

BC COVID-19 Recovery Consultation

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**Restaurants
Canada**

The voice of foodservice | La voix des services alimentaires

Thank you for providing Restaurants Canada with the opportunity to provide the BC government with COVID-19 recovery ideas. A thriving restaurant and foodservice sector is critical to BC's recovery and Restaurants Canada appreciates the BC government's commitment to recovery by setting aside a \$1.5 billion fund to help those hard hit industries like tourism and hospitality recover from COVID-19. The following provides a summary the impact of COVID-19 and related restrictions have had on British Columbia's restaurant and foodservice industry along with some recovery recommendations to help one of British Columbia's largest industry's survive the COVID-19 pandemic and contribute to British Columbia's recovery.

Restaurants Canada

Restaurants Canada is the largest hospitality industry trade association in Canada representing 30,000 members in communities all across British Columbia and Canada. Our member businesses across Canada represent every segment of the industry, including full and quick service restaurants, bars, caterers, institutions and their suppliers.

British Columbia's Restaurant & Foodservice Industry

Prior to COVID-19 British Columbia's \$15 billion restaurant industry represented 5.2% of the province's GDP and was already a highly competitive, labour-intensive, low margin industry with average pre-tax profitability of less than 5%. Last year our industry was the third largest private sector employer and largest youth employer directly employing a peak of 195,000 British Columbians including 85,000 young people under the age of 25 representing 7% of the provinces workforce. Before COVID-19 the industry included 14,500 mostly small businesses in every BC community. (See attached Recipe for Growth infographic to understand where \$1 million in BC restaurant sales goes).

The restaurant and foodservice industry brings jobs, investment, innovation and tourism to every community in the province, while creating a focal point for people to gather. Restaurants, cafeterias, coffee shops and bars are gathering spots for people from all walks of life, and operators are proud to serve as a social club for seniors, the sponsor of the local hockey or sports team, the boardroom of small business, and a meeting place for community groups.

COVID-19 Impact on the Restaurant & Foodservices Industry

Since COVID-19 restrictions were introduced in mid-March Restaurants Canada has regularly surveyed thousands of restaurants across Canada and in BC and our economist has been regularly updating the economic and employment impact of COVID-19 on our industry.

Our first survey took place the last week of March. From the survey we learned the following:

- 80% of respondents were forced to temporarily lay off employees
- 53% of respondents have temporarily closed their businesses
- 46% of respondents remain open but at reduced hours and with significantly lower sales
- 9% of respondents have permanently closed their businesses and will not reopen
- 18% of respondents believe they will have to permanently close in the next 30 days

With respect to the impact on BC restaurant industry sales and employment we estimated:

- Overall 63% reduction in employment which means roughly 121,500 British Columbia foodservice employees had been either laid off or were receiving no employment hours of work
- Restaurant industry sales declined by 49.7% in March which is a loss of \$651,056,268
- We estimate April sales will be down by 81.9% or \$1,027,575,063
- We estimate May sales will be down by 78.7% or \$1,067,923,607

In our 75 years of existence as Canada's national foodservice association, these were by far the worst numbers we have ever seen.

From our mid-April survey we learned that the vast majority of BC restaurants were concerned about their growing debt levels, and that many restaurants would not survive the impacts of COVID-19 without longer-term solutions.

- 75% of survey respondents said they are either very or extremely concerned about their current level of debt
- 50% of independent restaurants did not expect to survive the next three if conditions did not improve
- Most multi-unit foodservice businesses will have to permanently shut down at least one of their location next three if conditions did not improve
- 75% of respondents identified rent as a main source of debt for their operations, reinforcing the urgent need for relief in this area

Our early May survey indicated that 52% of member respondents continued to be temporarily closed for dine-in operations but still open for takeout and delivery and a further 37% remained completely closed temporarily. 70% also indicated that they were either very or extremely worried that their business would not have enough liquidity over the next three months. More than 50% of our members also indicated that they were unable to pay their rent in April and May with 70% of independent operators indicating that they are dealing with landlords who might not be willing to participate in the CECRA program. This survey highlights the importance of commercial rent as an issue that could jeopardize their ability to survive COVID-19 restrictions.

In May our research team also provided an updated estimation of the loss of BC restaurant sales in 2020 using three scenarios which depending on the level of government supports to help the industry remain viable during COVID-19.

SCENARIO 1 a 24.4% decline in 2020 sales **(\$3,805.9 billion)**

SCENARIO 2 a 37.2% decline in 2020 sales **(\$5,799.4 billion)**

SCENARIO 3 a 48.4% decline in 2020 sales **(\$7,545.9 billion)**

The projections above stress the need for ongoing government support for the industry to reduce the amount of 2020 industry sales declines.

Our June survey indicated that despite reopening more than 60% of members were still operating at a loss and only 22% of independent operators and 15% of multi-unit operators were just breaking even. The survey confirmed that restaurants will need ongoing government support to survive the long road to recovery. In particular members need ongoing government support with labour costs (CEWS), commercial tenant eviction protection and rent relieve (CECRA), as well as help with cash flow and rising debt levels (working capital grants). Even with ongoing support it will be a long road to recovery with members indicating that it will take between 17-35 months to return to positive cash flow given growing indebtedness, reopening restrictions, and average restart up costs of over \$46,000 (see Road to Recovery infographic attachment).

A summary of the survey information including BC's current state of operations, challenges with rent, as well as sales and job losses is included in the June 10th British Columbia Impacts of COVID-19 Industry Statistics attachment.

The BC restaurant and foodservice industry job losses since the beginning of COVID-19 as recorded by Statistics Canada have been significant from a high of 195,000 employees in January 2020 declining 36.4% to 158,700 in March, and declining 75.7% to 83,000 employees in April. With reopening in May employment increased 12.4% to 95,400 and a further 54.8% increase in employment to 150,200 in June. These numbers do not include many employees who are technically still working but receiving little or no hours of work. Restaurants Canada appreciates the support announced to date from all levels of government that have helped restaurateurs survive and hire back some of the temporarily laid off employees resulting from COVID-19 restrictions.

Members are proud to be able to hire back more employees during reopening and report that they could only do so as a result of government support programs such as CEWS. Even with these supports 45,000 BC foodservice employees remain temporarily unemployed. Restaurants will require ongoing government support while restrictions are in place to survive COVID-19 restrictions.

Recovery Recommendations Summary

Restaurants Canada has worked with TIABC on their recovery submission and supports their submission and recommendations as a sector association signatory to their submission. The following Restaurant Canada recommendations reinforce the TIABC recommendations and offers additional recovery recommendations to help BC's restaurant and foodservices industry as the third largest private sector employer in the province contribute to BC's economic recovery.

Members have identified assistance with labour costs, commercial rent protection and relief, and help with cash flow and rising debt levels through working capital grants as the priority recovery recommendations that will help them survive COVID-19 restrictions. However, besides these priorities there are a number of additional or extended measures the provincial government can implement to help ensure BC restaurants contribute to BC's recovery.

We appreciate everything the BC government has announced to date to help the industry recover and in particular we appreciate the \$1.5 billion fund set aside to help hard hit industries like hospitality and tourism recover. The following summary of recommendations in various policy areas either have no financial costs associated with them or can be funded through the \$1.5 billion fund to help hard hit sectors like ours to recover.

Labour

Restaurants Canada appreciates the federal government's recently announced extension and eligibility changes to the Canadian Emergency Wage Subsidy (CEWS). This program has been a lifeline to BC's restaurant and foodservices sector enabling them to hire back temporarily laid off employees. 75% of our members are using this program and would not have been able to hire back employees without it as the sales revenue generated under reopening restrictions is not enough to hire back these employees.

- 1. Restaurants Canada recommends the BC government lobby the federal government to continue extending the CEWS program and adjust its eligibility criteria for as long as COVID-19 operating restrictions remain in place.**
- 2. Restaurants Canada recommends that the BC government consider further labour cost supports to supplement the CEWS program to bring more foodservice employees back to work.**

Members are also concerned with provincial policies that are increasing labour costs during a time when restaurateurs can least afford it. The June 1st minimum wage and liquor server wage increases are an example. While we understand the government's commitment to a \$15 minimum wage, the significant June 1st general minimum wage increase from \$13.85 to \$14.60 per hour and the liquor server wage increase from \$12.70 to \$13.95 per hour were implemented while the industry is already struggling to bring back employees and serves as a disincentive to hire back more staff.

- 3. Restaurants Canada recommends freezing the general minimum wage and liquor server wage at current levels and not proceed with the scheduled 2021 minimum wage increases until the industry has fully recovered.**

Members who through no fault of their own were forced to temporarily layoff staff as a result COVID-19 restrictions and want to be able to hire these employees back and maintain an employment relationship. Restaurants Canada appreciates the temporary layoff provision extensions to August 30th but further extensions are required to avoid permanent layoffs triggering severances that members cannot afford to pay under current operating conditions. Having to pay out severances could force more foodservice businesses to close due to insolvency robbing those employees who are currently employed to lose their jobs.

- 4. Restaurants Canada recommends that the BC government continue extending the temporary layoff period while COVID-19 operating restrictions remain in place.**

BC's restaurant industry also wants to ensure that the BC government does no harm to the sector by implementing legislative changes and policies that increase labour costs. The introduction of Bill 23, the Workers Compensation Amendment Act is an example of legislation that will increase WCB employer premium costs and labour related red tape when they can least afford it.

- 5. Restaurants Canada recommends that the BC government withdraw Bill 23 or at the very least postpone its implementation while operating restrictions are in place and until the industry has recovered to pre-COVID sales levels.**

Commercial Rent Eviction Protection and Relief

Commercial rent eviction protection and relief were identified as a priority for restaurateurs with more than 50% being unable to pay the rent from March through June. Restaurants Canada appreciates both the federal government and provincial government for listening to our members rent concerns with the announcement of the Canadian Emergency Commercial Rent Assistance (CECRA) in May. Unfortunately CECRA has not been effective in persuading many landlords to come to the table to participate in the program or arrange long term rent revisions on leases. Major revisions to the CECRA program are needed providing direct rent relief to commercial tenants to pay commercial rent and make landlord participation mandatory. Commercial tenants cannot pay rent based on pre-covid sales figures if they are to survive.

- 6. Restaurants Canada recommends that the BC government continue to work with the federal government on program changes and extensions to make the CECRA program more effective in assisting commercial tenants with direct relief towards their rent obligations and making program participation mandatory for landlords.**

Restaurants Canada also appreciated the BC government announcing temporary commercial rent eviction protection until the end of June 2020. However, there are still commercial renters facing landlord eviction notices and the protection from commercial rent evictions needs to be extended until CECRA program changes prevent evictions and commercial renters have successfully negotiated long term commercial rent agreements reflecting COVID operating restriction revenue realities rather than pre-covid revenues.

- 7. Restaurants Canada recommends that BC extend commercial rent eviction protection beyond June until CECRA program changes are made making the program more effective in ensuring landlords are participating in longer term subsidized commercial rent agreements with tenants based on current not pre-covid sales.**

Working Capital Grants

The combination of having little to no income for a couple of months and the resulting growing indebtedness to pay fixed operating costs, along with significant reopening costs averaging \$46,000, plus reopening operating restrictions limiting sales revenue, has resulted in members asking for working capital grants to help offset these expenses. Many members cannot afford increasing debt levels to operate under current COVID-19 operating restrictions. Restaurants Canada members in other provinces like Saskatchewan which has implemented two working capital grants of up to \$5,000 each as well as COVID-19 training grant of up to \$10,000 have reported how helpful these grants have been to helping them reopen and train staff under new COVID-19 operating conditions. Alberta and other provinces have implemented similar working capital grant programs. Restaurants Canada supports the TIABC submission recommendations on the need for working capital grants for those small public facing businesses most impacted by COVID-19 operating restrictions.

- 8. Restaurants Canada recommends the BC government announce and implement working capital grants of up to \$25,000 to assist those small public facing businesses most impacted by COVID-19. These grants would assist these small businesses pay for ongoing fixed operator costs, retraining, and to help cover the costs of COVID-19 safety plans including restaurant PPE physical distancing (barriers) and sanitization protocols.**

Liquor

Given the growing importance of takeout and delivery sales while on-premise dining was shut down, and the increasing importance of takeout and delivery as part of the sales mix when restaurateurs were allowed to partially reopen for on-premise dining, Restaurants Canada appreciated how quickly the BC government responded by allowing a change in liquor regulations to allow alcohol to be sold with takeout and delivery food purchases in March. However, BC members were disappointed that this regulation was temporary initially set to expire on July 15th. While the regulation has been extended to October 31st our members would like to see this regulation made permanent as Alberta and Saskatchewan have done recognizing that

takeout and delivery sales will be an increasingly important part of a restaurant's sales mix in the future even after COVID-19 operating restrictions are lifted.

- 9. Restaurants Canada recommends that the regulation allowing alcohol sales with food takeout and delivery be made permanent as Alberta and Saskatchewan have done.**

For years BC licensed Restaurants Canada members have complained about the high cost of liquor for licensed restaurants and bars who received no wholesale discount when purchasing beverage alcohol. Members were forced to pay much higher costs associated with the purchase and sale of beverage alcohol in the province compared to their Alberta counterparts who implemented wholesale pricing for all wholesale liquor stakeholders including licensees more than two decades ago. Access to licensee wholesale pricing has been the number one Restaurant Canada liquor policy priority for the last decade.

We appreciate Attorney General Eby's efforts in appointing the Business Technical Advisory Panel (BTAP) of liquor stakeholders to provide recommendations on improving BC's liquor system. One of the priority unanimous BTAP recommendations well before COVID-19 was to implement licensee wholesale pricing. This is even more important under COVID-19 operating restrictions as wholesale pricing can save licensed restaurants roughly 20% in liquor purchasing costs. Restaurants Canada was therefore very grateful when licensee wholesale pricing was announced June 15th and implemented on July 20th. However, members were expecting this to be a permanent policy change and were disappointed that it was announced as a temporary measure expiring at the end of March 2021, not a permanent change as recommended.

- 10. Restaurants Canada strongly recommends that the licensee wholesale price change be made permanent and not expire March 2021.**

Tax & Fee Deferrals

Restaurants Canada appreciated the BC government's March 23rd announcement to defer a number BC business taxes to September 30th including deferrals on the employer health tax, municipal and regional taxes, motor fuel tax, and the carbon tax. Members also want to see deferrals and relief on WCB premiums as Alberta implemented. However, given the growing levels of debt and limited revenue generated under COVID-19 operating restrictions postponing these taxes until September 30th only delays the liability and at the end of September restaurateurs will be in no better shape financially to pay these taxes than they were in March. These deferrals need to continue and be taxes reduced to help restaurateurs with cash flow as long as COVID-19 operating restrictions are in place.

- 11. Restaurants Canada recommends that the tax and fee deferrals announced March 23rd be extended past September 30th and that government consider reducing taxes and fees or eliminate them while restaurants continue to operate under COVID-19 operating restrictions.**

Consumer Confidence Promotions/Dining incentives

As restaurateurs are doing everything in their power to provide their guests with confidence in eating out, consumers are not coming back to restaurants as they were pre-covid. Government can play a role in helping provide consumers with confidence by implementing promotions to help consumers once again visit their local restaurants with promotional advertising campaigns such as “it is in to eat out” and with dining incentives for British Columbians to visit restaurants and other tourism and hospitality businesses as outlined in TIABC’s submission. This is one way the BC government can incentivize consumers to visit their local restaurants and other tourism and accommodation small businesses.

- 12. Restaurants Canada recommends that the BC government implement consumer confidence campaigns and dining incentives to encourage more British Columbians to visit their local restaurants and other tourism and hospitality businesses.**

Cap Third Party Delivery Fees

Prior to COVID-19 the popularity of third party delivery companies like Skip the Dishes and Door Dash were already increasing. Prior to COVID-19 most restaurants experimented with using these delivery app companies as a way to increase cash flow and control food inventory. Given the large fees charged by these delivery app companies which can be as much as 25-30% restaurateurs were not making any profit on these sales. However, as mentioned above since COVID-19 takeout and delivery have become a much more important part of a restaurants sales mix and a growing number of members are frustrated that these delivery app companies in many cases have refused to lower their fees to make this a win-win for both the delivery app company and the restaurant. Restaurants Canada was hopeful that competition would drive down these fees but unfortunately this has not happened. While some third party delivery app companies have reduced their fees during COVID for some restaurateurs most have not. As a result members are now calling on government to introduce a 15% third party delivery fee cap as San Francisco and other US jurisdictions have implemented to ensure restaurants can get a return on their food delivered by these third party delivery companies.

- 13. Restaurants Canada recommends that the BC Government implement a 15% fee cap on third party delivery companies to ensure restaurants can make a return on third party’s delivering their food.**

Environment - Postpone Potential Extended Producer Responsibility Changes & Plastic SUI Bans

Prior to COVID-19 the BC government and various municipalities were considering a number of policy changes with respect to extended producer responsibility for packaging and plastic single use item restrictions and bans. Since COVID-19 the need for sanitary clean plastic single use items has increased to ensure the health and safety of guests. Programs the industry began implementing such as reusable cup

programs were suspended due to the risk of COVID infection. Given the increase in takeout and delivery and to bolster consumer confidence, now is not the time to proceed with these costly environmental packaging regulations and policies.

- 14. Restaurants Canada recommends that province postpone any potential environmental packaging regulations and policies and direct municipalities to also postpone any plans to restrict and ban single use packaging.**

Maintain Provincial Sales Tax (PST) Restaurant Meal Exemption

British Columbia's hospitality industry has a different position on PST than a number of other business associations resulting from the uneven treatment of food in the GST where food purchased from restaurants is taxed while food purchased at grocery stores remains completely tax exempt. Our members fully support eliminating PST on business inputs but opposes the reintroduction of HST or a Value Added Tax (VAT) that uses the GST base or includes restaurant meals in the provincial sales tax base.

Restaurants Canada appreciated the NDP's opposition to the regressive HST when it was first introduced and its ongoing commitment to treat all food equally by not adding PST to restaurant meals while food purchased at grocery stores remains tax-exempt. Maintaining food tax fairness continues to be a public policy priority for British Columbia's hospitality industry. This is especially true during the operating realities of COVID-19.

- 15. Restaurants Canada recommends maintain food tax fairness by continuing to exempt restaurant meals from the PST base.**

Relaxing COVID-19 Operating Restrictions

Restaurants Canada appreciated being consulted on restaurant reopening guidelines. Maintaining the health and safety of our staff and guests has always been mission critical for restaurateurs and is even more so during COVID-19. While members are complying with PHO orders and WCB guidelines the fact remains that these restrictions severely limit the potential sales revenue of restaurateurs. The best way to ensure the recovery of British Columbia's restaurants is to relax these restrictions as soon as it is safe to do so enabling restaurants to increase sales and get closer to pre-covid sales without jeopardizing the health and safety of British Columbians.

- 16. Restaurants Canada recommends government work closely with the industry on relaxing COVID-19 operating restrictions in the coming months by increasing capacity and relaxing the two meter physical distancing measures when safe to do so.**

Conclusion

British Columbia restaurants along with the tourism and hospitality sector generally were the first to be impacted by COVID-19 and will take the longest to recover from COVID-19 operating restrictions. Restaurants Canada encourages the BC government to implement the 16 recommendations above to help British Columbia's third largest private sector employer contribute to the COVID-19 recovery. Restaurants are integral part of every community in British Columbia. When our industry succeeds so do the communities where they are located. It is important for the BC government to implement policies and provide relief to our industry so that we can contribute to the province's recovery from COVID-19.

We would be happy to discuss the above recommendations and answer any questions with the appropriate Ministries and look forward to hearing the province's economic recovery plan and how the \$1.5 billion recovery fund will be used to help the important tourism and hospitality industry recover from the significant hardship our members are experiencing as a result of COVID-19.

Attachments - A Recipe for Growth Infographic
- A Restaurants Road to Recovery
- British Columbia COVID -19 Industry Statistics

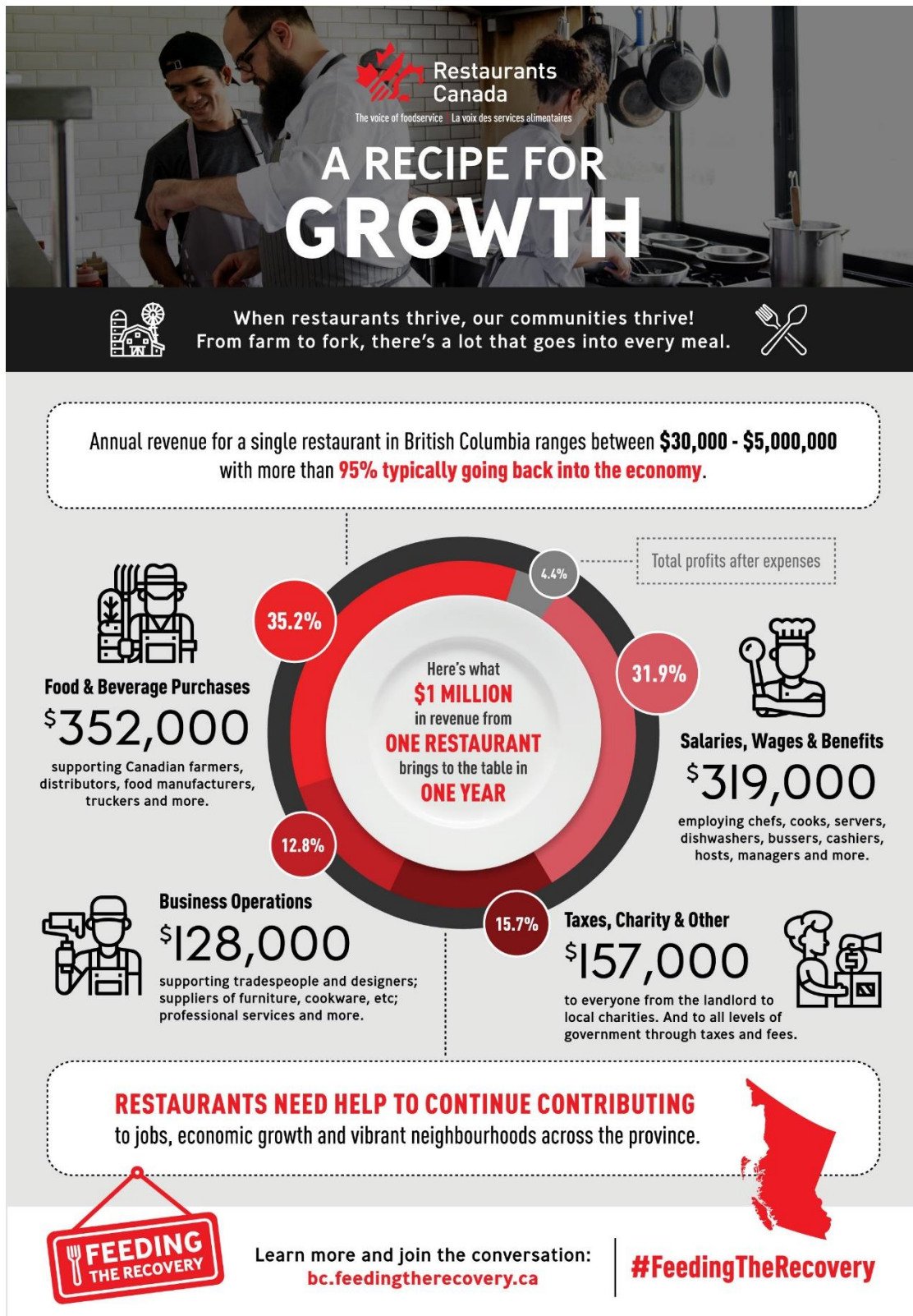
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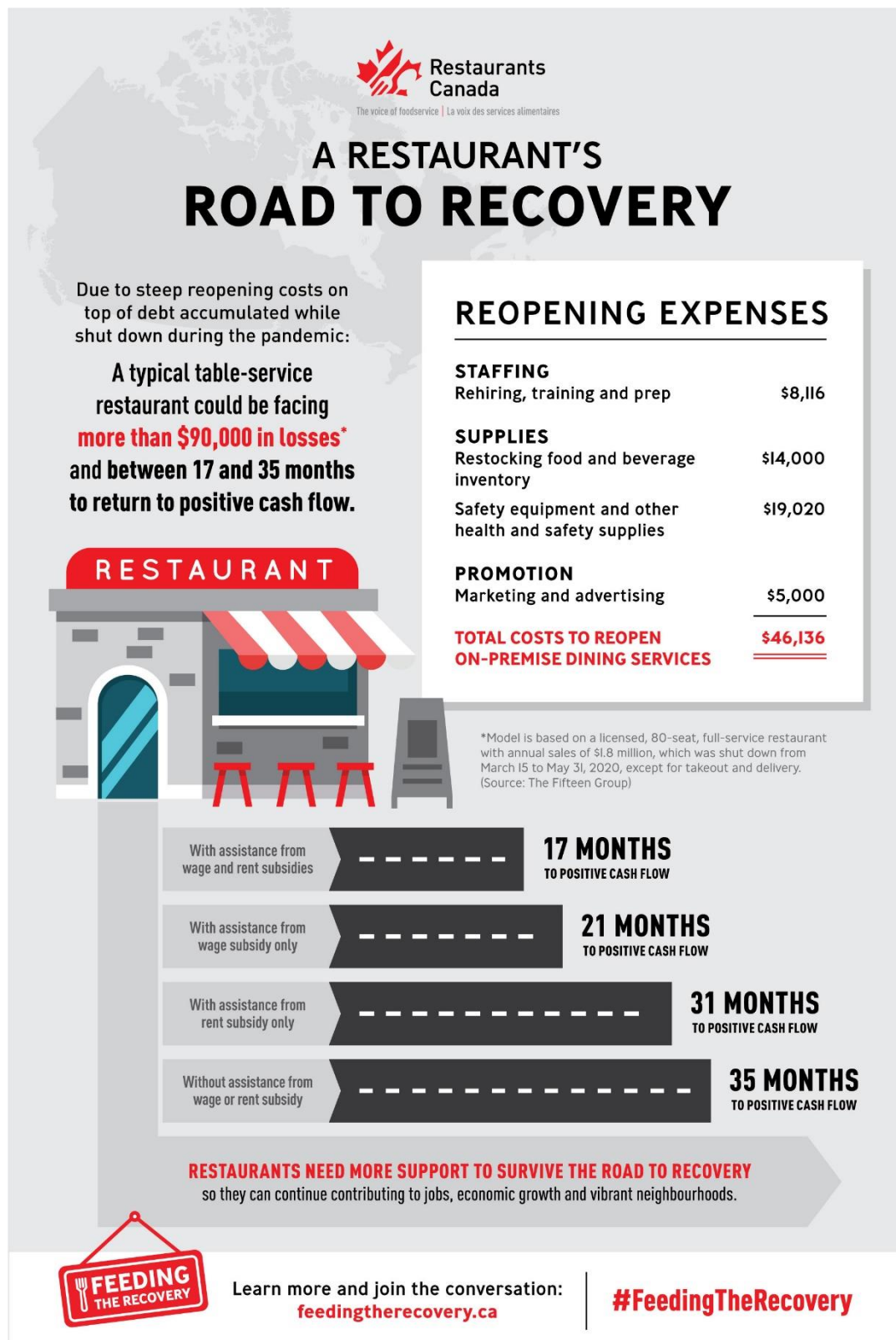
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BRITISH COLUMBIA INDUSTRY STATS Impacts of COVID-19

June 10, 2020

STATE OF OPERATIONS

Based on a survey conducted between June 1 and June 7 of foodservice operators across the country, this is the current state of the Canadian restaurant industry:

- **24% of single-unit foodservice operators are open for on-premise dining** and 28% of multi-unit operators have at least one location open for on-premise dining.
- **47% of single-unit operators are open only for takeout and/or delivery** and 62% of multi-unit operators have at least one location open only for takeout and/or delivery.
- **23% of single-unit operators are still temporarily shut down completely** and 28% of multi-unit operators have at least one location still temporarily shut down completely.
- The remainder said they either have permanently closed their doors for good already, run a seasonal operation that has not opened yet for the year, or have permanently closed some locations, but not all of them.
- **Most restaurants are still losing money:** 6 out of 10 foodservice businesses are operating at a loss; 22% of single-unit operators and 15% of multi-unit operators said they are just breaking even.
- **Restaurants are reporting mixed results after opening for on-premise dining:**
 - Fewer than half (31% of single-unit operators and 43% of multi-unit operators) said doing so has had a positive impact on their operations.
 - More than a third (47% of single-unit operators and 39% of multi-unit operators) said the impact on their operations has been negative.
 - The remainder reported no impact or said it's still too soon to assess.

Based on a survey conducted between May 1 and May 5:

- **7 out of 10 restaurant operators are either very or extremely worried that their business won't have enough cash flow** to pay vendors, rent and other expenses over the next few months.

Based on a survey conducted between April 15 and April 21:

- **Nearly 1 in 10 independent restaurants have already closed permanently** and 1 out of 2 remaining independent restaurants don't expect to survive if conditions don't improve.
- **Most multi-unit foodservice operations will permanently shut down at least one location** if conditions don't improve.
- **75% of restaurant operators said they are either very or extremely concerned about their current level of debt** and 3 out of 4 respondents identified rent as a main source of their debt.

CHALLENGES WITH RENT

Based on a survey conducted between June 1 and June 7 of foodservice operators across the country:

- **More than half of single-unit operators say they have not paid their rent in April, May and June.** Up to 20% did not have permission to defer payments for all those months. Among multi-unit operators, roughly 22% of respondents said their landlords agreed to let them defer their rent payments for all their locations in April and May. This fell to just 16% in June.
- **50% of single-unit operators are dealing with landlords who might not be willing to participate in the CECRA program or any other rent relief arrangement** (down from 70% in May): 28% said their landlords are not willing to participate in the CECRA program or any other arrangement (up from 20% who said so in response to our last survey at the start of May) and 22% said they are not sure if their landlord is willing to participate in any kind of arrangement (down from 48% who said so in May). And 35% now say their landlord will provide relief through CECRA vs. 18% who said so in our survey at the start of May.
- **54% of multi-unit restaurant operators are dealing with landlords who might not be willing to participate in the CECRA program or any other rent relief arrangement.** This compares to 60% in May. 37% are dealing with landlords who are not willing to provide rent relief and 17% said they are not sure if any of their landlords are willing to provide rent relief.

JOB LOSSES

- **Restaurants and other foodservice businesses are the third-largest source of private sector jobs in British Columbia.** Collectively, the industry typically employs 193,000 people. At least this was the case before COVID-19 resulted in more than 112,000 foodservice workers losing their jobs or having their hours cut down to zero by April.
- As confirmed by the latest jobs report released from Statistics Canada, hours have increased and 12,400 jobs were recovered, but **roughly 100,000 people from the foodservice sector were still out of work across British Columbia in May.**

SALES LOSSES

- Due to the impacts of COVID-19, total foodservice sales in Canada will not grow to a record \$97 billion in 2020 or pass the \$100-billion mark in 2021 as previously forecasted.
- In the worst-case scenario, total foodservice sales for 2020 could be as low as \$47.8 billion in Canada and \$8 billion in British Columbia. This means **British Columbia's restaurant industry could miss out on as much as \$7.5 billion in sales in 2020 compared to 2019.**