



Restaurants
Canada

The voice of foodservice | La voix des services alimentaires

RAISE THE BAR



A report card on provincial
liquor policies for bars and
restaurants

INTRODUCTION

“I was taught that the way of progress was neither swift nor easy” – Marie Curie

Canada’s bar and restaurant owners are, understandably, frustrated. Since our first **Raise the Bar** report card in 2015, it’s been one step forward, one step back. Some provinces have improved their liquor pricing and regulations, but others have taken little or no action. In some cases, things are getting worse, not better.

Wholesale pricing on alcohol products is the huge step forward that licensees are waiting for. In most provinces, bar and restaurant owners pay just as much as the average consumer does for beer, wine and spirits. In some cases they pay even more than retail, due to licensee levies and mark-ups. Adding insult to injury, some licensees must pay full retail price even when products go on sale for home consumers!

“Where else on the planet do you pay more than retail to resell to your customers at a much higher price than they could get it themselves?”

—Comment from a Restaurants Canada member. Read more from licensees across Canada, throughout this report.

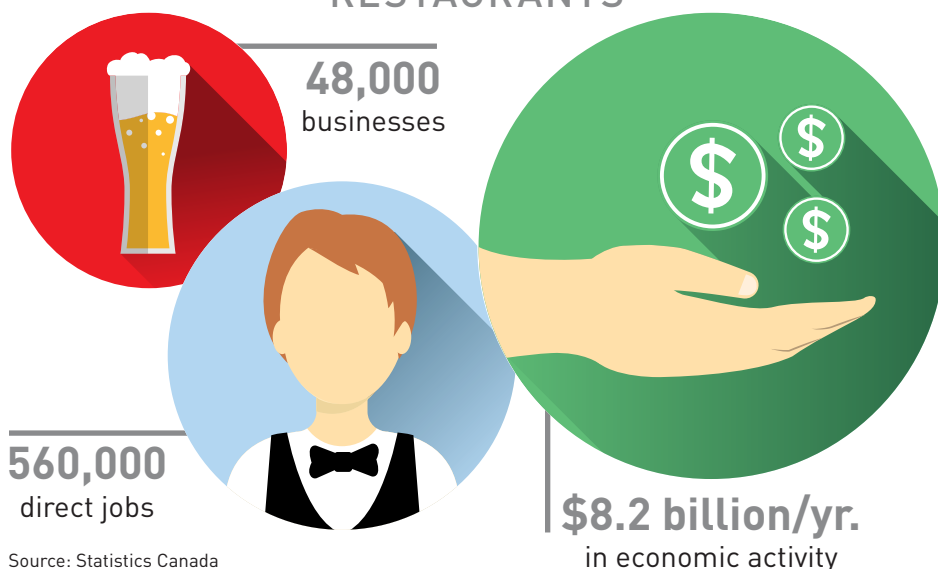
The system is backward. More to the point, it’s short-sighted. Governments should be helping responsible business owners to succeed and grow, not unfairly gouging them.

Canada’s bar and restaurant owners are in business not only to make a profit, but to share hospitality. They welcome their local community, tourists and visitors. They create jobs and showcase artists. They promote local foods and beverages. Why is government making it so difficult to do so?

From Dialogue to Action

We started a dialogue on these issues with the first Raise the Bar report card in 2015. To those provinces that have heard our concerns and made changes—thank you. We’ve recognized your progress in this report. To those that have listened and not yet responded, time is of the essence. Let’s move forward to ensure we have a vibrant and successful Canadian hospitality industry, now and into the future.

CANADA’S BARS AND LICENSED RESTAURANTS



GOVERNMENT OF CANADA

While this report focuses on provincial liquor systems, the federal government's growing involvement in matters related to alcohol production, taxation and consumption can't be ignored. It means that Restaurants Canada must get more involved too.

The actions taken by Ottawa are significant because they affect all provinces and play a role in specific policies. As much as we want each province to move forward individually, positive actions by the federal government could lift all boats at once.

A \$500-MILLION DROP IN THE BUCKET?

Finance officials say the excise tax increases—budgeted to be close to half a billion dollars in five years—are considered too small to warrant any economic impact analysis.

Unfortunately, Ottawa has moved in the opposite direction these last two years and is making the business environment for licensees decidedly less friendly.

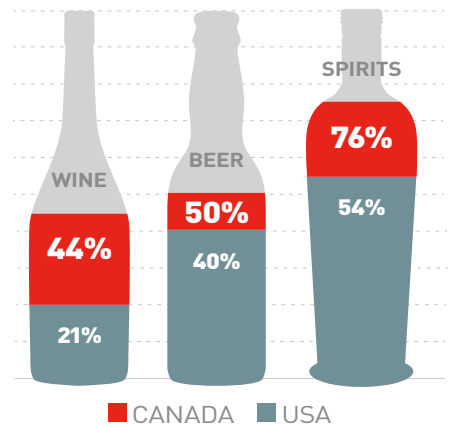
The following actions get a failing grade:

1. Excise Tax Escalator

Imagine if the sales tax that we pay on everyday purchases increased automatically by inflation every year—without a vote in parliament and without regard for the state of the economy or other new taxes. That's what the federal government is doing with the excise tax on all beer, wine and spirits. It's known as a "tax escalator" that generally goes in only one direction—up.

Even without the automatic increase, excise taxes have an escalating effect. They're buried in the base price of a case of beer or a bottle of wine or spirits—before various mark-ups, fees and taxes are applied. In its March, 2017 budget, Ottawa increased the excise tax on alcohol by 2%. But with the ripple effect of other fees and taxes, the impact will be as much as three times that amount, and will get worse over time.

TAX AS A % OF PRICE



Government income from control and sale of alcohol **\$10.9 billion**

Pre-tax profit earned by Canada's bars and licensed restaurants **\$926 million**
(Annual net figures)

Source: Statistics Canada and Impact Databank

This inflationary approach to excise taxes was tried in the 1980s, and later abandoned because it led to lower sales and job losses. Canada is already one of the most heavily taxed jurisdictions in the world when it comes to beverage alcohol, and prices have reached the point of diminishing returns.

2. Interprovincial Trade Barriers

Bar and restaurant owners want to showcase beer, wine and spirits not only from their home province, but from across Canada too. The companies that make these products are equally eager to expand their markets. What's standing in the way? Provincial monopolies and internal trade barriers.

Hopes were high that the April, 2017 Canada Free Trade Agreement would remove these roadblocks, but the agreement specifically excluded beer, wine and spirits.

On a more encouraging note, the federal government set up a provincial working group to make recommendations to liberalize alcohol trade in Canada by next spring. The process has been moving at a snail's pace, however, and the jury is out on whether the provinces will respect the free-trade clause in Canada's Constitution.

"I'd love to bring in more craft beers and wines from other provinces like BC, but the red tape and costs make it almost impossible. It doesn't make sense that it's easier to bring wine in from Europe than to showcase a wine or craft beer from another Canadian province."

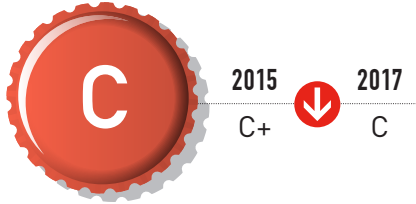


THE COMEAU CASE

The federal government and the provinces will reveal their hands when they appear as intervenors in a Supreme Court case on December 7th. The case involves Gerard Comeau, a private citizen who stood up to the New Brunswick government after officials stopped him at the border and seized the beer he'd bought legally in Quebec. The New Brunswick Court of Appeal subsequently ruled that laws restricting the transport and sale of alcohol across provincial lines were unconstitutional. Now it's up to the Supreme Court of Canada to decide. We'll be watching this case closely, as it will test the federal government's commitment to freer interprovincial alcohol trade.

BRITISH COLUMBIA

BC loses ground as wholesale pricing falls off the rails



Hopes were running high in British Columbia when the 2015 Raise the Bar report card was released: the government had delivered on its liquor review recommendations with a series of positive changes. Licensees celebrated the simplified and modernized regulations around such things as food-ordering requirements, happy hour specials, and a liquor server wage. Change was in the air. Could true wholesale pricing be far behind?

"No wholesale pricing makes us look like a joke to tourists."

"WE NEED WHOLESALE PRICING FOR OUR RESTAURANTS. IT DOESN'T MAKE SENSE THAT WE PAY FULL RETAIL."

The industry's optimism was short-lived when it became clear there would be no progress on the biggest obstacle for licensees: lack of wholesale pricing. Access to wholesale prices was, and continues to be, Restaurants Canada's priority recommendation.

It makes no sense for bar and restaurant owners to have to pay retail prices for the products they sell to their customers. It also makes for a very challenging business model when customers can buy your product for the same price you can—and without the added mark-ups that drive the licensee price even higher.

Most customers are unaware that these businesses must pay retail price or higher. Bar and restaurant operators are hearing more and more complaints from customers about the liquor prices on their menus.

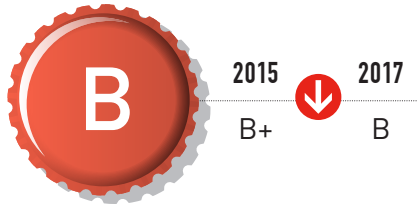
There was a glimmer of hope when the British Columbia government announced some updates to its wholesale pricing model. The changes only benefited private liquor stores, however, and shut out licensees. In fact, some business owners say the new system has resulted in even higher licensee prices for medium to premium liquor products.

"Pricing is too high and makes us uncompetitive."

Until the province gets back on track and treats **all** wholesale customers equally, it's stuck with a "C" grade. We know BC can do better to help its hospitality industry flourish.

ALBERTA

Still top of the class, but serious cause for concern



With a broad selection of alcohol products, flexible and convenient purchasing options, and the most competitive prices in the country, Alberta has long been known as the best place in Canada for licensees to do business.

As the only jurisdiction with a flat tax mark-up system and true wholesale pricing for licensees, Alberta continues to be a bright spot in Canada, but storm clouds have appeared. Since the 2015 report card the situation for licensees has deteriorated rather than improved.

The two biggest concerns for bar and restaurant owners? An increase in liquor mark-ups and the elimination of the liquor server wage. The fact that these changes took effect during a recession rubbed salt into the wound for business owners struggling to stay afloat.

With labour costs being second only to food and beverage costs, a 14% jump in server wages in just one year is a huge hit to the bottom line for licensees, and typically leads to fewer hours for employees. The liquor server wage was an effective way of recognizing that these employees earn tips that are typically far higher than their hourly wage. We encourage the Alberta government to revisit this decision by holding the line on liquor server wages at the next scheduled minimum wage increase.

We applaud the Alberta Gaming and Liquor Corporation for its efforts to modernize and simplify a few liquor regulations pertaining to patios, but it's far from a standing ovation. A number of prohibition-era liquor regulations remain on the books and must be removed or updated. In addition, smaller licensees are still denied access to full wholesale pricing due to the 25-case minimum order requirement.

Although things have improved a great deal in the area of liquor inspections, some of our members have again expressed concern around a heavy-handed approach. It's vital for inspectors and licensees to work cooperatively to ensure the safe and responsible service of alcohol.

Overall, some significant changes will be required for Alberta to return to its B+ status.

"We are being taxed to death on all alcohol products."

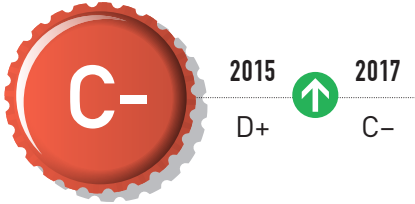
The government cancelled plans for a comprehensive liquor review aimed at updating antiquated liquor laws, and instead handed significant new costs to licensees at the worst possible time in the economic cycle.

"I FEEL THE MINIMUM WAGE ISSUE HAS FORCED INFLATION ON ALL LEVELS. HOW HIGH CAN WE RAISE THE BAR FOR CUSTOMERS TO PAY FOR AN EVENING OUT?"

"Alberta is at least a decade behind the curve compared to states to the South, and they have a long way to go before Albertans can experience the full potential of beer culture and the craft beer market."

SASKATCHEWAN

**Cheers for liquor privatization;
jeers for an unfair pricing model**



In 2016 Saskatchewan took important steps towards privatizing liquor retail and distribution—one of the basic building blocks for a more competitive and responsive provincial liquor system. We strongly applaud this move and have upgraded Saskatchewan's grade as a result.

We wish we could be as enthusiastic about the province's wholesale pricing model. While it's a plus that licensees no longer have to pay full retail price, the discount is not applied evenly across the industry. It's a flawed and unfair system that must be fixed.

**"TAXES ON ALCOHOLIC BEVERAGES ARE TOO HIGH,
MAKING IT DIFFICULT TO JUSTIFY THE PRICING
NECESSARY TO EARN A PROFIT."**

"The only way I can access better pricing on my liquor is to go to my competitors and see if they'll offer me a discount on my purchases."

The new wholesale pricing rules have created a bizarre system of winners and losers: Those licensees with previous off-sale endorsements (allowing them to sell products to consumers to take home) receive the new wholesale pricing; every other licensee is left out in the cold. No new off-sale endorsements will be granted, so the only option for these licensees is to purchase liquor from their competitors. To make matters worse, they only receive a partial wholesale price discount.

This government policy provides a direct and significant competitive advantage to those liquor service licensees with previous off-sale endorsements. Not only can they purchase liquor at a significantly lower wholesale price relative to their competitors, they also profit from their competitors by selling to them at marked-up prices.

This is a completely unacceptable policy that must be changed. The government has yet to respond to requests from Restaurants Canada and Saskatchewan licensees to rectify this unfair situation.

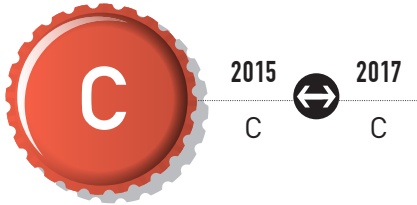
"My competition can now buy liquor at wholesale whereas I cannot."

As soon as all liquor service licensees have equal access to wholesale pricing, Restaurants Canada will revise the current letter grade with one that cheers Saskatchewan's progress in modernizing its liquor retail and wholesale pricing system.

We can't award top marks, however, until the government brings about tax fairness. In its 2017 budget the province announced not only a new 6% meal tax, but a 4 - 6% higher liquor mark-up as well. This double whammy made a tough business climate even tougher for bars and restaurants.

MANITOBA

Off-site sales and wholesale pricing leave room for improvement



Manitoba received kudos in our 2015 report for its overhaul of provincial liquor laws. Licensees remain happy with how the changes have streamlined licenses and reduced red tape.

There is one glaring issue, however, that the government missed in its last re-write of the laws. The unfair advantage that hotel licensees have over restaurant licensees to provide off-site sales must be addressed.

“Interprovincial trade is an ongoing obstacle.”

“Beer vendors and Skip the Dishes have an endorsement to deliver, giving them an unfair advantage when we can’t do off-sales.”

The situation has been exacerbated now that Skip the Dishes meal delivery service has joined beer vendors in the exclusive club that is permitted to deliver beer. Facilitating delivery of wine and beer with meals is a good thing, but why discriminate against restaurant licensees yet again? It’s time for the new government to stop the monopolies and bring some fairness to the system.

As in most provinces in Canada, pricing is a big issue in Manitoba. Licensees make high volume purchases, and yet they pay the same prices as consumers buying individual bottles. In fact, licensees end up paying more than consumers by virtue of not being able to pay by credit card. It simply makes no sense to deny business owners wholesale pricing and the same convenient payment options that consumers enjoy.

The new government in Manitoba also has an opportunity to introduce a liquor server wage. This recognizes the high percentage of income that servers earn from tips, and gives licensees the flexibility to pay higher wages to those who don’t earn tips, hire more staff, and invest in their business.

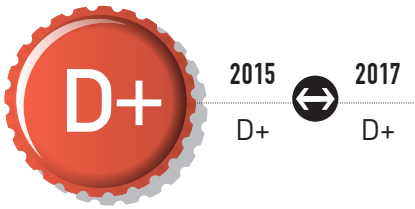
On the plus side, licensees are pleased with new rules encouraging the growth of micro-breweries. Craft beer is a hot trend, and the new rules have led to a better selection of locally produced micro-brews on bar and restaurant menus.

Wholesale pricing, credit card payment for licensees, and fairness when it comes to off-site sales are the keys to moving Manitoba from average to excellent.

**“PRICING IS
CONSTANTLY AN
ISSUE. THERE’S NO
DISCOUNT GIVEN TO US
AS LICENSEES.”**

ONTARIO

Licensees get the cold shoulder



The frustration level among licensees in Ontario has reached new heights. Since we awarded the government a dismal D+ two years ago, little has changed. In fact, bar and restaurant owners have been largely shut out of government initiatives to modernize the system.

Licensees continue to face a number of roadblocks. The biggest barriers are an outdated and unresponsive system for selection, ordering and delivery of alcohol, combined with lack of wholesale pricing. Until these issues are fixed, the government is holding back Ontario's hospitality industry and making it increasingly difficult to provide outstanding value, products and service to Ontarians, tourists and visitors.

Ontario's highly publicized changes to alcohol policy in the last two years suggest a willingness to move with the times, but the changes have been almost exclusively focused on the retail side.

On a long menu of changes that benefit consumers, there were two minor announcements for licensees:

1. Licensees who buy small amounts of beer (up to 250 cases a year) from The Beer Store can get a rebate equal to the difference between the retail and licensee prices. While this saves licensees a total of \$5 million a year, it only serves to bring prices down to what consumers pay.
2. Craft beer from different companies can be co-distributed to bars and restaurants.

"Why can the liquor store sell a 60 oz. bottle of Crown Royal at 9 a.m. and I can't sell a Baileys and coffee at 11:45 a.m.?"

Grocery stores also benefited from recent changes, at the expense of licensees. Consumers can now purchase wine and beer along with their groceries, but bars and restaurants were denied the option of off-site sales—even though they have staff who are trained and experienced in responsible service of alcohol. The government not only shut the door to a new revenue stream, it created more incentives for consumers to eat and drink at home, rather than at a restaurant.

While the province has worked to improve the retail experience for consumers, the opposite is true for licensees. Monopolistic practices result in high prices, limited selection, poor service and antiquated sourcing, ordering and delivery options for licensees.

"Beer, liquor and wine prices continue to creep up and as licensees we are charged even more—as we work hard to provide jobs to many in our communities. We just want fair treatment."

Ontario is the largest buyer of alcohol in the world, but customers are not seeing any benefit from this buying power. In fact, prices for many products are higher than in other jurisdictions, and have escalated over the last two years. Worst of all, licensees are not only denied wholesale pricing, they actually pay more than consumers, who benefit from frequent discounting not available to licensees.

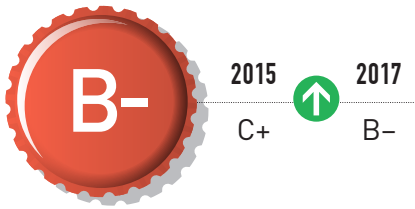
Labour costs are another growing concern. While the province is retaining the liquor service wage, it is increasing it so fast and so high that it will put server hours and jobs at risk. Bar and restaurant owners are deeply concerned about their ability to remain profitable when their two major costs—labour and food/beverage—are so far out of alignment and beyond their control.

Ontario's bar and restaurant owners are desperate for real change when it comes to Ontario's liquor policies—a fair, modern, forward-thinking system that serves all Ontarians.

"Why we pay more for beer than your average consumer does is beyond me."

QUEBEC

Positive steps forward in Quebec



Things are looking up for licensees in Quebec. Since our 2015 report card, the government and Société des alcools du Québec (SAQ) have made significant changes leading to stable prices, less red tape and better service.

The most notable change has been in the area of liquor licensing. In addition to lowering the price of licenses across the board, Quebec eliminated the cumbersome and costly requirement for one license per room. Now licensees require just one license per usage—restaurant, patio, bar, and so on—regardless of the number of rooms. One-time event licenses can now be purchased online, saving time for business owners.

“The bottle stamping system should be changed. They are time consuming and easy to lose.”

“Reduction in alcohol license fees was a much welcomed decision.”

There have been improvements to enforcement as well. Minor infractions, especially first offenses, are now subject to simple fines, rather than an automatic notification to attend a formal hearing in front of the licensing board.

Although Quebec still does not offer wholesale pricing to licensees, the government has taken steps to hold the line on prices. There have been no new taxes or fees on beer, wine and spirits, and the SAQ is absorbing the recently announced increase in the federal excise tax.

“IT’S TOO COMPLICATED TO OBTAIN PRODUCT. THE PROCESS IS NOT BUSINESS-FRIENDLY.”

Quebec has also modified its stance that any changes to the liquor system must be revenue neutral. In other words, the government is open to accepting lower revenues in return for a more efficient, competitive system.

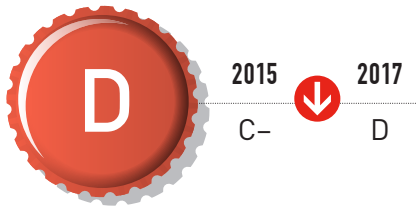
These changes, combined with a better selection of products, have earned high marks for Quebec this year. However, some notable improvements must be made before Quebec moves to the top of the class:

- End the requirement for bottle stamping by licensees. Quebec is the only jurisdiction in Canada with this costly, onerous and unnecessary process
- Introduce wholesale pricing for licensees
- Simplify the process for buying directly from producers
- Solve ongoing problems with product supply, such as this summer’s wine shortage, and continue improving access to new products
- Allow customers to order a drink without food
- Further simplify the liquor license application process
- Ensure that liquor laws are consistently enforced

Quebec is moving in the right direction, and we look forward to continued progress for a vibrant and growing hospitality industry.

NEW BRUNSWICK

Plenty of promises, but no action



In recent years the New Brunswick government has made a number of commitments to improve the business climate for licensees, but those promises are starting to ring hollow. A lack of action is the main reason for this year's downgrade from C- to D.

"All I've seen for years now is a bunch of promises by the ANBL and the province."

Bar and restaurant owners are growing more and more frustrated by high prices, technical glitches and jumping through hoops to get craft beer to their customers.

Restaurants Canada is frustrated because we've worked extensively with both the government and Alcool New Brunswick Liquor (ANBL) on positive and forward-looking legislative proposals, but there appears to be no political will to move forward.

A long-promised wholesale program has been derailed by technical glitches. The longer the delay, the longer licensees are forced to operate in a world where they pay the same price for beer, wine and spirits as their customers pay when they buy a bottle for home consumption. Meanwhile, every other product that goes into a bar or restaurant can be purchased at wholesale.

The exploding popularity of craft beer is good for business, but only if bars and restaurants can get the product into their businesses efficiently and affordably. All products, including craft beer, must be purchased through the ANBL, but the ever-changing supply and listings of craft beer is proving to be a major challenge for the corporation to manage. The result? Delays and mix-ups that are creating big headaches, not to mention lost time and money, for licensees. The good news is, there's a simple solution: allow licensees to order directly from the brewer.

"It's a bit of a mess getting small craft brewed product to my customers. I contact the brewer and find out what's available, then I have to place an order with ANBL and have them contact the brewer and place my order. Ordering directly from the brewer would be so much simpler."

"Licensees should not have to pay the same as anyone off the street, considering how much we buy each year. Help businesses with this cost as we can then use the savings to help give better wages to employees or even hire added people."

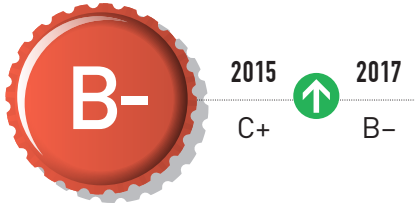
On the topic of beer, New Brunswick licensees should also be able to buy tax-free craft beer direct from Nova Scotia—just like Nova Scotia licensees can do with New Brunswick craft beer. Reciprocal treatment only makes sense, for brewers, licensees and consumers.

It's time for New Brunswick to walk the talk on liquor reform. Licensees desperately need the government to live up to its promises.

"Licensing is over regulated with way too many licensees and should be simplified. Legislation is as old as dirt."

NOVA SCOTIA

Raise a glass to good news



When it comes to Nova Scotia's liquor system, the glass is definitely half full. This is one of the few provinces to provide licensees a wholesale discount: 10% on wine and spirits. Licensees also have access to a limited number of private stores, offering great variety, price and service.

There's further cause for optimism because the government and the Nova Scotia Liquor Corporation (NSLC) are taking action to improve the business climate for licensees—and it's paying dividends for business owners and their customers.

"The province is becoming more open minded and progressive in terms of understanding the customer's needs."

"THE CURRENT PRICING STRUCTURE FOR BEER WITHOUT A WHOLESALE DISCOUNT IS PUTTING A STRAIN ON OVERALL RESTAURANT PRICING, CAUSING LOWER SALES."

Some recent improvements include:

- Licensees can buy directly from craft brewers, distillers and wineries, cutting time and costs
- Tax on craft beer sold directly to licensees has been cut by nearly 50%
- Licensees pay no provincial tax on craft beer imported directly from New Brunswick or Prince Edward Island
- The capacity requirements for lounge operators have been streamlined to use only the level determined by the Fire Marshall
- More flexibility in the time when a restaurant (minors permitted, food service required) can be converted to a lounge (minors prohibited, no food service required)
- Craft brewers, winemakers and distillers can now sell their product from their liquor licensed restaurants, without needing a separate or distinct retail area, and can more freely sample their product throughout their licensed areas

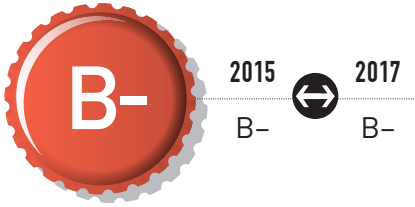
- Businesses with an eating establishment license can now sell a limited number of drinks without having food, reducing license costs and providing new business opportunities

"The rising cost of liquor, including the recent excise tax increase that has been passed on to licensees, is a disappointment."

Next steps in Nova Scotia? Better pricing that will enable the province's bar and restaurant operators to compete in a changing food and beverage landscape.

PRINCE EDWARD ISLAND

Plenty to applaud on PEI



Canada's island province has followed through on a number of commitments when it comes to liquor policies. Business owners, consumers, tourists and the local economy are all better served as a result.

A major point of difference on PEI, as compared to many other provinces, is that the government and the Prince Edward Island Liquor Control Corporation (PEILCC) clearly recognize the value of the bar and restaurant industry.

"We are very lucky and have a good relationship with our liquor commission."

"As a tourist destination we're hosting the world, but we can't get access to all the products we need to really give them the best of the best when it comes to the drinks menu."

PEI is the only provincial monopoly that gives across-the-board discounts to licensees. Plus, wait times for liquor licenses have been shortened by a month, licensed dining rooms can now have limited entertainment, the fee for an off-sale license has been reduced, the variety of discounted 24-pack cases of beer has increased, and licensees now have electronic access to liquor license applications and payments.

The government has also committed to work with Restaurants Canada on an overhaul of the Liquor Control Act. This is a tremendous opportunity to place PEI in a leadership position when it comes to simplified, efficient and effective laws and regulations.

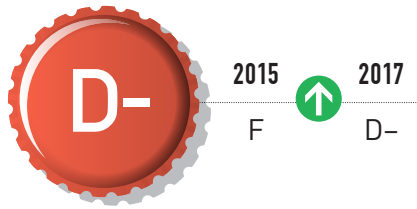
Still, there's more to be done when it comes to serving thirsty Islanders, tourists and visitors. Savvy and informed customers are demanding more choice when it comes to food and beverages, and bar and restaurant owners are eager to provide it. What they require is a wider selection of products.

The small size of the market on PEI does pose a hindrance, but we're confident that creative solutions leading to wider product selection can be found if government and industry continue to work together. We look forward to continued collaboration to move PEI to the next level.

**"HIGH TAXES AFFECT
OUR ABILITY TO PROVIDE
AN AFFORDABLE AND
VIBRANT FOOD AND
BEVERAGE INDUSTRY FOR
CONSUMERS."**

NEWFOUNDLAND AND LABRADOR

Working to turn around the ship



"We pay more than most provinces for alcohol, plus a separate fee to be able to purchase and sell alcohol at our businesses with no discount for licensees."

Significant and much-needed changes have taken place since Newfoundland and Labrador received a failing grade on our first report card in 2015. First and foremost, the Newfoundland Labrador Liquor Corporation (NLC) has taken steps to establish a more positive working relationship with bar and restaurant owners:

- Restaurants Canada and licensees now participate in a Licensee Working Group that meets quarterly to identify and resolve issues; a quarterly newsletter has also improved communication
- On pricing, licensees now get two weeks' notice of any price increases, and the NLC has removed the special order fee
- The NLC held the line on prices in 2017, because of economic conditions in the province
- Removing a major irritant, routine inspections during peak hours now focus on minors, safety and over-service, and not administrative or paperwork issues

"Increased prices, with minimal selection versus the rest of the country, combined with only one entity from which to source our products (NLC) restricts our ability to realize sufficient margins. We can't pass along significant price increases to our customers."

"NLC still maintains a monopoly position and is not subject to market forces and disciplines."

The sheer number of issues and challenges we identified in 2015, however, will take time to work through. Operators are still smarting from a massive increase in license fees that was brought forward without any industry consultation. Dismal economic circumstances and massive deficits have made it difficult to get licensee issues on the government's radar. Nor does the government want to forsake any revenues. Significant personal tax increases have sucked disposable income out of the economy, and the only saving grace has been strong tourism.

The fact remains that the NLC plays several conflicting roles as a licensee supplier, competitor and regulator. The question is whether the government has the political will to move forward with necessary changes.

A REPORT CARD FOR CANADA – OUR METHODOLOGY

Restaurants Canada's report card **Raise the Bar** rates provincial government policy and legislation on beverage alcohol for licensed establishments. Provinces were ranked in four major categories and, after analysis and weighting, given an overall score. Within each category, provinces were allotted points on the criteria listed below. In cases where government laws and regulations were supportive of the hospitality industry, points were awarded. Conversely, laws and regulations that were punitive or unhelpful resulted in a reduction in the points tally. Provinces were evaluated on the following four categories:

- 1. Pricing and Selection.** This category included factors affecting the supply of beverage alcohol to restaurant and bar owners. Provinces were awarded/deducted points based on availability of wholesale pricing, the prospect of restaurant and bar owners purchasing directly from suppliers or other sources, competition in the supply chain, available payment terms/methods, existing surcharges, and the number of products from which to choose.
- 2. Licensing and Regulation.** This category took into consideration the cost of regulation to restaurant and bar owners. It evaluated the complexity of the licensing process, license wait times and required (and costly) advertising linked to license applications. The actual cost of licenses and their renewals along with mandated kitchen requirements were also part of the points-award/deduction process.
- 3. Customer Sales.** This category included factors that affect the final price of the product to restaurant and bar owners over and above the actual cost to them of the product they sell. Points were awarded/deducted for customer surcharges (i.e. extra taxes), licensee off-sales, and the absence or existence of a minimum wage for liquor servers which is the same as required for employees who have no access to additional revenue from tips.
- 4. Political/Regulatory Activity.** This category measured the political willingness to improve the current system. Provinces were evaluated on their recent activity to review, modernize, and simplify the liquor system for licensees. Government's consultation process to bring about change for the hospitality industry was measured. Lastly, governments were graded on their appreciation of the hospitality industry's contribution to their provincial economy.

Based on feedback from members, Restaurants Canada assigned weights to the above four categories to calculate a final score for the province. Members have established pricing as the most important issue when it comes to beverage alcohol. As a result, the first measurement factor, **Pricing and Selection**, had a weight of 45 out of 100. **Licensing and Regulation** is the second most important issue for the industry and, as a result, was given a weight of 30 out of 100. For **Customer Sales** the weighting was 15 out of 100 and for **Political/Regulatory Activity**, it was 10 out of 100.

Grades for each of the four main categories were then weighted based on the above scale and a total grade was awarded.





**Restaurants
Canada**

The voice of foodservice | La voix des services alimentaires

Phone 1-800-387-5649
Web RestaurantsCanada.org
E-mail info@restaurantscanada.org
Twitter @RestaurantsCA

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