

MEMBER'S STATEMENT – GREAT SLAVE -- FEBRUARY 26, 2009

**IMPACTS OF PROPOSED TAX INCREASES ON THE HOSPITALITY
INDUSTRY**

Thank you Mr. Speaker.

Today I'd like to talk a little bit about the proposed tax increases identified by the Minister of Finance. I agree with the increases in the so called "sin taxes". If we're going to be increasing taxes on anything, the best place to start is on luxury items as opposed to taxing essentials.

The \$11.20 increase on a carton of cigarettes starting on April 1st, 2009, is a good move. If the increase encourages people to reduce or quit smoking it will help reduce the cost of health care in the Northwest Territories, which is obviously good. For those individuals who don't quit smoking it will result in increased revenues for the GNWT which can be used to help us continue to provide the high quality health and other services currently being delivered by the GNWT.

In principle, I also agree with the 10% average increase on alcohol for many of the same reasons. However, I do have one little concern. Specifically, how will this increase affect the hospitality industry? I've heard from a number of owners of licensed establishments; bars, restaurants, hotels, etcetera, and they have indicated that according to the NWT Liquor Act, they are already required to pay a 5% surcharge on the purchase of liquor and that they must purchase liquor from the warehouse. Now they have to pay the additional 10% tax. In this industry, the hospitality industry, where profit margins are already tight this 10% can be the difference between success and failure.

The hospitality industry employs a large number of people in the Northwest Territories. Alcohol sales are one of the areas where they can recognize profit which allows the employers to hire and maintain staff who pay taxes in the Northwest Territories. Yes, they can increase their prices, which will offset some of the potential losses, but it may also result in decreased sales not just on alcohol but for food and non-alcoholic drinks as well as fewer people choose to go out for food and drink. This could mean that businesses will have to reduce staff numbers in order to make ends meet.

In these tight economic times I'm worried that this change, without some consultations with the industry, could backfire and result in more people on social assistance.

Although I agree with the increased sin tax, I worry that not enough consideration was taken into the effects that the liquor increases may have on the economy. I'm worried that the hospitality industry was never consulted on options that may support the 10% increase while at the same time offset some of the damages it may cause to this industry itself.

Mr. Speaker, at the appropriate time I will have some questions for the Minister of Finance.