



Association canadienne
des restaurateurs
et des services
alimentaires

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Canadian Restaurant
and Foodservices
Association

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The Honourable Rod Gantfoer
Minister of Finance
Room 312, Legislative Building
Regina, SK S4S 0B3

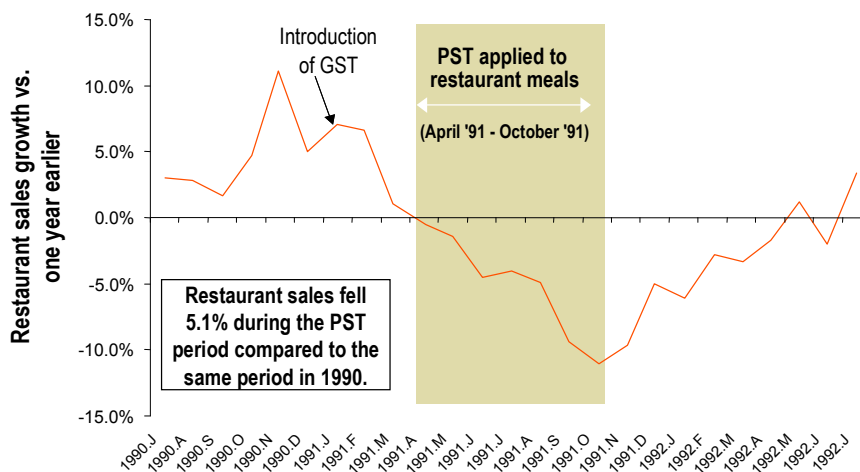
Dear Minister:

Thank you for meeting with John Fraser and me last week to discuss the impact sales tax harmonization will have on Saskatchewan's foodservice industry. I appreciate you taking time out of your hectic schedule to meet with us on this very important issue.

I appreciated your insight into how your own business was impacted by the introduction of the GST in 1991. I was pleased to hear that your business recovered from the 12% drop in sales that Saskatchewan's foodservice industry experienced that year. Unfortunately, most operators in the province only experienced a moderate rebound in sales after the GST was introduced.

In your future deliberations on whether or not to move forward with harmonization, it is important to consider what happened the last time both the PST and the GST were applied to restaurant meals. As you are aware, for a brief period after the introduction of the GST (April – October, 1991), PST was also added to the cost of restaurant meals in Saskatchewan. Then-Premier Romanow campaigned on a promise to remove the PST on restaurant meals because of the impact the new taxes were having on consumers. He kept his promise, and sales immediately began to rebound in the foodservice industry. However, the GST remained a fixture on restaurant meals, so even after the moderate rebound, sales were still below the levels that operators experienced in 1990.

The PST had a distinct and measurable impact on restaurant sales in Saskatchewan in 1991.



Source: Statistics Canada

VANCOUVER

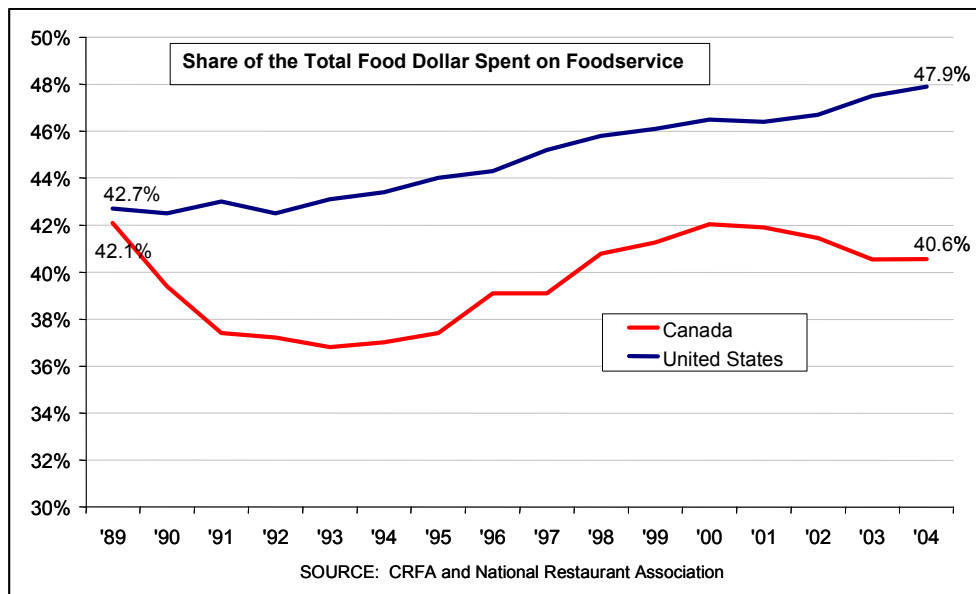
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Another way to measure the impact of a new restaurant meal tax is to look at how Canada's foodservice industry rivals its U.S. counterparts for market share. Since the introduction of GST, the foodservice industry's performance in the two countries has diverged. In 2004, 40.6% of the foodservice dollar was spent in Canadian restaurants, whereas our American colleagues enjoy a 47.9% share of household spending on food. Prior to the introduction of the GST, the two markets enjoyed a similar percentage of the foodservice dollar. Over-taxation of foodservices in Canada is one of the main reasons our industry is underperforming the US market.



Finally, I appreciate your understanding of the inherent unfairness in the way food is currently taxed in Canada. The current GST exemption for prepared foods purchased from grocery stores puts foodservice operators at a significant competitive disadvantage, especially in the rapid expansion of the take-home meal department in grocery stores. The only way to level the playing field is to tax all food in the same manner. I was pleased to hear that you agree with this position, and look forward to discussing it with you in more detail in the future.

I thank you again for meeting with me last week, and committing to continuing the dialogue between your department and CRFA on this important issue. Meanwhile, if you have any questions, I can be reached at (877) 926-8557 or cdonovan@crfa.ca

Sincerely,

Courtney Donovan
Vice President, Manitoba-Saskatchewan