



Canadian Restaurant and
Foodservices Association
Association canadienne
des restaurateurs et des
services alimentaires

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Hon. Dalton McGuinty
Premier
Leader of the Ontario Liberal Party
Suite 210, 10 St. Mary Street
Toronto, Ontario
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Dear Premier:

Over the past several years, Ontario's restaurant and foodservice industry has experienced serious challenges with plummeting revenues, soaring costs of doing business and fading profit margins. Once a leader in Canada, Ontario's restaurant industry has fallen behind on almost every measure, including expansion and growth. Changes in government policy and regulations can have a dramatic impact on an operator's ability to survive and to continue to provide employment opportunities for Ontario residents.

Enclosed is a copy of the brochure "*Recipe for a Strong Ontario*" that provides you with a state of the nation regarding the restaurant industry along with our key issues for this election campaign. As a service to our members, we will be publicizing the positions of the three main political parties in the Ontario election on issues that directly impact the foodservice industry. We have listed a series of questions below.

These questions are intended to allow your party the chance to address issues important to the foodservice industry in Ontario. Please feel free to provide additional information that may be of interest to Ontario's restaurant and foodservice operators.

GST/PST harmonization:

1. In Ontario, harmonization would eliminate the \$4.00 threshold exemption for meals purchased at restaurants and would have a disproportionate impact on seniors and lower income Ontarians. Low-income families spend 4.2% of disposable income on meals away from home while higher income families spend just 2.1% (2005 Survey of Household spending: Statistics Canada). ***Does your party oppose any measure of taxation that would penalize lower income Ontarians by taxing meals under \$4?***
2. Harmonizing the GST/PST will shift the tax burden from business to consumers, forcing a broadening of the tax base or an increase in the rate to compensate for the revenue loss from the removal of retail sales taxes on business purchases. ***Will your party oppose harmonization of GST/PST in Ontario?***

Beverage alcohol:

1. As the largest buyer of wine, beer and spirits in Ontario, liquor licensees are denied wholesale pricing and pay hefty taxes and levies that further drive up their costs. They don't receive volume discounts, nor can they take advantage of beer specials or samplers offered to regular retail customers. ***Will your party support a true wholesale pricing regime for liquor licensee purchases that parallel those discounts given to LCBO agency stores?***
2. The Ontario government collects an environmental levy of nearly nine cents for every non-refillable container on top of the deposits paid on wine and spirit containers under the new deposit-return program. ***Will your party support the removal of the environmental levy on non-refillable containers since these containers are now subject to Ontario's deposit-return program and maintaining the levy ensures the industry pays more than its fair share?***
3. Retail consumers in Ontario are permitted to use credit cards for purchases at The Beer Store and yet large volume licensees are not. ***Will your party support allowing liquor licensees the use of credit cards in their purchases of beer from The Beer Store?***

Environment:

1. Funding for the province's Blue Box Program is governed by Stewardship Ontario – a government agency that redistributes money collected from private sector stewards to help pay for municipal recycling efforts. The foodservice industry is as concerned about the environment as its government partners. However, costs of the Blue Box Program are being borne increasingly and disproportionately by the private sector without any cost accountability from member municipalities or Stewardship Ontario – with pressure for the private sector to assume total program costs. Similar to the arrangement that exists with the Canadian Newspaper Association and the Ontario Community Newspapers Association, the restaurant and foodservice industry proposes to work with government on a public education program to promote the importance of, and encouragement to, Ontario consumers to recycle in lieu of payment of stewardship fees. ***Will your party support working with the restaurant and foodservices industry to identify public education opportunities – that would have a market reach unattainable through mass media or traditional marketing techniques – in lieu of the \$2.184 million paid by the industry to Stewardship Ontario as a more effective contributor to the province's waste diversion goals?***
2. Pressure is mounting from municipalities to move from a cost sharing model to one that would have industry pay 100% of waste diversion costs without additional service to industry from municipalities. ***Will your party oppose increasing the percentage of funding paid by the restaurant and foodservices industry for the cost of municipal recycling programs?***

Municipal tax powers:

1. In Ontario, consumers who order a meal with a licensed beverage must pay three different sales taxes: the 6% GST, the 8% PST and the 10% provincial liquor tax. The taxation powers included in the City of Toronto Act provide the City with additional taxation power that

would potentially increase taxes directly in the form of a liquor tax or indirectly in the form of a parking tax that would impact an industry particularly sensitive to increased taxation due to the close relationship between disposable income and foodservice spending. **Will your party support revoking the City of Toronto's ability to levy taxes – especially on alcohol?**

2. **Will your party oppose extending the taxing powers granted to the City of Toronto to other municipalities in Ontario – sheltering restaurant patrons in other municipalities from new municipal liquor taxes?**

Minimum wage:

1. The restaurant and foodservices industry opposes the recent decision to increase Ontario's general minimum wage and any plans to speed up its implementation. When minimum wage increases too quickly, foodservice operators have little choice but to cut hours and jobs due to a lack of financial flexibility and razor thin profit margins to absorb a minimum wage hike. **Does your party support holding the minimum wage increases to small increments over time? Will your party consider revising the planned schedule for minimum wage increases?**
2. Increasing the minimum wage is cited by political leaders as a way to combat poverty although economists agree that raising minimum wage is an ineffective income-redistribution tool and a blunt policy instrument for reducing poverty. Minimum wage applies to an individual, while poverty depends on family need and the number of wage earners in the family. **Will your party tackle the poverty issue more effectively by increasing the basic personal income tax exemption and not through minimum wage increases?**

Ontario's restaurant and foodservice industry is one of the largest private sector employers in Ontario. The industry's 22,000 establishments employ 384,000 people in Ontario. This \$21-billion industry has the potential to be a leader in Ontario – to create more jobs, more investment and more dining destinations. We are also uniquely positioned to contribute to the economy of every Ontario community providing employment to as many as 20,000 individuals within an urban riding.

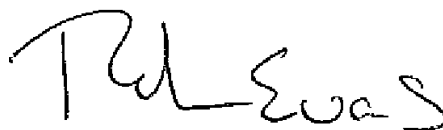
As mentioned, CRFA and ORHMA will share the results of the Leader's survey with our members. Realizing this is a very busy time for you, we would like to request your response by Friday, September 28, 2007 in order for our members to have the opportunity to review the responses and make an informed decision.

We look forward to your response. If you have any questions, please do not hesitate to contact us directly.

Yours truly,



Elaine Flis
Vice President, Ontario
Canadian Restaurant and
Foodservices Association



Rob Evans
President and CEO
Ontario Restaurant, Hotel &
Motel Association