August 20, 2020

Statement to Standing Committee on Finance and Economic Affairs Regarding the Small and Medium Enterprises Sector

My name is James Rilett, and I am the Vice President, Central Canada for Restaurants Canada.

With me today are Kelly Higginson, Executive Vice President- Operations for the CFW Group and Cindy Simpson, Executive Vice President, Imago restaurants.

Both are here in their capacity as operators of independent restaurants in Ontario as well as directors on the board of Restaurants Canada.

Thank you for the opportunity to present to you today.

Restaurants Canada is a national, not-for-profit association advancing the potential of Canada's diverse and dynamic foodservice industry through member programs, research, advocacy, resources and events.

EFFECT ON INDUSTRY

Before the start of the COVID-19 pandemic, Ontario's foodservice sector was a $37 billion industry, directly employing more than 480,000 people

We were the province's number one source of first jobs and the fourth largest employer in the province.

Our industry served 9.1 million customers every day.

In April, Ontario's foodservice industry lost 286,000 jobs and lost at least $7.7 billion in sales over the second quarter of 2020 due to the impacts of COVID-19.

Even now, with limited reopening, one third of restaurant employees are still laid off or receiving no hours.

Currently, 60% of businesses that have reopened are still losing money and a further 22% only just breaking even. It is estimated that it will take foodservice businesses 12-18 months to return to profitability [see attached document]

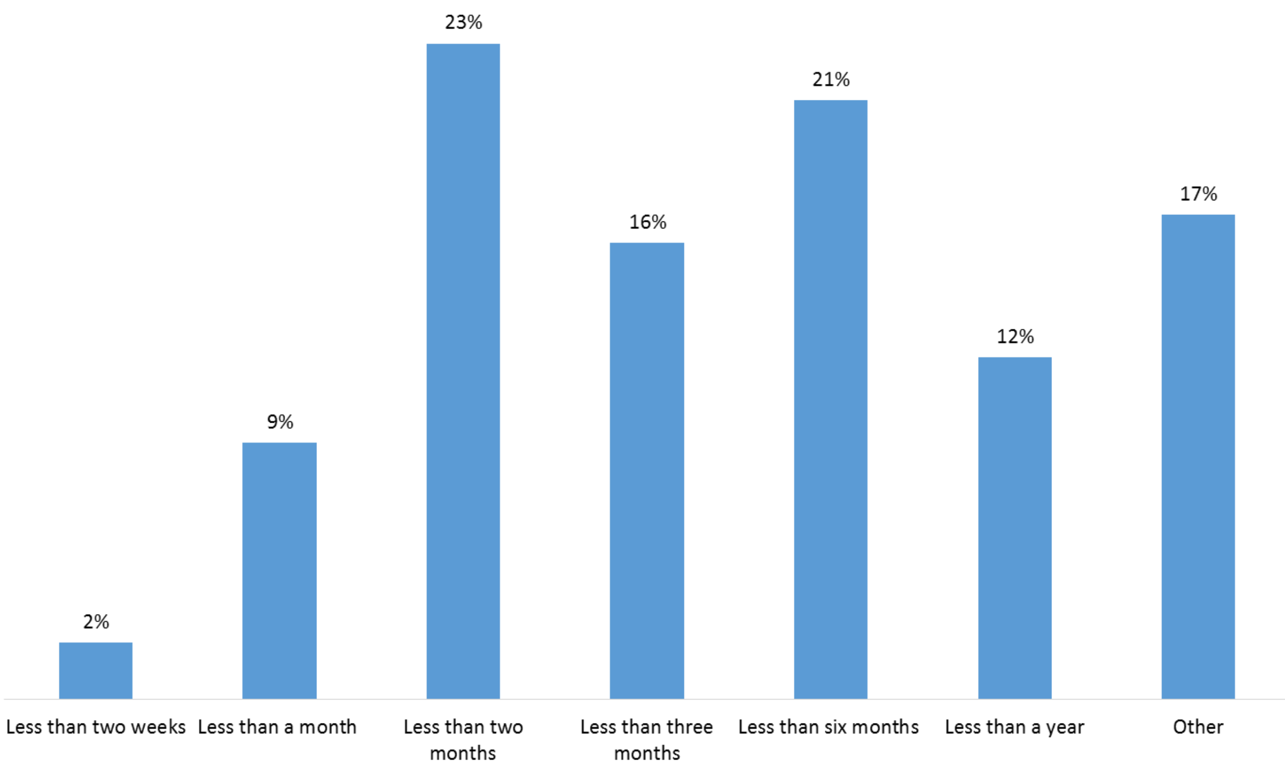
No other industry comes close to that level of shortfall. The foodservice industry is still in a dire situation.

SMALL MEDIUM ENTERPRISE

Although Restaurants Canada represents restaurants of all sizes and concepts, today I will speak on behalf of the 11,960 independent restaurants in Ontario.

In an April Restaurants Canada poll, half of independent restaurant operators felt that they would not survive if the restrictions lasted beyond three months.

If current conditions continue, how long do you expect your business to survive before you will have to close down permanently?
One location



Source: Restaurants Canada’s Restaurant Outlook Survey

It was four months before restaurants started some level of reopening.

We have already seen a great many closures in the industry and fully expect many more in the fall.

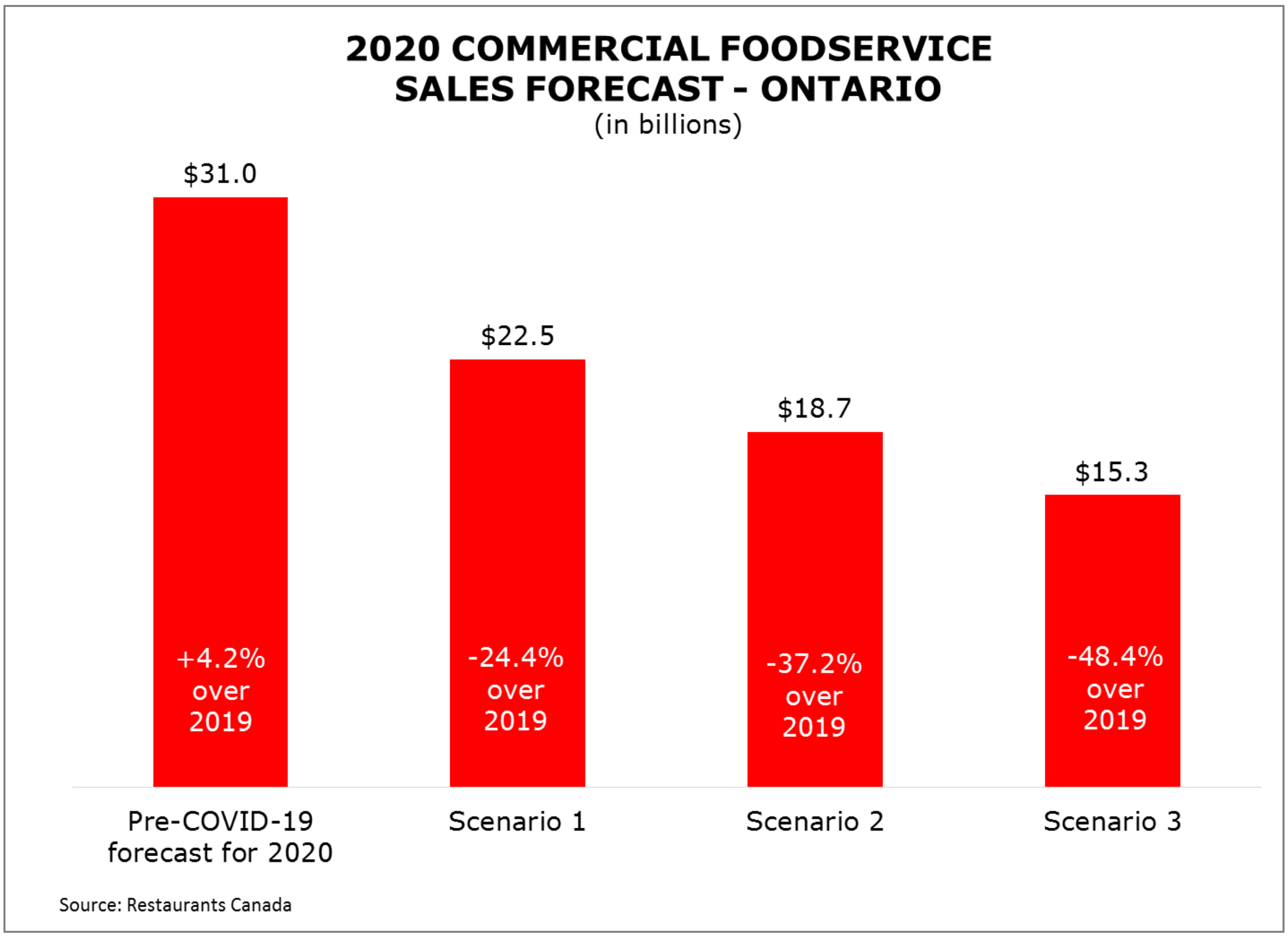
I don’t want to leave you with the impression that we are a dying industry as the foodservice industry is known for its resilience. But we are an industry in need of assistance.

FORECAST

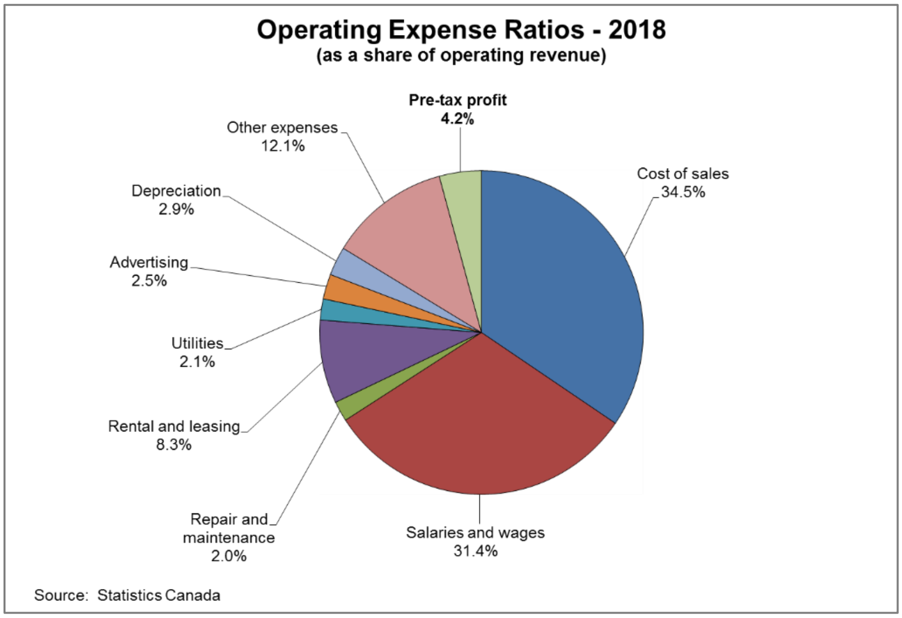
We expect the difficult situation to continue for the foreseeable future.

Restaurants Canada and industry experts developed three likely scenarios for the industry to the end of 2020.

The industry will likely be down 24-48% from pre-COVID forecasts. This could mean up to a loss of $15 Billion from the Ontario economy.



Given the fact that 95% of restaurant spending goes right back into the economy through wages and supplies, this creates a significant hole in GDP.



We need to remember that for restaurants, this pandemic is nowhere near over.

Most large corporations have announced that they will continue work at home protocols well into the New Year.

In major urban areas, this means that regardless of restaurant restrictions, the customers we rely on will simply not be available.

PROVINCIAL RESPONSE

The provincial government has incorporated a number of changes that have been helpful to the industry as it attempts to transition to the "Next Normal".

Restaurants Canada had been working with the government for some time making the case for allowing the delivery of alcohol with food.

At the time, the growth of the delivery market made the issue one of importance, but when the delivery system became the sole source of revenue, it was a critical component of survival for many.

Similarly, the changes to simplify patio expansion and lowering the minimum price for take-out alcohol have allowed many businesses to develop new revenue sources.

We thank the provincial government for moving quickly to enact these changes, however, some of these changes are due to expire at the end of the year.

We are asking the government to make these programs permanent so that businesses can make long-term plans to grow these avenues of their business model.

The government als brought in a number of initiatives that focussed on giving businesses access to much-needed capital during the pandemic by delaying most provincial payments and WSIB premiums.

They were appreciated and allowed many to focus the limited cash-flow they had available into keeping the business afloat.

Unfortunately, some of these deferrals are set to expire. We are asking the government to extend the deadline for these programs.

When they were originally implemented, the restrictions were anticipated to last 6-8 weeks. With the restrictions going into the 5th month, it is essential that these programs are extended commensurately.

ADDITIONAL ASSISTANCE

By far, the biggest worry for restaurants has been paying rent. Even for those who were allowed to forego the rent payments by their landlords are watching their debt load rise

We are asking both the provincial and federal governments to find a way to get more landlords to sign onto the OCECRA program.

As well intentioned as this program was, it has be undersubscribed as most landlords would not sign onto the program.

We would also ask that the government consider extending the moratorium on commercial evictions as it is also due to expire soon and it is a tool to encourage landlord participation.

Similarly, we are seeking an extension to Canadian Emergency Wage Subsidy into January, or for the duration of the pandemic restrictions.

We are aware that the CEWS program is Federal, but we know that the provincial government is working very closely with their Federal colleagues so we are asking for your support to extend this program.

Finally, we would also encourage the government to work with Restaurants Canada and other hospitality industry groups to create a program to attract people back into our businesses and to grow the economy similar to the support we have seen in other jurisdictions

This would provide immediate returns to the government through employment, economic stimulus, and increased tax revenue.

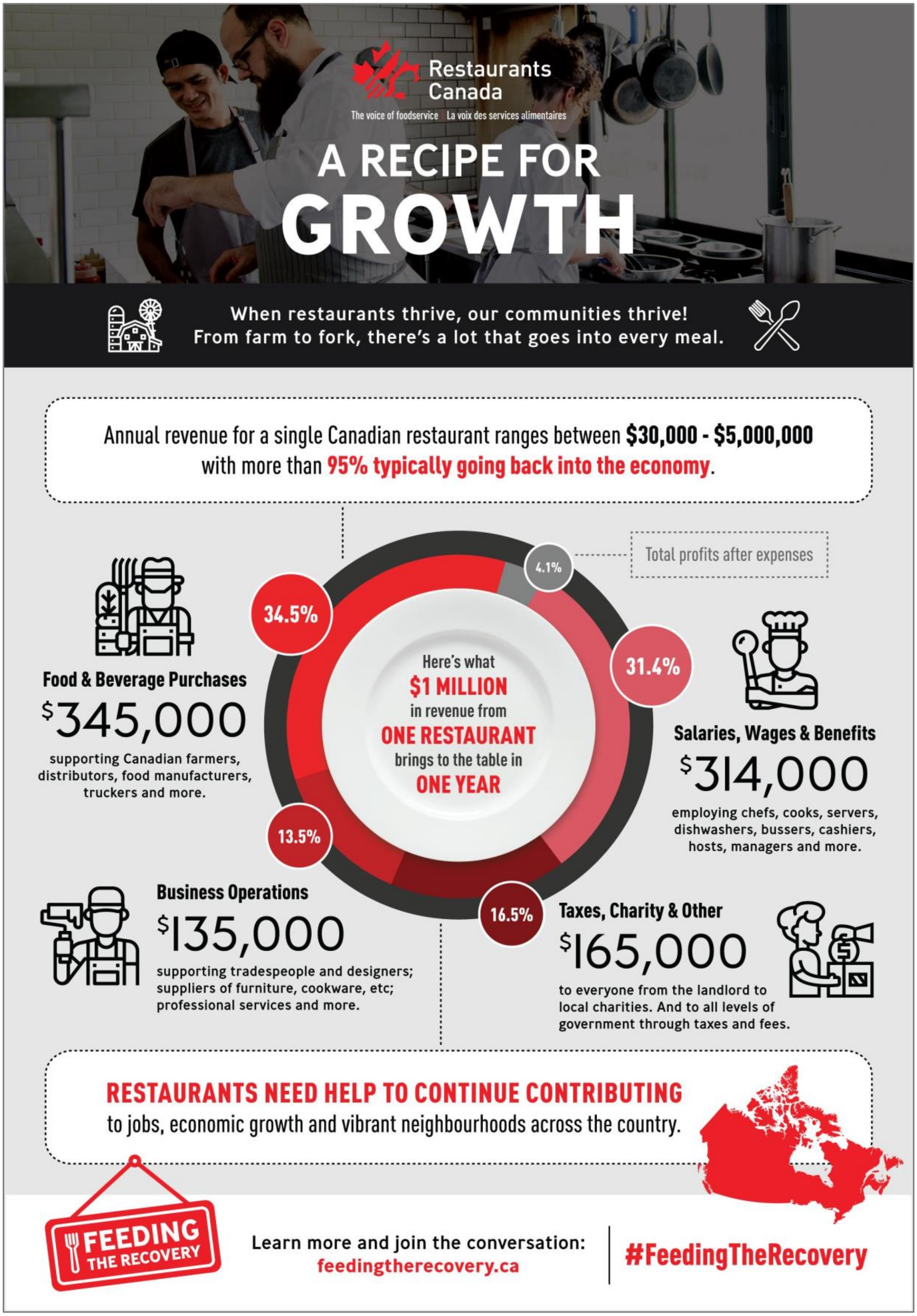
In closing, I want to thank the committee members and all MPPs for your support of our industry throughout this pandemic. From your work in the legislature, to your amplification of our Restaurants Canada's Take-out day initiative, to your individual support of businesses in your ridings, your efforts have been appreciated.

I look forward to working with all members of the legislature as we move into the recovery phase of this pandemic.

Thank you.

RECOMMENDATIONS:

- That the government make alcohol programs permanent so that businesses can make long-term plans to grow these avenues of their business model.
- That the government extend the deadline for provincial payments and premiums.
- That the provincial and federal governments find a way to get more landlords to sign onto the OCECRA program.
- That the government consider extending the moratorium on commercial evictions as a tool to encourage landlord participation in OCECRA.
- We are asking for your support for federal extension of the CEWS program.
- That the government work with Restaurants Canada and other hospitality industry groups to create a program to attract people back into our businesses and to grow the economy similar to the support we have seen in other jurisdictions.


Restaurants Canada
The voice of foodservice | La voix des services alimentaires
A RECIPE FOR GROWTH
When restaurants thrive, our communities thrive!
From farm to fork, there's a lot that goes into every meal.
Annual revenue for a single Canadian restaurant ranges between $30,000 - $5,000,000 with more than 95% typically going back into the economy.
Total profits after expenses
4.1%
34.5%
31.4%
13.5%
16.5%
Here's what $1 MILLION in revenue from ONE RESTAURANT brings to the table in ONE YEAR
Food & Beverage Purchases
$345,000
supporting Canadian farmers, distributors, food manufacturers, truckers and more.
Salaries, Wages & Benefits
$314,000
employing chefs, cooks, servers, dishwashers, bussers, cashiers, hosts, managers and more.
Business Operations
$135,000
supporting tradespeople and designers; suppliers of furniture, cookware, etc; professional services and more.
Taxes, Charity & Other
$165,000
to everyone from the landlord to local charities. And to all levels of government through taxes and fees.
RESTAURANTS NEED HELP TO CONTINUE CONTRIBUTING
to jobs, economic growth and vibrant neighbourhoods across the country.
FEEDING THE RECOVERY
Learn more and join the conversation:
feedingtherecovery.ca
#FeedingTheRecovery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A RESTAURANT'S
ROAD TO RECOVERY
Due to steep reopening costs on top of debt accumulated while shut down during the pandemic:
A typical table-service restaurant could be facing more than $90,000 in losses* and between 17 and 35 months to return to positive cash flow.
REOPENING EXPENSES
STAFFING
Rehiring, training and prep $8,116
SUPPLIES
Restocking food and beverage inventory $14,000
Safety equipment and other health and safety supplies $19,020
PROMOTION
Marketing and advertising $5,000
TOTAL COSTS TO REOPEN ON-PREMISE DINING SERVICES $46,136
RESTAURANT
*Model is based on a licensed, 80-seat, full-service restaurant with annual sales of $1.8 million, which was shut down from March 15 to May 31, 2020, except for takeout and delivery. (Source: The Fifteen Group)
With assistance from wage and rent subsidies
17 MONTHS TO POSITIVE CASH FLOW
With assistance from wage subsidy only
21 MONTHS TO POSITIVE CASH FLOW
With assistance from wage rent only
31 MONTHS TO POSITIVE CASH FLOW
Without assistance from any government programs
35 MONTHS TO POSITIVE CASH FLOW
RESTAURANTS NEED MORE SUPPORT TO SURVIVE THE ROAD TO RECOVERY
so they can continue contributing to jobs, economic growth and vibrant neighbourhoods.
FEEDING THE RECOVERY
Learn more and join the conversation:
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