2017 Federal Pre-Budget Submission

Restaurants Canada

The voice of foodservice | La voix des services alimentaires

Honourable Wayne Easter, P.C., M.P. for Malpeque
Chair of the House of Commons Standing Committee on Finance

Restaurants Canada is pleased to present its pre-budget brief to the House of Commons Standing Committee on Finance. We hope our recommendations will find their way to the final report prepared by the Committee, and will be considered by the Minister of Finance as the 2017 federal budget is developed.

As requested, we have focused our submission on the suggested three main questions. We begin with a brief overview of the restaurant and foodservice industry we represent in order to put our answers into perspective.

The Canadian Restaurant and Foodservice Industry

The restaurant industry is one of the largest sectors of the Canadian economy with $75 billion in annual sales and 1.2 million employees. An additional 257,000 people are indirectly employed as suppliers to our industry.

Restaurants Canada's 30,000 members operate drinking places, pubs, full service and quick-service restaurants, and also include caterers and institutional foodservice providers (schools, hospitals, penitentiaries, etc.).

With 18 million visits to restaurants daily, our industry contributes to the economy of virtually every Canadian community.

Question One:

*"What federal measures would help **Canadians** generally – and such specific groups as the unemployed, Indigenous peoples, those with a disability and seniors – maximize, in the manner of their choosing, their contributions to the country's economic growth?"*

The Canadian restaurant and foodservice industry provides more first time jobs than any other industry. Twenty-two percent of Canadians started their career in a foodservice business. This is where many young Canadians develop valuable jobs skills. Our industry currently employs 488,000 people under the age of 25; that is one in five youth jobs. However, the 15 to 24 age group has already reached its demographic peak and is now in decline with a precipitous drop of 300,000 predicted – falling from 4.6 million in 2011 to 4.3 million in 2021. This demographic decline has already started to pose critical staff challenges. Our industry faces a long term labour worker deficit with a shortage of 137,000 workers predicted by 2030. Our employers are having difficulty finding workers at all skill levels.

We welcome the opportunity to work with the Government of Canada to help train and hire the target demographic groups described here, particularly youth. We already have success stories that we can share in helping improve future programs. We have published for our members guidelines in this regard called Hiring in a Diverse Workforce.

Fiscal incentives and tax credits for employers would be considered necessary to deploy such programs on a large scale within our industry. Additionally, as a not-for-profit association we would welcome accompanying grants to help us administer the additional administrative coordination which would be required.

For employees, we recommend that EI beneficiaries be eligible for labour mobility or transportation allowances to go to work where they are needed.

Restaurants Canada recommends increased investments in labour market information. Timely, relevant and accessible labour market data is needed to help our members respond to and anticipate labour market challenges and opportunities. Canada's LMI system could be greatly improved through better coordination with the provinces and territories, standardization and access to information through a centralized source. In addition to current information on job vacancies, needs include: information on performance and integration of under-represented groups; timely and accurate information on salaries and wages; surveys on mobility and employment restrictions of employment persons. Data must also be segmented sufficiently to identify labour market needs in rural and remote parts of Canada.

For employers we recommend making available job training tax credits, including on-the-job training and fiscal incentives for hiring targeted underemployed groups. This would also mean making available these credits and fiscal incentives as part of the employer's total employment and new hire effort regardless of the unemployment rate in any particular geographic area. An employer would submit the total number of new jobs he would commit to in any given period and would receive a total grant or incentive based on that criteria alone regardless of the unemployment rate in any region.

Question Two:

"What federal actions would assist Canada's businesses – in all regions and sectors – meet their expansion, innovation and prosperity goals, and thereby contribute to economic growth in the country? For example, what actions in relation to support for entrepreneurs, internal and international trade and investment, regional development agencies, taxation and business financing would help businesses maximize their contribution to Canada's economic growth?"

In our view, several issues require immediate attention from the Government of Canada to make our industry more 'entrepreneur friendly'. In no particular order, these are:

1) Credit card fees: Interchange fees remain in our view a source of unfair business practice. In many cases, credit card issuers make more profit than the restaurant owner on a 50 dollar meal for two. Even with the 10% reduction in interchange fees that went into effect in April 2015, our credit card acceptance fees are still amongst the highest in the world. Credit card companies are continuously and arbitrarily introducing new card holder incentives resulting in higher fees to our industry operators. Interchange fees in Canada

are five times higher than those in the European Union. Consequently, we recommend that government regulate a further cap on interchange fees.

2) Interprovincial non-tariff barriers on alcohol. Federal and provincial governments must consider the foodservice industry, as much as individual customers, when studying the commerce of alcohol. Freer interprovincial trade will lead to more competitively priced products, which would be a win for our customers across the country. As it stands, as the largest buyer of wine and alcohol we are excluded from leveraging that purchasing power and passing on savings to customers. We recommend that the federal government include in the internal trade negotiations that the foodservice industry be able to buy freely in any jurisdiction in Canada and make those products available to wherever the customer is located. This would remove the barriers that actually often make it easier for restaurants to buy from another country than a neighbouring province.

3) Open access to international sourcing of food supply in the context of international trade agreements. We welcome such recent measures as the opening of tariff rate quotas (TRQ) on refined cheeses and industrial cheeses found in the CETA. In particular, we would welcome future import increases in all food and agricultural products to Canada as part of multilateral or bilateral trade agreements so as to give our members access to more competitive internationally priced products.

4) Reduction of the small and medium sized business corporate tax rate. We ask the federal government to lower the tax rate from the existing 10.5% to 9%. This would have an immediate beneficial investment impact on our members to maintain and grow employment as they invest in the future growth of their operations. Helping the future growth of the food service industry is a progressive public policy objective as our industry remains among the top job creators in the country. In 2014, we were number one in job creation with 31,300 new jobs.

Question Three:

*"What federal measures would ensure that urban, rural and remote **communities throughout Canada** enable residents to make their desired contribution to the country's economic growth and businesses to expand, prosper and serve domestic and international customers in order to contribute to growth?*

Aligned with our previous recommendations about labour market strategies, we expect that the Temporary Foreign Worker Program will be reformed to reflect our industry's cyclical needs of annual expansion and contraction; and in communities, particularly remote communities, where services are needed but there are no other options for employers. In the case where the economy is overheating there are specific challenges as was the case when the energy industry was in full expansion mode. Now that we are in what is referred to as a slow growth economy our industry still manages to do relatively well when we consider our historical sustained growth over time. Indeed, the commercial foodservice sector, which included spending at restaurants, caterers and drinking places, will post its' 25th consecutive year of growth in 2016.

That being said, our industry still needs trained personnel at all levels and a permanent immigration stream for lower skilled workers under the Express Entry program or through significantly increasing provincial nominations for permanent residency. This could also be accomplished by reforms to the temporary foreign worker program to make it a pathway to permanent residency. Training foreign workers to do the jobs that are in short supply must be another means at the disposal of the employer to be able to rely on a steady workforce which becomes a productive investment over time. This contributes to regional job growth in the long term. In addition, here are some immediate suggestions that would help our industry retain workers. Our members are an integral part of the 90% of small and medium sized businesses that grow the Canadian economy and they would benefit from the following measures:

- Fulfill the government's campaign promise of a EI youth job credit;
- Align the federal tourism strategy with the foodservice industry objectives of labour retention and training as well as investment opportunities to grow within tourism focused markets. The culinary experience is part and parcel of the tourism experience and

contributes widely to Canada's brand as a go-to destination. By consulting more readily with our industry we can achieve common objectives where our proposals for innovative activities and services are compatible and match target-audience needs. We can strongly contribute as private sector partners to provide value-added propositions to government that will help strategies that aim to build critical mass and attract and retain tourists within regions.

Conclusion

The title of our 2016 annual report is Together We Nourish a Nation. This is absolutely what we do day in, day out. What this title also implies is that in the process of nourishing the nation, we help build neighbourhoods, drive tourism and fuel Canada's agri-food production. We also play a major role in funding public health research by our charity fundraising.

Since the 2008 recession, Restaurants Canada members have consistently identified high labour costs and food costs as two of the major challenges impacting their businesses, along with shortages of skilled and unskilled workers and high credit card fees. We have attempted to speak to those points in this submission. We would welcome the opportunity to speak directly to the honourable members of the standing committee on Finance in order to elaborate on the positive impact we can have on Canada's economy. The main objective is that the federal government partners with us in removing obstacles and irritants to our operators and provides new business opportunities moving forward. It is in a sustained dialogue with our industry that we can contribute to new strategies that will create more jobs and provide new investment in all communities across the country.

Restaurants Canada wishes to thank all the honourable members of the Committee for their interest and their help in making our voice heard to the Minister of Finance.