Ideas for a More Prosperous Society

VIEWPOINT

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SOLUTIONS TO HELP RESTAURATEURS

By Daniel Dufort

The numerous health measures put in place to counter the rapid propagation of COVID-19 are having catastrophic consequences for Quebec's restaurateurs. Restaurants Canada, an association representing the industry, from restaurateurs to suppliers, estimates that up to 175,000 jobs in the service sector have been lost in Quebec since the start of the pandemic.[1] One in ten restaurants in Canada have now closed permanently, and another 18% are a few weeks from shutting down for good.[2]

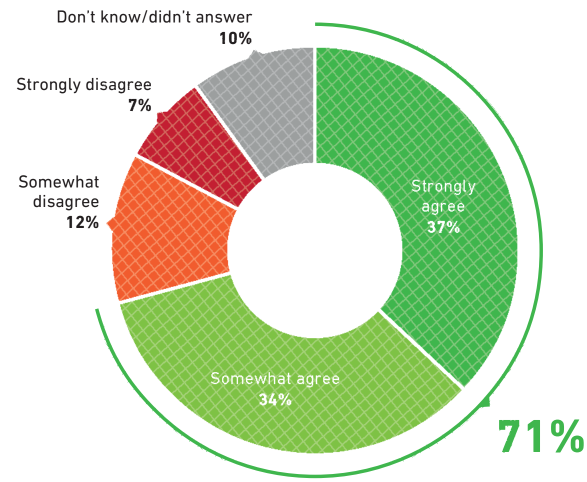
In order to grasp the full weight of these statistics, it should be noted that the restaurant industry is generally resilient in recessions. It is worth distinguishing between two types of restaurants, however: those that offer limited service, mainly at a counter, and those that offer table service. Historically, restaurants offering essentially fast food service, generally less expensive, are even more resistant to recessions than full-service restaurants.[3]

This health crisis, though, has led to the adoption of physical distancing measures that strike at the very heart of the restaurant industry, all the more so for those that specialize in table service. In short, a sector of activity that has withstood adverse economic conditions in the past has now been thrown into turmoil.

Restaurateurs are currently trying to make ends meet and minimize their losses through delivery service and takeout orders.[4] But how could governments come to the aid of these entrepreneurs? An effective relief plan for the restaurant industry would target both restaurants' fixed expenses and their revenues.

Figure 1

Quebecers want restaurants and wine merchants to sell wine directly to consumers



Source: Leger, "Importing, selling and buying wine in Québec," Poll commissioned by the MEI, April 2017. "Q3: Do you agree that independent merchants (for example, restaurant owners, wine merchants) should be able to import wine freely and sell it directly to consumers, without having to go through the SAQ?"

RAPID RELIEF

Tax measures can be put in place to allow restaurateurs to retain a maximum of their remaining cash. These funds will be needed in order to redeploy their establishments' normal activities once physical distancing measures are lifted. First of all, a property tax exemption rather than a deferral for small businesses would on the one hand reduce fixed costs, and on the other hand help offset the cash flow crunch.

In order to stimulate demand, a federal and provincial sales tax holiday would encourage consumers to purchase goods and services from restaurateurs who have turned to delivery and takeout.

Although these measures only address a portion of the problem, they would be on top of those already in effect, notably with regard to employment insurance and wage subsidies. Government aid is all the more justified given that these measures were undertaken in the name of the public interest, and that they entail burdensome consequences for the private sector.

FACILITATING THE SALE OF WINE BY RESTAURANTS

While restaurants are facing a mountain of fixed costs, some of them do possess a significant asset: their wine cellars.

The Quebec government could lend a hand by eliminating the regulation that prevents restaurants from freely selling wine directly to consumers.[5] The taxes collected by public monopolies should also be reduced in order to allow restaurants to sell their inventory more profitably. This measure is also advocated by the "Save Hospitality" movement, which represents numerous Canadian restaurateurs.[6]

A Leger poll commissioned by the MEI in 2017 showed that 71% of Quebecers are actually in favour of allowing restaurants and wine merchants to sell wine directly to consumers (see Figure 1).[7] A review of the regulation in effect would not only help restaurateurs, but would also facilitate access to this product for Quebecers, a majority of whom support such a reform.

In 2002, the law was modified to allow the delivery of wine or beer with meals.[8] More recently still, a bill adopted in 2018 aimed essentially to allow delivery to be carried out by a third party.[9]

In the context of this law, by insisting that the sale of bottles of wine be accompanied by the purchase of a meal, the Régie des alcools, des courses et des jeux du Québec (RACJ) is in the curious position of having to determine what constitutes a proper meal. Moreover, it is stipulated that alcohol for takeout must be sold at the same price as that purchased for consumption in the dining room, which prevents the restaurant from offering its bottles at more attractive prices.

This complex regulatory framework has the effect of restricting the conditions in which restaurants can sell wine directly to the public in a competitive way. Nearly 100 years after the creation of the Commission des liqueurs,[10] it is time to re-examine the relevance of the regulation and its effects on an important sector of our economy. The temporary lifting (for example, for twelve months) of the restrictive measures mentioned above could subsequently be re-evaluated on its merits.

CONCLUSION

The solutions proposed in this publication would allow restaurateurs to hold onto their cash thanks to the reduction of their tax burden. Moreover, by being allowed to sell wine freely, restaurants would be in a position to access a new source of revenues and to partially offset their losses, even in the case of restaurants whose kitchens are completely closed.

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This Viewpoint was prepared by **Daniel Dufort**, Senior Director of External Relations, Communications and Development at the MEI. The MEI's **Regulation Series** aims to examine the often unintended consequences for individuals and businesses of various laws and rules, in contrast with their stated goals.

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MEI 1100 Avenue des Canadiens-de-Montréal, Suite 351, Montreal QC H3B 2S2 T 514.273.0969 F 514.273.2581 iedm.org