



November 10th, 2009

The Honourable Dalton McGuinty  
Premier of Ontario  
Legislative Building  
Queen's Park  
Toronto, Ontario, M7A 1A1

Dear Premier:

The Finance Minister Dwight Duncan outlined in his *2009 Economic Outlook and Fiscal Review* that the global economic downturn has sent a significant blow on Ontario's financial climate. The Treasury Board will review service delivery in order to ensure sustainability of the public services and the 2010 Budget will provide a plan to establish conditions for future economic growth.

On this note the Ontario Restaurant Hotel and Motel Association on behalf of over 11,000 establishments belonging to its membership in an industry that contributes 3.7% of the GDP and generates over \$22 billion in sales is writing to you on a crucial matter of the perpetuation of many businesses in our industry and the preservation of several thousand jobs. At issue once again is a freeze in the province's minimum wage differentials for liquor servers and students.

We bring up the reality that times have changed and prior decisions need to be revisited. In fact the times have continued to bring economic deterioration with severe impact to the accommodations and foodservice sectors.

Not unlike the Government's economic pressures in a deficit situation and its review of government service delivery for public sector sustainability, the independent hospitality operator is facing concerning financial issues. The average restaurateur has been generating razor thin margins and now many are trapped up with cash flow issues. In this type of business rigid controls on expenses is a priority and part of surviving.

The labour expense in an average restaurant operation represents over 33% of all expenses. Since many expense lines are fixed, labour cost is critical to the survival of an operation. With another minimum wage potentially in the horizon many independent operators are "nervous" and out right "scared" of the thought of being able to stay in business. Independent restaurants do represent 60% of all foodservice units in Ontario.

Many other businesses are able to augment their price points to allow for expense increases and some argue that restaurateurs could simply raise their menu prices to pay for higher wages. In foodservice revenue growth does not necessarily flow thru to the bottom line. In a highly competitive industry, with price-sensitive consumers, this is rarely an option.

### **It's About the Jobs**

Accommodation and foodservice owners are currently struggling to stay afloat. As the costs rise considerably, they will have no option but to “freeze” new hires and lay people off. It does not make sense, for either employees or employers, who are all trying their best to make ends meet.

### **It's About Curtailing Employee Pay**

The latest year on year increases in minimum wage has forced countless of operators to curtail planned wage increases to skilled and semi skilled positions who are earning above the minimum wage. This practice is building intense momentum and will amplify with the arrival of another potential minimum increase in 2010. There is concern that the minimum wage increase is penalizing the employees who have made this business their career and depend entirely on income growth for support.

### **It's About the Student and Liquor Server Differential Rates**

The food service sector is employing over 170,000 young-people between the ages of 15 and 24 representing over 45% of food service jobs compared to 15% in the Canadian labour force. Of those employees 40% of those are earning minimum wage and working part-time. The student minimum wage rate increase rewards the youth sectors who live at home and are supported by the parents. The liquor server minimum wage rate increase rewards the “tip” employees who make a considerable amount of income from gratuities. Approximately 28% of foodservice minimum wage earners are earning gratuities.

<b>Minimum Wage Rate</b>	<b>March 31, 2008</b>	<b>March 31, 2009</b>	<b>March 31, 2010</b>
General Minimum Wage	\$8.75 per hour	\$9.50 per hour	\$10.25 per hour
<b>Students under 18 and working not more than 28 hours per week during the school year or working during a school holiday</b>	<b>\$8.20 per hour</b>	<b>\$8.90 per hour</b>	<b>\$9.60 per hour</b>
<b>Liquor servers</b>	<b>\$7.60 per hour</b>	<b>\$8.25 per hour</b>	<b>\$8.90 per hour</b>

### **Freeze the Liquor Server Rate**

The ORHMA explicitly recommends that the Liquor Server Wage Rate, differentiated from the General Minimum Wage, does not increase in 2010 as this employment sector unique to the hospitality industry earns additional income through gratuities.

### **Freeze the Student Wage Rate**

The ORHMA explicitly recommends that the Student Wage Rate, differentiated from the General Minimum Wage, does not increase in 2010 as this employment sector rewards the youth sectors who live at home and are supported by the parents.

### **It's About the Industry's Tough Times**

In recent years, the Hospitality sectors in Ontario have been experiencing difficulties and now entering worrying times. The shortfall in international tourism travel which is the largest of any province has been extremely damaging. There have only been modest opportunities to replace the revenue losses. According to Statistics Canada the province of Ontario dropped ten million or 31.3% of international visitors from 2000 to 2006. The numbers have drastically declined even more since the global events and loss of manufacturing jobs.

The industry is totally reliant on consumer confidence and disposable income and both indicators are sluggish. It is the governments' intention and many in the business community that the Harmonization Sales Tax will bring long term prosperity to Ontario's economy. We need to be cognizant that the initial stage of the implementation of HST will slow down demand to our sectors at a time when businesses are crippled from three months of minimum wage differential rate increases scheduled to be implemented on March 31<sup>st</sup> 2010.

It is our hope that the government can provide the necessary supports to the struggling accommodation and restaurant sectors by freezing of the 2010 Student and Liquor Server Differential wage rates until industry conditions improve so that they can survive these challenging times and continue to be a sustainable and viable source of revenue and employment for the provincial economy.

Sincerely,



Tony Elenis  
President & CEO  
Ontario Restaurant Hotel & Motel Association

cc:

The Honourable Dwight Duncan, Minister of Finance  
The Honourable Peter Fonseca, Minister of Labour  
The Honourable Harinder Takhar, Minister of Small Business and Consumer Services

Members of the Treasury Board:

The Honourable Attorney General Chris Bentley  
The Honourable Madeleine Meilleur, Minister of Community and Social Services  
The Honourable Monique Smith, Minister of Tourism and Government House Leader  
The Honourable Gerry Phillips, Minister of Energy and Infrastructure  
The Honourable Kathleen Wynne, Minister of Education  
Sophia Aggelonitis MPP Hamilton Mountain & Chair, Food & Hospitality Caucus  
Greg Sorbara MPP, Vaughn  
Maria Van Bommel MPP, Lambton-Kent-Middlesex