

February 1, 2007

Alberta Gaming & Liquor Commission (AGLC) Board intervenes on Connect Logistics February rate hike

*Edmonton...*The AGLC Board has asked Connect Logistics to defer a portion of its previously announced February rate increase for liquor agents, suppliers, and retailers. Based on feedback from major liquor industry stakeholders, the AGLC Board requested that Connect Logistics only pass on the increased costs for storage and transportation of liquor products.

The increased costs for storing and transporting liquor products will have the following average effects on these typical products:

- 10 cents per 750 ml bottle of wine or spirits
- 40 cents per dozen of bottled beer (imported)
- 25 cents per dozen of canned beer (imported)

These cost increases will be implemented February 25, 2007.

Connect Logistics has agreed to defer additional rate increases to agents, suppliers and retailers until after the completion of the AGLC's Review of the Liquor Supply Chain expected to be complete by March 1, 2007 and until after they have justified these increases to the Board of the AGLC.

The Board has been concerned with the timing of this rate increase because of the AGLC's review of the liquor supply chain currently underway and the fact that the rate increase is coming on the heels of several months of challenges for the industry given the liquor distribution storage and delivery problems that were experienced in 2006. The Board wants to ensure any rate increase to the industry is justified.

The above rate increases to agents, suppliers and liquor retailers may or may not be passed along to the consumer as the purchase price for liquor is set by individual liquor stores. The beer increases do not apply to domestic beer e.g. Sleemans, Big Rock, Labatt and Molson beer products which are handled through warehouses located elsewhere in the province.

The AGLC has asked Connect Logistics to do a series of information workshops across the province with retailers, licensees, agents and key stakeholders to explain the rate increases in detail to these groups.

The AGLC is in the process of doing a review of the liquor supply chain which covers all aspects from the handling, receipt, storing, ordering, assembly and distribution of liquor products. The AGLC has now received stakeholder input and is working with a third party consultant to analyze the input and complete a summary report for the AGLC Board by March 1. The Board will consider the report and make a decision on or before April 30, 2007.

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