
1987	2
1990	8
1995	200
2000	608

Source: Canadian Home Wine Trade Association

While Nova Scotia has a much smaller population base than Ontario as well as different demographics, including the age structure of the population, a rather different urban and rural housing concentration and mix, lower income levels, etc., one can expect to see a small but growing number of business people (with the experience base from Ontario and British Columbia one could expect three to five businesses in the initial year) interested in making the needed financial commitment necessary to serve this relatively modest but likely growing market. As in Ontario and British Columbia, once an experience base has been gained in Nova Scotia more and more people would likely make the needed commitment to expand or create a new business.

Vints and U-Brews

There would be some significant capital cost involved in setting up U-Vint facilities in Nova Scotia. If one were to use existing wine ingredient and supply specialty shops as an example (costs would be lower than starting a totally new

business) some stores would have sufficient physical space to expand whereas others would likely have to consider either leasing or purchasing additional space. Then there are the requirements to retrofit the space for the U-Vint facilities and meet building code, the office fire marshall regulations, health regulations, and Liquor Corporation requirements. These costs add up quickly and for most operators would be in the 10,000 dollar range or even more.

Then there is the requirement for sinks in order to be able to wash and sanitize bottles as well as wine making equipment. Working level countertops and shelving for storage are also needed. Obviously, there is also a need for wine making equipment, such as, containers for the fermentation process, tubing, filtering devices, bottling corks, etc. This group of costs would easily add another 5,000 to 10,000 dollars to the capital requirements.

The Pricing Structure of U-Vints

The pricing structure for U-Vints consist of the following components:

- **ingredients**
- **winery/brewery fee**
- **bottles**
- **bottling supplies**

Starting with wine making, the purchase of ingredients (most often in the form all inclusive kits, including yeast, stabilizers, etc.) can range anywhere from 30 to 90 dollars depending on the type and quality. The upper end price wise often involves fresh juice rather than vacuum packed concentrates.

U-Vints charge what is called a “winery fee” of approximately 30 to 40 dollars which covers the cost of equipment and space rental as well as guidance in making wine and looking after it once the initial wine making phase has been completed. The winery fees do little more than cover costs, but hopefully, lead to an interest in the hobby of wine making and wine products in general.

Each kit makes approximately 30 bottles of the 750 ml size or the equivalent in other sizes. Most people tend to collect the needed bottles by recycling bottles from store bought wines or from families and friends. Other options include purchasing used bottles from recycling facilities or the U-Vints themselves (some offer this option). Used bottles usually sell for approximately 4 to 6 dollars per dozen, depending on the source. The other option is to purchase new bottles at 10 to 14 dollars per dozen from the U-Vints. Costs for new bottles vary depending on size, shape and quality.

Other costs include those associated with the bottling of the finished wine product . At the low end of the spectrum they include filter pads and corks which satisfy the needs of many people. Other people like to add shrink wraps, attractive labels specifying the type of wine, and even specialty decals such as the year the wine was made. These costs can vary from approximately 6 dollars to 15 dollars, depending on the specific needs and interests of the individual making the wine.

Introduction

The purpose of this study is to determine the economic impact on the Nova Scotia government and the provincial economy arising from the possible establishment of a small number of U-Vints/U-Brews throughout the province. This assessment will consider the impact that these establishments would have on Nova Scotia Liquor Corporation sales, on farm and cottage wineries, on local craft beer producers, micro breweries and brew pubs, as well as on provincial tax revenues, the need for regulatory regime changes and on provincial government staffing requirements. Equally important, the study will examine the impact that this type of a service will have on the economy by way of creating new private sector jobs and income. The potential growth rate of this industry in the province will be assessed as will the impacts on the general public.

U-Vints/U-Brews are facilities where the adult population (19 years of age and older) of the province can go and make their own wine or beer on site by purchasing the needed ingredients and renting the wine or beer making equipment. Customers also receive professional assistance and advice throughout the wine or beer making process. This type of retail service establishment is not new to the Canadian landscape. They have successfully operated for a number of years in Ontario and are also located in British Columbia and the Yukon. There is also a growing interest in establishing U-Vints/U-Brews in other provinces, including some of our Atlantic Canada neighbors.

Local retail specialty stores which sell beer and wine kits have expressed and interest in the introduction of U-Vints and U-Brews as an adjunct to their existing businesses. They have determined that a number of potential customers are hesitant to make beer or wine for the first time. Many people feel they would require regular assistance and advice during the month or two that it takes to make the product. Others people simply do not have the needed space or appropriate space (e.g. the right type of storage or needed working space) to make wine or beer in their own home. Still others view this activity as a recreational and learning experience and an opportunity for an evening out.

Potential customers are making regular inquiries about the possibility for on premise beer and wine making at retail specialty shops selling ingredients and supplies after having become aware that crafting their own beer and making wine in specialty shops takes place elsewhere in some other Canadian provinces.

It is important to point out U-Vints and U-Brews provide this service only to the appropriately aged adult population and also only for personal consumption. This is controlled through regulation and the signing of a form prior to starting the beer and wine making process that acknowledges that results of this activity are for personal consumption only.

Nova Scotia's Homemade Beer and Wine Industry

The Nova Scotia homemade wine and beer business industry presently consists of approximately 30 or so retail stores spread throughout every region of the province. Of these retail facilities, 14 are located in the Halifax Regional Municipality. A detailed list of the stores can be found in Appendix A. These retail establishments currently sell beer, wine and cooler making ingredient and related packaged kits as well as all of the needed equipment for making the product. They also sell bottles, labels, and other materials for packaging the wine or beer.

This industry has been in existence in Nova Scotia for more than 35 years. Originally, ingredients were all purchased separately rather than in kit form and success in achieving good quality product was rather hit and miss. Gradually the industry changed and began to provide high quality kits which, if directions are appropriately followed, make good quality beer and wine.

The homemade beer and wine industry has grown in Nova Scotia to the extent that there are now approximately 30 small fully dedicated businesses which provide full and part time employment to more than 60 people. In addition, the large grocery chains (i.e. Sobeys, Atlantic Superstore, and IGA) and big box retailers like Cosco sell wine and beer kits as a convenience to their customers. Zellers has also recently started selling wine and beer making kits. Big box retailers also generally sell some limited equipment and bottling supplies. The composite activity from these large retail stores would add a few more full time equivalent jobs to this sector.

Packaging, wholesaling and distribution of beer and wine kits and associated supplies also takes place in Nova Scotia. Plastic containers used in making homemade wine and beer are also manufactured here. This activity provides for approximately 15 additional full time equivalent jobs. Overall, the sector now employs roughly 90 full and part time people, with many of these located in small communities or high unemployment areas.

The making of homemade beer and wine and is expected to continue its gradual growth path as a result of increasing population and changing demographics, particularly a shifting age structure towards an older population. Ever increasing public interest in broadening personal knowledge and in undertaking different types of leisure activities will also contribute to growth in this sector.

In Nova Scotia there has been a gradual long term trend of decreased liquor consumption. The total volume of alcoholic beverage sales has fallen from 74.8 million litres in 1980 to 69.5 million litres in 1999. On a per capita basis the decrease in sales volume is even more pronounced. At the same time, there is also a gradual shifting pattern away from consumption of hard liquor towards wine based products (up from 4.3 million litres in 1980 to 5.1 million litres in 1999) which will also probably contribute modestly to the short term growth of the homemade wine sector. This shift in part is attributable to changing demographics, a shift in drinking habits and tastes, and in part as a result of a move towards more responsible drinking.

The Wine/Beer Making Process

The wine and beer making processes have quite a few similarities but also a few notable differences. Starting with wine making, the initial stage in the process involves pouring the grape concentrate or juice into a clean and sanitized container and adding water and a few other critical ingredients. In U-Vint facilities the operator provides advice on the art of making good wine and in some cases may assist with mixing of some of the ingredients. Regulations in other provinces usually require that the final step of the initial stage, namely adding the yeast be undertaken by the consumer (since the product belongs to the individual and not the retailer). The wine making process begins when the yeast is added.

Once the ingredients have all been mixed the pail is covered and stored on the U-Vint premises while most of the fermentation process takes place. The initial stage of production generally takes between six to ten days. After completion of this stage, the fermenting wine is moved to a sanitized and sealed glass or plastic jug, leaving behind the sediment formed through the fermentation process. This second stage, which takes about a week or so to complete, can either be carried out by the consumer or the operator of the U-Vint and involves finishing of the fermentation process.

The third stage which can again be carried out by the operator or consumers involves stabilizing the wine so as to insure that the process of fermentation has ended and also clarifying the wine so as to remove any residual sediment. This process usually involves the addition of a few ingredients and the possible transfer of the wine to another freshly sanitized and sealed container. This process can take anywhere from

two to five weeks or even longer, depending on the type of kit or fresh juice that one is working with.

The final stage which generally occurs four to eight weeks after starting the process involves filtering and bottling the wine. It starts with the wine bottles being washed and sanitized, either at home or on premise by the consumer. The wine is then filtered and bottled. Corks are added and the customer then can add shrink wrap covers to the corks and labels if they wish. Once the wine making process is complete and the consumer must immediately remove the wine from the premises of the U-Vint operator.

Beer making involves much of the same process as wine making from fermentation, to aging, and bottling. The first major difference is that during the initial stage, the ingredients (e.g. malt and glucose) are not only mixed but must be brought to a boil before being placed in a fermentation vessel and having the yeast added. At a U-Brew operators can prepare the initial ingredients, providing they have the appropriate federal license for preparing the beer wort (i.e. mixing and heating the initial ingredients). Even with this license, the customer as the owner of the product is responsible for adding the yeast and starting the fermentation process. Once the yeast has been added, the fermenting beer is stored in a temperature controlled area for a few days while the fermentation process takes place.

The beer is then transferred to a temperature controlled room for further aging, and possible carbonation, depending on the wishes of the consumers. This stage can take anywhere from two weeks to four weeks and the associated work can usually be carried out by the operator of the U-Brew.

As in the wine making process the customer is required to come in and fill and cap the bottles. Cleaning and sanitizing of bottles can either take place at home or on the retail premises. Once the process is complete, the product must be immediately removed from the premises.

It needs to be re-emphasized that U-Vints and U-Brews only provide wine and beer making related services to individual appropriately aged adult consumers. Commercial establishments are not allowed to use this process and must deal directly with the Nova Scotia Liquor Corporation.

Nova Scotia Liquor Sales

The total annual value of liquor sold in Nova Scotia has more than doubled over the past twenty years, reaching an all time high of \$396,824,000 in 2000. Preliminary data for the start of 2001 suggests that liquor sales will be even higher when the annual numbers for the year are released. Over the same twenty year period, the value

of wine sales in the province increased even more dramatically and has tripled in value. In 2000, the value of wine sales was estimated at \$52,142,000 and is continuing to grow as a result of changing consumer preferences brought about as a result of the emergence of a strong quality conscious wine industry. The dollar value of beer sales has also nearly tripled in the past twenty years and now approximates \$204,508,000. In dollar terms, beer accounts for slightly more than half of the total value of liquor sales.

Nova Scotia Sale of Alcoholic Beverages (\$000's)			
Year*	Total	Wine	Beer
1980	170,695	16,780	70,791
1990	330,238	34,083	161,898
1999	361,137	46,995	180,846
2000	396,824	52,142	204,508

*fiscal year ending March 31st

It is also interesting to note that on a per capita basis (Statistics Canada measures this per capita number using the population aged 15 years and over) Nova Scotians spend approximately \$519 annually on alcoholic beverages. When inflation is removed from the value of sales, one finds that per capita spending for total alcoholic beverages has actually decreased somewhat during the decade of the 1990's. Wine sales has been the notable significant exception to that trend.

The volume of total liquor sales in Nova Scotia as measured in 1000's of liters has been showing a gradual long term decline (even with recent strong increases). In the fiscal year ending in 2000, the total volume of liquor sales was 72,367,000 liters, down 3 percent in the past 20 years. Interestingly, beer sales have fallen from 63,330,700 liters in 1980 to 60,806,000 liters in 2000. In percentage terms spirits sales fell even more dramatically, losing nearly a quarter (over one million liters) of its sales volume. Wine sales volumes, while fluctuating considerably from year to year, has gradually increased its share of the sales volume over time.

Nova Scotia Sale of Alcoholic Beverages
(1,000's of liters)

Year *	Total	Wine	Beer
1980	74,783	4,273	63,307
1990	73,665	5,119	62,313
1999	69,529	5,071	58,846
2000	72,367	5,572	60,806

*for fiscal year ended March 31st

It should be noted that during the past three years the sales volumes for beer, wine, and spirits have all been increasing. The total sales volumes was 72,367,000 liters in 2000, up some 6,800,000 liters since 1997.

Another interesting fact, and one which seems to be contrary to popular belief, is that Nova Scotians are not particularly heavy beer drinkers, even with our large university population and a considerable military presence. According to Statistics Canada, Nova Scotians consumed an average of 79.5 liters of beer for the fiscal year ended in 2000 while on average Canadians consumed 82.6 liters. On a per capita basis Nova Scotians ranked eight from the top (including all of the provinces and territories). This pattern is even more pronounced when it comes to wine sales. Nova Scotia wine sales for the fiscal year ended in 2000 amounted to only 7.3 liters per capita versus Canadian average consumption of 11.3 liters per capita. Spirit sales volumes, however, somewhat exceed Canadian per capita averages.

A look at the major economic indicators in Nova Scotia, such as gross domestic product, personal income, disposable income, unemployment rate etc. all suggest a positive correlation with sale of alcoholic beverages since the mid 1980's. Put another way when the economy is strong and the outlook for jobs is encouraging, sales of alcoholic beverages increase regularly. On the other hand, when an economic recession strikes, as in the early 1990's, which was then followed immediately by a period of major government downsizing and fiscal restraint at both the federal and provincial levels (at a time when one third of Nova Scotia's workforce were either directly or indirectly employment by government), liquor sales fall. Falling disposable income in the average Nova Scotia household resulted in less free income to spend and directly impacted the sales of alcoholic beverages. Over the past few years there has been a general improvement in the Nova Scotia economy and a rapid decrease in the unemployment rate. Offshore oil and gas activity will likely continue to provide us with a positive economic outlook (with a few modest slowdowns) for years to come and help insure continued strong economic growth. This growth in economic activity

can be expected to lead to increased sales of alcoholic beverages, with the wine and beer related industries being the largest beneficiaries.

The Market for U-Vints and U-Brews

While the Nova Scotia population of legal drinking age is approximately 725,000 in 2,001, the actual potential market for U-Vints and U-Brews is considerably smaller. There is a large group of people who would simply have no interest in this kind of an activity, either because they do not drink alcoholic beverages or are only interested in drinking spirits. Other may simply not be well enough because of age, etc. to undertake this activity. In addition, there is a significant number of Nova Scotians who are already making their own wine at home. These people already have the know how, the equipment, and for the most part have sufficient space to pursue their hobby at home.

There is, however, some key niche markets that could benefit from having U-Vints and U-Brews available to them. The first group of appropriately aged individuals with a possible interest in making beer or wine on U-Vint and U-Brew premises involves those people who want to try getting into beer and/or wine making as a hobby. The easiest way of gaining experience and achieving the necessary comfort level would be to undertake this activity on site with the assistance of experienced personnel. For some consumers, this would help in achieving a level of comfort with wine and beer making and also help them recognize that quality product can be made with a little care.

Some individuals may not be sure if this is the right hobby for them. With U-Vints and U-Brews these individuals can try their hand at making beer and/or wine without having to buy all of the equipment for this hobby before determining whether or not this type of activity is the right one for them. There are currently several thousand of first time wine and beer makers annually in Nova Scotia.

The next group of individuals which form part of this potential market are those adults who see this activity as a possible evening out and learning experience. These are the same individuals who are interest in continuing education or evening recreational activities. While hundreds of thousand people participate annually in continuing education or get involved in local recreation activities, the actual market potential is significantly smaller. In Nova Scotia, there are so many options for evening courses and recreational activities and as a result competition for people's limited free time would suggest that a relatively small but significant market potential also exists here. Experience has shown in other provinces which allow for U-Vints and U-Brews that there is a population segment, particularly the younger adult

working groups who see this as enjoyable evening out and a learning experience. It is seen as a relaxing activity at the end of a busy day.

The third group to form part of this potential market are those adults living in apartments, small condominiums, mobile homes and other space constrained housing units. In Nova Scotia, and particularly in urban areas, there is a significant concentration of people living in apartments or condominiums. Nova Scotia also has a fair number of mobile home units spread throughout the province. Apartments, condominiums, etc., are generally, but not exclusively occupied by younger and older adults. Limited space availability make them a prime target market.

By way of illustration, at least some of the seniors who have downsized their housing or are living in one of the approximately 8,000 small government subsidized apartments would have an interest in U-Vints and U-Brews. This group of people generally has free time for new activities and hobbies but are faced with real physical space constraints.

Young adults, either living at home or in apartments, are often interested in new activities and learning experiences but tend to be faced with space constraints similar to the above noted seniors group. There are approximately 210,000 people in the age group from 19 to 35 years old in Nova Scotia.

Another possible market involve that group of individuals with job demands that require from moderate to heavy travel. Individuals in the marketing and sales field, many business people, and certain government officials all have extensive travel requirements. Some of these people would have an interest in wine or beer making as a hobby but their travel schedules prevent them from undertaking any hobby which requires some on going time commitments and attention. U-Vints and U-Brews would make it possible for this group of individuals to participate in wine or beer making as a hobby.

Many people in today's work world are required to put in long hours to meet the challenges of the job or have numerous commitments (e.g. family, work, education, etc.) which simply leave them with little time and energy for any hobbies. Certainly some people in this group would welcome the opportunity to take part in wine or beer making as a hobby without the need for any extensive or regular time commitment.

If experience in other provinces with U-Vints and U-Brews is used as a guide, the market demand is likely to be relatively small at first but should grow steadily as potential consumers become aware of the U-Vint and U-Brew concept. As this occurs more and more small business people would likely decide to expand their specialized wine and beer ingredient and supply shop or create a new business. This type of a business decision would require a significant capital investment in equipment and also possible in physical space. The Ontario experience for the first few years was as follows:

Estimated Growth In	
Brew On Premises Facilities In Ontario	
Year	Number of Facilities
1986	1
1987	2
1990	8
1995	200
2000	608

Source: Canadian Home Wine Trade Association

While Nova Scotia has a much smaller population base than Ontario as well as different demographics, including the age structure of the population, a rather different urban and rural housing concentration and mix, lower income levels, etc., one can expect to see a small but growing number of business people (with the experience base from Ontario and British Columbia one could expect three to five businesses in the initial year) interested in making the needed financial commitment necessary to serve this relatively modest but likely growing market. As in Ontario and British Columbia, once an experience base has been gained in Nova Scotia more and more people would likely make the needed commitment to expand or create a new business.

Experience elsewhere has also shown that this market does not impact negatively on wine and beer sales from the government liquor commissions (corporations), farm or cottage wineries, micro breweries or brew pubs. U-Vints and U-Brews tend to create a real interest in wine or beer products, thereby enhancing the sale of these products, and particularly, the mid and upper price range products by liquor corporations and commissions. A large segment of the people who are interested in wine or beer making tend to do so occasionally or even only once or twice. They tend to create a more specialized market for liquor corporations and commissions as well as generate improved sales for farm wineries and micro breweries etc..

Wine sales on a per capita basis in Nova Scotia are only sixty percent of the Canadian average and beer sales in the province, contrary to popular belief, are also well below the Canadian average on a per capita basis. For more particulars see Table D in the Appendix at the back of the report. Of itself, this would suggest that these market are not saturated in Nova Scotia and that there is a considerable potential for some long term growth in both the sale of wine and beer products.

Impact on Major Local Breweries and Wine Producers

It is interesting to note that some years ago Nova Scotia had three major breweries (Olands, Keiths, and Moosehead) providing a significant number of well paying jobs in the Halifax area. They were also some of the largest employers in the Province.

The big local breweries worked hard at maintaining their dominant position with the old Nova Scotia Liquor Commission and did everything possible to retain the status quo in everything from mark up formulas to distribution systems. Gradually the economics of the business, coupled with the consequences of free trade dictated consolidation of the business and major changes in the way business is conducted.

Today only one major brewery remains in Nova Scotia. The Olands Brewery on Agricola Street in Halifax makes both Olands and Keith beers. Moosehead Breweries in Dartmouth closed its Nova Scotia brewery in the 1990's. As a result, the major brewers in Nova Scotia provides for relatively fewer local jobs, income and associated tax revenue than they did in the twenty or thirty years ago.

Likewise the major local winery industry seems to have followed the same path, albeit over a much shorter period of time, as did the local breweries. Abby Wines was established in Truro, Nova Scotia approximately thirty or so years ago. The wines were made from concentrate which was imported from Ontario and elsewhere. The company established themselves in the local industrial park to serve the Atlantic Canadian marketplace. As a result of the challenges associated with getting Liquor Commission listings in Atlantic Canada and in getting preferred mark up treatment, the business initially grew slowly but eventually established a solid foothold. After about ten years of operation they were bought out by Andres Wines and they continued to produce a variety of wine products from wine concentrate into the 1990's.

Another winery which was establish just off highway 102 near the Halifax International Airport (now the site of wholesale car auctions) in the early 1980's only remained in production for a few years and never successfully established a foothold in the local marketplace.

While the commercial winery industry did generate some jobs in Nova Scotia, their economic impact was considerably smaller than the commercial brewery industry because of the limited scale of operations and the fact that they only purchased concentrate from out of province rather than being based on Nova Scotia grape products.

The establishment of U-Vints and U-Brews would once again create new jobs, generate new income and contribute tax revenues to the Nova Scotia economy, thereby

replacing some of the job losses that have occurred locally in the commercial brewery and winery industries. Perhaps even more significant is the fact that these new jobs would be dispersed throughout the Province rather than simply being concentrated in the Halifax area.

Impact on Local Micro Breweries, Brew Pubs and Wine Farm Operations

Farm and cottage winery industries are relatively new business activities in Nova Scotia, even though some would say that the first farm small winery was established in the late 1600's in an Acadian village (now call Falmouth) in the Annapolis Valley.

Grand Pre Wines located in the Annapolis Valley was the first twentieth century local company, established the mid 1970's, to start growing grapes locally and establish a small winery. Being the first they faced numerous challenges that included everything from a need to compete with the major well established wineries, a certain skepticism from some employees in the Nova Scotia Liquor Commission, and a requirement for legislative, regulatory as well as operating policy changes. These changes took years to come and it was not until 1986 that farm wineries were allowed to undertake direct sales to customers. In the interim, Grand Pre Wines had to struggle to get Liquor Commission listings, meet on going demand, and maintain quality standards. Unfortunately, in the end the original Grand Pre wines was not successful and went out of business.

Shortly after the start of the Grand Pre Wine operations, the Jost family began growing grapes in the Malagash area of Nova Scotia and became a licensed winery in 1983. Their products went on sale at the Nova Scotia Liquor Commission in 1985 and the company was allowed to sell directly to customers for the first time at their farm wine store in the summer of 1986. Jost wines as grown steadily since then and today offers a selection of 30 or so different wines (many award winning) for sale either directly to customers or through liquor commissions and corporations.

There are currently five other smaller farm wineries operating in Nova Scotia. Two of these namely, Habitant Vineyards and Perea Creek Winery are part of a larger chain of farm wineries owned by Peter Jensen of Ontario. Two other locally owned and operated farm and cottage wineries that have been around for quite a few years are Sainte-Famille Wines Ltd. and the Lunenburg County Winery. These smaller farm wineries are marketing through a combination of direct sales and liquor corporation listings.

Over the past few years the original Grand Pre farm winery property has been revitalized by the Stutz family (from Europe) who have invested millions in buildings, equipment, and new grape plantings. They are currently selling on site and to restaurants throughout Nova Scotia.

Some of the early belief from a regulatory perspective was that farm wineries would be difficult to manage and police. This clearly has proved to be unfounded. Similarly, some bureaucrats in government and in the old Nova Scotia Liquor Commission who were concerned with finances were worried that by allowing farm wineries to sell directly to customers would impact negatively on government revenues. They did not recognize that this additional economic activity would create jobs and pay taxes. It also created new interest in wine products and resulted in increased wine sales.

Government revenues, included those associated with the sale of alcoholic beverages through the Nova Scotia Liquor Corporation, are closely tied to the general health of the economy. There is no real evidence to confirm that overall government revenues are maximized by maintaining a monopolistic position through provincial liquor commissions or corporations. In fact, the opposite seems to be true when one considers all of the economic activity and potential resulting from diversification.

The establishment of U-Vints may provide another interesting opportunity for Nova Scotia's farm and cottage winery industries. In Ontario, one farm winery has now set up a U-Vint operation, which along with other aspects of its business, is successfully catering to tourist marketplace. Even more significant is the fact that the U-Vint operation is generating automatic repeat tourism business (at the bottling stage) to that region of the province.

Like farm wineries, the brew pub industry is a relatively new business activity in Nova Scotia. Granite Brewery, a small brew pub in Halifax was the first to get into the business some twenty or so years ago. They were followed by Paddy's Pub in Kentville. Paddy's has now opened a second location in the university town of Wolfville in the Annapolis Valley. Recently another brew pub was established in the community of Guysborough, along the Eastern Shore. Growth of the brew pub industry has been slow to happen, probably because of the significant additional capital cost requirement for brewing equipment and the need for specialized personnel.

Larger micro breweries selling product through the Nova Scotia Liquor Corporation has been a phenomena of the 1990's. The Propeller Brewing Company and the Garrison Brewing Company are both micro breweries that have been operating Halifax and producing a variety of craft beers. The Maritime Brewing Company, located in Louisbourg, has been supplying the Cape Breton market with specialized beers.

The largest business attempt to get a specialty beer company going involved the Maritime Beer Company which was formed after the closure of the Moosehead Brewery in Dartmouth. The new company, which included former personnel from Moosehead, undertook a substantial investment in constructing a large new building, purchasing specialized beer making equipment and introducing four new craft beers. Local shareholders invested with the expectation that Nova Scotians would remain loyal to buying local product even if untested in the marketplace. Investment in the company seemed even more secure because of the involvement of key personnel who had a long history of making and marketing of beer products in Nova Scotia. Unfortunately, the principals markedly overestimated Nova Scotia's interest in their new craft beer products (an associated restaurant located at the brewery did quite well) as well as the effects that free trade would have in changing the entire marketplace. The company eventually went bankrupt and the brewing asset were sold to Sleman's of Ontario with the expectations that they will continue manufacturing specialty beer products in Nova Scotia. The new owners have to date maintained the name Maritime Brewing Company for their new Dartmouth facility. However, there are currently some legal proceedings associated with a misunderstanding with the Nova Scotia Liquor Corporation over moving product in from their Ontario brewery in exchange for distributing an equivalent amount of Nova Scotia product in Ontario.

Unlike farm wineries the craft beer industry seems to have grown more slowly and there is little evidence that growth in this industry will accelerate markedly, at least in the near future. Brand loyalty, price and economic conditions continue to be the prime determinants for success.

The establishment of U-Brews would likely not have any negative impact on this industry. It may in fact help create a greater interest in craft beers and open new markets for micro breweries and brew pubs.

The Nova Scotia public appreciates the fact that farm and cottage wineries, micro breweries, and brew pubs have all led to more choice for consumers. They have also created jobs in Nova Scotia at a time when large breweries and wineries have been consolidating operations outside the province. Surely, the establishment of U-Brews and U-Vints in our Province would create even more jobs and provide more consumer choice.

The Capital Cost Requirement for Establishing U-Vints and U-Brews

There would be some significant capital cost involved in setting up U-Vint and U-Brew facilities in Nova Scotia. If one were to use existing beer and wine ingredient and supply specialty shops as an example (costs would be lower than starting a totally new business) some stores would have sufficient physical space to expand whereas others would likely have to consider either leasing or purchasing additional space. Then there are the requirements to retrofit the space for the U-Vint and/or U-Brew facilities and meet building code, the office fire marshal regulations, health regulations, and Liquor Corporation requirements. These costs add up quickly and for most operators would be in the 10,000 dollar range or even more.

Then there is the requirement for sinks in order to be able to wash and sanitize bottles as well as wine and/or beer making equipment. Working level countertops and shelving for storage are also needed. Obviously, there is also a need for beer and wine making equipment, such as, containers for the fermentation process, tubing, filtering devices, bottling corks and/or capping machines, etc. This group of costs would easily add another 5,000 to 10,000 dollars to the capital requirements.

Finally, in the case of U-Brews there are even more capital costs as there would be a need for stoves, kettles and temperature controlled storage. These additional costs could range anywhere from 5,000 to 40,000 dollars depending on the extent and sophistication of the equipment being purchased.

It should be noted that the market for homemade beer seems to be considerably smaller than for homemade wine in Nova Scotia. The same can be said for other Canadian provinces. The implication of a smaller market and higher capital costs than for wine making would suggest that few business people would quickly establish U-Brews. In all likelihood any such business would be established in conjunction with a U-Vint. Success in operating these initial businesses would likely determine future growth in the number of new establishments.

The Pricing Structure of U-Vints/ U-Brews

The pricing structure for U-Vints and U-Brews consist of the following components:

- * ingredients**
- * winery/brewery fee**
- * bottles**
- * bottling supplies**
- * taxes**

Starting with wine making, the purchase of ingredients (most often in the form all inclusive kits, including yeast, stabilizers, etc.) can range anywhere from 30 to 90 dollars depending on the type and quality. The upper end price wise often involves fresh juice rather than vacuum packed concentrates.

U-Vints charge what is called a “winery fee” of approximately 30 to 40 dollars which covers the cost of equipment and space rental as well as guidance in making wine and looking after it once the initial wine making phase has been completed. The winery fees do little more than cover costs, but hopefully, lead to an interest in the hobby of wine making and wine products in general.

Each kit makes approximately 30 bottles of the 750 mil size or the equivalent in other sizes. Most people tend to collect the needed bottles by recycling bottles from store bought wines or from families and friends. Other options include purchasing used bottles from recycling facilities or the U-Vints themselves (some offer this option). Used bottles usually sell for approximately 4 to 6 dollars per dozen, depending on the source. The other option is to purchase new bottles at 10 to 14 dollars per dozen from the U-Vints. Costs for new bottles vary depending on size, shape and quality.

Other costs include those associated with the bottling of the finished wine product . At the low end of the spectrum they include filter pads and corks which satisfy the needs of many people. Other people like to add shrink wraps, attractive labels specifying the type of wine, and even specialty decals such as the year the wine was made. These cost can vary from approximately 6 dollars to 15 dollars, depending on the specific needs and interests of the individual making the wine.

Finally their is the harmonized sales tax of 15 percent. This tax would generate between 8 and 25 dollars depending on the requirements (e.g. bottle purchases) and interest (e.g. custom labels) of the individual making the wine.

U-Brews have similar cost element as U-Vints. The beer making kits and associated ingredients such as sugar varies in price from 18 to 30 dollars, depending on the quality and type of ingredients. Beer making kits generally make 23 liters (same as wine kits) or as specialty store operators like to say 5 and ½ dozen of the 341 mil beer bottle.

The brewery fee charged by the operator for rental of equipment and space as well as guidance in making beer and assisting in the intermediate steps is usually in the 20 to 35 dollar range. There is a significantly higher capital cost outlay for U-Brew operators than for U-Vints because of the need for stoves and temperature controlled space. As noted earlier, the combination of these additional capital costs and the likely smaller initial market would suggest that few specialty beer and wine kit store operators would quickly venture into U-Brew operations in a Nova Scotia setting.

Operators of the beer and wine kit specialty stores in Nova Scotia have indicated that most individuals making their own beer tend to use recycled beer bottles which they themselves have amassed or collected from friends or relatives. The remainder use plastic soda/pop bottles or jugs of various size. Very few purchase new bottle and only a very limited number of shops carry glass bottles for beer making. More shops tend to carry plastic bottles.

Likewise, the cost of bottling supplies tend to only be in the 2 to 5 dollar range because beer is generally not labeled (at least not with professional labels) and there is no need for such things as shrink wrap etc..

The health services tax obtained from each batch of beer (23 liters) made at U-Brews would be significantly lower than for a similar sized batch of wine made at a U-Vint. Sales tax per batch of beer would probably range from 6 to 12 dollars.

Provincial Tax Revenues

Research conducted by the Canadian Home Wine Trades Association on those provinces which have allowed U-Vints and U-Brews for the past few years has shown that liquor sales (and hence provincial revenues) by government agencies have not been adversely affected from the establishment of brew on premise facilities. A look at the Nova Scotia situation has also shown that the prime determinant to government agency liquor sales is the health of the economy. Good times show significant volume increases, whereas in times of high unemployment, sales tend to fall off. It should also be noted that there is no evidence that the sale of wine and beer making ingredients to individuals making home made wine or beer products responds inversely to the health of the economy.

The establishment of U-Vints and U-Brews in Nova Scotia would lead to an increase in the level of economic activity. Starting small at first, as the business community attempts to gauge the size of the opportunity and as consumers gradually gain familiarity and comfort with the new concept, but (if the pattern of growth as in Ontario and British Columbia occurs) gaining some accelerating momentum over time.

Each of the U-Vints and U-Brews that is set up would provide new revenues to the provincial government through the various license and permit fees required to carry out the business. As a food processing and service based activity, these businesses would also collect a significant amount of sales tax for provincial and federal coffers. Their profits, which no doubt would increase over time, would be yet another source

of federal and provincial tax revenue. The employees that the U-Vint and U-Brew businesses hire, would also pay income tax, sales taxes, and all other forms of taxes.

A further potential for significant provincial tax revenues would exist from spin off activities, such as the sale of juices and juice concentrates, specialized beer and wine making equipment, and general business supplies to U-Vints and U-Brews. The size and eventual growth of these additional tax revenues will depend greatly on the extent to which our business community quickly understands the full potential of this opportunity. It is fair to say, however, that some additional tax revenues (and jobs) will be generated from local manufacturers, food processors, and service industries.

The Regulatory Regimes

At the present time section 51 subsection (2) of the Nova Scotia Liquor Corporation regulations which were made under the Liquor Control Act precludes the establishment of U-Vints and U-Brews. This subsection reads as follows:

“51 (2) No person shall for remuneration or other consideration assist or in any way participate in the process of beer or wine making by another person for personal use of the other person.”

Section 51, however, does recognize that individuals can make their own beer and wine but currently restricts this practice to a person's own home. The specific subsection reads as follows:

“51 (1) A person may only engage in the process of beer or wine making for personal use at the residential premises of the person.”

Finally, section 51 subsection (3) of these regulations permits businesses from selling ingredients and information for use in beer and wine making. This specific subsection reads as follows:

“51 (3) Despite subsection (2), a person may receive remuneration for the sale of books, pamphlets or other information or for the sale of ingredients for the making of wine or beer.”

Clearly, if U-Vints and U-Brews are to be allowed in Nova Scotia part of section 51 of the Liquor Control Regulations would need to be repealed (subsection 2) and parts of this section would need to be modified (subsections 1 and 3). In addition, there would likely be a need to add regulations that are specific to U-

Vint and U-Brew businesses. More comment will be made on possible new regulations further in the report.

The Nova Scotia Liquor Control Act, under which the above noted regulations fall, seems to be broad enough to encompass U-Vints and U-Brews. Most of the many different types of applications that are allowed today fall under section 56 of the act. This section allows for the issuance of special permits and covers everything from the food industry to on site manufacturing facilities and includes what seems to be a catch all in the regulations called other specified purposes. Section 56 subsection (1) of the act reads as follows:

“ 56 (1) Notwithstanding anything contained in this Act, the Commission (now Corporation) may issue special permits respecting the manufacture, purchase, conveyance or consumption of liquor.”

No doubt the legal advisor for the Nova Scotia Liquor Corporation would want to satisfy himself or herself that the Act is broad enough before permitting the establishment of any regulations that would make U-Vint and U-Brew businesses possible.

Both British Columbia and Ontario have enacted specific comprehensive regulations covering U-Vint and U-Brew operations.

These regulations include sections on the following:

- * defining the new groups (U-Vints and U-Brews) as being eligible for license;
- * determining the general conditions of the license;
- * requiring individuals to pre pay for ingredients and be provided with a receipt (part of the process of insuring that ownership of the product remains in the hands of the customer from start to finish);
- * provide a written acknowledgment that product will be for personal use only;
- * outline the tasks that the customer is required to undertake in the wine or beer making process;
- * outline the role and task that the business employee is allowed to carry out;
- * specify the storage tagging requirements so as to clearly identify ownership;
- * indicate that no consumption is permitted on premises; (sampling may or may not be permitted under regulation);
- * specify that the customer must bottle his or her own wine and setting out any exceptions to this rule, if any;
- * indicate that the finished product must be immediately removed from U-Vint and/or U-Brew premises upon completion of bottling process;
- * specify that there is to be no sale of any finished wine or beer product;

- * determine the rules that would apply to minors either as employees or in the production/transportation of wine or beer products;
- * outline the specific requirement for record keeping by the licensee;
- * specify the advertising requirements and what may be permitted as inducements, if any; and
- * determine the permissible hours of operation.

There is another set of regulations under the Nova Scotia liquor Control Act, namely, the specific Alcohol and Gaming Authority (formerly the Liquor License Board) regulations dealing with liquor which may have some relevance, particularly from an inspection perspective. The legal counsel for that agency would, no doubt, want to review their regulations with a view to determining whether any changes may be required.

The other key piece of legislation is the Nova Scotia Health Act. Under this act there are specific Eating Establishment Regulations administered by the Department of Agriculture and Fisheries which seem to be directly applicable to U-Vints and U-Brews. These regulations define eating establishments as:

“1 (b) means any premise, whether permanent or temporary, fixed or mobile, in which food is prepared or served for human consumption on the premises, in exchange for money or service, and includes so called take-out food establishments;”

where:

“1 (e) food means any substance intended for human consumption whether cooked, otherwise processed, or used in its raw state;”

These regulations are intended to safeguard the health of customers through licensing conditions that apply to both construction of facilities and operation of the business. The primary focus of these regulations is on cleanliness. No doubt, the legal counsel for the Department of Agriculture and Fisheries would want to review these regulations to better determine the degree to which they should be applicable to U-Vint and U-Brew operations, should government proceed to allow the establishment of brew on premise facilities.

From a U-Vint or U-Brew perspective, there are other regulations that these businesses would need to become familiar with. In addition to the regulations and government procedures that generally apply to the establishment of any business, any new construction would require a building permit(s) from the local municipality. Nova Scotia makes use of the National Building Code throughout the province. In addition

the specific Fire Marshall regulations that apply to any new or expanded facility would have to be followed.

Other Provincial Government Implications

There are few other implications for the provincial government in allowing the establishment of U-Vints and U-Brews in Nova Scotia.

Some would argue that this new business activity would impose an additional burden on the government staff involved in licensing an inspection of the facilities at a time when resources are shrinking. The realities are that this new activity, if allowed, would likely involve the processing of only a handful of additional licenses/permit. The province annually processes hundreds of thousand license/permit applications of various types annually.

Likewise, the inspection process, whether food processing or liquor related would require of minimal time. The addition of a few U-Vints and U-Brews needs to be looked at relative to the overall number of food service establishments inspections that are carried out annually at restaurants, pubs, bars, nursing home, hospitals, school eating establishments, fast food outlets, food processing plants etc.. Similarly, the establishment of a few U-Vints and U-brews should be considered relative to the overall number of liquor licensing inspections that are required to be carried out in pubs, bars, restaurants, legion hall, private clubs, festivals, sporting events, rural fire halls, weddings and numerous other special functions, etc.. When looked at this way, the additional work load is minimal (likely significantly less than one tenth of a percent) and in fact is part of a normal annual growth pattern which takes place with increased economic activity.

It is also important to note that the existing thirty or so specialty shops which sell beer and wine kits in Nova Scotia have a long history as responsible business operators. These stores are owned and operated by small business people, many of whom have been in the same business for years. This is their livelihood, and in meeting with many of the operators, there is a good recognition of the importance for regulations and standards in order to insure protection of the public and assure quality control.

The other aspect that requires some consideration is the degree to which this new concept would achieve public acceptance in Nova Scotia. Generally, and without any notable exception the public in this province has welcomed changes made over the years by the Nova Scotia Liquor Corporation and the Nova Scotia Alcohol and Gaming Authority (now part of the Nova Scotia Utility and Review Board). The

process of change has been a gradual one and the addition of U-Vints and U-Brews would be fully consistent with that pattern. Specialty shop selling wine and beer kits are well accepted in Nova Scotia so the concept of making wine or beer on premise for personal use would simply be the next natural extension.

Impact on the Nova Scotia Economy

Other than the wine product from Nova Scotia based farm and cottage wineries, all other wine products (accounting for the majority of wine sales by the Nova Scotia Liquor Commission) have limited benefit to the Nova Scotia economy. The grapes are grown elsewhere; the packaging material is produced elsewhere; and even the bottling takes place outside of Nova Scotia. It does, however, provide a limited number of jobs in marketing, wholesaling, distribution by Canadian and foreign owned companies as well as retailing at the Nova Scotia Liquor Corporation (and now a few agency stores) but relative to the volume of sales the number of jobs is quite small. The only real economic contribution made to the economy is in the form of taxes contributed through the system of make ups and the imposition of the harmonized sales tax.

Beer products, on the other hand, have provided a greater economic impact since Nova Scotia has had a few large breweries and still has one major brewery who's products are well accepted in the Nova Scotia marketplace. In addition, there are a small number of micro breweries and brew pubs which contribute jobs, income and taxes to the economy. The closing of large Nova Scotia based breweries, along with changes brought about by free trade, has resulted in Nova Scotia getting a smaller share of the overall economic pie from this type of industry.

U-Vints and to a lesser extent U-Brews (and as noted experience elsewhere has shown that there is considerably less interest in brewing one's own beer) would create new jobs and generate income which would then be re-spent in the Nova Scotia economy. Each U-Vint and U-Brew would create these jobs without the need for start up grants, low interest loans, or special tax concessions. Some of this new business activity would also take place in smaller communities throughout the province.

A significant amount of taxes would be paid by employees of U-Vints and U-Brews. Canadian Tax Foundation data suggests that the tax free date for Nova Scotians in income brackets similar to those paid by these specialty shops is anywhere from late May to early June depending on the particular circumstances. This means

that the equivalent of four and one half to five and one half months pay would actually be a contribution to the tax confers at all levels of government.

Also, one should also not forget that U-Vints and U-Brews themselves as businesses would pay taxes and contribute to all levels of government. At the provincial level they would pay for licenses and permits, contribute significantly to the harmonized sales tax, and pay corporate income tax. To the extent that U-Vints and U-Brews contribute to the on going viability of small wine and beer kit specialty retailers throughout the province, jobs will be maintained and increased.

In addition, this new economic activity would create spin off benefits, not only as a result of the spending and re-spending effects in groceries stores and elsewhere, but also from local purchases made by the U-Vints and U-Brews themselves. As an example of the potential for strong economic impacts, some farm wineries in Ontario sell juice to Ontario U-Vints. There is also the possibility of farm and cottage winery participation in U- Vints, thereby, not only enhancing the farm winery business but also in creating another new and exciting tourism product. A farm winery in Ontario has had recent experience in doing this very thing. But these are not the only possibilities. There would be opportunities to use some of Nova Scotia's great apple and blueberry harvest as juice product for U- Vints and other agricultural products in U-Brews. Wine making equipment and packaging supplies from Nova Scotia could also be used. Use of any of these products would create new and interesting spin off benefits, thereby further strengthening the Nova Scotia economy.

The Province of Nova Scotia in recent years has had the objective of reducing the size and scale of government departments, crown corporations, and government commissions and agencies while at the same time focusing on building up the private sector as the primary engine for economic growth in the early twenty first century. The U-Vints and U-Brews concept is fully consistent with the critical objectives of reducing dependency on government while at the same time creating economic growth and prosperity.

As noted earlier in the report, these benefits would tend to be incremental and not adversely affect sales through the Nova Scotia Liquor Corporation. A close look at Nova's Scotia's major economic indicators suggests that liquor sales are tied closely to the health of the economy and are not affected by specialty shops which are operated by the private sector. When times are good, Nova Scotia Liquor Corporation sales are growing at a similar pace as the economy whereas when the pace of activity slows sales stagnate or decline. An interesting anecdote is that in Nova Scotia prior to the mid 1970's the reverse was true. In those year, Liquor Commission sales (also telephone usage) were somewhat inversely related to the health of the economy and were a key barometer of weakening economic conditions.

Experience today with U-Vints elsewhere in Canada has shown that customers of U-Vints are the same customers who tend to purchase up scale products from the local liquor commissions and corporations. Ontario and British Columbia, the two provinces with U-Vints, showed wine sale increases that were well above the national averages through their provincial liquor commissions and corporations in the 1990's. The findings from other studies confirm that U-Vints tend to complement and enhance liquor sales from government owned or liquor corporation agency stores.

Conclusions

There are a number of key conclusions which follow from the research undertaken in carrying out this study. The principal ones are as follows:

- * A good potential market exists for the establishment of U-Vint businesses in Nova Scotia.
- * Most U-Vints would likely be set up as an adjunct to existing beer and wine making supply specialty shops and farm/cottage wineries.
- * Experience elsewhere has shown that the initial number of U-Vints would be small but that these numbers would grow considerably over time as consumers became aware of the concept.
- * The market for U-Brews seems to be smaller than for wine making.
- * The capital cost of establishing U-Brews is considerably higher than for U-Vints.
- * In all likelihood U-Brews would probably be set up in conjunction with U-Vints in order to minimize capital costs.
- * Fewer U-Brews than U-Vints would probably also be established.
- * Experience elsewhere suggests that U-Vints and U-Brews do not negatively impact liquor corporation/commission sales.
- * Existing wine and beer making supply stores in Nova Scotia have created an increased interest in mid and upper price range wines as well as in specialty beers sold by the Nova Scotia Liquor Corporation.
- * The prime determinant of sales growth at Nova Scotia Liquor Corporation outlets and agency stores is the overall health of the provincial economy.
- * U-Vints and U-Brews would directly generate additional economic activity in Nova Scotia.
- * They would provide new opportunities for use of Nova Scotia grown grapes, apples, blueberries and other fruit products as well as other farm products.
- * Greater opportunity would be created for Nova Scotia manufacturers to provide supplies and equipment to U-Vints and U-Brews.

- * Being first in the Atlantic Canada marketplace would make it possible to realize more spin off benefits from this new industry.
- * Some interesting possibilities also exist for developing new tourism products designed specifically to capture repeat business.
- * More provincial government revenue would result from the composite of these new business activities.
- * U-Vints and U-Brews are fully consistent with the concept of growing the Nova Scotia economy through the private sector and reducing dependency on government.

The Next Steps

The Canadian Home Wine Trade Association has, over the past year or so, been providing government official in Nova Scotia with background information on the U-Vint and U-Brew concepts. Information has also been shared with the province on the economic impact that U-Vints and U-Brews has had in Ontario and British Columbia as well as how these provinces have dealt with this new industry.

This new report also focuses on the U-Vint and U_Brew concept while at the same time putting it into a Nova Scotia context. The next step should be to share this additional information with government officials and decision makers. Where the opportunity presents itself, discussions should also be held with bureaucrats and political officials.

The later would be particularly useful in providing clarification and any other information that government may need in order to make an informed decision.

The most relevant and important provincial government departments and agencies with which to share information on U-Vints and U-Brews include the following:

- * Nova Scotia Liquor Corporation
- * Alcohol and Gaming Authority
- * Department of Agriculture and Fisheries
- * Department of Economic Development
- * Treasury and Policy Board

Appendices

List A

Nova Scotia Beer and Wine Making Equipment and Supply Stores

Halifax Regional Municipality

Brewing Centres	Cole Harbour
Brewing Centres	Dartmouth
Brewing Centres	Halifax
Danielsons Water 'N Wine	Spryfield
The Home Brew Shop	Halifax
The Home Brew Shop	Fall River
Maritime Brew and Wine	
Making Supplies	Halifax
Something's Brewing	Halifax
Vintopia	Halifax
Water 'N Wine	Sackville
Wine Cellars Brewing Kits	
&Supplies	Hublely Mill Lake
Wine Kitz	Halifax
Wine Kitz	Bedford
Wine Kitz	Dartmouth
Winemarkeri Inc.	Sackville
3 Dolphin Club	Tantallon
Winexpert	Halifax ?

South Shore

Brewing Centre	Yarmouth
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Brewers Delight	Bridgewater
Cosby's Garden Centre	Sandy Cove
Wine Cellar Brewing Kit Supplies	St. Margaret's Bay

Northern Nova Scotia

Campbell Brewing Centres	Antigonish
Water 'N Wine	New Glasgow

Cape Breton

Brewers Direct	Sydney
Brewing Centres	Sydney

Annapolis Valley

Berkman's Home Brewing Centre	Greenwood
Brewing Centres	Kentville
RJ Home Brewing	Kentville

Source: 2,000 & 2,001 Aliant Telephone Directories

List B

Nova Scotia Farm Wineries

Jost Vineyards	Wallace
Telder Berry Farm & Winery	Elmsdale
Habitant Vineyards	Habitant
Pereau Creek Winery	Canning
Sainte-Famille Wines Ltd.	Windsor
Lunenburg County Winery	Newburne
Grand Pre Winery	Grand Pre

Source: 2,000 & 2,001 Aliant Telephone Directories

List C

Specialty and Micro Breweries

Sleman's Brewery	Dartmouth
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Table B

**Annual Sale of Alcoholic Beverages
Nova Scotia
\$000's**

Year*	Total	Wine	Beer
1980	170,695	16,780	70,791
1981	190,612	19,330	79,365
1982	216,354	21,557	94,257
1983	227,381	24,505	93,539
1984	244,270	26,659	102,983
1985	261,147	28,750	116,689
1986	273,601	30,610	124,386
1987	285,178	33,780	128,033
1988	299,209	36,751	138,639
1989	306,854	33,734	143,371
1990	330,238	34,083	161,898
1991	329,069	33,323	164,485
1992	341,254	34,764	170,160
1993	337,250	33,643	168,758
1994	336,126	33,572	170,387
1995	331,101	33,785	169,849
1996	330,710	35,059	169,582
1997	335,158	38,747	170,203
1998	342,184	42,418	171,796
1999	361,137	46,995	180,846
2000	396,824	52,142	204,508

*Fiscal year end March 31st.

Source: Statistics Canada, Catalogue No.63-202

Table C

**Nova Scotia Sale of Alcoholic Beverages
(000's of Liters)**

Year*	Total Alcohol Sales	Total Wine Sales	Total Beer Sales
1980	74,783	4,273	63,307
1981	74,711	4,232	63,205
1982	73,404	4,501	61,681
1983	72,850	4,854	60,919
1984	73,598	5,068	61,966
1985	76,221	5,342	64,697
1986	75,746	5,362	64,300
1987	73,988	5,592	62,214
1988	74,807	6,074	62,978
1989	74,190	5,364	62,474
1990	73,665	5,119	62,313
1991	69,921	4,667	59,492
1992	69,424	4,784	58,995
1993	68,286	4,451	58,431
1994	67,389	4,259	57,898
1995	66,039	4,212	56,689
1996	65,633	4,305	56,210
1997	65,500	4,582	55,864
1998	66,631	4,952	56,536
1999	69,529	5,071	58,846
2000	72,367	5,572	60,806

*Fiscal year ended March 31st.

Source: Statistics Canada, Catalogue No. 63-202

Table D

**Wine and Beer Sales
Liters Per Capita***

Year	Wine		Beer	
	Nova Scotia	Canada	Nova Scotia	Canada
1995	5.6	10.0	75.5	86.5
1996	5.7	10.2	74.6	85.7
1997	6.0	10.6	73.6	82.9
1998	6.5	10.7	73.8	82.8
1999	6.7	11.2	77.8	85.3
2000	7.3	11.3	79.5	82.6

*for the population fifteen years and over

Source: Nova Scotia Liquor Commission Annual Report

Table E

**Nova Scotia Liquor Corporation
Annual Contribution to Government*
(millions of dollars)**

Year**	Amount
1990/91	109.6
1991/92	113.5
1992/93	114.6
1993/94	113.2
1994/95	111.9
1995/96	113.4

1996/97	116.1
1997/98	118.4
1998/99	129.2
1999/00	135.2

***This amount excludes sales taxes**

****For the fiscal year ended March 31st**

Source: Nova Scotia Liquor Commission Annual Reports