

2025 Ontario

PRE-BUDGET SUBMISSION

EXECUTIVE SUMMARY

Foodservice Businesses

- Pre-pandemic, 12% of Canadian restaurant companies were not profitable—today its 53%
- Ontario real per capita spending (2024 dollars) in restaurants is down from \$2,592 in 2019 to \$2,378 (f) for 2024
- Operating costs are up significantly over the past two years: total food cost 24%, total labour cost 18% (Ontario server min wage up 37% since 2022), insurance 24% or more, other costs 22%
- Crime is putting restaurant workers, guests, and operators at physical, mental, and financial risk
- Restaurants are still struggling to find workers as many left the industry through COVID, meaning many restaurants can't run multiple shifts to maximize revenue over fixed expenses
- Consumer behavior is changing—less alcohol consumption in restaurants, greater share of business is take-out/delivery (less profitable), cutting restaurant spending is the top thing Canadians are doing to save money during the affordability crisis

An Industry with a Huge Impact

- Over 40,000 foodservice businesses operating in Ontario, approx. 14,000 sell alcohol
- 445,000 direct jobs (5.6% of Ontario's workforce) and 102,000 indirect jobs
- Leading employer of youth, women, newcomers, people with disabilities
- \$44.5B in industry revenue in Ontario, representing 4% of provincial GDP
- Ontario's restaurants and bars buy \$15.6B in food & beverage products every year
- Restaurants are among the largest supporters of sports teams and other community groups
- Restaurants are community defining pillars
- Canadian restaurants serve 23M customers per day
- For every million dollars of output, the restaurant industry generates 17.6 new jobs. By comparison, the industrial average is 7.4 jobs per million dollars of output
- For every dollar of output in the restaurant industry, \$1.80 of output is generated in the broader economy, compared to \$1.56 for all industries



OUR ASKS

1. LCBO Discount Pricing—Expand Discount Pricing on Alcohol for Restaurants and Bars

Reducing the cost restaurants and bars pay to purchase alcohol is the single most efficient, direct, and impactful thing the Ontario government can do to target relief to a huge part of the restaurant industry where businesses are most likely to be struggling with profitability (alcohol-serving businesses and independents). We ask the Government to commit to expanding discount pricing to include beer after the expiry of the MFA. We also ask the Ontario Government to utilize the LCBO and room on mark-ups/tax to ensure Ontario restaurants and bars do not pay more for the same alcoholic products than their peers operating elsewhere in Canada.

2. Make the HST Break on Restaurant Meals Permanent, Or At Least Raise the \$4 PST exemption

In the late 1980s the PST was applied to restaurant meals. The government of the day decided that modest restaurant meals (based on total cheque size) should not be taxed. By not indexing the \$4 exemption successive governments have stealthily increased taxes on Ontarians as inflation has pushed meals and items once exempt inside the evolving and growing scope of what gets taxed. While we encourage the federal and Ontario governments to make the HST holiday on meals permanent, we note that an alternative measure could be to exempt meals under \$8.99, which we estimate would equate to \$290M per year in savings for consumers.

3. Help Protect Restaurant Workers, Patrons, and Operators With a \$3,000 Security Grant

\$50M for a dedicated Crime Grant stream for businesses, with a maximum benefit of \$3,000 per location. Businesses would be able to apply for funding to help offset the costs of securing their business and for repairing physical damage to their business caused by criminals. This would help struggling businesses cover the high costs of protecting their workers and patrons, and of absorbing losses due to crime. This could help protect more than 16,500 workplaces.

4. Expand Training Grants for Restaurant Workers

\$14.4M to help grow Restaurants Canada's highly successful Pathways to Careers in Foodservices program. In 2024, the program met its goal and helped 500 Ontarians from disadvantaged and under-represented groups find training and permanent jobs in food service. The program offers \$1,000 per trainee, with another \$1,500 retention bonus after the employee completes 3 months of work with the eligible employer, with a maximum benefit of \$2,500 per trainee.

5. Roundtable on Restaurant and Retail Protection

Comprising of restaurant sector representatives, other relevant retail focused businesses, police, ministry of labour, mental health and addictions workers and others, the roundtable would work to develop strategies and recommendations to government intended to protect the safety of restaurants and their workers and patrons. This would include helping protect relevant workplaces and visitor environments where workers and patrons are under threat of violent crime, intimidation, harassment, and exposure to troubled individuals who enter or loiter near their businesses while they struggle through mental health, addiction, and other challenges.

6. Hospitality Sector Workforce Roundtable

We ask the government to work with industry leaders from the hospitality sector to launch a Hospitality Sector Workforce Roundtable dedicated to providing recommendations to the Ontario Government to ensure our industry recruits, develops, and retains the workforce necessary to sustain its contribution to Ontario's economy, treasury, and broader wellbeing. The Roundtable would consider training and education, labour policy, immigration policy, and other real-life factors that impede the sustainability of our workforce. The Roundtable should also consider the integration of technology, including machines and artificial intelligence, and other tools that can help drive efficiencies.

ABOUT RESTAURANTS CANADA

Restaurants Canada is the voice of restaurants across Canada. It represents the foodservice industry at all levels of government. We operate the RC Show, Canada's largest tradeshow. We own and operate Groupex Canada, an entity that aggregates the buying power of smaller restaurant companies and brands to deliver savings typically reserved for large businesses. Restaurants Canada also serves as an important hub for industry information, networking, and training.

Our members are diverse, with operations in every province and region of Canada. They include the largest and most iconic restaurant brands operating in Canada, small family-owned diners and pubs, and all sizes in-between.

KEY CONTACT

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THE CONTRIBUTION OF ONTARIO'S RESTAURANTS AND BARS

Ontario's 40,213 foodservice businesses directly employ approximately 444,900 people. An estimated 14,000 of those businesses (per Business Registrar, Statistics Canada) are dependent on alcohol sales for some or most of their revenue. In addition, 102,000 Ontarians work in indirect jobs in related industries. Restaurants are the leading source of first jobs for Canadians, many of whom are students saving for or paying for their post-secondary education.

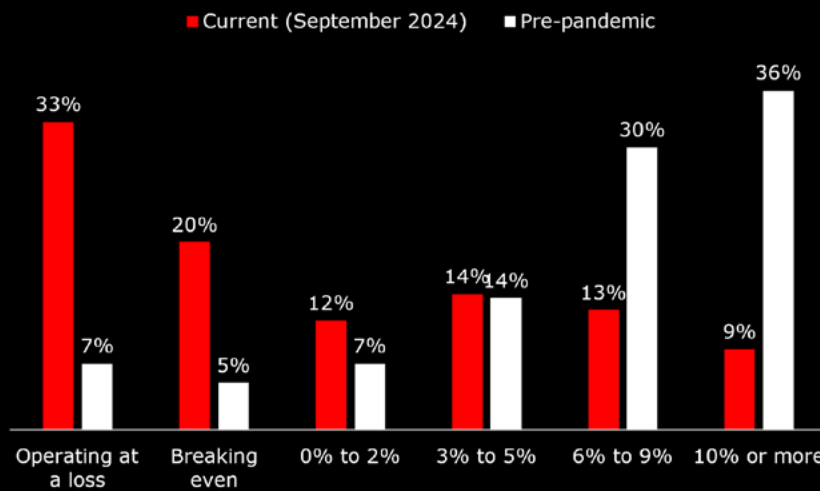
Collectively, Ontario's foodservices industry generated over \$44.5B revenue in 2023, or 4% of Ontario's GDP. Our businesses form a vital hub that other industries depend on as their customers. In fact, Ontario's restaurants and bars purchase over \$15.6 B in food and beverages each year from farmers, alcohol makers, and other businesses. Moreover, restaurants and bars are huge contributors of taxes and fees paid to governments.

Restaurants and bars help define and contribute to the identities and fabrics of the communities where they operate. In fact, Ontarians not only depend on the foodservices industry for jobs, but they make nearly 10 million visits every day to restaurants and bars.

RESTAURANTS ACROSS ONTARIO AND CANADA ARE STRUGGLING

The pandemic's conclusion did not end the struggles of Ontario's restaurants and bars. Today, through Canada's affordability crisis, more than half of Canadian restaurant companies are not profitable.

PROFITABILITY OF FOODSERVICE OPERATORS PRE-PANDEMIC VS. CURRENT



53% of foodservice operators are operating at a loss or just breaking even — this was 12% pre-pandemic.

Growing cost pressure on items like food, labour, environmental compliance, insurance, rent, and delivery fees is outpacing revenue growth.

Source: Restaurant Outlook Survey, 03, 2024.

What is Driving Struggling Profitability?

The costs of operating a restaurant have risen much faster than the ability of customers to absorb higher menu prices. At the same time, consumers are spending less (in real dollars) than they did in 2019.

RISING OPERATING COSTS

Every major cost for restaurants and bars has risen significantly over the past couple of years.

RESTAURANTS FACE HIGHER OPERATING EXPENSES OVER THE LAST TWO YEARS

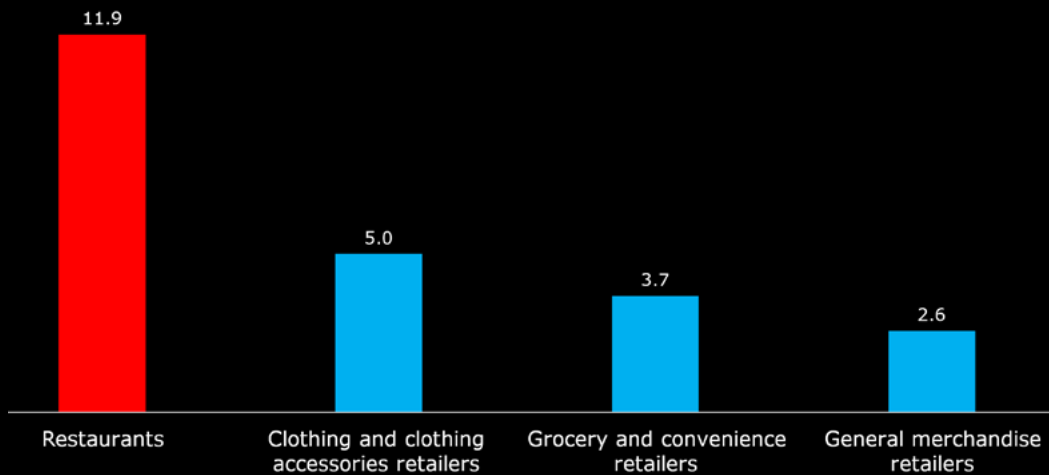
TOTAL FOOD COSTS	+25%	
TOTAL LABOUR COSTS	+18%	
INSURANCE	+24%	(but many in 30% to 60% increase)
UTILITIES	+20%	
OTHER OPERATING EXPENSES	+22%	

Source: Restaurants Canada

Labour typically represents the largest single cost for a restaurant or bar, generally ranging between 30% to 40% of total operating costs.

No sector has been hit harder by rising wages for lower-skilled workers than the foodservice sector. This is for a few reasons. First, the foodservice sector is among the most labour intense sectors in Ontario or anywhere else across Canada, with it taking 11.9 employees to drive \$1M in revenue across Canada vs. 5 for clothing stores, 3.7 for grocery stores, or 2.6 for general merchandise stores.

NUMBER OF EMPLOYEES REQUIRED TO GENERATE \$1M IN REVENUE—2023



Source: Restaurant Outlook Survey, 03, 2024.

Second, being tied to inflation, Ontario's minimum wage has grown much faster than the typical target inflation rate of 2%. Between December 2021 and October 2024, Ontario's minimum wage rose from \$14.35 to \$17.20 per hour, or nearly 20%. Over the same period, servers (who are typically tipped workers) saw their minimum wage grow from \$12.55 per hour to \$17.20 per hour, more than a 37% increase in hourly base pay.

In aggregate, aggressive minimum wage hikes alone have driven up the costs of running a restaurant by roughly 7% over the past few years.

Alongside labour, food cost is among the largest costs faced by restaurant businesses. Restaurants have seen their food costs increase roughly 25% over the past two years alone. Even with constant innovations to try to build lower-cost menus, restaurants have been limited in their ability to mitigate food inflation.

CONSUMERS ARE STRUGGLING WITH AFFORDABILITY

Canadians struggling with affordability, in large part driven by housing costs, are pulling back on their discretionary spending. A 25-bps mortgage rate hike means the average Canadian household has to pull \$500 from other areas of spending to pay their mortgage each year. Even with falling interest rates, Canadians will likely still renew at higher rates than what they currently pay for a couple more years.

To cover other household expenses, Canadians are choosing first to pull back on restaurant spending.

DECREASE IN DISCRETIONARY ACTIVITIES (% OF RESPONDENTS)



80%
of Canadians have reduced their nonessential activities and spending since January in order to save money.

Base: Total n=1,500 | Q: Since the start of the year, have you decreased your purchases/spending or changed your behaviour to save money in any of the following categories?

July 4 TO July 9, 2024

Source: Angus Reid

What is reflected in surveys is also reflected in actual consumer spending. As illustrated below, Ontarians have indeed been pulling back in real spending.

TOTAL COMMERCIAL FOODSERVICE SALES IN ONTARIO

TOTAL COMMERCIAL FOODSERVICE SALES (IN BILLIONS)



Total revenue masks what is really happening. When adjusted for population growth and inflation, real per capita sales remain below pre-pandemic levels.



PER CAPITA COMMERCIAL FOODSERVICE SALES (IN 2023 DOLLARS)



Source: Restaurants Canada and Statistics Canada

We are also seeing changing consumer behavior.

In 2019, 19% of alcoholic beverage servings were consumed in restaurants and bars. In 2023, that figure fell to 16%. Tied to this trend, restaurant customers are ordering a lot more take-out and third-party delivery today than they did in 2020. On third-party delivery orders, as much as 20-30% of the bill is likely going to the third-party delivery service. While third-party meals will be priced higher than dine-in, a challenge for the full-service restaurants is that consumers are increasingly ordering just food and are consuming their own desserts and alcohol at home, both of which are higher margin items.

Putting It All Together.

Rising costs meeting lower real spending is the uncomfortable reality facing our industry. Pre-pandemic, when a profit margin of 6-10% was realistic and common, a restaurant with \$2M in revenues would make a pre-tax profit of approximately \$120K to \$200K. Notwithstanding menu inflation and any other attempts to increase revenue, a 10% increase in expenses is enough on its own to completely eradicate the business's profitability. Even with menu inflation, that same business is likely barely breaking even today or is fortunate to be making a pre-tax profit of over \$40K.

OUR ASKS

Priority 1. LCBO Discount Pricing—Expand Discount Pricing on Alcohol for Restaurants And Bars

OUR ASK

We call on Ontario to deliver the lowest cost for purchasing alcohol in Canada through the LCBO to Ontario's restaurants and bars. We believe this is best done through deepening the current 10% discount available to licensees, and then extending it to cover beer products upon the expiry of the MFA.

RATIONALE

More than 14,000 restaurants and bars depend on alcohol sales for part of their revenue. A full-service restaurant typically depends on alcohol for 10-30% of its revenues. In a pub, it is commonplace to find 40-70% of revenues coming from alcohol, with most of that revenue coming from beer.

As noted above, Ontario's alcohol serving businesses have been particularly pressured by rising insurance costs, the server minimum wage, and declining alcohol consumption in licensed establishments. Moreover, between January and September 2024, full-service restaurants saw a 6% drop in real per capita spending compared to the same period in 2023 while drinking places experienced a drop of 11%, both notably higher than the broader industry average.

Several provinces offer discount pricing to restaurants and bars. Alberta and BC tend to offer the lowest prices to bars and restaurants. Ontario restaurants and bars typically pay 12% to 33% more than the lowest price available in any other province for commonly available and highly consumed spirits and beers.

In 2022, Ontario introduced a 10% discount on select LCBO products available to restaurants and bars. LCBO counts on licensees for roughly 8.1% of its revenue. The government estimates that 10% discount represents \$60M in savings for the restaurant and bar sector. Those savings help protect against menu inflation, and that helps ensure that restaurant dining can remain affordable for consumers, thus protecting both consumers and jobs.

The single most efficient and impactful thing the Government of Ontario can do to help a huge part of the restaurant industry that is most struggling is to deepen the discount licensed restaurants and bars receive on LCBO purchases. Ontario should strive to utilize its LCBO purchasing power to deliver the lowest alcohol procurement costs in Canada for the above-described businesses. Further, upon the expiry of the MFA, the Government should extend the discounts to include all beer products.

Priority 2. Make the HST Break on Restaurant Meals Permanent, Or At Least Raise the \$4 PST exemption

OUR ASK—RAISE THE HST EXEMPTION (PST PORTION) ON RESTAURANT MEALS

In the late 1980s the PST was applied to restaurant meals. The government of the day decided that modest restaurant meals (based on total cheque size) should not be taxed. By not indexing the \$4 exemption successive governments have stealthily increased taxes on Ontarians as inflation has pushed meals and items once exempt inside the evolving and growing scope of what gets taxed. While we encourage the federal and Ontario governments to make the HST holiday on meals permanent, we note that an alternative measure could be to exempt meals under \$8.99, which we estimate would equate to \$290M per year in savings for consumers.

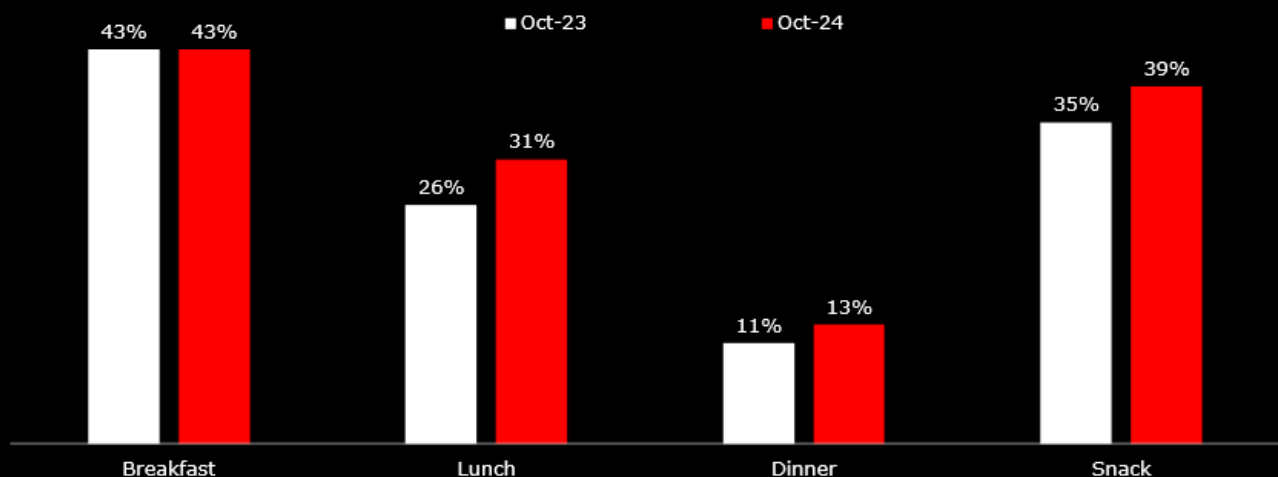
RATIONALE

In 1989, many restaurants offered children's meals and other combos for prices well below \$4. With nearly 35 years of inflation, meals and menu items never intended to be taxed are now taxed.

By not adjusting the exemption for three and half decades of inflation, restaurant visits/meals that were once exempt from taxation are now taxed. This amounts to a tax hike that hits lower income workers and families hardest.

Through the affordability crisis, lower income households have pulled back on restaurant spending the most.

SHARE OF ONTARIO THAT NEVER PURCHASED THE FOLLOWING FROM A RESTAURANT IN OCTOBER (INCOME UNDER \$50,000)



Source: REACT Survey, Restaurants Canada

While we urge the permanent removal of HST on restaurant meals, we note that exempting meals under any given threshold would help the government target relief to lower income consumers, while also helping restaurants keep their doors open and their employees working. As modelled below, moving the exemption to \$8.99 would deliver \$290M in savings to Ontarians per year. The chart also outlines the expected impact and cost of choosing various other price points for an exemption.

TOTAL PARTY CHEQUE SIZE	SHARE OF VISITS	ANNUAL SALES (est 2024) NO TAX OR TIPS	SAVINGS TO CONSUMERS
Quick-service restaurants		\$18,438,245,707	
Less than 4.00	9%	\$1,659,657,533	—
4.00 – 4.99	3%	\$482,431,552	\$38,594,524
Between 5.00 – 5.99	4%	\$727,111,161	\$58,168,893
Between 6.00 – 6.99	3%	\$550,230,730	\$44,018,458
Between 7.00 – 7.99	3%	\$633,656,468	\$50,692,517
Between 8.00 – 8.99	4%	\$682,098,805	\$54,567,904
Between 9.00 – 9.99	3%	\$548,745,606	\$43,899,648
Between 10.00 – 10.99	5%	\$889,476,690	\$71,158,135
Between 11.00 – 11.99	3%	\$472,779,339	\$37,822,347
Between 12.00 – 12.99	6%	\$1,115,061,538	\$89,204,923
All other	58%	\$10,676,996,286	
Full-service restaurants		\$15,782,633,629	
Less than 4.00	2%	\$237,586,115	
4.00 – 4.99	0%	\$74,106,416	\$5,928,513
Between 5.00 – 5.99	1%	\$152,526,877	\$12,202,150
Between 6.00 – 6.99	1%	\$108,636,507	\$8,690,921
Between 7.00 – 7.99	1%	\$136,120,142	\$10,889,611
Between 8.00 – 8.99	1%	\$87,099,002	\$6,967,920
Between 9.00 – 9.99	1%	\$96,771,518	\$7,741,721
Between 10.00 – 10.99	1%	\$191,161,039	\$15,292,883
Between 11.00 – 11.99	0%	\$55,987,151	\$4,478,972
Between 12.00 – 12.99	1%	\$154,971,594	\$12,397,728
All other	92%	\$14,487,665,905	

Priority 3. Help Protect Restaurant Workers, Patrons, and Operators With a \$3,000 Security Grant

OUR ASK

We call on Ontario to implement the Security Rebate Funding program for Ontario's restaurants and bars. Inspired by the Securing Small Business Rebate Program in BC, the program would offer up to \$3,000 per business location, retroactive to January 1, 2023.

RATIONALE

Crime is a growing threat for restaurants operating across Canada. In a recent survey 55% of our members reported that they have increased their spending on security, including surveillance cameras and other measures. A basic security system can cost a business upward of \$7,000 to install, plus operating costs. For a quick-serve restaurant operating late hours, a system could range well into the tens of thousands of dollars.

Recipients should be eligible to claim expenses associated with addressing vandalism and physical damage to their businesses caused by criminals and/or to help offset the cost of measures to secure their businesses, i.e. cameras, fencing, locks, door, security guards, and other security systems (including base cost, installation, and active monitoring). The program should not discriminate against or penalize businesses with high employee counts or revenues (which are not necessarily indicative of profitability) and should be available on a per-location basis.

Priority 4. Expand Training Grants for Restaurant Workers

OUR ASK

\$14.4M to help grow Restaurants Canada's highly successful Pathways to Careers in Foodservices program. To date, the program met its goal and helped 500 Ontarians from disadvantaged and underrepresented groups find training and permanent jobs in food service. The program offers \$1,000 per trainee, with another \$1,500 retention bonus after the employee completes 3 months of work with the eligible employer, with a maximum benefit of \$2,500 per trainee. These results were funded through the Ontario Government's highly impactful Skills Development Fund.

RATIONALE

Canada's restaurants lost a significant number of employees through COVID who left the industry to retrain or to find work with employers who were able to stay open while restaurants were forced to close or pull back on operations. Many restaurants struggle with profitability in part because they must operate on reduced hours because they cannot find enough employees. Our program connects struggling job seekers with welcoming employers who value these candidates and who want to give them meaningful and permanent work.



Priority 5. Hospitality Sector Workforce Roundtable

OUR ASK

Work with industry leaders from the hospitality sector to launch a Hospitality Sector Workforce Roundtable dedicated to providing recommendations to the Ontario Government that aim to ensure our industry recruits, develops, and retains the workforce necessary to sustain its contributions to Ontario's economy, treasury, and broader wellbeing. The Roundtable would consider training and education, labour and immigration policy, and other real-life factors that impede the sustainability of our workforce. The Roundtable should also consider the integration of technology, including machines and artificial intelligence, and other tools that can help drive efficiencies.

RATIONALE

In rural, remote, and seasonal communities there simply are not enough local workers available to fill many different roles, ranging from cooks, servers, counter-help, bakers, etc. Aggressively competitive pay is often not enough to fill roles.

Both our immigration and education systems have heavily tilted toward healthcare and building trades in recent years. This is contributing to a growing worker shortage in our sector, particularly in key positions like chef, cook, and restaurant manager. Without these specific workers restaurants cannot function, which puts all restaurants, their workers, and their suppliers and vendors, at risk. Ontario needs a strategy to help ensure its hospitality sector has a stable workforce and pipeline of future workers.

Priority 6. Roundtable on Restaurant and Retail Protection

OUR ASK

Comprising restaurant sector representatives, key government ministries, and professionals from the policing and mental health/addictions sectors, the Roundtable would bring forward recommendations to help ensure restaurants and bars are safe for workers and patron, while also ensuring that troubled visitors to restaurants who may be struggling with homelessness, addictions, and/or mental health are appropriately cared for and served.

RATIONALE

Crime, mental health, addiction, and homelessness all impact the foodservice industry. Crime and challenges arising from visitors struggling with mental health and addiction issues deter both customers and workers from visiting and working in restaurants. Restaurants are ill-equipped to deal with challenged visitors to their restaurants who are violent or aggressive toward staff and patrons, mentally ill, or who enter the business to use washrooms to use drugs or sleep. Visitors and workers have a right to feel safe and secure. Those struggling with personal challenges need more appropriate and safe places to go for shelter.





**Restaurants
Canada**

The voice of foodservice | La voix des services alimentaires


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