



Standing Committee Meeting on Finance and Economic Affairs:
Impact of Covid-19 on the Tourism Sector

Good Morning,

My name is Tony Elenis and I am the President and CEO of the Ontario Restaurant Hotel and Motel Association (ORHMA). We recognize and appreciate this committee's work in managing through these tough times.

The hospitality sector has been devastated during this crisis. Not only has this time been labelled a health and economic crisis but it has quickly compounded into a social crisis.

The social characteristics of the hospitality are its strengths. We are about socializing, engaging and meeting with people. We have been hit directly in the heart of what makes hospitality thrive.

- Over 300,000 Ontario hospitality employees are laid off or not working any hours
- 50% of Ontario's hotels have been closed and those staying open operate with skeleton staff largely accommodating essential service needs. We are seeing a 94% decline in year on year revenues
- Nearly half of single-unit restaurants are temporarily closed
- Ontario's foodservice industry is on track to lose approximately \$7 billion in sales in this Q2 of this year

As Ontario has entered the reopening stage, it is of paramount importance that hospitality opens and opens immediately. We are ready! We are ready to open by following safety protocols and guidelines which have been completed and released.

We cannot emphasize the frustration that we hear every single day from foodservice operators and the hospitality industry. Why are other businesses open? Why are white circles being painted in parks to accommodate small group gatherings when we will have more control in a restaurant?

Upon the province announcement of being in a state of emergency, restaurants were the first to be mandated to close and many volunteered to close even before the announcement was proclaimed. Regretfully COVID 19 is here to stay for a projected 18 months or so. We need to operate and our industry is committed and has been busy abiding by health and safety rules. It is time to open.

We also need to have a clear roadmap with a schedule of timelines for opening meetings and groups that are reserved for the remainder of the year or there will be further economic implications in cancellation fees for hotels, meetings and social planners.

We need to be minded that as the opening stages are ahead of us many hospitality operations will not be opening their doors primarily due liquidity and rent payment issues. The recent rent Ontario-Canada Emergency Commercial Rent Assistance Program (OCECRA) program announced is not working for many landlords nor tenants.

- We are urgently asking you to protect small- and medium-sized businesses from evictions by putting in place temporary commercial eviction protection for tenants who were in good standing with their landlords.
- Another lifeline will be in differing this year's property tax to be remitted over a longer year timespan through a change of the Ontario Municipal Act allowing cities to go into deficits. The MPAC's assessment formula must also change relating to our dismal business performance.

As hotels and restaurants re-open there will be start-up costs in payroll, food and supplies in addition to paying off government deferral and loan payments. New expenses will be added to deal with sanitization and distancing practices. The issue becomes more dramatic as most businesses will be emerging out of a period without revenues and entering a painfully slow recovery road. Where is the cash coming from?

A robust plan is needed in order to prepare the industry for success and to enable the re-hiring of the unparalleled number of laid off workers while supporting a huge supply chain. These are extraordinary times that call for extraordinary actions. The traditional hospitality cost model needs support. Many would argue the restaurant model was broken even before the virus came along.

Its not hard to figure it out in the 1990's restaurant profit margins performed much higher in the 6% and 10% range. Over the years the vast regulations, labour highs, food pricing, utilities and rents & leases have decreased Ontario's restaurants profit down to 3.2% more like 2% for full-service restaurants. For over 15 years Ontario continues to perform lower in profit margins than any other province in Canada.

We believe our recommendations will directly provide much needed support:

- High on the list is Beverage Alcohol Wholesale Pricing. Close to 18,000 licensees can benefit from this. In a capitalist society volume purchasing of goods and services should favourably impact the basic unit price. Why not in beverage alcohol? This is a sticking point when one compares Ontario's restaurant performance to those in the USA. That is the reason we don't see many USA full-service brands invest and survive here.
 - We recommend licensees pay a minimum of 20% reduction from consumer prices.
- We also recommend to make the temporary amendment of selling beverage alcohol with food through take out and delivery permanent. There is no rationale of why not.
- We recommend to expand the qualification criteria for the existing Ontario Energy Rebate (OER) of 31.8% to ensure that any hospitality business that currently doesn't qualify will receive this credit.
- Furthermore, support positive changes to the Municipal Accommodations Tax including reimbursing hotels for the credit card processing fees that they are paying on the TAX.
- Building consumer trust and confidence will be critical to the economy and to hospitality operations. We all want success in this thus incentivizing business to dine in hotels and restaurants will boost travel and on-premise visitation.
- To this we recommend Ontario works with the federal government to allow business to expense restaurants meals at 100% from the current 50%. It is an initiative that has been implemented in many other countries. At one time Canada was at 100% and when the reduction occurred, I recall as a hotel manager it was a key contributor in "killing" lunch business in many operations.

Hospitality needs government funding to survive. Our full recommendations plan will be submitted to this committee in the next few days.

Thank you,



Tony Elenis
President and CEO
Ontario Restaurant Hotel & Motel Association