

Selling Wine and Beer

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The provincial government pays for a lot of our public services with the profits from the sale of alcohol. It is that, rather than red tape, that led to the recent crackdown on in-store winemaking and brewing. Among the voices of outrage was Richard Dunn of the Canadian Federation of Independent Business who said the law is anti-competitive and threatens the underpinnings of a free market. Others accused the government of police-state harassment and Gestapo-like tactics.

Opposition leaders enthusiastically piled on. Government beat a hasty retreat.

The comments by Mr. Dunn and others ignore the fact that liquor distribution in Nova Scotia is anything but a free market. Rather it is a government-owned near monopoly and a huge money spinner. In the most recent fiscal year it earned \$220 million for government, in addition to HST.

Our prices for beer, wine, and spirits are high, not because the Liquor Corporation is particularly inefficient, but rather because of the

fat profit margins it has been instructed to earn. A \$10 bottle of wine includes about \$1.50 for expenses, \$1.30 for HST, \$.50 for federal excise and customs, and \$3.75 for profit. Less than \$3.00 is for the product.

A proliferation of tipplers getting their wine and beer from businesses like Wine Kitz could put a serious dent in the province's finances. So the government's actions were about protecting the treasury, not tying small businesses up in red tape.

The u-vint and u-brew operations are not yet a significant factor, so retreat may have been the right choice in the short term. But they may now start to grow rapidly. The customers of in-store wine and beer making do very little of the work, so it is primarily a way of depriving government of their usual taxes and profit.

This may be superficially satisfying, but if the government doesn't get its money this way it will eventually have to raise our already high sales and income taxes. That said, prosecution was

rather heavy handed tactic. There are other ways to address the problem.

A better response would be to phase in a \$5 tax to u-vint products, about what government usually gets in tax and profit on its least expensive wine (it is neither necessary nor practical to impose a tax on those who make wine or beer at home).

As well as protecting the provincial treasury, it will help to protect Nova Scotia's vineyards, which are likely to be negatively impacted by the u-vints.

Nova Scotians who travel to the United States will have noticed that wine selling there for \$10 frequently costs twice as much in Nova Scotia. Most of the extra helps to prevent our sales and income taxes from being even higher. At least in Canada, the idea of balanced budgets as a goal to be achieved is still in fashion, while in the USA it is often lost in a blizzard of partisan finger pointing.

Perhaps taxpayers will take some consolation knowing that expensive drinks help pay for our health care. Those who are really determined to keep their hard earned cash out of government hands could just switch to tea.



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