

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, ON K1A 0G5

Sent by Email

March 15, 2023

Ref: Freeze the Federal Excise Tax on Beer, Wine, and Spirits

Dear Minister Freeland,

I am writing on behalf of the Tourism Industry Association of Ontario (TIAO), collectively representing 200,000 businesses in food and beverage, meetings and conventions, live events, resorts, accommodations, attractions, recreation, culture and heritage, and other tourism sectors across Ontario.

Ontario tourism is known for its breweries, wineries, cideries, and distilleries which are key suppliers for tourism and hospitality operators and create unique experiences that attract visitors to the province's many rural destinations. In 2019, Ontario's wineries attracted 2.6 million visitors, generating \$748 million in tourism revenue. Ontario-owned brick and mortar craft breweries alone attract 5 million visitors per year, generating \$211 million in tourism-related economic activity. Beverage alcohol more broadly is a key contributor to our industry, enhancing visitor experiences and generating added revenue for operators, whether for leisure or business travel.

As you know, the federal excise tax on beer, wine, and spirits is set to automatically increase by 6.3% on April 1st. While this increase is in accordance with the rate of inflation, it represents the largest beverage alcohol tax increase Canada has seen in 40 years. Moreover, it will come at a time when our businesses are already dealing with rising operating costs, supply chain issues, an unprecedented labour crisis, and the impacts of inflation on consumer demand—all of which hinder post-pandemic recovery.

With tourism and hospitality businesses already struggling to ramp up capacity, pay down debt, recoup pandemic losses, and rebuild, tax increases on the production of goods further exacerbate this by creating added commercial costs. For Ontario's producers and vendors of beverage alcohol, this will mean reduced revenues, reduced cash flow, and limitations on opportunities for recovery and growth—costs that operators will not be able to fully absorb and which will ultimately impact consumers. We are concerned that rising prices will dampen visitor demand for affected products and experiences, creating yet another blow for hard-hit tourism and hospitality businesses.

TIAO therefore supports the recommendation put forward by Beer Canada to freeze the federal excise tax on beer, wine, and spirits for fiscal years 2023 and 2024 until inflation returns to the Bank of Canada's one-per-cent to three-per-cent target range.

We thank the Government of Canada for ongoing support of the tourism industry through investments that have assisted the recovery of our businesses and their capacity to remain domestically and globally competitive. We urge swift action on the automatic increase of the federal excise tax to ensure that our businesses can continue to contribute to Canada's economic recovery by offering truly memorable made-in-Ontario visitor experiences.

Thank you for considering the contents of this letter. Please do not hesitate to contact me for further information. I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jessica Ng', with a stylized flourish at the end.

Dr. Jessica Ng, PhD
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