



September 2, 2011

VIA E-MAIL

The Honourable Dwight Duncan  
Minister of Finance  
7 Queen's Park Crescent, 7<sup>th</sup> floor  
Toronto, Ontario  
M7A 1Y7

Dear Minister:

I am writing to you on behalf of Ontario's \$23-billion dollar hospitality industry to express our concern over your government's exclusion of the 16,659 licensed establishments in yesterday's announcement of a 20% discount on LCBO mark-ups on spirits sold at land-based Duty Free Stores in Ontario.

As the single largest customer of the LCBO, Ontario's bars and restaurants should be receiving a true wholesale price. We believe the 20% mark-up reduction announced today should also be applied to Ontario's struggling licensee sector.

More than three quarters of all foodservice establishments in Ontario are licensed to sell and serve liquor, and are guided by the Liquor License Act. Other than a minor discount provided on LCBO purchases (5% on all products except Ontario wine which is 10%) liquor licensees must pay full retail price on beer, wine and spirits. Embedded in the full retail price of beverage alcohol is a complex regime of fees, levies, markups and taxes, both Federal (e.g. Excise or Customs Duties) and Provincial.

Licensees, in addition to paying full retail price, must also pay another 6% gallonage fee. We do not receive any incentives over and above the consumer, who in addition are privileged to beer discounts and continue to pay less on a case of beer than licensees. Is this fair? The lack of government regulation and control in this regard has created a very uneven playing field for licensees.

Discounts for special groups like the one announced today continue to make it possible for Ontario home consumers to actually buy alcoholic products for less than licensees. Licensees essentially subsidize these discounts offered only to home consumers. This is not equitable, nor conducive to sales stimulation or new job development for the licensed operators in Ontario.

Your government's announcement today of 200 new jobs may be good news for the 13 stores affected, however, it is precisely the opposite for ORHMA members. The 16,659 licensees are asking, why isn't your government supporting our industry through this type of discount?

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The ORHMA asks your government to consider our position and implement a true wholesale pricing regime for liquor licensees which should be at the very least, equivalent to the discounts available to the LCBO's agency store system. Also consider the impact a discount of this magnitude would have on the hospitality industry's ability to create jobs and contribute to the very tax base that's now being used to subsidize discounts in other areas. This will stimulate licensee purchasing power and alleviate fiscal pressures.

I look forward to an opportunity to meet with you to discuss this issue in more detail.

Sincerely,

Original signed and mailed

Tony Elenis, President & CEO  
The Ontario Restaurant Hotel & Motel Association

cc: The Honourable Dalton McGuinty, Premier of Ontario