



Inflation Impact on the Restaurant Sector

Sept 25, 2023,

To:

Premier@ontario.ca

Minister.fin@ontario.ca

Copy:

Minisrer.Lumsden@ontario.ca

Patrick.Sackville@ontario.ca

Richard.Clark@ontario.ca

Susan.Truppe@ontario.ca

Re: Critical Climate Being Experienced in the Restaurant Sector

Dear Premier Ford and Minister Bethlenfalvy,

Thank you for all you do in building a strong Ontario for residents and businesses. You have done much.

It has been some time since ORHMA reached out to you on the state of our hospitality sectors and now it is warranted that we speak out on the critical need for support for the restaurant sector.

The pandemic was devastating to society and business alike, but much more to the hospitality sector, which survived through government support, resiliency, and hope.

In the post-pandemic era as in that famous song "The Times They Are a Changing", where we anticipated to see brighter performance and sustainment, we are experiencing doom and gloom.

The slim-margin restaurant sector has come out from over two years of marginal cash flow to face unprecedented inflationary pressures.

- Critical workforce pressures are resulting in closed sections and restrictions on opening hours.
- While overall general inflation is coming down, food inflation continues to be much higher adding financial pressures on an expense line that represents more than 35% of total expenses.
- Energy and transportation price hikes are affecting all goods and services including repairs.
- The escalated commercial insurance rates have stabilized but remain at high levels.
- Many restaurant operators continue to carry pandemic-inflicted debt.

Historically restaurant menu prices are dictated by a rigid price elasticity model which recently has been stressed to an average of a 10% increase but not enough to mitigate inflationary-driven expenses. It's not about the traffic lining up or dining in a restaurant, it's about the flow through to the bottom line. Note that in the 1990's restaurants operated in the range of 6-10% pre-tax profit margins. In 2019 Ontario restaurants achieved a 3.5% pre-tax profit margin lower than any province, a position Ontario regrettably held for over a decade.

Many restaurants do close their doors frequently, especially new openings, but this is the first time we have observed more restaurants close than open and the first time we noticed developed neighbourhood restaurants shut their doors across the province.

Over 50% of restaurants are operating at a loss and hanging in hoping these difficult times will soon go away.

In the past three months, according to our own and Restaurant Canada's surveys, we have seen traffic counts and average spending declines. This is supported by the recent data released by OpenTable [here](#).

An Angus Reid survey from May 2023 has found:

- 69% of Canadians stated they are not dining out as often as they would like due to high prices
- 54% stated the same for quick service restaurants.

Regardless of income, rising food and menu costs are impacting consumer spending habits.

There is an urgent need for sweeping support similar to the needs during the pandemic period.

Recommendations (further details can be forwarded on each item)

- Reduce the LCBO pricing to licensees further.
- Ensure in the new TBS agreement that licensees are not held hostage with beer pricing. (Currently, they are paying around \$10 more for a case of 24 bottles than the consumer price)
- Increase the Employment Health Tax (EHT) threshold now.
- Reduce the Business Education Tax (BET).
- Reduce the Small Business Tax.
- Reduce the WSIB Premium Fees.
- Implement a training rebate/subsidy for new employees and development for current employees and managers.
- Re-introduce a liquor server minimum wage rate knowing this is sensitive but justified due to healthy incomes through tips and serious implications in causing inequality in the workplace.
- Initiate an energy savings program that reflects the reality of hospitality operations that operate at full thrush during peak times.
- Define skilled hospitality positions such as cooks under the Ontario Provincial Nominee Program.
- Allow electronic games in hospitality operations as an option.

Thank you for reviewing our letter to support a struggling sector.

I'm available to discuss this matter further as required.

Sincerely,



Tony Elenis
President & CEO
Ontario Restaurant Hotel & Motel Association (ORHMA)