

Current Status: In Ontario, alcohol sales are priced and processed through the LCBO

Issue: The Ontario government would like to modernize alcohol beverage sales. Current pricing is fixed through the LCBO and is not flexible to accommodate new retail or restaurants to operate with decent margins.

Opportunity: In Canada, other liquor jurisdictions such as Alberta or BC have wholesale pricing. The flexibility of wholesale pricing allows multiple retailers and restaurants to operate in the province and all have decent revenue streams. ***A major observation, when comparing the 4 major markets in Canada, all generate roughly the same revenue (31%-35%) regardless of pricing scenario, wholesale vs monopoly pricing. The government of Ontario would still have all taxes in place, annual transfers would not be at risk.***

	BC	AB	ON	QC
Market	Semi Privatized	Privatized	Monopoly	Monopoly
Pricing Structure	BCLDB Wholesale	Wholesale	LCBO Pricing	SAQ Pricing
Volume of Sales Litres	452,989	353,996	1,118,657	769,679
Gross sales Dollars	3,573,122	2,595,067	6,394,156	3,293,901
Net income of liquor authorities	1,114,368	860,423	2,276,126	1,145,917
Transfer to Provincial Government	31.2%	33.2%	35.6%	34.8%
LDA Population	4,080,636	3,296,572	11,424,854	6,721,818
Avg consumption (L)	111.01	107.38	97.91	114.50
Avg spend	\$ 875.63	\$ 787.20	\$ 559.67	\$ 490.03

Net income of liquor authorities and government revenue
from sale of alcoholic beverages (x 1,000) 1 2

- Consumption across Canada ranges between 98L-115L/person (LDA)
- Spend ranges from \$490-\$875/person. Please note this is dependant on purchase habits of province (Beer, spirits, wine etc)
- <https://www.mypowellrivernow.com/30304/wholesale-liquor-pricing-introduced-for-b-cs-restaurants-and-pubs1/> - Currently in BC, the government to support the restaurant industry has implemented wholesale pricing. This is providing upwards of a 20% discount, helping the industry through the COVID 19 crisis.

DRINKS ONTARIO IS THE LEADING ADVOCATE FOR AGENTS, SUPPLIERS AND ASSOCIATIONS IN THE BEVERAGE ALCOHOL INDUSTRY; A MEMBERSHIP-BASED PROVINCIAL TRADE ASSOCIATION REPRESENTING MANUFACTURERS, AGENTS, MARKETING GROUPS AND TRADE OFFICES FOR BEVERAGE ALCOHOL IN ONTARIO.

Our members, who support 3,000 jobs across the province, provide three essential functions that drive the diverse product assortment available to Ontarians through the LCBO:

1. We **source** both Canadian and global products, allowing LCBO customers to 'shop the world'. Drinks Ontario members source thousands of products from over 80 countries to create a unique and diverse product assortment for Ontario consumers.
2. We **offer** these products to the LCBO, driving a vibrant marketplace. Virtually every item in the LCBO has an agent responsible for bringing it to market. Drinks Ontario members represent 95% of alcohol products sold in the LCBO, by volume.
3. We **promote** these products when they reach the market, partnering with LCBO and the Trade to ensure product success.

In collaboration with Drinks Ontario members, the LCBO brought 26,056 domestic and imported products to Ontario consumers and licensees last year. Of these, 10,326 products were retail listings; including LCBO Wines, Vintages, eCommerce, special offers, and Duty Free; while an additional 15,730 products were available through Consignment/Private Ordering. LCBO revenue during this period (fiscal 2018) exceeded \$6 Billion and resulted in a dividend to the province of \$2.12 Billion. In addition, LCBO contributed almost \$1 Billion to the federal government in the form of HST, excise and duty.

Supportive of the government's "choice & fairness" mandate for consumers, Drinks Ontario is excited to work with the LCBO, other industry stakeholders, and policymakers to expand the province's distribution system and significantly increase the sector's economic profile.

Ontario's discerning consumers and restaurants want and deserve even greater product selection covering all wine, spirits, beer and cider offerings - Drinks Ontario members are ready to work. We recommend the following actions: (1) implement a **wholesale pricing** structure for various channels and eliminate the **uniform pricing** policy; (2) create entrepreneurial and well-served **specialty stores** (non-chain/non-traditional low-price convenience) throughout Ontario; and (3) introduce **third-party logistics**. These changes would fuel tremendous business opportunities for the beverage alcohol sector and associated industries, and generate additional revenues for the Government of Ontario.

Drinks Ontario recognizes that modernizing Ontario's alcohol distribution is not about increased consumption; it's about creating jobs and a thriving, socially responsible marketplace to benefit all Ontarians – consumers, industry workforce, entrepreneurs and government.

www.drinksontario.com

Driving a diverse & vibrant beverage alcohol marketplace in Ontario

