



October 29, 2013

Honourable Kathleen Wynne
Premier
Legislative Building
Room 281
Queen's Park
Toronto, ON
M7A 1A1

Dear Premier Wynne:

We are writing to you with an urgent call to action from Ontario's wine producers and grape growers.

As you know, Ontario's wineries and grape growers drive significant returns to the Province of Ontario. Whether it be through producing high quality grapes for VQA wines or driving further economic impact through our processing, tourism, retail and export activities, our grape growers and wineries have together powered a significant economic engine in this province.

As we confront the challenges associated with freer trade, and more specifically the current EU trade agreement, we were comforted to hear your Minister for Economic Development, Trade and Employment commit to ensuring that our VQA wines remain competitive. We would like to see you act immediately in this regard.

The issue that impedes our competitiveness the most is not a single trade deal. Nowhere else in the world are domestic producers expected to pay costs and markups associated with importing a product except here in Ontario. The LCBO's blended markup structure has ensured this disadvantage of about 30% of wholesale cost for many years. This practice, incongruous with the costs of our competitors in their own home markets, has long been acknowledged and addressed for almost 25 years by governments of all stripes. Whether it was transition funding post NAFTA or the current VQA support program, the Government of Ontario has tried in some way, shape or form to provide a patchwork of relief to this handicap.

As imported wines become more and more aggressive in our market, we have all come together to ask that this issue be remedied permanently. Like other jurisdictions, we are seeking this relief from markups at the tax level. Like your government has done recently with its tax relief on promotional wine, you have shown that this is the most appropriate and direct way to provide this balancing to the taxes and markups levied at our industry. It would be a simple matter for the government to provide this Import Markup Relief of 30% on the wholesale price of all sales of VQA wines through the LCBO through a simple tax change, without a need to change markup structure at the LCBO. Not only would this enhancement

improve our competitiveness, it would unlock the next wave of innovation and investment for wineries and growers alike. If we continue to have to compete by effectively being treated as an imported product (unlike any other competitor in their home market) we all feel that this industry will be starved for needed dollars as we all struggle with margins and an onslaught of investment and new products from around the world. As a result, we certainly will not be able to contribute to the Agri-Food sector growth for Ontario that was envisioned at the recent summit that you hosted.

With growth, this change will drive net positive revenues to the Province with new jobs, new taxes and markups paid into the public treasury and the opportunity for our industry to achieve its next level of efficiency and economies of scale. We believe that the value for money proposition is strong and will unlock the productivity that we all want to see working for all of our enterprises that are invested in agriculture across rural Ontario.

This change needs to happen now. We are writing to you today to ask that your government act quickly – through the fall economic statement – to show our industry in Niagara and around the province that you will match the efforts of your peers and ensure that your home team industry can act with confidence. The nature of our business demands long term planning and investment. We all need the certainty that we will have the playing field leveled with our out of province competitors. You can see how this approach has worked in British Columbia and Nova Scotia and we are confident that with clear action in November, we can collectively deliver that success and more to Ontario.

We would welcome the opportunity to meet with yourself, and / or your staff to provide any further clarification if necessary.

Respectfully,



Allan Schmidt
Chair WCO



Jim Clark
Chair WGAO



Bill George
Chair GGO

c.c. Honourable Charles Sousa, Minister of Finance
Honourable Eric Hoskins, Minister of Economic Development, Trade and Employment
Honourable Tracy MacCharles, Minister of Consumer Services
Andrew Bevan, Principal Secretary to the Premier