



November 7, 2006

Premier Dalton McGuinty  
Office of the Premier  
Legislative Building, Queen's Park  
Toronto, ON M7A 1A1

Dear Premier McGuinty:

**Re: Deposit-Return Program for Beverage Alcohol Containers**

Further to our letter to you of September 8, 2006, and following up on the government's announcement on September 10, 2006 on the deposit-return program, I wish to reiterate our members' concerns about the proposed deposit-return program. We have serious reservations that single-sourcing the program to The Beer Store (TBS) will not provide the most accountable, transparent, flexible, equitable, competitive, timely and cost-effective solution. As there has been no consultation or discussion with stakeholders such as ourselves, the best outcome for all those who will be affected may prove elusive. In order to help, we need to be at the table now as full partners in the design, planning and delivery of a deposit-return program

In terms of accountability and transparency, The Beer Store (TBS) does not have a regulatory overseer in government, despite its monopoly role in Ontario's beer market, or representation on its Board from anyone other than its owner- shareholders. Because it is beholden only to its three foreign owners, any decisions it makes will be to its corporate advantage to further squeeze profits from a captive market. Therefore, the lack of accountability, transparency and competition is as relevant in how TBS is allowed to dominate Ontario's beer market as it will be in allowing TBS to dominate a deposit-return program in an unregulated fashion. Consistent with ORHMA's recommendation to the Beverage Alcohol System Review, government needs to establish an oversight entity for TBS's operation that provides for a public audit, transparency in its policies, procedures and practices, and a voice for those who are impacted. This is of even greater importance now that government has endowed TBS with provenance over a deposit-return program.

From the standpoint of flexibility, TBS will not, on its own, be able to provide the needed flexibility for a viable deposit-return program. For example, TBS's Service On Tap program, forced on our industry in the fall of 2004, was heralded as providing improved service. It has had just the opposite effect by forcing inconvenient delivery days onto operators, raising the minimum order for free delivery, installing new fees for services it deems to be enhanced (but previously provided at no additional charge as part of the service) an unwillingness to adjust billing at the time of delivery, and providing fewer retail stores and hours for licensee pick-up of emergency orders. Increased costs, fewer deliveries and pick-ups, and larger orders have conspired to seriously deplete operators' storage space for beer inventories and empties. This is space that is finite. Trying to accommodate rapidly-accumulating empty wine and spirits containers will tax the limits of the existing storage space for many operators and result in potential health and safety risks for staff and patrons. Yet others will be forced to store empty containers outside their premises, becoming a potential target for petty thievery or have to dispose of them through the blue box or private recyclers for want of space.

2600 Skymark Avenue, Ste. 8-201, Mississauga ON L4W 5B2

Tel: (905) 361-0268 ext 322, Toll free: (800) 668-8906 Fax: (905) 361-0288, Toll Free Fax: (888) 359-5588

Email: [info@orhma.com](mailto:info@orhma.com) Website: [www.orhma.com](http://www.orhma.com)

TBS must clearly be made to commit to substantially-improved service standards agreed to by the industry. These standards must be able to accommodate more remote areas of the province, service the twenty per cent of licensees who do not use TBS and at no extra cost to licensees. No single organization may be able to handle this. We need more alternatives that could include the LCBO and private sector recyclers to provide the required flexibility for operators, even up to an exemption from the deposit-return program for those who already recycle.

From an equity standpoint, liquor licensees will have to shoulder the extra economic burden of rinsing, sorting, packaging and creating expanded storage space for a substantially increased number of glass containers. Cash flow impacts will result from moneys lost through foregone interest on deposit money paid up-front and unredeemed empties because of the lack of storage space, This is over and above the \$7 million that industry already pays to the government in environmental levies – a fee that should be rescinded with a deposit-return program. As compensation to the industry for these added costs, government can consider a number of options: eliminate the remaining gallonage fee and the environmental levy, establish a true wholesale price for licensees, excuse the TBS delivery/pick-up charge to licensees and insist TBS allow operators the use of credit cards for beer purchases. Otherwise, the proposed deposit-return program will further eat into the already razor-thin industry profit margins.

Concerning the issue of timeliness, we would question the realistic delivery of a deposit-return program by early next year – especially if it only involves TBS. It is highly questionable whether TBS can roll out a workable and quality program in that short a time frame - especially one that can successfully address our issues. Based on our experience with the Service On Tap program, TBS does not have the ability to pick up and deliver on its promise. This program should not be put on the backs of the licensee community until there is a demonstrated capacity by TBS to deliver. This might be resolved by TBS and government undertaking a pilot project with our industry with identifiable goals, objectives, benchmarks, deliverables and performance measures.

The most cost-effective solution for liquor licensees is one that will be at least cost-neutral. As stated above, the industry will be shouldering new economic costs with the advent of a deposit-return program and some form of compensation should be envisioned. The ORHMA is also aware that the proposed deposit-return program will have economic impacts for those of our members who are obligated stewards of Stewardship Ontario under the *Waste Diversion Act*. The removal of LCBO containers from the municipal blue box program will result in new products being added to the blue box and subsequently unknown cost factors for stewards. We also await government direction on the status of the LCBO as a steward that will have financial impacts for all stewards as well as policy implications for Stewardship Ontario.

We are asking once more for the opportunity to meet with you to discuss the implications of deposit-return on our industry. To be handed a *fait accompli* on a deposit-return program without any participation or discussion would not be accountable, transparent, flexible, equitable or timely.

Sincerely



Terry Mundell  
President & CEO

cc: Honourable Gregory Sorbara, Minister of Finance  
Honourable Laurel C. Broten, Minister of the Environment  
Honourable David Caplan, Minister of Public Infrastructure Renewal  
Honourable Jim J. Bradley, Minister of Tourism  
Honourable Gerry Phillips, Minister of Government Services