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January 23rd, 2020

The Honourable Rod Phillips
Minister of Finance c/o Budget Secretariat
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, ON, M7A 1Z1

Dear Minister Phillips,

On behalf of the Ontario Craft Wineries, I am pleased to have the opportunity to submit the attached submission as part of your government's 2020 budget consultations. As part of this process, we ask that you consider two key industry recommendations for inclusion in this year's upcoming budget:

Recommendation #1: Stop Import Taxing VQA/100% Ontario Grown Wine
This can be achieved by adopting the principles of a three-tiered distribution model, which would provide relief to domestic (VQA/100% Ontario) wine from the importer portion of the LCBO markup. Removing this unfair tax provides a much-needed boost creating jobs, spurring investment and helping wineries continue to expand and grow across the province. A properly designed tax credit would meet all of Canada's international trade obligations and truly demonstrate that Ontario is open for business. It would also harmonize supports with the craft beer sector, which enjoys a refundable tax credit.

Recommendation #2: Eliminate the VQA Retail Store Tax (i.e. 6.1% Wine Basic Tax)
The 6.1% basic tax punishes smaller wineries that sell their wine at their wineries where the Ministry of Finance and the LCBO play no role. No other Canadian winery or retail product pays this type of tax. It is a tax on tourism and the family farm. Eliminating this tax would help small wineries reinvest in their business operations and hire more staff to help sell even more of their high-quality wines.

Should you have any questions with respect to these recommendations, do not hesitate to contact me.

Yours truly,

Richard Linley
President, Ontario Craft Wineries


Wine
5
Transformative Policy Changes to Help Ontario Wineries and Growers Thrive
Ontario's craft wineries are locally owned, family (farm) businesses that create jobs, attract tourists, and grow regional economies. As producers of top-quality VQA wines, we love what we do.
We are proud of the important and growing role we are playing in Ontario's agricultural and tourism sectors, which are vitally important to the health of rural communities. That is why we remain excited by the promise of the Ontario government's reforms to the way beverage alcohol is sold in Ontario.
We support the government's efforts to right past wrongs and fix the broken system it inherited. Doing so will be good for farmers, consumers, workers and businesses. It's time to bring Ontario's beverage alcohol industry into the 21st century.

Ready to Grow: Transformative Policy Changes to Help Ontario Wineries and Growers Thrive

1 Stop Import Taxing VQA/100% Ontario Grown Wine

Adopting the principles of a three-tiered distribution model would provide relief to domestic (VQA/100% Ontario) wine from the importer portion of the LCBO markup. Removing this unfair tax would provide a much-needed boost creating jobs, spurring investment and helping wineries continue to expand and grow across the province.

A properly designed tax credit would meet all of Canada's international trade obligations and truly demonstrate that Ontario is open for business.

2 Eliminate the 6.1% Basic Wine Tax Charged on VQA/100% Ontario Grown Wines

- This tax punishes smaller wineries that sell their own wine at their own wineries where the LCBO plays no role.
- No other retail product pays this type of tax. Simply put, it is a tax on tourism and the family farm.
- Eliminating it would help small wineries hire staff to help sell even more of their high-quality wine.

3 Modernize Direct Delivery Rules for VQA/100% Ontario Wine

- Greater retail options should come with new direct delivery and distribution rules for VQA/100% Ontario wines.
- Removing high LCBO distribution fees on wine sold to grocery, convenience and big-box stores – and mirroring the fees for similar delivery to restaurants – is a common-sense reform that is long overdue.

4 Provide Greater Choice to Consumers by Introducing Private Wine Shops

- Ontario consumers would benefit from greater choice of specialty, high-quality products made in Ontario and around the world.
- Specialty wine shops are common in other provinces such as British Columbia and Nova Scotia.
- Private wine shops would create jobs, boost rural economic growth and provide value for Ontario taxpayers.

5 Continued Reduction of Costly and Punishing Red Tape

- Small businesses and entrepreneurs benefit from red tape reduction.
- Ontario wineries have supported recent regulatory changes that remove burdensome and unnecessary rules.
- Continued red tape reduction would support Ontario's job creation, investment attraction and open for business agenda.

The above changes will enable a made in Ontario viticulture policy that supports economic growth and a transition to an Ontario-grown industry.

Creating Jobs, Supporting Farmers and Tourism, and Growing Ontario's Rural Economy

Ontario Craft Wineries represents over 100 farm wineries across the province, the vast majority are small-to medium-sized family-owned businesses.

Our members are a significant driver of the Ontario rural economy and our wines are 100% Ontario grown and produced.

Ontario's wine and grape industry (100% Ontario) supports over 11,000 jobs and generates nearly $2.5 billion in annual economic benefits.

Industry projections indicate there is potential for growth: more than double the jobs and related economic benefits.

Ontario wineries welcome over 2.4 million visitors annually and generate significant spin-off benefits for local regions and other small businesses.

ONTARIO CRAFT WINERIES