Standing Committee on Industry, Science and Technology –

Canadian Response to the COVID-19 Pandemic

PRESENTED TO:

Chair Sherry Romanado, M.P.
House of Commons Standing Committee on Industry, Science and Technology

August 17, 2020

Restaurants Canada
The voice of foodservice | La voix des services alimentaires

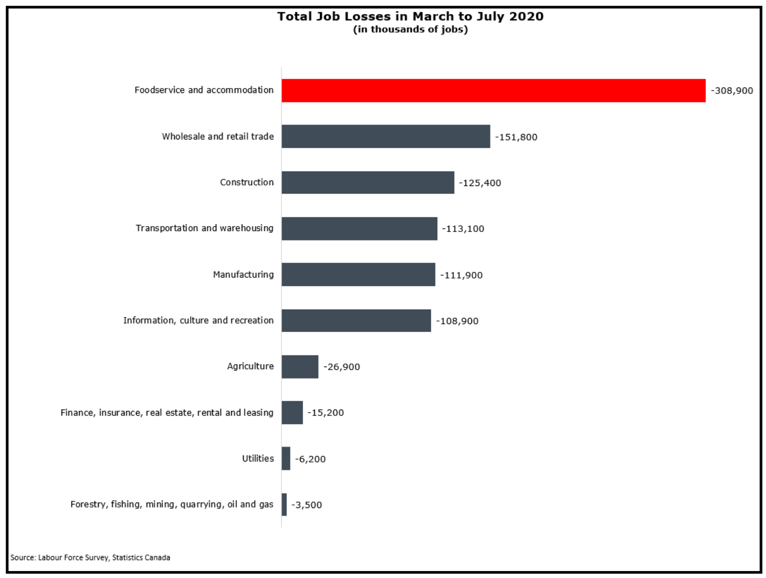
RECOMMENDATION #1:	**Extend and adapt support from the main COVID-19 federal business support programs**
RECOMMENDATION #2:	**Ensure funding to downtown cores is expanded and expedited**
RECOMMENDATION #3:	**Government funding for campaigns and programs to support restaurants and tourism**
RECOMMENDATION #4:	**Support the development of national health guidance regarding COVID-19**

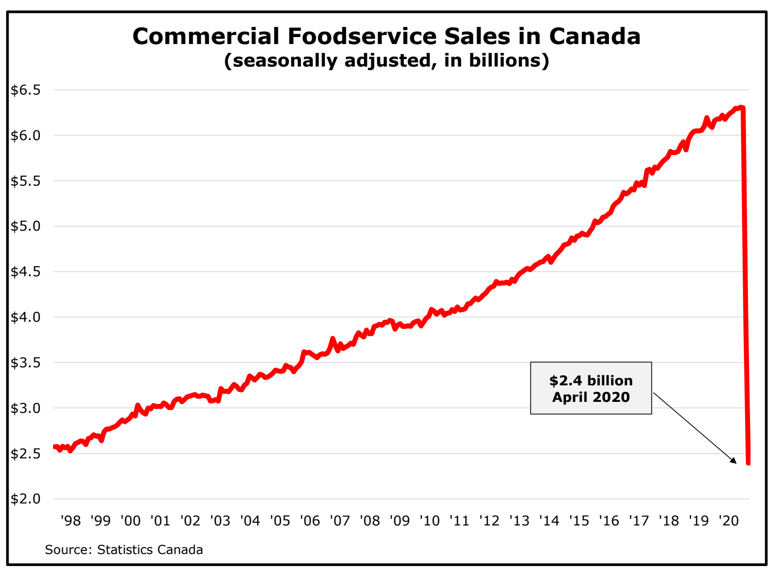
Canadian Response to the COVID-19 Pandemic

As the voice of foodservice and on behalf of our 30,000 members, Restaurants Canada submits our recommendations to the House of Commons Standing Committee on Industry, Science and Technology to support the tourism sector as it struggles to respond and recover from the impacts of the COVID-19 pandemic.

Before the start of the COVID-19 pandemic, Canada's foodservice sector was a $93 billion industry, directly employing 1.2 million people, providing Canada's number one source of first jobs, and serving 22 million customers across the country every day. The picture today is very different. Much of the industry is now fighting for their existence and will need continued government support to survive and recover from the impacts of COVID-19.

By April, more than 800,000 foodservice workers lost their jobs or had their hours cut down to zero. To provide context, foodservice lost more jobs in six weeks during the pandemic than the entire Canadian economy lost during the 2008-2009 recession.





While the latest Labour Force Survey from Statistics Canada reveals foodservice employment growth in July, the sector is still more than 300,000 jobs short of where it was in February. No other industry comes close to this level of shortfall. The foodservice, and broader tourism industry, were among the first and hardest hit by the impacts of COVID-19. The road to recovery will be long. Razor-thin margins, averaging 4.2 per cent nationally, and the continued need for physical distancing will inhibit recovery. Due to the impact of COVID-19, the industry could lose as much as $44.8 billion in annual sales compared to 2019.

According to Restaurants Canada's July survey, more than half of respondents who are currently operating said they continue to operate at a loss, with some at a significant loss. When asked how many months they expect it will take their business to return to profitability 31 per cent said between seven months to a year, 36 per cent said between a year and 18 months and 20 per cent said more than 18 months; taking us well into and beyond 2021.

A thriving foodservice sector is critical to Canada's tourism infrastructure. Food and beverage is the largest area of tourism employment, accounting for one-third of visitor spending. Our industry supports a wide variety of businesses, indirectly supporting more than 290,000 jobs including a significant number of workers in related tourism businesses such as hotels, tourism activities and transportation.

The committee's support is important for our industry, particularly for some restaurant concepts and locations. As companies are slow to bring workers back to their offices, downtown cores in major cities will remain quiet and restaurants, along with other businesses, will be challenged to fight for their survival. Similarly, with capacity restrictions and other measures in place to address COVID-19, customers are slow to return to on-premise dining. Added to the fact that international tourism is non-existent, there is a real threat to the restaurant industry.

While we recognize the significant support that the federal government has provided during this pandemic, given the reality of the foodservice industry, without ongoing and new assistance many in the foodservice industry will not make it. Restaurants Canada is calling on the federal government to extend and strengthen support for foodservice businesses so they can survive, continue to employ Canadians and contribute to Canada's tourism sector and overall economic recovery.

RECOMMENDATION #1:

Extend and adapt support from the main COVID-19 federal business support programs

Canada Emergency Wage Subsidy (CEWS)

Changes to both the timeframe and eligibility for the CEWS were appreciated by many of our members. The extension to December provides predictability to the many restaurants and foodservice establishments seeking to employ/re-employ Canadians and the changes to eligibility may also ensure that more businesses can access this much needed support with labour costs.

With the long road to positive cash flow for our industry, we recommend that the government continue the CEWS program until businesses return to normal revenue levels as compared to pre-COVID 19 rather than base the sunset of the program on a fixed calendar date.

By December 2020, projections by Restaurants Canada indicate that monthly restaurant revenues could decline between 12.5 per cent and 38.0 per cent on a year-over-year basis, depending on the segment. As shown below, an extension of the Period 9 wage subsidy into December and early 2021 would not be enough to offset the cumulative decline in revenues since the start of the crisis which may result in the permanent closure of many restaurants and thousands of job losses.

While the same linear sliding scale may be used for a longer period, consideration should be given to reassessing the percentage of the wage subsidy that will be needed given the economic realities of the foodservice industry. An extension of the final CEWS period will not provide the level of support needed for recovery without adjustment. This approach is important to continue to bring Canadians back to work and provide business stability in the tourism sector which will take time to return to pre-COVID-19 levels.

Canada Emergency Business Account (CEBA)

When the CEBA was launched on April 9, it was intended to support businesses with their fixed costs during the shutdown due to the necessary measures put in place to contain the spread of COVID-19. At the time no one predicted that some businesses, including restaurants, would still be operating under severe restrictions across Canada.

Given the length of this crisis and the unknown return to regular conditions and sustainable revenues, we recommend eligibility to an amount greater than $40,000 and an increase in the forgivable portion of the loan. Though the primary focus of foodservice operators is not to take on more debt, such a change may provide a lifeline to many small business owners and restaurateurs.

Adapt and simplify the Canada Emergency Commercial Rent Assistance (CECRA)

While the government's intention with the CECRA was to provide much needed relief for businesses, complexity and slow uptake has left many tenants without the funds needed to address the issue of rent. At the start of June, half of restaurant operators across the country were still dealing with landlords unwilling to participate in the CECRA program or any other rent relief arrangement.

To allow tenants to access much needed funds for rent, Restaurants Canada recommends that the CECRA be adapted to provide rent support directly to businesses for up to 50 per cent, under similar parameters of a sliding scale as the CEWS program.

RECOMMENDATION #2:

Ensure funding to downtown cores is expanded and expedited

In June, the federal government announced that some funds from the regional development agencies' budgets could be used to support downtown cores in Canadian cities hard hit by the pandemic. We recommend that the committee ensure these funds are made available quickly as the situation is dire for many restaurants and businesses in these areas.

As patios close heading into the fall and winter, it will become increasingly important that the foodservice industry in downtown cores with high rents and low traffic receive much needed relief expeditiously.

While the current Regional Relief and Recovery Fund (RRRF) program in place is mainly directed for the cities of Toronto and Montreal, Restaurants Canada recommends that consideration be extended to other major metropolitan areas where the foodservice industry and other businesses also face challenges.

Consideration should also be given to the creation of a national downtown core funding support to provide some level of industry stability. The funds could be used to help restaurants pay their ongoing fixed costs and to help build and maintain inventories.

RECOMMENDATION #3:

Government funding for campaigns and programs to support restaurants and tourism

As provinces began to ease restrictions and reopen restaurants and dining rooms with limited capacity, operators have worked tirelessly to adapt their restaurants to allow for physical distancing while making efforts to market the re-opening of their businesses. This effort continues to be significant, both financially and in sweat-equity. According to a Tourism HR survey, 65.5 per cent of operators identify adaptation to the new measures as one of their main challenges.

Looking to the mid- to long-term, the foodservice sector will face increasing challenges with patios closing, the possibility of reduced government financial support and a holiday season with fewer social gatherings. To mitigate these challenges and encourage Canadians to safely return to restaurants, Restaurants Canada recommends funding be made available to support public campaigns being developed and executed by organizations across the country, including ours.

According to an Angus Reid survey conducted in early June, only about half of Canadians felt safe returning to restaurants[i]. Although this statistic is likely trending in the upwards, the industry needs help and support to make it even better. A public campaign focused on client experience, safety and the essential role foodservice plays in the economy would bolster consumer confidence and support overall economic recovery. Through Destination Canada, and other tools, the federal government could further extend the reach of campaigns outside of the country to encourage tourism as border restrictions allow.

Complementary to funding campaigns, creating tourism vouchers or tax credits to encourage Canadians to travel domestically would stimulate local demand and the economy.

RECOMMENDATION #4:

Support the development of national health guidance regarding COVID-19

While most of the decisions on reopening the economy are taken by provincial public health authorities, the federal government, and your committee, has a role to play in the development and harmonization of some health guidance provided across the country. A consistent and prudent approach to reopening the economy will support restaurants and tourism. With your committee's mandate to make recommendations that are based on science, you are well poised to provide the research and information needed throughout the phases of COVID-19 including the recommended health measures and approach to gradually easing of restrictions.

Further, by showing leadership and a responsible approach to easing restrictions, Canada has an opportunity to become a hub for tourists looking for a safe place to travel.

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[i] Angus Reid Institute in partnership with the Agri-Food Analytics Lab at Dalhousie University, June 9, 2020