



ONTARIO RESTAURANT HOTEL & MOTEL ASSOCIATION

PRESS RELEASE
COMMUNIQUE

**ORHMA WELCOMES GOVERNMENT SUPPORT FOR THE
HOSPITALITY INDUSTRY**

***ORHMA achieves \$25 million a year relief for the foodservice and
accommodation sector***

The Ontario Restaurant Hotel & Motel Association (ORHMA) applauds the recent decision of the Ontario government to eliminate the gallonage fee applied to those 17,000 hospitality operators on their purchases of beer, wine and spirits. In a December 16, 2005 letter to ORHMA President and CEO Terry Mundell, Finance Minister Dwight Duncan confirmed removal of the gallonage fee effective January 16, 2006.

The gallonage fee on liquor licensees represents 12% on wine and spirits and \$2.64 a hectolitre on beer that is collected by the LCBO or its agents, The Beer Store or Ontario wineries and applied at the time when licensee operators purchase their stocks of beer, wine or spirits for resale in their establishments. Revenue from the fee is forwarded to the Alcohol and Gaming Commission of Ontario and finally to the Ministry of Finance as general consolidated revenue.

In tandem with other changes, elimination of the gallonage fee results in a reduction of between 5% and 6% for wine, spirits and coolers and an approximate \$25 million saving annually to Ontario's operators of licensed bars, taverns, hotels and restaurants. The Liquor Control Board of Ontario's (LCBO's) existing licensee discount program remains intact.

"We appreciate the efforts of the Ontario Restaurant Hotel & Motel Association in bringing forward the interest of the hospitality sector. We are pleased to provide this support to your industry, which makes such a significant contribution to our economy", said Finance Minister Duncan.

Operating profit margins in the hospitality industry are thin – under 5% on average - and even lower for pubs and taverns at 2.7%. The hospitality and tourism sector has been struggling over the past several years to overcome a series of setbacks beyond its control. The government's decision to eliminate the gallonage fee will help sustain the industry in these tough economic times for the industry and protect jobs and businesses.

With application of the gallonage fee, licensed operators in many instances end up paying more for beer, wine and spirits than do regular retail customers. The fee has been in existence for at least four-and-a-half decades and resulted in \$48 million in annual revenue to government.

“This is significant for the ORHMA and the hospitality industry” states Tony Elenis, Chairman of the ORHMA, “as we have been recommending for several years elimination of the gallonage fee to provide some measure of financial relief to both small and large operators alike.”

The ORHMA is Canada’s largest provincial, not-for-profit, industry association representing the interests of its 4,100 members and 11,000 establishments that are part of Ontario’s foodservice and accommodation sectors. Hospitality industry sales in Ontario exceed \$18 billion and directly employ 411,000 Ontarians. The ORHMA is dedicated to fostering a positive business environment for Ontario’s hospitality industry while providing value-added services to its members.

For more information on the elimination of the gallonage fee, please contact Sonia Richards at (905) 361-0268, ext. 322 or toll free at 1-800-668-8906.