



**Discover Ontario's Hospitality Industry
A Tourism and Economic Enhancement Strategy**

Presentation to the
Standing Committee on Finance and Economic Affairs
2008 Pre-Budget Recommendations

January 31, 2008

Discover Ontario's Hospitality Industry

A Tourism and Economic Enhancement Strategy for Ontario

Introduction

It is a pleasure to be here today to address the Standing Committee on Finance and Economic Affairs as part of your pre-budget consultations. My name is Rob Evans, the President of the Ontario Restaurant Hotel and Motel Association. I have been working in the industry for more than 25 years and had the privilege of taking over as president of the organization this year. I am joined today by Syd Girling, Manager of Government Relations. Syd has been with the Association for three years, and spent 27 years prior as a career civil servant for the government of Ontario.

I would like to speak to you about three issues that the Ontario Restaurant Hotel and Motel Association is facing. They are the same issues that you, as members of the legislature, are looking to improve. They are: tourism, jobs and the environment.

I'd like to tell you about these issues through the eyes of three individuals who are living them every day.

Lynnette Bain is 31 years old. She works as General Manager for the Holiday Inn Select in Windsor and oversees 65 employees in a \$7 million dollar operation. When you cross the Ambassador Bridge into Canada, her establishment is the first full-service hotel you see.

The second person I'd like to talk about is Ken Baxter. His is 50 years old and he owns two restaurants in the Toronto area. The Fish House, a seafood restaurant in Markham and Joe Maggiano's, an Italian Steakhouse and Bar in North York. Ken has owned these establishments for 26 years. He has 135 employees, 90 per cent of whom work full-time.

Randy Herkimer is 45 years old, with 2 children. He is the owner of the Niagara Falls Restaurant Group which has 4 locations in Niagara with one neighbouring the new casino.

About ORHMA

The Ontario Restaurant Hotel and Motel Association is Canada's largest provincial not-for-profit hospitality industry association. We represent Ontario's foodservice and accommodation sector, which generates more than \$17 billion in revenue annually and employs 373,000 people.

Lynnette Bain, Ken Baxter and Randy Herkimer are all members of our Association. Lynnette's Holiday Inn is one of more than 2,000 accommodation establishments in the province. Ken's outlets are 2 of Ontario's 22,000 foodservice establishments, of which almost 60 per cent are independently owned and operated just like Randy.

Our goal today is to make 10 recommendations to improve business conditions for the Lynnettes, the Kens and the Randys of Ontario's restaurant and accommodation industry.

The first issue we'd like to discuss is Ontario tourism and we have four recommendations.

The Issues:

TOURISM

First and foremost, we applaud the government for its December 13, 2007 announcement increasing funding for tourism promotion to \$30 million for the coming year. These funds will be allocated for use in expanding support to community festivals and events, and for marketing campaigns to domestic and international markets.

We would like to propose that the Ontario government extend this funding, and match it each year, for the next three years.

Rising Dollar

The rise of the Canadian dollar has had a drastic impact on U.S. tourism in Canada. Ontario tourism has dropped 50 per cent in the last decade and it continues to decline. According to the November 2007 statistics, trips from the United States to Ontario were down by more than 15 per cent, with same-day travel down by 24 per cent compared with 2006. On top of this, Ontarians are travelling outside of Canada in record numbers. As a result, our travel deficit ballooned 383 per cent during the third quarter of 2007.

Border Access

In addition to the rising dollar, there have been many challenges across Ontario because of issues at border crossings along the St. Lawrence, Niagara Falls, Windsor, Sarnia, and Sault Ste. Marie.

We congratulate the Ontario government on the plan to include citizenship as a part of an enhanced driver's license in Ontario. We encourage the government to proceed in as expeditious and timely manner as possible.

This would address, in part, the new passport requirements put forth by the U.S. government.

We also must move forward to solve the problems of border access at all of the main entry points. Literature from major festivals such as the Shaw festival in Niagara, are alerting visitors to expect border delays of more than 1 hour.

We recommend that the Ontario government work in conjunction with American authorities, the Canadian federal government and municipalities to solve border delays and improve border access at all crossings.

Destination Marketing Fee

From 2004 to 2007, the Provincial Sales Tax on the Destination Marketing Fee has been exempt each year. The Destination Marketing Fee has been very helpful in providing funds for tourism marketing. These fees have proven to be an effective tool in attracting tourists, tourism spending and achieving economic renewal. For this reason,

We recommend that the PST exemption on the Destination Marketing Fee be made permanent.

In addition the Association approves the government's decision to not grant municipalities the authority to levy a hotel room tax.

The next issue we would like to talk to you about is jobs.

JOBS

Minimum Wage and Wage Differential

Between 2004 and now to 2010 the government will have increased the minimum wage by 50 per cent.

Some members of the legislature have suggested increasing the minimum wage immediately to \$10.25. If this were to happen it could result in reduced hours, layoffs and even the closure of businesses.

Our recommendation is to stay the course and continue the phase-in of the minimum wage increase to 2010.

Secondly,

We recommend that the Ontario government continue to maintain the wage differential for liquor servers and students.

Eighteen per cent of people working in our industry are between the ages of 15 and 24. Many students in the workforce live at home and benefit from the financial advantages of living in a family household. This industry has some very well paid employees when tips are factored into their wage, but this is routinely overlooked. When the minimum wage is raised, it has a direct impact on many businesses that have very low profit margins. Bars, taverns and nightclubs' profit margins are at negative 0.5 per cent. Even full service restaurants, with only a profit margin of 2.1 per cent, are among the lowest in Canada.

In addition, the Employer Health Levy introduced in the 2004 budget for employers to pay a premium for employee's health care, is beginning to impact the hospitality industry. Although a small business can be exempt from paying if its total salaries and wages are less than \$400,000, with the substantial increases in minimum wage, many of our small independently-owned business are now over the 400,000 threshold.

We recommend the Ontario government review the \$400,000 threshold with a view of increasing it to reflect the increase in salaries and wages resulting from the rise in the minimum wage.

Workforce Shortages

Despite increases in minimum wage, the hospitality industry is still experiencing a shortage of both skilled and unskilled labour. In most cases, our industry pays above minimum wage just to reduce turnover and, in some cases, we will pay employees benefits.

Over the next decade, the hospitality industry will struggle to fill 200,000 new positions that will be required to meet demand. We must focus efforts and resources on existing opportunities such as Ontario's youth participating in co-operative education programs or apprenticeships, as well as untapped labour pools such as persons with disabilities.

We recommend the provincial government continue to work with the Ontario Workforce Shortage Coalition, of which we are a member, to address the need for both skilled and unskilled workers to match the needs of the industry.

The third issue I would like to talk to you about is the environment.

Environment

Deposit-Return Program on Empty Wine and Spirit Containers

The hospitality industry is the largest single purchaser of beer, wine and spirits in Ontario. Bars and restaurants pay as much, if not more, for their liquor inventories as individuals pay at their local beer or LCBO outlet. As of February 5, 2007, the Government announced a deposit-return program for liquor bottles through Brewers Retail Incorporated. Although the Association agrees with sound environmental practices, the total annual cost to Ontario's hospitality industry is in the tens of millions of dollars annually, a cost the industry cannot sustain.

We recommend the hospitality industry be compensated for the additional costs resulting from the implementation of the deposit-return program. This could include the elimination of both the environmental levy on non-refillable containers (redundant as deposits are now required) and the remainder of the gallonage fee, as well as a true wholesale price for licensee purchases and allowing licensees credit cards for their beer purchases at The Beer Store.

The gallonage fees as many of you know, was reduced by half in January 2006 from 12 per cent to 6 per cent, and the fee for beer was removed. We would like to see the remaining 6 per cent eliminated.



Meet the faces of the industry

Lynnette Bain



Lynnette Bain is the General Manager for the Holiday Inn Select in Windsor, Ontario.

Ken Baxter



Ken Baxter is owner and operator of the Fish House Restaurant and Joe Maggiano's Italian Steakhouse and Bar in the Greater Toronto Area.

Randy Herkimer



Randy Herkimer is the owner of 4 restaurants in the Niagara region.



About ORHMA

- Canada's largest provincial not-for-profit hospitality industry association, representing Ontario's foodservice and accommodation sectors.
- Over 4,000 members and 11,000 establishments across the province.

About the Industry

- Ontario's hospitality and tourism industry generates more than \$17 billion in revenue and represents 373,000 jobs.
- 2,160 accommodation properties in the province.
- 920 establishments with 30 rooms or more.
- More than 22,000 foodservice outlets, over 60% are independently owned and operated.



The Issues

TOURISM

- the rise of the Canadian dollar
- border access
- destination marketing fee

JOBS

- minimum wage and wage differentials
- workforce shortage

ENVIRONMENT

- deposit return program on empty wine and spirit containers
- waste diversion



TOURISM

The Rising Dollar

- tourism in Ontario has dropped 50% since 1998
- Ontario's travel deficit ballooned 383% in third quarter of 2007
- government announced \$30 million funding for tourism promotion this year



“We have experienced a significant decrease in U.S. occupancy rates at our hotel. Windsor used to be a quick get-a-way for our U.S. neighbours, but now less people are crossing the bridge into Canada and less people frequent the casino, bars and restaurants. On the Detroit side, their bars, hotels and restaurants are experiencing record numbers. We’re loosing that valuable market share.”

Our Recommendation:

- **We would like to propose that the Ontario government extend this \$30 million funding, and match it each year, for the next three years.**



TOURISM

Border Access

- all U.S. and Canadian citizens are required to show a passport or a government issued ID with **proof of citizenship** as of January 31, 2008.
- infrastructure improvements are needed.

“We have missed out on hundreds of thousands of dollars in revenue because people are put off by the passport requirements and the delays at the border. The bridge is at capacity and it’s hurting our business.”



Our Recommendation:

- We encourage the government’s plan to include citizenship as a part of an enhanced Ontario driver’s license and to proceed in as timely a manner as possible.
- We recommend that the Ontario government work in conjunction with American authorities, the Canadian federal government and municipalities to solve border delays and improve border access and wait times at all crossings.



TOURISM

Destination Marketing Fee

- 2004 to 2007 the Provincial Sales Tax on Destination Marketing Fee exempted
- effective tool for attracting tourists, tourism spending and economic renewal



The untaxed Destination Marketing Fee ensures that the necessary funds are available for our industry to reinvest in tourism marketing to create jobs and prosperity.

Our Recommendation:

- **We recommend that the PST exemption on the Destination Marketing Fee be made permanent.**



JOBS

Minimum Wage and Wage Differential

- \$8.00 per hour in 2008, \$10.25 per hour by 2010.
- 7 consecutive minimum wage increases since 2004 have raised the minimum wage by 50%.
- gratuity servers can bring in **double or even triple** the amount of non-gratuity servers who make more than minimum wage.
- raise the threshold for paying the Employer Health Levy beyond \$400,000.



“Some of the highest paid people are getting a wage increase. Gratuity servers are making \$30, \$40, \$50 per hour with tips, and now this increase is going to cost me \$50,000 out of my own pocket because I am forced to pay them more. All the while, my other staff members, who could really use the raise, are not going to get one because I can no longer afford it.”



JOBS

Minimum Wage and Wage Differential

Our Recommendation:

- **We recommend the government stay the course and continue the phase-in of the minimum wage increases to 2010.**
- **We recommend that the Ontario government continue to maintain the wage differential for liquor servers and students.**
- **We recommend the Ontario government review the \$400,000 threshold with a view of raising it to reflect increased salary and wages resulting from the consecutive yearly increases to the minimum wage.**



JOBS

Workforce Shortages

- the Ontario hospitality industry directly employs **more than 373,000** Ontarians
- 200,000 new positions to be filled over next decade



“We have an industry that demands us to be open seven days a week for both lunch and dinner, but we can’t find anyone who will work those hours. There is a massive shortage of skilled people, and it’s a province wide phenomenon.”

Our Recommendation:

- **We recommend the provincial government continue to work with the Ontario Workforce Shortage Coalition, of which we are a member, to address the need for both skilled and unskilled workers to match the needs of our industry.**



ENVIRONMENT

Deposit Return Program on Empty Wine and Spirit Containers

- the hospitality industry is the **largest single purchaser** of beer, wine and spirits in Ontario
- implementation of a universal deposit-return program for LCBO containers as of 2007



"I think that the deposit-return program is a great way to reduce our environmental footprint, but it is better suited to the individual buyer. We incur high costs as a result of this program, including purchasing the alcohol, storing the empty bottles, and transporting them back to a Brewers Retail."

Our Recommendation:

- **We recommend government provide relief to the hospitality industry for the additional costs resulting from the implementation of the deposit return program. This could include the elimination of both the environmental levy on non-refillable containers (redundant as deposits are now required) and the remainder of the gallonage fee, as well as a true wholesale price for licensee purchases and allowing licensees credit cards for their beer purchases at The Beer Store.**



ENVIRONMENT

Waste Diversion

- Governed by Stewardship Ontario
- Pressure to **assume total cost** of Blue Box Program



“We want to do what’s best for the environment, but at a cost we can afford. Recycling takes time to sort and dump items and a convenient location has to be made for bins and recycling dumpsters. The space a container takes can mean a few less parking places. Usually, this also means a loss of finances. We need help.”

Our Recommendation:

- **We recommend, in lieu of payment of stewardship fees, the government work with the restaurant and foodservice industry on a public education program to encourage consumers to recycle, an arrangement similar to the Canadian Newspaper Association and the Ontario Community Newspapers Association.**



Thank You.



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Waste Diversion

We are as concerned about the environment as our government partners are. However, costs for the Blue Box Program are being borne increasingly and disproportionately by the private sector without any cost accountability from municipalities or Stewardship Ontario, which governs the Blue Box Program. There is now increasing pressure for the private sector to assume the total cost of the program.

We recommend, in lieu of payment of stewardship fees, that government work with the restaurant and foodservice industry on a public education program to encourage consumers to recycle, an arrangement similar to the Canadian Newspaper Association and the Ontario Community Newspapers Association.

Conclusion

For the Kens, Lynnettes and Randys and the tens of thousands of people that depend our industry for their livelihood, we are asking the committee today to look seriously at our proposal and work with us as we move forward in promoting Ontario as a prime tourist destination for everyone living both inside and outside the province. Thank you for the opportunity to present before you today.