

July 6, 2010

The Honourable Dalton McGuinty
Premier and Minister of Intergovernmental Affairs
Legislative Building
Room 281, Queen's Park
Toronto, Ontario
M7A 1A1



Dear Premier McGuinty:

Last month, representatives of all unions representing provincial liquor boards in Canada met in Toronto to discuss what we view as alarming developments in Ontario.

From British Columbia to Newfoundland, all provincial liquor unions oppose the notion, floated by your government, of selling all or some of the Liquor Control Board of Ontario. There are several reasons for this.

First of all, privatization is a fiscal mistake that would weaken Ontario governments for generations to come. The LCBO is a “cash cow” that currently provides roughly \$1.4 billion a year in pure profit to government coffers, in good times and bad. As you are well aware, the latest recession caused tax revenues, particularly corporate tax revenues, to plunge. Yet revenues from the LCBO, Ontario Lottery and Gaming, Hydro One, and Ontario Power Generation stayed steady. It makes good sense for government to have revenue streams other than taxes. Losing these sources of income can only mean deservedly unpopular service cuts, higher taxes, or both.

It is not uncommon for governments to tell citizens that a particular policy will be “short term pain for long term gain.” It is rare indeed that a government says the opposite, but that is exactly what asset sales would mean for Ontario: short-term gain for long-term pain. Of course there might be a short term, in fact one-time, cash injection, but we would respectfully suggest that the long-term best interests of Ontario would not be well served by such a move. For years, revenues from the four Crown Corporations have been used to build the province’s roads, schools, hospitals, and to pay for all the other public services like health care, and no government has resorted to asset sales; there is no sensible reason to do so now.

Second, asset sales do not make economic sense for Ontario. There is no realistic scenario in which asset sales would actually create new jobs in the province. Indeed, the most likely outcome would be the destruction of unionized jobs and their replacement by lower-paid, part-time jobs with even less job security than that of existing casual employees at the LCBO.

As far as any investment opportunities that might be created by asset sales, it is unclear why Ontarians need to invest in the LCBO when they already own it in its entirety. The most likely outcome of selling the LCBO, or the other Crown corporations, is that these assets would increasingly end up in the hands of international investors, thereby shipping economic benefits out of the province, and out of Canada, and weakening your economy generally.

Third, Crown corporations serve a vital public policy purpose, none more so than the LCBO. LCBO employees are the front line in the prevention of under-age drinking in Ontario and routinely refuse service to intoxicated persons. Little wonder then that organizations ranging from Mothers Against Drunk Driving to public health associations to addiction services to the police have made frequent statements in support of a publicly-run alcohol system. Privatization of the LCBO risks an increase in the social and economic costs related to alcohol consumption.

Fourth, Goldman Sachs cannot be trusted to look after Ontario's interests. Liquor unions across Canada were shocked to learn that Ontario taxpayers are paying the world's most powerful investment bank for advice on how to sell their Crown corporations. Long before it was charged in connection with a billion-dollar fraud in April, Goldman Sachs had a reputation as a company that "rarely lets the interests of its customers get in the way of making a dollar for itself," in the words of the *Globe and Mail's* Derek DeCloet. No one really believes Goldman Sachs can be trusted to look after Ontario's interests. The government of Greece thought they could rely on this company's advice and they are now openly musing about taking the company to court for the losses Goldman Sachs created for Greece through their self-interested advice.

Finally, we do not see how your government can argue it has a mandate to do anything with the LCBO except to ensure it is properly managed under public control. In the last two decades, provincial liquor unions have seen government after government entertain the idea of privatization. It is interesting to note that, in Ontario, even the pro-privatization Mike Harris government rejected the idea of selling the LCBO. Mr. Harris could at least claim that he had a mandate from voters to do so, having stated in his 1995 election platform that "we will sell off some assets, such as the LCBO..." Despite this, he did not sell the LCBO.

The only exception to this rule has been Alberta, where the government did privatize the system, at great cost to the province and with very problematic results, such as increased drunk driving convictions, sales to minors, cost to consumers, and a number of other negative factors.

According to news reports, your government is considering some form of partial sale of the LCBO, possibly as part of some kind of deal linking your four largest Crown corporations. We must caution against this approach in the strongest possible terms. Selling (say) 20 per cent of these assets will open the door to the sale of 100 per cent of them. Indeed, we believe that a partial sale now is guaranteed to lead to a total sell-off before long.

The case of Petro-Canada is instructive. In 1991, the Conservative government under Brian Mulroney began selling shares in the company. In 2004, the Liberals under Paul Martin sold off the last public stake in the company.

Following our meeting last month, provincial liquor components of the National Union of Public and General Employees, along with CUPE in New Brunswick and SEMBQ/CSN in Québec, pledged their support to OPSEU to oppose the sale, in whole or in part, of the LCBO. This support will include financial help, staff support, and anything else OPSEU needs to prevent your government from undermining the Canadian model of publicly-controlled liquor retailing.

Let us be clear on one matter that cannot have escaped your attention; if Ontario privatizes its liquor system, other provinces will be under immense pressure to follow suit. Your government's actions in this regard could well cause all Canadian's the loss of their well regarded model, where public agencies sell alcohol for public revenue and under public control, might be dismantled.

Thank you for your time. Please feel free to contact any one of us through NUPGE Secretary-Treasurer Larry Brown at the address above.

Sincerely,



Darryl Walker
President
BCGEU / NUPGE



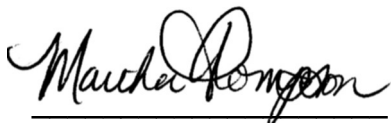
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