ORHMA

ONTARIO RESTAURANT HOTEL & MOTEL ASSOCIATION

Ministry of Finance
Ontario Pre-Budget Consultations 2017
ORHMA Submission

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January 26, 2016

Hon. Charles Sousa
Minister of Finance
C/o Budget Secretariat
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, ON M7A 1Z1

Via email: submissions@ontario.ca

RE: ORHMA 2017 Pre-Budget Recommendations

Minister:

Thank you for the opportunity to have participated in your pre-budget consultation event in Peel, Ontario. Further to our comments there, we are writing on behalf of the members of the Ontario Restaurant Hotel and Motel Association (ORHMA) to provide further input in the 2017/2018 Ontario Provincial Budget.

Please find enclosed budget recommendations that will have a meaningful impact on Ontario's hospitality sector. Focusing in the areas of the sharing economy, hydro costs, tourism investment, red tape reduction, small business support and taxation reform, these recommendations will strengthen the hospitality industry and directly improve owner/operators' business bottom lines - ensuring a return on investment for the government through increased tax revenues, job creation and economic growth.

Today, ORHMA is Canada's largest provincial non-profit industry association that represents the interests of Ontario's foodservice and accommodation sectors. ORHMA is dedicated to fostering a positive business environment for Ontario's hospitality and tourism industry, while providing value-added services to its members.

ORHMA & Industry Impact: Ontario's hospitality industry is one of the most dynamic and competitive sectors of the provincial economy contributing 4.3% of the provincial GDP, generating over $23 billion in sales and is a major employer of over 400,000 jobs. That equates to an estimated $9 billion in tax revenues generated for all three levels of government.

In today's Ontario the hospitality industry, with more than 22,000 foodservice establishments and 3,000 accommodation properties, has the potential to create more jobs, more investment and more service destinations. With over 201,000 businesses related to tourism products and services representing over 17% of all business in Ontario, hospitality and tourism GDP in Ontario is greater than that of agriculture, forestry/logging, commercial fishing/hunting and mining industries combined. We are uniquely positioned to contribute to the economy of every Ontario community.

ORHMA & Industry Challenges: The hospitality industry directly employs over 400,000 Ontarians, representing 7% of the total provincial employment. One Municipality alone, the City of Toronto restaurants employ approximately 70,000 employees.

The hospitality industry is a significant component of the provincial economy and character, yet is vulnerable to economic volatility and unexpected weather disasters such as the recent ice storm. Over the last decade since 9/11 the hospitality and tourism industry has experienced tremendous pressures on business due to a number of catastrophic events and measures.

The restaurant sector since the recession of 2008 and 2009 has changed. Its not about revenue growth anymore, its about pressures on the expense lines impacting the razor thin business bottom lines currently running at an average of 3.5% pre tax profit. Full service restaurants are operating at 2.5%. Ontario remains well below the national average of 4.1%.The accommodation sector over this time dropped by 50% on profit margin and it has only been recently that recovery is taking place.

Recovery is mainly stemming from lower Canadian currency and is generating top line revenue growth but profit margins have yet to recover due to the expense pressures. These pressures include regulations brought on by governments that usually are well intended but have severe consequences on our hospitality industry. Business profits are an important element of growing the economy including growing jobs. Most in the restaurant sector are aiming to only be sustained and just paying the bills to make ends meet.

Any new policies or regulations in a vulnerable economy from the provincial government impacting restaurant, hotel, motel and accommodation sales will add another tough impediment to those that count on specific market clientele. We continue to request that your government recognize our industry crosses over several ministries and while you may think there is a reduction in red tape that is truly not what is happening. Our industry continues to be badgered and constantly under regulatory scrutiny by all three levels of government which limits business growth in investment. Our members expect government policy to have a positive impact on their business – they are discouraged and concerned about the accumulative impact your government's policies will have on their restaurant and or hotel and accommodation business here in Ontario.

We understand your government is tackling a deficit however, if something is not done to protect the Hospitality Industry (restaurants, hotels, motels and accommodation) – Ontario could be faced with a hospitality sector crisis. It is getting harder and harder for our industry to make ends meet. We ask that you take our recommendations seriously and help the hospitality industry sustain and grow in Ontario.

We look forward to hearing further from your government to better work at addressing red tape and working together to make Ontario the best place to live, work and visit. Thank you for your consideration of our ORHMA Pre-Budget 2017-18 recommendations found attached to this letter.

Yours truly,

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There's Benefit in Belonging!

ORHMA PRE- BUDGET PRIORITIES 2017

1. **Develop Frameworks to Strengthen the Sharing Economy**: We call on Ontario to follow the lead of the Province of Quebec and regulate Airbnb to support its municipalities.

2. **Avoid Allowing Municipalities to Create New Taxes:** We are opposed to any Provincial amendment approval given to the City Of Toronto Act, 2006 (COTA) that will allow the City to implement a hotel/lodging room tax.

3. **Develop Regulatory Authority for the Destination Marketing Program (DMP):** An industry solution to an industry problem – government does not have the funding.

4. **A Tax Rebate on Global Adjustment/ Energy Costs:** Our industry operates 24 hours seven days a week - high electricity costs are a real threat to Ontario's hospitality industry. ORHMA requests energy reduction policies developed are conducive to mid-size and small business.

5. **Stimulate Economic Growth through a Capital Loan Program**: We request the government in the short term create a loan program that is developed to encourage investment and support competiveness in the hospitality sector.

6. **Develop and Retain a Skilled Hospitality Labour Force:** We request the government to extend the benefits of the provincial Apprenticeship Training Tax Credit (ATTC) to all hospitality businesses that hire a Red Seal recognized Baker or Cook apprentice.

7. **Increase the current Employer Health Tax threshold:** We request the government increase from $400,000 to $750,000 to assist business operators offset the burden of year over year increases to the minimum wage since 2004.

8. **Include Ontario Licensees to sell Alcoholic Beverages at their establishments:** We request the government allow liquor sales licensees to sell beer and wine to consumers at retail for home consumption in addition to on-premises sale and service, as is done in five other provinces and now in Ontario's grocery stores.

9. **Implement a true wholesale pricing regime for liquor licensees**: We request the government implement a true wholesale pricing regime for liquor licensees, and that the amount of the discount should be at least equivalent to the discounts available to the LCBO's agency store system.

ORHMA ISSUES & PRE-BUDGET RECOMMENDATIONS

1. **SHARING ECONOMY AIRBNB:** Today, Airbnb boasts 350,000 hosts in 192 countries who rent rooms to eight million people a year. Enabling ordinary homeowners to offer lodging to out-of-towners – typically at significantly lower rates than hotels – Airbnb is one of the many "sharing" websites that have emerged in recent years. The sharing economy specifically Airbnb is a milestone in innovations. But in the mist of this forward thinking there seems to be a loss of reality on reactions to the actions and unintentional consequences.

In 2015 in the entire Greater Toronto Area there were around 5,000 airbnb units listed and now in 2016 the Toronto downtown alone there were over 10,000 units listed. This is an astonishing 60% supply share of the entire hotel room market and a 6% revenue impact. This is not the defined sharing economy. *As the Ontario Mars report pointed out home sharing is about sharing your own home, your primary residence.* This is about commercialization as 23% of the Airbnb Toronto inventory is represented by three or more units rented by the same owner.

Municipalities such as New York, San Francisco, Chicago and Vancouver are now realizing the impact to neighbourhoods, housing issues, condo ownership and they have been taking action. Ontario should also take action as well. As the province continues to figure out what to do with the sharing accommodation – the sharing economy is growing rapidly. You will have to play catch up as you delay reacting.

The hotel industry is a highly competitive business that respects standards and government rules. We expect all those competing to play by these rules. We ask that the sharing economy operate within the sharing definition, pay taxes (which I believe a key responsibility of this Ministry is to find revenue growth) and follow safety standards for users. We ask for a fair playing field. Most importantly if Ontario wants to be a leader we recommend you create a regulatory framework at the Provincial level preventing the many duplicative debates municipalities will be facing in the upcoming years.

Airbnb in Ontario operates as part of the professional underground economy. It is a threat to the accommodations sector, its huge supply chain and to jobs which are high concerns especially during economic downturns. Importantly each day of waiting without a regulatory framework is a day without government tax revenues.

ORHMA SHARING ECONOMY RECOMMENDATION: We call on Ontario to follow the lead of the Province of Quebec and regulate Airbnb to support its municipalities. ORHMA seeks fairness - there are no regulations governing this practice in Ontario, triggering safety and liability concerns as well as complaints that operators are dodging fees and taxes levied on the lodging industry. ORHMA recommends that the Ministry of

Finance review such sharing websites to ensure they are not dodging fees and taxes that accommodations, hotels and motels are obligated to pay. We request Appendix 1 labelled "Terms of Reference for the Accommodation Sharing Economy" included in this submission offers a well thought out and fair terms of reference to support drafting a framework for the accommodations sharing economy.

2. **HOTEL/ LODGING TAX:** The ORHMA is opposed to any Provincial amendment approval given to the City Of Toronto Act, 2006 (COTA) that will allow the City to implement a hotel/lodging room tax. The City's hotels are currently faced with a much lower net operating income than its city competitors due to higher expenses and underperformance in the average hotel room rate affecting revenue per available room (RevPAR). These conditions impact location choices made for hotel development that will further be negatively influenced by an addition of a hotel/lodging room tax. The City of Toronto hotels will be faced with a competitive disadvantage in very competitive market set.

Furthermore a City of Toronto hotel/lodging room tax decision is highly concerning as it will have a cummalative effect in other Ontario municipalities particularly those operating a successful Destination Marketing Program (DMP) and those in the pipeline planning to implement the program. (The ORHMA is presently in discussions with seven key destinations on a DMP Ontario implementation.) The insufficient funding provided by municipalities is forcing hotel communities to establish a Destination Marketing Program (DMP) a funding model that has proven positive for tourism and a city's economy. Initiated in Toronto in 2004 it has been viewed as an industry solution to an industry problem. **A hotel/lodging room tax will force the elimiation of the DMP**.

A municipal hotel/lodging room tax applied to hotels can be destractive not only to the hotel and tourism industry but to the huge supply chain the industry supports and to the visitation spend in the many local businesses . Among them are a city's restaurants many of them struggling to be sastained. The overall impact includes direct , indirect and induced spending as the ripple effect reaches most sectors of the economy. Furthermore a room tax will cost government more in lost revenue from overall sales and other tax than these can generate. Only when add on fees are used for destination marketing can the funds augment visitor spending and overall all tax gains.

The American Econometrics Group Inc. long term specialitsts in tax matters completed **an extensive study of the US Lodging markets concluding that on average a 2% increase in the combined tax on hotel rooms will cause a reduction in room sales and associated visitor spending per year unless countered by increased promotional spending.**

The study established that the negative impact of increased room taxes can be mitigated and may even be beneficial if taxes are used for promotion of the destination. While noting that this is apparent in destinations that emerge in sales and marketing activities other earmarked uses of room taxes do not benefit tourism and act as a travel deterent by increasing a guest's cost without attracting more guests. The study's conclusion has been supported by the positive performance shown by Ontario DMP destinations. A higher sales tax rate to a single sector of Ontario's economy is not reasonable especially to a sector that has faced pressures over the years and is now in a good position to maximize the growth and competiveness of Ontario's tourism.

ORHMA HOTEL TAX RECOMMENDATION: The ORHMA urges the Ontario Government not to approve any amendments that will allow the City of Toronto to implement a hotel/lodging room tax as this decision will profounly be failed across many other Ontario municipalities shattering success of the hotel industry, and impacting restaurants, many other community businesses and local jobs.

3. **DESTINATION MARKETING PROGRAM (DMP):** Back in 2004 Toronto hotels and soon followed by Ottawa hotels developed the Destination Marketing Program (DMP) -an industry solution to an industry problem. The fee applied to hotel guest rooms generates a significant ROI.

Government does not have the amount of funding required for destination marketing and Ontario's accommodations industry will not able to compete in an industry that is highly competitive without the type of funding generated by the DMP. Global tourism ranks as the 4th largest growing industry and we are far behind.

At one time there were 14 destinations operating with a DMP program in Ontario. The City of Toronto hotels marketing fund strongly support Toronto and the Province through a healthy economic return. The same can be stated for the City of Ottawa and the other destinations. The program has not reached its full potential and most importantly it's under threat as the City of Toronto is requesting the province to allow them to implement a hotel tax.

ORHMA DMP RECOMMENDATION: We request that the government implement a regulatory authority for DMP. A DMP regulatory framework provides a certainty needed by our industry and it validates Destination Programs as a value economic development mechanism. It mandates that funds raised through these programs are used solely for the purpose of promoting tourism. The program framework also addresses the visitor experience and consumer protection.

4. **ENERGY COSTS:** There are enormous amount of reports and studies on Ontario's energy file and recently much has been stated about the impact to consumers. We are reaching a pivotal point where even the same government that has drafted the current energy policies have begun to admit mistakes and setbacks while examining means to reverse the heavy burden to its citizens. Our industry needs to be considered while you review and move forward with hydro/energy policies.

High electricity costs are a real threat to Ontario's hospitality industry. Operators have been reminding us that currently most businesses take advantage of the HST input

credit initiated in 2010 thus this 8% announced rebate will not have impact. Our industry operates 24 hours seven days a week - full throttle at peak periods, large floor space use, high operational needs of equipment at most hours. We have many within the hospitality sector that have energy efficient programs including energy efficient, equipment, LED lighting, efficient AC / HVAC units and much more but they too are seeing an increase in hydro costs every month – this is all very discouraging for business in Ontario.

The source of much discontent and confusion with monthly hydro bills is what's called the "Global Adjustment". As you know the **Global Adjustment (GA)** charge accounts for the difference between the market price and the rates paid to regulated and contracted generators and for conservation and demand management programs. Government decisions to phase out coal-fired generation, to invest in natural gas replacement generators, to extend the lives of the nuclear fleet and to invest heavily in renewable energy makes sense for the future of Ontario but the pace of implementation—and the impacts on customers' bills—have certainly generated much controversy and many concerns. These expenses make up the GA and it is these expenses that the business community is feeling the pinch. **The ORHMA calculates the GA portion of an average hospitality business hydro bill at around 65%.**

The other 35% portion of the expense can be supported (with some conditions) through bulk energy purchasing, retrofits and conservation methods but it's tough to take advantage of incentive programs as Ontario's hospitality industry is operating at full throttle during peak periods including breakfast and dinner service and with guests using these times to check in and out of hotels stimulating high energy demand. We welcome the recent expansion of the Industrial Conservation Initiative (ICI) incentive program which rewards shifting energy use from peak to off-peak periods. The announced change would extend the program to the hospitality sector but only those customers with an average peak demand of 1000 kW or greater. Our concern is that the program will not benefit our many members that use less than that amount.

The large share of the hotels and restaurants are made up of small and mid-sized businesses many operating with razor thin margins. These businesses have been facing ongoing tough times. The hotel margins reached a 50% reduction since the year 2000 and restaurants operate 2% less in pre-tax profit margins than the national average and less than any other province. It's not about revenue growth anymore as much as it's about the pressures on the expense lines stemming from rising labour costs, food commodities price increases and exorbitant energy costs.

"It's tough to invest and operate a hospitality business in Ontario", is something we continually hear from operators and investors. The recent energy reduction announcement is positive, but, again, only for some. Many of us in the hospitality industry feel as if once again our needs have been overlooked. We ask your government for fairness and we ask for real support in reducing the industry's energy costs.

CAP & TRADE POLICY IN EFFECT: The primary item in the Climate Change Action Plan is now in force. The government has set limits on emissions and will reduce this limit on an annual basis. The plan has already increased costs for gasoline and heating for our hospitality industry. The Auditor General of Ontario has also projected that it could impact the Ontario economy by $466 million between now and 2020, but that it would be a short-term issue. The Ontario Environment Commissioner believes it will be offset by lower levels of gasoline and natural gas imports however, in the interim it is an added cost.

ORHMA ENERGY RECOMMENDATION: ORHMA requests that due to its uniqueness in being the highest intensity business sector and due to limited opportunities operating at high peak hours that the entire industry takes advantage of peak conservation programs. ORHMA requests energy reduction policies developed are conducive to mid-size and small business. A good example would be to offer tax rebates of a portion of the Global Adjustment fee.

5. **CAPITAL LOAN PROGRAM**: Stimulate Economic Growth through a Capital Loan Program -The government does not have a meaningful tourism investment strategy with incentive loans to stimulate economic growth in the sector. It is urgent in the short term that a loan program is developed to encourage investment and support competiveness.

The down economy stemming from 2001 through the latest financial recession of 2007/08 has not been kind to Ontario's tourism and hospitality product. This time period lasted far too long with limited investment in existing operations and in new development. Operators have been struggling to just stay sustainable.

There is huge potential for a stronger tourism sector in Ontario to support more jobs and more services. As the economy is growing this sector needs support in rebuilding to meet demand.

Would your government consider a coordinated infrastructure policy between the federal government and provincial governments that would increase travel and tourism growth, productivity, employment and economic activity?

ORHMA CAPITAL LOAN RECOMMENDATION: It is urgent in the short term that a loan program is developed to encourage investment and support competiveness. Consider programs such as:

- The Advanced Manufacturing Investment Strategy (AMIS) recently offered by the provincial government is an example of a "ready made" program approved and underway in that sector. Modification will be necessary to fit our industry i.e. loan guarantee rather than government repayable loans.

- The re-introduction of the Tourism Redevelopment Incentive Program (TRIP) to provide loan guarantees to support new or expanded tourism assets.

Programs such as these will enormously benefit job creation as the economy is swinging up.

6. **APPRENTICESHIP TRAINING TAX CREDIT (ATTC):** Ontario's tourism and hospitality sector is facing well documented challenges in developing and retaining a skilled labour force in the face of a highly competitive international tourism industry. Similar to the eligibility criteria for the federal Canada Apprenticeship Job Creation Tax Credit, ORHMA requests the government to extend the benefits of the provincial Apprenticeship Training Tax Credit (ATTC) to all hospitality businesses that hire a Red Seal recognized Baker or Cook apprentice.

Addressing Labour Shortages, The Conference Board of Canada predicts that by 2025 Ontario's tourism industry faces a labour shortage that could reach nearly 98,000 full-year jobs. The Food and Beverage sector is forecasted to suffer the largest labour shortage among all the tourism industries. Not surprisingly, occupations — such as cooks — will experience the greatest labour shortages among tourism occupations.

Promoting Careers in Ontario's Tourism Industry Ontario's tourism industry directly employs about 194,000 people and generates $22billion in revenue. It's also the largest employer of Ontario's young people and the largest seasonal employer. In his "Discovering Ontario – Tourism Competitiveness Report", MPP and former Finance Minister Greg Sorbara not only acknowledges the considerable labour shortages in the tourism industry, but also sees the potential for job creation in this industry if government investments are made. He believes Ontario must work to develop the tourism workforce and should become an international leader in tourism training and education.

Specifically, he recommends providing incentives to employers such as training credits. "There is potential for job creation in this industry — and there is potential for more jobs to become year-round. When more of us come to understand how vital this industry is to our economy and to the very identity of our province, I am convinced more people will be drawn to tourism careers." - Greg Sorbara, MPP and author of "Discovering Ontario: Tourism Competitiveness Report" Supporting Retraining Initiatives Ontario's Second Career Program provides funding to displaced workers.
Hospitality culinary positions that of cooks and bakers are badly needed in our industry. These are skilled positions and while the other "red seal" positions are eligible for the ATTC cooks and bakers are not. Ontario is the only province in the country without a rebate program to support recognized trades in the hospitality industry.

Back in 2009 we advocated for such a change and we received support from the following Ministers and MPP Greg Sorbara author of the Tourism Competiveness Study: The Honourable John Milloy; Minister of Training, Colleges & Universities; The Honourable Monique Smith; Minister of Tourism, The Honourable Leona Dombrowksy; Minister of Agriculture, Food and Rural Affairs, Greg Sorbara, MPP (Vaughan).

ORHMA ATTC RECOMMENDATION: It is now time to re-open this important credit incentive that has huge positive potential for hospitality schools and the hospitality's workforce. We are calling upon your government to support us once again and bring forward such tax credits to aid in our industry that needs to fill its labour gap.

7. **EMPLOYER HEALTH TAX:** Under the Employer Health Tax Act, eligible employers in Ontario pay a health tax although the first $400,000 of payroll is exempt. Previously this meant that small employers did not pay the Employer Health Tax (EHT). However, after a 22% increase in the general minimum wage over the last years six years the Employer Health Tax threshold has not moved thus forcing a core group of small businesses to incur a new tax expense with no change to the operator's labour force or sales.

ORHMA EHT RECOMMENDATION: The province increase the current Employer Health Tax threshold of $400,000 to $750,000 to assist business operators offset the burden of year over year increases to the minimum wage since 2004.

8. **BEVERAGE ALCOHOL SALES:** We request for an option that Ontario Licensees who are the largest purchaser of alcohol from LCBO to be able and included to sell Alcoholic Beverages at their establishments. The licensee hospitality operations are the most appropriate sector to sale alcoholic beverages. They follow AGCO procedures and standards through the Liquor License Act and have smart serve trained personnel. They understand the laws of handling alcoholic beverages.

ORHMA ALCOHOL SALES RECOMMENDATION: We request the government allow liquor sales licensees to sell beer and wine to consumers at retail for home consumption in addition to on-premises sale and service, as is done in five other provinces and now in Ontario's grocery stores. ORHMA requests for hospitality business to have the option to sale beer and wine at retail through an AGCO licence endorsement to maintain control.

9. **BEVERAGE ALCOHOL & WHOLESALE PRICING:** More than three quarters of all foodservice establishments in Ontario are licenced to sell and serve liquor, and are guided by the *Liquor Licence Act*. Other than a minor discount provided on LCBO purchases (5% on all products except Ontario wine which is 10%) and no discount from The Beer Store/Brewers Retail Inc. (TBS/BRI), liquor licensees must pay full retail price on beer, wine and spirits. Ontario home consumers can actually buy alcoholic products for LESS than licensees as the licensee

community is not offered nor can they take advantage of any special discounts, rebates or in-case promotions given to home consumers from TBS/BRI.

Licensees essentially subsidize the discounts offered to home consumers as a marketing tool for TBS/BRI. This is not equitable, nor conducive to sales stimulation or new job development for the operator. Embedded in the full retail price of beverage alcohol is a complex regime of fees, levies, markups and taxes, both Federal (e.g. Excise or Customs Duties and GST) and Provincial.

Licensees are currently not permitted to make purchases from TBS/BRI using credit cards, an arbitrary policy which puts significant pressures on licensees' cash flow and access to credit.

A wholesale pricing regime will provide some alleviate some of the financial pressures resulting from the deposit-return program on wine and spirits containers, and stimulate economic activity within the industry to allow licensees to be more competitive in their purchases and pricing strategies.

ORHMA PRICING RECOMMENDATION: The government implement a true wholesale pricing regime for liquor licensees, and that the amount of the discount should be at least equivalent to the discounts available to the LCBO's agency store system.

PENDING & COMING FORWARD POLICY: Among many other in the pipeline for new or revised regulations the Employment Standards Act (ESA) and the Labour Relations Act (LRA) review aims to revise regulations that will most likely financially impact our industry in 2017. As well an increase to minimum wage expected to be announced by the Ministry of Labour this April.

As well the Ministry of Finance is preparing to address tax invasion in Ontario and leaning towards implementing black boxes at all cash registers. This will be another direct cost to our industry likely in 2017 -18.

The impact of these new laws along with skyrocketing energy costs; rising food costs; labour costs and shortages will create more red tape impacting hospitality business growth opportunities, job loss and closures of some restaurants, hotels and accommodations here in Ontario.

To state the obvious such expansion of legislation and regulations is inconsistent with the principles of a streamlined and focused regulatory environment as enunciated by your government's "Open for Business" philosophy.

ORHMA RECOMMENDATION: We recommend that the government review Ontario's hospitality industry before implementation of any new legislation and or regulations –a review and financial impact study makes sense for the government to undertake before adding further laws.

The hospitality industry is extremely regulated and this leads to not only bottom line burden but detractions in meeting the main objective which is giving excellent service. A Reduction of 'Red Tape" allow us to focus on service.

Regulations need to exist for the safety and well-being of our employees and guests but the duplication, excessive documentation, inconsistency, slow processes and without

three level government synchronization, barriers are formed to "getting the job done". Many times it's not about eliminating but streamlining regulations.

This would only be successful if government focuses on the Open for Business initiative and improves upon it. We support the government's efforts to drive and improve upon the Open for Business initiative to reduce and streamline regulatory pressures in the industry.

ORHMA ADVOCATES FOR AN ECONOMIC ANALYSIS: We understand that the provincial government is under pressure from several hundred municipalities for more revenue and some believe that the proposal new Toronto municipal taxes (hotel, liquor and parking) are not fully understood and as a result we believe that it is necessary for all municipalities and the provincial government to understand the significant economic consequences associated with these new taxes before approving. These taxes are precedent setting and in the year of Canada's 150th anniversary have a negative impact on our sector.

It is imperative that the provincial and municipal governments recognize that our industry has many other policies coming forward at one time that impact business budgets and adding new municipal taxes is only penalizing us further. The province needs to consider the impact of a hotel tax on other tourism and hospitality businesses such as transportation, restaurants, attractions, retail and entertainment which combined employ 315,000 people in Toronto and that is why we expect an economic review of these purposed taxes being imposed on the hospitality sector before asking for the government of Ontario to give you regulatory authority.

APPENDIX 1

Accommodation Sharing Economy
Terms of Reference

Ownership of Rental Unit Listings:

• The rental unit must be the principal residence.
• The owners must be sharing and residing in the rental unit.
• There must be only one listing per rental unit owner. No multi rental units allowed.
• The cap on maximum number of rooms sold annually must be defined.
• Rental unit owners must register and obtain a licence and other applicable transient or vocation rental permits.

Zoning issues:

• Similar to other business a requirement to meet zoning, noise, parking and other bylaws of a municipality.

Taxation:

• All taxes to be paid.
• Municipalities to review the opportunity to apply commercial property assessment.

Safety and security:

• Requirements of the fire code must be met, specifically fire alarm detectors, carbon monoxide detectors, exit routes etc.
• Insurance requirements must be met; specifically insurance that covers the rental of the facility.

Platform accountability:

• Distribution channel host responsible of indicating that all provincial and municipal licenses, permits and regulations are being fulfilled, all taxes paid, zoning laws are followed, insurance paid and room limits adhered to.
• Distribution channel host accountable for listing only one rental listing from each unit owner on channel sites.
• Distribution channel host accountable for owners of listings adhering to regulations.
• Distribution channel host accountable for collecting the taxes from owners of listings.

Enforcement:

• Enforcement department to be set up to drive compliance.
• *Condominium Act*, Travel Industry Council of Ontario (TICO), the *Residential Tenancy Act*
• Penalties brought against the person/entity committing the violation, instead of just being assessed on the building owner.