



January 16, 2009

Pat Hoy, MPP
Chair, Standing Committee on Finance and Economic Affairs
Rom 172, Main Legislative Building
Queen's Park
Toronto, ON M7A 1A4

Dear Mr. Hoy:

RE: 2009 Pre-Budget Consultation

On behalf of the Canada's largest provincial hospitality association and our 11,000 member business establishments in the foodservice and accommodations sectors throughout Ontario, please find enclosed for your committee's consideration the Ontario Restaurant Hotel and Motel Association (ORHMA)'s 2009 pre-budget submission.

Ontario's hospitality and tourism industry is one of the most dynamic and competitive sectors of the provincial economy generating billions in sales and contributing significantly to Ontario's Gross Domestic Product. However, we enter this year with the provincial economy facing significant challenges. As your committee is well aware, a combination of rising costs, falling demand both at home and abroad, and a credit crunch on the financing of business has produced a 'perfect storm' economic effect with devastating results for Ontario's economy. The fallout is being felt strongly in the province's hospitality and tourism sectors where, following in the wake of the tumultuous events of 9/11 and SARS, hospitality operators are facing their most challenging business environment in decades.

In light of these grim economic circumstances, the ORHMA has put forward a comprehensive list of 21 strategic recommendations that will help the hospitality and tourism industry survive the economic crisis and make direct improvements to operators' bottom line, while ensuring a return on investment for the government through continued strong tax revenues and sustained employment.

In short, the ORHMA is recommending that government:

- Mitigate labour cost increases by freezing the minimum wage rates for students and liquor servers;
- Invest in tourism infrastructure and marketing;
- Reform beverage alcohol regulation;
- Harmonize food inspection and environmental regulation;
- Maintain funding of an ORHMA/government partnership to facilitate the employment of disabled persons in the hospitality industry;
- Reduce small business tax and red tape burden; and
- Invest in hospitality training and apprenticeship incentives.



I refer you to the 21 recommendations in the enclosed submission for greater detail regarding the above noted suggestions. It is our hope that through this year's budget, the government can provide the necessary supports to the hospitality industry so that we can survive these challenging times and continue to be a sustainable and viable source of employment and revenue for the provincial economy.

Thank for you for the opportunity to have the ORHMA present its concerns and advice to your committee and we welcome your questions. I wish all members of the committee the best for the challenging year ahead and specifically in your important work advising the Minister of Finance.

Sincerely,

A handwritten signature in black ink, appearing to read "Elenis", is positioned below the word "Sincerely,". The signature is stylized and enclosed within a large, sweeping, horizontal oval flourish.

Tony A. Elenis
President & CEO



**Submission to the
Standing Committee on Finance and Economic Affairs
2009 Pre-Budget Recommendations**

January 2009

Ontario Restaurant Hotel & Motel Association
Suite 8-201, 2600 Skymark Avenue
Mississauga, ON L4W 5B2
905-361-0268
www.orhma.com

Summary of ORHMA Recommendations

The Ontario Restaurant Hotel & Motel Association recommends:

TOURISM

- The government establish a “Success Team for Tourism Investment” to work within a measurable business plan to drive activities and be empowered to work with all levels of government to remove regulatory barriers and employ incentives for beneficial use.
- The government develop a Tourism Investment Strategy in the form of a loan guarantee program and consider the re-introduction of the Tourism Redevelopment Incentive Program (TRIP) to provide loan guarantees to support new or expanded tourism assets.
- The government include tourism projects as part of the anticipated stimulus in the Canada-Ontario Investment Program in order to jump start employment and ensure future sustainability of the tourist industry.
- That a specific provincial industry and government led task force be struck to identify an action plan of improving the “way-finding” gaps in order to offer visitors to Ontario a more enjoyable and efficient travel experience.
- The Retail Sales Tax exemption on Destination Marketing Fees be made permanent instead of revisiting the decision year after year.
- The Destination Marketing Fees mechanism remain industry led to ensure funds are dedicated strictly for the purpose of tourism marketing.

TAXATION

- The government 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.
- The capital tax be fully and immediately eliminated to provide immediate stimulus to the entire provincial economy.
- The revocation of the City of Toronto’s authority to levy a liquor tax in order to prevent a reduction in sales, lower operating margins and the endangerment of thousands of jobs in Toronto’s licensee community.
- The *de minimus* on Retail Sales Tax exemption on all meals be increased to \$8 to assist the government in its commitment to providing healthy food choice alternatives to working families.

LABOUR

- The Liquor Server minimum wage rate not increase in 2009 and remain frozen at 2008 levels in order to preserve employment opportunities and income levels for those that earn pay through gratuities and to provide much needed financial relief to hospitality operators.

- The Student minimum wage rate not increase in 2009 and remain frozen at 2008 levels in order to preserve current and future employment opportunities for youth and to provide much needed financial relief to hospitality operators.
- Continued financial support to ORHMA's pilot program, operated in partnership with the GTHA and JOIN, in order to continue the recruitment of persons with disabilities into the hospitality industry.
- The government prioritize the development and support of a first time employee training module in address the upcoming workforce crisis in the hospitality industry and to work with the industry on specific issues as appropriate.
- The government broaden the eligibility criteria for the existing Apprenticeship Training Tax Credit (ATTC) to include Red Seal positions of Culinary Cooks and Bakers so that Ontario does not remain the only province in the country without a rebate program to support accreditation in the hospitality industry.
- The government offer an extra year of eligibility to the ATTC so employers receive an additional credit for apprentices upon completion of the program in an effort to promote service excellence and provide an important incentive for small employers to take on an apprentice.

REGULATORY HARMONIZATION & REDUCTION OF RED TAPE

- The government continue to drive its "Red Tape" review and work along with industry to reduce regulatory burden for business.
- The government establish a province wide standard for food premise inspection and food handler training programs, to ensure food safety compliance throughout the province and eliminate a patchwork of regional policies which create barriers for operators.
- The government create a harmonized waste collection and diversion program, including the designation of certain materials such as food packaging, to be collaboratively implemented by municipalities in order to increase the recycling rates across the province.

BEVERAGE ALCOHOL

- 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, i.e. 11.5%, in order to stimulate licensee purchasing power and alleviate fiscal pressures of other programs such as the deposit-return program for wine and spirits containers.
- The government provide relief from the additional costs for hospitality operators resulting from the implementation of the deposit-return program by eliminating the environmental levy on non-refillable containers.

INTRODUCTION

Ontario Restaurant Hotel & Motel Association

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

The ORHMA's Government Relations Department represents the industry's interests to the Government of Ontario and City Halls across the province on issues such as taxation, business regulation, beverage alcohol, labour issues, public health, tourism and municipal by-laws.

Profile of Ontario's Hospitality and Tourism Industry

Ontario's hospitality and tourism industry generated more than \$22 billion in 2007, and the total contribution of tourism and hospitality to tax revenues for all three levels of government amounted to \$9.2 billion. Hospitality and tourism GDP in Ontario is greater than that of agriculture, forestry/logging, commercial fishing/hunting and mining industries combined.

With more than 22,000 restaurant units and nearly 3,000 accommodation properties across the province, the hospitality industry directly employs over 415,000 Ontarians. The contribution made by this economic sector is felt in all regions of the province and affects the livelihood of many of Ontario's residents.

State of the Industry

The tourism industry is a significant component of Ontario's economy and character, yet is vulnerable to economic volatility. Over the past seven years the hospitality and tourism industry has experienced tremendous pressures on business due to a number of events and measures, such as 9/11 and the subsequent border issues, SARS, fluctuating value of the American dollar, and increased labour, produce and utilities costs. These pressures have caused the industry to become more resourceful, to do more with less.

The hospitality and tourism industry is reliant on consumer confidence and disposable income, both of which are declining as the current economic conditions worsen and remain uncertain. The recent job losses in the manufacturing sector have only added to the 'perfect storm' effect that has been plaguing the industry since the outset of the decade.

As a result of a drop in consumer confidence stemming from the global economic slowdown, forecasts suggest international travel will drop significantly in 2009. The shortfall in international tourism travel which is the largest of any province has been extremely damaging to this sector. Declines in leisure travel and corporate meeting room bookings and travel have already impacted the industry.

Ontario's food service industry in particular has been experiencing difficulties and is now entering disquieting times. Besieged by rising labour, food and energy costs, restaurant operators continually battle with the threat of shrinking operating margins. The rise of these expenses exerts upward pressure on food prices and menu-price hikes are inevitable as operators consider the potential fallout of asking customers to bear some of the increased costs. 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 and Ontario's Real Food and Beverage Revenue have fallen by \$ 1.4 Billion since 2001.

Moreover, tightening credit lending practices by financial institutions has led to an inability within the industry to make enhancements to existing infrastructure or to build new product. Rising energy prices, escalating food costs and labour increases have also added pressure to operators' margins.

In the following pages, the ORHMA has put forward a comprehensive list of strategic investments that will help the hospitality and tourism industry survive the economic crisis and make direct improvement to owner/operators' bottom line, while ensuring a return on investment for the government through continued strong tax revenues and a vital industry.

Foodservice Industry Highlights

- \$22 billion in sales
- More than 22,000 restaurants, 17,000 of which are licensed with the Alcohol & Gaming Commission of Ontario
- 60% owned and operated by independent operators (2006)
- 3.7% share of GDP
- 6.1% of total provincial employment (approx. 407,000 direct jobs)
- 18.8% of youth employment (183,000 direct jobs)
- Average pre-tax profit margins within the foodservice sector are 2.9% (2006) but only 1.9% for the full-service restaurants and 0.9% for the pub, bar and tavern segments. Average pre-tax profit margins are the lowest industry margins in Canada.

Accommodation Industry Highlights

- \$3.2 billion in room sales annually
- 2,179 establishments with 30 rooms or more
- 127,151 hotel rooms in Ontario
- Approximately 76,000 direct jobs
- More than \$2.2 billion in employee wages and benefits
- Over \$1.8 billion in taxes annually to all levels of government

ISSUE: TOURISM

The ORHMA was very pleased with the government's announcement in 2008 of a Tourism Competiveness Strategy. Although the economic climate has deteriorated since the beginning of consultations, the ORHMA strongly encourages the government to proceed with a strategy whose short and longer term goals of strengthening the tourism industry and enhancing Ontario's position on the global market.

Strategic Tourism Investment

Throughout these challenging economic times the government must be prudent in selecting strategic investments to stimulate the economy. Dedicated strategic investments to spur business and growth in Ontario, including focused investments in infrastructure, must focus on key regions such as the Greater Toronto Area, the National Capital Region, Northern Ontario, the Greater Niagara Region and centres along the Canada-US border, and the merit of funding decisions should include consideration of tourism impacts.

Moreover, to ensure that funding of tourism projects and tourism marketing is aimed at key domestic markets it is incumbent on government to develop a dedicated government/industry team to drive strategic investments and take into account the future impact of funding decisions.

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 competitiveness. The Advanced Manufacturing Investment Strategy (AMIS) 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. This will enormously benefit job creation act as an economic stimulus and initiate a "jump start" on return of investment from completed projects as economy swings up.

The ORHMA recommends:

- **The government establish a "Success Team for Tourism Investment" to work within a measurable business plan to drive activities and be empowered to work with all levels of government in removing regulatory barriers and employ incentives for beneficial use.**
- **The government develop a Tourism Investment Strategy in the form of a loan guarantee program and consider the re-introduction of the Tourism Redevelopment Incentive Program (TRIP) to provide loan guarantees to support new or expanded tourism assets.**
- **The government include tourism projects as part of the anticipated stimulus in the Canada-Ontario Investment Program in order to jump start employment and ensure future sustainability of the tourist industry.**

Tourism Signage

Upon driving the many roads in Ontario one will find an inadequate level of directional signage to many of the major tourist-oriented facilities. Unless the visitor knows in advance the route to travel and where to exit, the visitor will not see directional signage unless he/she happens to drive to its immediate vicinity.

A review of the myriad of existing signage policies and programs as well as alternative approaches requires taking into account the scenic back routes that are currently hidden to the highway traveler and can easily be an engine to drive the local business economy. Signage opportunities can be found in most city and towns and improvements once applied will assist in keeping tourists informed while boosting tourism spending.

The ORHMA recommends:

- **That a specific provincial industry and government led task force be struck to identify an action plan of improving the “way-finding” gaps in order to offer visitors to Ontario a more enjoyable and efficient travel experience.**

Destination Marketing Fees

An effective method of supporting tourism marketing is through Destination Marketing Fees. The ORHMA supports industry-initiated Destination Marketing Fees to help the tourism industry toward its goal of attracting tourists and tourist spending and achieving economic renewal. The ORHMA supports a Destination Marketing Fee based on the following principles:

- Voluntary, industry-led and initiated decision.
- That funds generated be dedicated to destination marketing and tourism promotion.
- That the amount of the DMF not exceed 3% of the cost of a hotel room.
- That the DMF be transparent and clearly indicated on customer billing.

Destination Marketing Fees have proven to be an effective tool to generating dedicated tourism marketing funds. For this reason the ORHMA supports the government’s decision to not grant municipalities the authority to levy a hotel room tax.

The ORHMA was pleased with the temporary Retail Sales Tax (RST) exemption extended to Destination Marketing Fees over the past five years. With a positive return on investment, Destination Marketing Fees generate increased direct and indirect revenues with a greater economic impact than retail sales tax.

The ORHMA recommends:

- **The Retail Sales Tax exemption on Destination Marketing Fees be made permanent instead of revisiting the decision year after year.**
- **The Destination Marketing Fees mechanism remain industry led to ensure funds are dedicated strictly for the purpose of tourism marketing.**

ISSUE: TAXATION

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. 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.

The ORHMA recommends:

- **The government 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.**

Capital Tax

Canada is one of the only major industrial economies where capital taxes are levied. Moreover, Ontario leads the country with the highest business taxes in the country. The ORHMA has found that Ontario's capital tax hurts investment, especially since comparable jurisdictions are not instituting such a tax.

The capital tax is a profit-insensitive tax, directly discriminating against capital-intensive companies. Hospitality businesses require a tremendous amount of initial capital investment in order to establish an operation. As a result, having a tax levied on a business' capital results is a disincentive to invest, reinvest and expand in our industry.

Since 2003, the ORHMA has recommended the elimination of the capital tax. In December 2007 the government responded by announcing a full elimination of the Capital Tax for corporations primarily engaging in manufacturing and resources activities, as well as a retroactive reduction of the capital tax rate by 21 per cent with the intention to eliminate the tax entirely by 2010. The ORHMA welcomed this decision, however given the current economic climate hospitality and tourism operators need immediate tax relief.

As well, in any decision to eliminate the capital tax the Ontario government must ensure that, since capital tax is a deductible expense, the federal government does not receive a tax windfall at the expense of Ontario businesses.

The ORHMA recommends:

- **The capital tax be fully and immediately eliminated to provide immediate stimulus to the entire provincial economy.**

Municipal Liquor Tax

The ORHMA was pleased that under the City of Toronto Act a hotel room tax was expressly prohibited, and similarly, under the Municipal Act that cities were not granted powers of taxation. The ORHMA has serious concerns however with the decision to grant powers of taxation to the

City of Toronto, and specifically, the power to levy a direct retail sales tax on the purchase of liquor.

The two segments of the industry that will be most impacted by an additional tax on liquor are full-service restaurants and the bar, tavern and nightclub sector. These two segments have each respectively seen a slow down in sales growth, and growth lagging behind the rest of Canada. With operating margins at only 1.9% and 0.9% respectively, the industry will be detrimentally impacted by a fourth tax line on a customer's bill, which will threaten the sustainability of these industry segments.

Operators already pay more than \$200 million in fees, levies, mark-ups, and Retail Sales Tax remitted on the sale of beverage alcohol, on top of property tax and business licensing fees. An increase in tax will undoubtedly directly reduce sales, lower operating margins and jeopardize thousands of jobs in Toronto's licensee community. The revenue generated will not assist the City of Toronto but will devastate the industry, and will close doors and cost jobs.

The ORHMA recommends:

- **The revocation of the City of Toronto's authority to levy a liquor tax in order to prevent a reduction in sales, lower operating margins and the endangerment of thousands of jobs in Toronto's licensee community.**

RST de minimus exemption on meals under \$4

A key focus for this government is promoting wellness and preventing illness by implementing policies that will provide tax incentives for healthier lifestyles and require that healthy food be served in all school cafeterias.

Restaurants are offering healthier alternatives and menu selections have been changing in step with consumer demands. As an example, the quick-service industry is expanding its menu options to include salads, yogurts and fruit. Restaurants are also moving to trans fat free menus.

The \$4.00 threshold exemption for meals purchased in restaurants has not increased in line with basic inflation and menu advancements. While food costs increase, the amount available to consumers exempt from Retail Sales Tax has not increased.

In percentage terms, low-income families spend twice as much of their disposable income (4.2%) on meals away from home. Increasing the *de minimus* to include all foods under \$8 will assist the government in its commitment to providing healthy food choice alternatives to working families.

The ORHMA recommends:

- **The *de minimus* on Retail Sales Tax exemption on all meals be increased to \$8 to assist the government in its commitment to providing healthy food choice alternatives to working families.**

ISSUE: LABOUR

Minimum Wage

The ORHMA was pleased that the minimum wage differentials for liquor servers, who have access to gratuities, and students were maintained in the last budget. The foodservice industry, which has extremely thin operating margins and has struggled over the past eight years with economic factors outside of the industry's control, is particularly impacted by minimum wage increases as approximately 25% of foodservice employees earn minimum wage. Of those, 80% are under the age of 25, 63% are students, and 78% work part-time.

Ontario employers have been faced with continued annual minimum wage increases since 2004, and there are currently more increases scheduled to take place in 2009 and 2010. These commitments were made prior to the current economic crisis.

Foodservice employers cannot absorb the cost of continued increases to minimum wage during these difficult times and at the same time cannot simply pass it along to the customer. Employers have had to restrict hours, defer new hires, abandon wage increases for other higher paid workers, and cancel capital and operational improvements. To support the struggling foodservice operators we recommend the freezing of minimum wages until industry conditions have improved.

Failing this, it is recommended that the differentiated wage rates for liquor servers and students remain at 2008 levels. The liquor server wage rate is unique to the hospitality industry, where liquor servers earn additional income through gratuities. An increase to the student minimum wage, for those under 18 years of age and working fewer than 28 hours a week, does nothing to further the government's poverty agenda but creates considerable financial burden for employers and risks eliminating opportunities for youth employment as payroll budgets increase.

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

N.B. – These minimum wage rates have all increased annually since 2004 representing a **22%** increase in labour costs to date.

The ORHMA recommends:

- **The Liquor Server minimum wage rate not increase in 2009 and remain frozen at 2008 levels in order to preserve employment opportunities and income levels for those that earn pay through gratuities and to provide much needed financial relief to hospitality operators.**

- **The Student minimum wage rate not increase in 2009 and remain frozen at 2008 levels in order to preserve current and future employment opportunities for youth and to provide much needed financial relief to hospitality operators.**

Labour Shortage

The Canadian Tourism Human Resource Council in 2008 projected a labour shortage in Ontario's tourism industry of almost 120,000 employees by 2025. The ORHMA understands that a multi-pronged approach is required to address this complex issue. One of the areas of focus has been to connect the hospitality and tourism industry with traditionally under-represented segments of society.

The ORHMA is very proud to have developed a new program in partnership with the Greater Toronto Hotel Association (GTHA) and the Job Opportunity Information Network (JOIN). The pilot program, which is funded in part by the Ontario Disability Support Program of the Ministry of Community and Social Services, is designed to assist members in the active recruitment, hiring and retention of workers with disabilities.

The Job Opportunity Information Network (JOIN) for Persons with Disabilities, is an initiative of over 20 agencies that deliver ODSP Employment Supports services in Toronto. This network helps people with disabilities to find work and assists employers to recruit qualified candidates to meet their hiring needs. With the assistance of government funding the ORHMA and GTHA now have the in-house resources necessary to provide a valuable recruitment program for the industry while finding meaningful employment for persons with disabilities.

The ORHMA recommends:

- **Continued financial support to ORHMA's pilot program, operated in partnership with the GTHA and JOIN, in order to continue the recruitment of persons with disabilities into the hospitality industry.**

Skills Development

The Conference Board of Canada recently concluded that Ontario faces a shortfall of 560,000 skilled employees by 2030. The Canadian Tourism Human Resource Council in 2008 projected a labour shortage in Ontario's tourism industry of almost 120,000 employees by 2025. This projected labour shortage poses a significant threat to the competitiveness of Ontario's hospitality and tourism industry.

Demographics show that for the first time ever there are as many people under the age of forty as over this age, translating to more employees leaving the workforce than entering it. This will build momentum as more and more baby boomers retire. The hospitality industry has the highest share of the youth employee market and this segment is facing a decline. The industry is being forced to hire inexperienced and under qualified people.

It is vital then that the government finds solutions to address this upcoming crisis by creating a training and development module that will support restaurant operators be successful. Development topics should include training on service, direct food and beverage costing and sales controls, labour cost control, menu development, marketing, health and safety

government regulations and industry support programs. This model should be aimed at cultivating skills development while supporting small independent operators who have limited resources to support a successful business.

The ORHMA recommends:

- **The government prioritize the development and support of a first time employee training module in address the upcoming workforce crisis in the hospitality industry and to work with the industry on specific issues as appropriate.**

Apprenticeship Tax Credit

The current Apprenticeship Training Tax Credit (ATTC) Program does not include Hospitality Red Seal positions. Moreover, Ontario is the only province in the country without a rebate program to support accreditation in the hospitality industry.

The ATTC reimburses corporations and unincorporated businesses 25 per cent of eligible expenditures paid or payable after May 18, 2004 and before January 1, 2015, up to a maximum tax credit of \$5,000 per qualifying apprentice per taxation year. For corporations and unincorporated businesses that have total salaries and wages for the previous taxation year of \$400,000 or less, the rate of the tax credit is increased to 30 per cent. The ATTC is extended to numerous industries and occupations and should be extended to hospitality as well. The tax credit is an important incentive for small employers to take on an apprentice and upon completion of a program the tax credit would serve as recognition of the significance of having played a role in bringing more skilled workers into the industry.

The expansion and promotion of the apprenticeship program is an important component of addressing the labour shortage, and promoting the hospitality and tourism industry as a viable career choice. Moreover it will support the Specialized High Skills Major program offered in secondary schools which includes a focus on hospitality and tourism among other underrepresented labour markets.

Very importantly, this program will support delivering “Service Excellence” by building job confidence and developing enhanced skills. Apprenticeships offer real skills, knowledge and techniques the students will need to prepare culinary dishes the correct way. By starting out as apprentices, students can be well on their way to an exciting and rewarding career as a chef, cook or baker.

The ORHMA recommends:

- **The government broaden the eligibility criteria for the existing Apprenticeship Training Tax Credit (ATTC) to include Red Seal positions of Culinary Cooks and Bakers so that Ontario does not remain the only province in the country without a rebate program to support accreditation in the hospitality industry.**
- **The government offer an extra year of eligibility to the ATTC so employers receive an additional credit for apprentices upon completion of the program in an effort to promote service excellence and provide an important incentive for small employers to take on an apprentice.**

ISSUE: REGULATORY HARMONIZATION and “RED TAPE” REDUCTION

The hospitality industry is extremely regulated and this leads to not only bottom line burden but detracts from meeting operators' main objective – service excellence. A Reduction of 'Red Tape' allow us to focus on this goal.

Regulations are essential for the safety and well being of our employees and consumers but the duplication of documentation, inconsistency of standards application, and slow processes, in addition to the absence of three level government synchronization create barriers that prevent the industry from “getting the job done”.

The ORHMA calls for the continuation of the current review under way to remove unnecessary documentation and harmonize regulations across jurisdictions to simplify the task of process.

The ORHMA will work directly with the Ministry of Economic Development to make recommendations under the Open for Business initiative, to achieve a reduction in regulatory burden for restaurateurs and hoteliers. However an important element of reducing regulatory burden is harmonizing policies. Hospitality and tourism operators, particularly those who operate multiple establishments throughout the province, often struggle with a patchwork of various municipal or regional programs. This is particularly true in the areas of food safety and waste diversion. These are both areas where achieving the broader goals of the program would be better served by having harmonized provincial policies with only municipal or regional implementation and enforcement.

The ORHMA recommends:

- **The government continue to drive its “Red Tape” review and work along with industry to reduce regulatory burden for business.**
- **The government establish a provincial standard for food premise inspection and food handler training programs, to ensure food safety compliance throughout the province and eliminate a patchwork of regional policies which create barriers for operators.**
- **The government create a harmonized waste collection and diversion program, including the designation of certain materials such as food packaging, to be collaboratively implemented by municipalities in order to increase the recycling rates across the province.**

ISSUE: 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, mark-ups and taxes, both Federal (e.g. Excise or Customs Duties and GST) and Provincial. Licensees, in addition to paying full retail price, must also pay another roughly 6% gallonage fee rendering the licensee purchase price more expensive than a consumer retail price. On top of this tax is compounded another tax at time of resale: the special version of the Ontario Retail Sales Tax on beverage alcohol of 10%.

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. Additionally, in 2007 the Government of Ontario introduced a deposit-return system for all wine and spirits bottles. The implementation of this program has had a significant financial impact on the restaurant sector. 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 purchasing and pricing strategies.

There is NO uniform wholesale price offered or given to liquor licensees even though, as a group, they are a significant client: 15% of LCBO and 35% of TBS/BRI sales. As the single largest customer of the LCBO and The Beer Store, Ontario's bars and restaurants should be receiving a true wholesale price, similar to the 11.5% discount that is given to LCBO agency stores.

The ORHMA recommends:

- **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, i.e. 11.5%, in order to stimulate licensee purchasing power and alleviate fiscal pressures of other programs such as the deposit-return program for wine and spirits containers.**

Elimination of the Environmental Levy

The deposit-return program on empty beer and wine containers that officially began on February 5, 2007 has resulted in significant costs to the 17,000 liquor sales licensees in the province while the Beer Store reaps the profits from the program.

The Ontario government continues to collect an environmental levy of nearly nine cents for every non-refillable container in addition to deposits paid on wine and spirit containers under the deposit return program. The environmental levy introduced prior to the bottle deposit return program is now redundant as deposits are now required to be returned. This levy should be removed.

The ORHMA recommends:

- **The government provide relief from the additional costs for hospitality operators resulting from the implementation of the deposit-return program by eliminating the environmental levy on non-refillable containers.**