Changes to Alcohol Retail in Ontario Need to Support Local Industry and Jobs in the Wine and Grape Sector

Submitted by: The Windsor-Essex Regional Chamber of Commerce. Co-sponsored by the Amherstburg Chamber of Commerce, Leamington Chamber of Commerce, Prince Edward County Chamber of Commerce

Issue:

As the Ontario government considers new retail for wine in the province it is essential that the government uses this opportunity to ensure Ontario grape growers and wineries are able to grow their businesses, contribute to the provincial and regional economies and create local jobs. Key to ensuring the future growth of the Ontario grape and wine sector is:

- Eliminating the 35% import tax currently imposed on local Ontario wineries;
- Eliminating the 6.1% retail store tax on domestically produced wine;
- Ensure direct delivery of all Ontario wine to new retail opportunities; and,
- Not trading the current retail monopoly for a grocery led oligopoly.

Background:

In 2015, the Ontario wine and grape industry contributed $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 year.[1] This in itself accounted for nearly half of Canada's wine and grape industry. An average bottle of Ontario wine sold generates $29.69 of business revenue, $5.23 of tax revenue and $8.71 of wages. For every $1.00 spent on Canadian wine in Ontario, $3.95 in GDP is generated across the province.

In 2015, there were approximately 456 grape growers operating in Ontario with a combined acreage of 18,383 grape-bearing acres. There were also approximately 180 wineries in Ontario that sold over 8.3 million nine- litre equivalent cases of wine. Total winery revenue representing wine sales, wine kit sales and non-wine revenue such as merchandise, events, etc. was $562.9 million.

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/

Alongside limited market share, Ontario wineries pay the 35% import tax that is also levied against foreign wineries. The elimination of this tax 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 Ontario Chamber of Commerce urges the Government of Ontario to:

1. Eliminate the Import Tax on Domestic Wines: Ontario wineries currently pay a 35% import tax through the LCBO markup structure. Ontario wineries are seeking a 35% permanent tax credit that is predictable.

2. Allow Direct Delivery to retail stores: 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 wine sales in new retail channels.

3. Eliminate the Alcohol Manufacturer Retail Store Tax. No other Ontario business has tax (6.1% for wine, 61% for spirits) on top of the other sales taxes the government collects.

4. Prevent Private Oligopolies from Arising: 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. Work with other provinces to enable Ontario wineries to better serve their customers. Enable cross border shipping so Ontario wineries can ship purchased products home to customers in provinces including Quebec, Saskatchewan and Alberta.