

GENERAL AGREEMENT ON

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CANADA - IMPORT, DISTRIBUTION AND SALE OF CERTAIN ALCOHOLIC
DRINKS BY PROVINCIAL MARKETING AGENCIES

Follow-up on the Panel Report

Communication from Canada

The following communication, dated 31 March 1992, has been received from the Permanent Mission of Canada with the request that it be circulated to contracting parties.

Further to the decision of the GATT Council of 18 February 1992 to adopt the Panel report on "Canada - Import, Distribution and Sale of Certain Alcoholic Drinks by Provincial Marketing Agencies", the Government of Canada wishes to advise the CONTRACTING PARTIES of the measures taken, pursuant to the recommendations of the Panel, to ensure observance of the provisions of the General Agreement by the Canadian provincial governments. This document addresses all issues on which Canada was to report as recommended by the Panel, by 31 March 1992 and 31 July 1992.

Following extensive consultations between the Government of Canada and the Canadian provincial governments, the provinces have undertaken to introduce a comprehensive series of measures to bring those practices found by the Panel to be contrary to GATT into line with Canada's international trade obligations. Canada will meet its obligations through major adjustments to the current provincial systems, which constitute import monopolies within the provisions of Article XVII of the General Agreement. These adjustments are intended to ensure the provision of national treatment to imported beer products within each provincial jurisdiction. A number of these measures will require legislative action to bring the necessary changes into effect.

The development of a more open and competitive domestic market, which is being built upon the elimination of interprovincial barriers to trade in beer, will necessitate a period of transition before all elements of the report are fully implemented. Canada considers that a period of transition is both reasonable and essential. All changes will be provided on a most-favoured-nation basis and will be implemented as soon as possible but no later than 31 March 1995. Canada is committed to a GATT-consistent and open market for beer products at the end of this period.

The following are the planned changes on a province-by-province basis:

- In the province of Ontario, imported beer will be accorded national treatment. In the future there will be no prohibition on imported beer being sold in larger package sizes where that right is accorded to domestic products;
- The provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Newfoundland will ensure that any differential mark-ups, including cost-of-service charges, will include only those differential costs which are "necessarily associated with marketing of the imported products" as outlined in the Panel's findings. This will include the removal of the differential in the general and administrative components of the cost of service;
- The provinces of British Columbia, Alberta, Manitoba, Ontario, Quebec and Nova Scotia will provide equivalent competitive opportunities with respect to access to retail points of sale for both imported and provincially produced beer;
- In the provinces of British Columbia, Alberta, Manitoba, Ontario, Quebec and Newfoundland, both imported and provincially produced beer will be provided equal opportunity with respect to delivery from in-province warehousing to retail points of sale;
- In exercising their right to regulate the consumption of alcohol through the use of minimum pricing, the provinces of British Columbia, Ontario and Newfoundland will ensure their pricing systems conform to the Panel's conclusion that minimum prices not be fixed in relation to the prices at which domestic beer is supplied.

Canada considers that in taking this action it has fully met the requirements of Article XXIV:12 of the General Agreement. Canada is willing to consult with any interested contracting party on the implementation of the Panel's recommendations.