

Presentation to the National Finance Committee of the Senate

Regarding Part 3 of Bill C-44

I am here today on behalf of the \$80 billion restaurant and foodservice industry. An industry that employs more than 1.2 million people. Restaurants indirectly employ an additional 250,000 people who provide the wide range of products and services required by this industry.

More than two-thirds of Canada's 95,000 restaurants and foodservice businesses are locally owned and operated by independent entrepreneurs.

The restaurant and foodservice industry is a valued contributor to communities across Canada, bringing jobs, investment, tourism and a focal point for people to gather. The rejuvenation of neighbourhoods is often led by the entrepreneurial restaurant scene. The infusion of new activity into neighbourhoods is critical for every community to thrive.

Restaurateurs are proud of the opportunities they create for youth and new Canadians whether they're with their business for a year, or a career.

We are also an industry with razor thin profit margins, averaging 4.3% and lower for the pub and bar sector. As you are aware sales and distribution of beer, wine and spirits is controlled by provincial monopolies and alcohol is already subject to a bevy of duties, markups, fees and levies. After the restaurant mark-up is included, provincial and federal sales taxes are added as well.

What most Canadians don't know is that licensees often pay more for a case of beer, bottle of wine or spirits than consumers purchasing them at their provincial retail store. There are often surcharges to licensees and little in the way of wholesale discounts. Once restaurants include their cost of service – glassware, overhead, rent, staffing, which includes training for all servers in the responsible service of alcohol, etc. – it becomes very expensive for the average Canadian to enjoy a glass of wine, a pint of beer, or a cocktail with their meal. As a result alcohol sales to licensees are stagnating.

You can imagine the surprise of our members when the government elected to add more taxes not less to alcohol, one of the highest taxed commodities in the country, and to increase the tax annually in perpetuity.

We've heard from small town restaurant and pub operators who are struggling to keep their businesses afloat, with rising labour, food, utility and rent costs. The cumulative effect of the new excise duties will take another big chunk out of their business. This is real dollars that cannot be used for hiring staff, investments in innovating and refurbishing their businesses and in some cases remaining viable.

I listened intently to Mr. Coulombe from the Department of Finance on Tuesday during his testimony to this committee and to the House of Commons Committee. I know that restaurants and pubs will be disheartened to hear that the department believed the excise

increases were so small that it wasn't necessary to analyse the economic impacts. A tax increasing from \$30 million to \$470 million in 5 years is significant even before you consider that the tax will be part of the base price to which all other fees, levies, mark ups and provincial and federal sales taxes will be layered on. The federal government is already getting inflationary increases from the revenue collected on the GST. Ultimately, the increased tax load on alcoholic beverages will make them unaffordable for middle income Canadians.

Although we were not happy with the 2% increase this year we accept it as a fait de complis. What we would like to see changed in the budget implementation act is the removal of the excise tax escalator so that parliamentarians would have the opportunity to review any future increase based on economic impact and circumstances.

As noted earlier, alcohol prices in Canada have reached the point of diminishing returns with stagnating sales to licensees. A compounding increase in excise duties will only make things worse.

Thank you