

September 15, 2022

Open letter to;

Andrew Furey, Premier of Newfoundland and Labrador

Siobhán Coady, Deputy Premier and Minister of Finance in Newfoundland and Labrador

Re: Sugar Sweetened Drink Tax and Small Businesses

I am always amazed at the lack of forethought that Government gives to the impact on those trying to survive operating a small business in Newfoundland Labrador when making a decision to implement a tax on a single item at the retail level. It is a fact that we have an obesity problem in this province. Are solutions needed, yes. Does the cost / benefit analysis of this solution pass the test? I think not.

I will use the example of my wife's small restaurant business that I am very familiar with. The business managed to survive through COVID by taking extraordinary measures. Moving only to take-out and introducing deliveries, with myself providing free labour doing safe home deliveries. Now we and every other business are facing constantly increased supply costs and crippling staff shortages.

And in the midst of struggling to survive as a small business in this Province, what does our Government do, they introduce a new single item tax at the retail level. That retail level includes the sale of a can of pop in a restaurant with an additional \$0.07 cent tax.

Let me walk you through the implications for my wife's small business as an example that will apply to many more similar enterprises.

First there is the menu. If customers are to make an informed choice, we now must have two menu options. Sugar Free Pop @ \$1.95 and Regular Pop at \$2.02. Which means I have to modify the menu page in Publisher, print all new pages and insert them into the restaurant menu. Then there are the takeout menus. It's a different format so it also has to be modified and she has to pay for it to be reprinted.

Next there is social media and the five restaurant sites that regularly show copies of her menu. I now have to take the menu page and convert it to be used on websites and login to each site and change the page with cost of a pop to showing the \$0.07 cent difference.

Next there is the cash register. Small business like my wife's doesn't have IT support. They didn't need it. The cash register is not a computer programed with each item on the menu. You simply put in the dollar amount for each item sold, subtotal and apply the HST. Now we have one single item that includes an additional tax of \$0.07 cents that has to be tracked, reported on and submitted. How do we do that? I have been reading the 75 page cash register manual and so far I don't have a solution. If I cannot get the cash register to produce a summary of each \$2.02 cent sale each day, what do we do? Take every daily register tape and manually count each \$2.02 sale and then enter them into a spreadsheet to tally our monthly total so that we can complete a form for the Government's remittance and collection group? Or will they require us to purchase a more expensive cash system to track these sales and the tax?

All this work and expense so that a small business that sells maybe, we don't know and didn't need to know, 200 cans of pop a month. Let's guess that 75% are not sugar free. That's 150

@ \$0.07 per can. We then have to complete a form and write a cheque for \$10.50 and mail it to the Finance Department. All this assuming the method we use to count the usage is acceptable to the Government auditors.

And as if they had not created enough unnecessary work for small business operators, there is more. Continuing with our example, she does not use enough volume to purchase pop from a wholesaler. She instead watches the flyers and purchases it from the grocery chain stores when on sale. As required by the act, these retailers charge her \$0.07 cents extra per can. For her it creates the situation where the tax is now potentially being paid twice, once by her and again by her customers. What is the Government's solution, more bureaucracy. Their solution is for her to retain all the receipts where she purchased pop, fill out another monthly form and submit a request for a refund of the \$10.50 she paid in tax.

Now let's get to the Government's role. First the complete lack of communications with businesses. They had no problem with their announcement communications plan on what they were doing "for" the people. There was zero communications with small businesses notifying them on what they were facing or what they were doing "to" them. I can only assume we were supposed to search online to find this circular. <https://www.gov.nl.ca/fin/files/Information-Circular-Sugar-Sweetened-Beverage-Tax-Aug-31-2022-002.pdf>

I will refer to it as a carrot and stick circular. The carrot being what you have to do in collecting a new tax and the stick being what will happen if you don't. Government failed to include in their announcement to the public that they had to create a new series of procedures and staffing for tracking and insuring every business is remitting.

I can only assume there is a new group established in the Finance Department's bureaucracy tasked with administering this tax program. Someone has to register all the companies, track remittances and refund requests, do analysis and report on results. Provide notifications if a business is late remitting or initiate fines. Then there are auditors, randomly visiting or directed to check on businesses all over Newfoundland Labrador. And so on, and so on. And if someone in Government says they are doing all this with existing staff, then those employees were being under utilized to begin with and causing the department's operating budget to be overstated against their needs. And we the taxpayers were paying this cost.

Any first-year business student asked to do a cost benefit analysis including the impact on productivity would give the Government's tax on sweetened beverages initiative a failing grade for its economic impact.

At a time when small businesses are struggling to survive, they did not need the burden of being saddled with collecting a convoluted tax. Under an ill-conceived program and their quest for a good news story, Government has failed to recognize the fallout impact on an important part of economy of Newfoundland Labrador. The Minister for Finances dismissive attitude faced with complaints from the business community spoke volumes.

As I watch my wife struggle each every day to keep her small business operating, I am overwhelmed with frustration at such an ill-conceived plan.

At this point my sarcasm is 100% intentional I think about the impact on restaurant customers as they struggle with the health impact of consuming a sugar added pop by weighing their decision on whether to spend or not spend an extra \$0.07 cents.

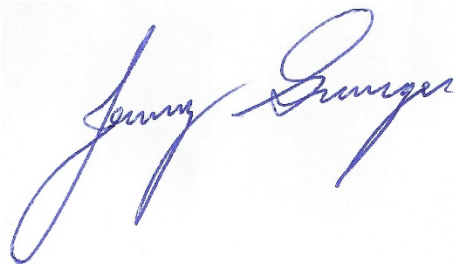
If we look beyond the Government's ad campaign, we find a program with no real quantifiable measurable metrics that could be directly tied to this program. What the Government has attempted to portray as health initiative designed to change people's lifestyle is simply another tax. A tax once implemented will never go away. This revenue is not specifically designated for a health initiative to fight obesity. It's just general revenue to be used as they deem fit. And the bureaucracy they will create to manage the collection of this tax will be an additional cost to all of us taxpayers forever.

The solution to this has been put forward over and over by small business operators. Simply apply the tax at the wholesale level. The cost will be passed down and the consumers will see the difference in price for sugar added and sugar free at the retail level. This would eliminate all the burdensome tracking, reporting, and doing remittances or refund requests for hundreds of businesses in the province. It would significantly reduce the cost of additional bureaucracy needed to manage the program. The end result would be the same revenue and the same impact on people's choices. Why didn't government take the easy route?

If you hear the national news about the rise of populist groups or populist leaders like Pierre Poilievre and you wonder why it's happening, programs like this just add fuel to their fire.

In a province burdened with debt and one of the highest costs of providing services in the country, how did anyone come to think that a cumbersome, burdensome, costly tax program with the potential for little or no measurable positive outcome was a good idea. How did we get here?

Ours is but one story from a small business. I encourage you to tell yours.



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