

Resolution Title

CHANGES TO ALCOHOL RETAIL IN ONTARIO NEEDS TO SUPPORT LOCAL INDUSTRY AND JOBS IN THE WINE AND GRAPE SECTOR

Theme

Industry Policy

Issue

Overly strict and unfair regulations on the sale and distribution of wine in Ontario are hindering profit for small businesses and rural communities. By imposing an import tax of 35% and an additional retail store tax of 6.1% on domestically produced wine, it deters competition as consumers will choose to purchase imported foreign brands at a lesser price. Previous taxes in the form of wine markups have only made it more difficult for the grape and wine industry to grow.

Background

In 2015, the Ontario wine and grape industry contributed to \$4.4 billion to the Ontario economy, supported 18,000 jobs, hundreds of small family-owned businesses in Ontario communities and attracted over 2.4 million tourists to wine country every year¹. This in itself accounted for nearly half of Canada's wine and grape industry. Ontario Craft Wineries alone represent over 100 commercially active wineries across the province – the vast majority of which are small to medium family-owned businesses. Ontario Craft Wineries are a significant driver of the Ontario rural economy; unlike other beverage alcohol sectors, Ontario wines are 100% Ontario grown and produced.

The wine and grape industry is a key economic driver in Ontario but is especially important to the Niagara, Lake Erie North Shore and Prince Edward County areas. Windsor-Essex County alone has 17 wineries due to its unique maritime climate which allows it to have longer sun hours and greater heat units than any other area in Canada. This unique climate contributes to the production of award-winning wines created from the finest locally grown vinifera and French hybrid wine grapes.²

Ontario is already one of the most open wine jurisdictions in the world. At the LCBO, Ontario wines hold only a 24 percent market share. Other wine producing nations around the world dominate their own market. Spain, South Africa, Argentina and Chile each own over 90% of their domestic market. Italy owns over 80%, Australia over 75%, the USA over 60% and even Russia is at 50% ownership of their own market. Major wine producing countries such as Spain, Italy, France, America and Australia provide hundreds of millions of dollars in subsidies particularly for marketing abroad. These subsidies are often directed by the foreign wineries at maintaining and growing market share in Canada and Ontario.

¹ <https://wgao.ca/economic-impact/>

² <https://www.epicwineries.com/wineries/>

Each bottle of Ontario wine drives \$98.20 in economic impact to the province. By supporting 100% Ontario wines, the government would be provided with an increased revenue of \$10 million per year beginning in 2020. This would allow Ontario wineries and grape growers to create more jobs in rural Ontario, keep protecting the Greenbelt and continuously invest in the Ontario economy.

RECOMMENDATIONS

The Windsor-Essex Regional Chamber of Commerce urges the Government of Ontario to:

1. Stop Importing Domestic Wines: Address the “import tax” levied on 100% Ontario wine sales through the LCBO markup structure. Ontario wineries are seeking a 35% permanent tax credit that is predictable.
2. Expand Direct Delivery for 100% Ontario Wines: Provide Ontario wineries the ability to deliver directly to any new retail store channel similar to US wineries. It is the best way to ensure a fair and reasonable margin on 100% Ontario wine sales in new retail channels.
3. Reduce Retail Store Tax: No other Ontario business has a 6.1% tax on top of the other sales taxes the government collects. Reduce the Retail Store Tax by 6.1%.
4. Allow for Private Wine Shops: Ensure market is accessible to retailers of all sizes, including independent licenses for specialty wine shops i.e. a license enabling independent stores with no chains or ability to consolidate.
5. Prevent Private Oligopolies from Arising: No private retailer can own more than 10% of licenses.
6. Create Clearer Regulations Regarding the Free Movement of Wine into Ontario: Currently, the LCBO has a “policy statement” forbidding Ontario residents from importing wine that will not be personally carried. However, this policy lacks legal force resulting in a lot of uncertainty regarding the issue.³

Submitted By

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Willing to coordinate – Yes

³ Break the law this autumn; Buy wine from another province. Fraser Institute. Retrieved January 25, 2019 <https://www.fraserinstitute.org/article/break-the-law-this-autumn-buy-wine-from-another-province>