

Saskatchewan 2024 Pre-Election Platform Submission

Presented to:

Saskatchewan Provincial Party Leaders

Sent via email on August 30th, 2024

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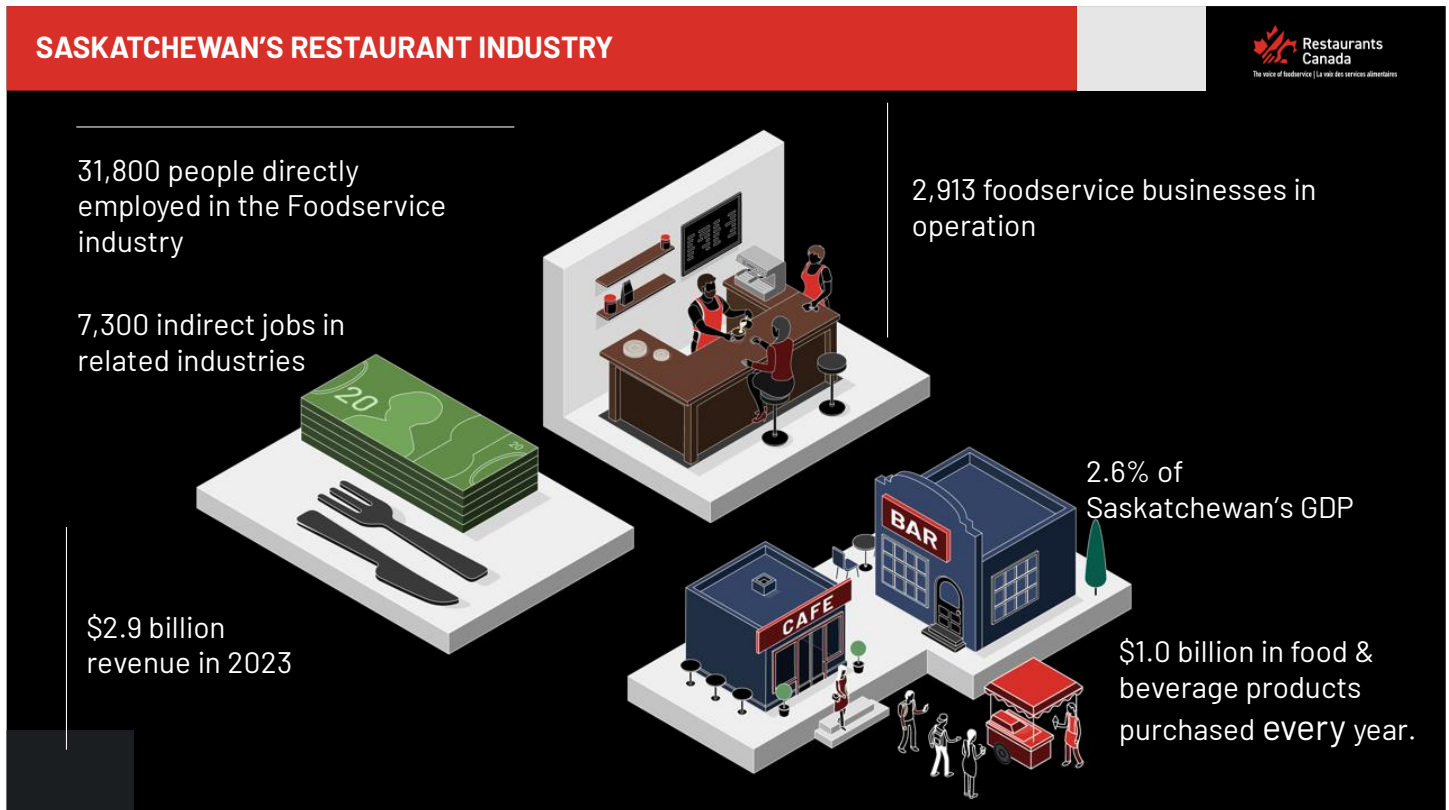
**Restaurants
Canada**

The voice of foodservice | La voix des services alimentaires

Foodservice is Everyone's Business

A thriving foodservice sector is critical to the wellbeing of communities across Saskatchewan, contributing jobs, investment, innovation, tourism and spaces for social activities and civic engagement.

Saskatchewan Foodservice by the Numbers



Foodservice is Where We Come Together

- Restaurants, cafeterias, coffee shops and bars are gathering spots for people from all walks of life.
- Foodservice operators are proud members of their communities — their businesses serve as social clubs for seniors, sponsors for local hockey teams, boardrooms for small businesses, and meeting places for community groups.
- Whether ordering in or dining out, Saskatchewanians count on their favourite eating and drinking places for getting together to celebrate, do business, talk politics, and spend time with family and friends.

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When Foodservice Thrives, So Do Our Communities

Unfortunately, many of Saskatchewan's restaurants are struggling to survive since the pandemic due to a combination of pandemic related debt and higher interest rates, labour shortages, inflationary cost increases that have added more than 20% to operating costs while menu inflation is only increasing at roughly 5%, and decreased demand as Saskatchewanians also struggle to make ends meet due to a decline in disposable income. Government policies have also negatively impacted restaurant industry growth. Working together with Restaurants Canada, Saskatchewan's next government has an opportunity to improve conditions for foodservice businesses so that they contribute to healthy, vibrant communities.

This 2024 pre-election platform submission highlights the key challenges that Saskatchewan's restaurateurs are currently facing and makes 10 policy priority recommendations that would help the province's foodservice sector better contribute to a prosperous economy and dynamic future.

About Restaurants Canada

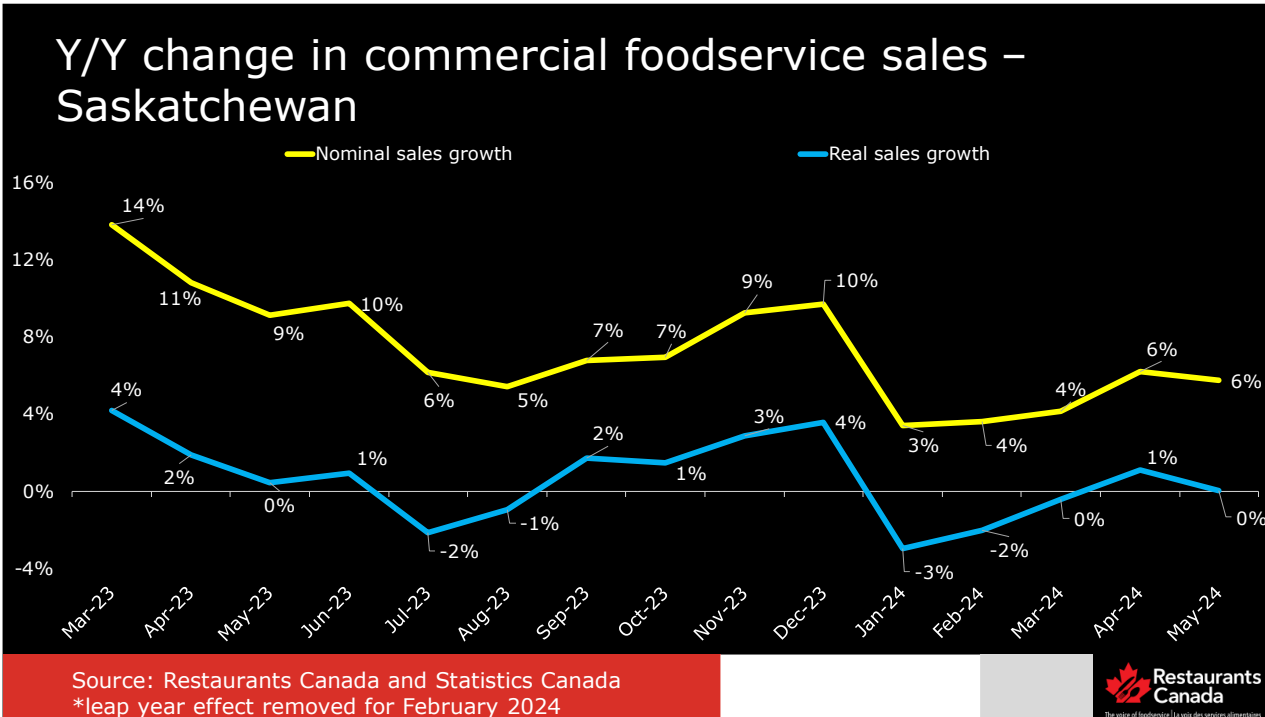
Restaurants Canada is a growing community of more than 30,000 foodservice businesses, including restaurants, bars, caterers, institutions and suppliers. We connect our members from coast to coast, through services, research and advocacy for a strong and vibrant restaurant industry. Canada's foodservice sector generates \$114 billion in annual sales, directly employs 1.2 million Canadians, is the number one source of first jobs and serves 23 million customers every day.

Founded in 1944, Restaurants Canada was first known as the Canadian Restaurant Association, then the Canadian Restaurant and Foodservices Association.

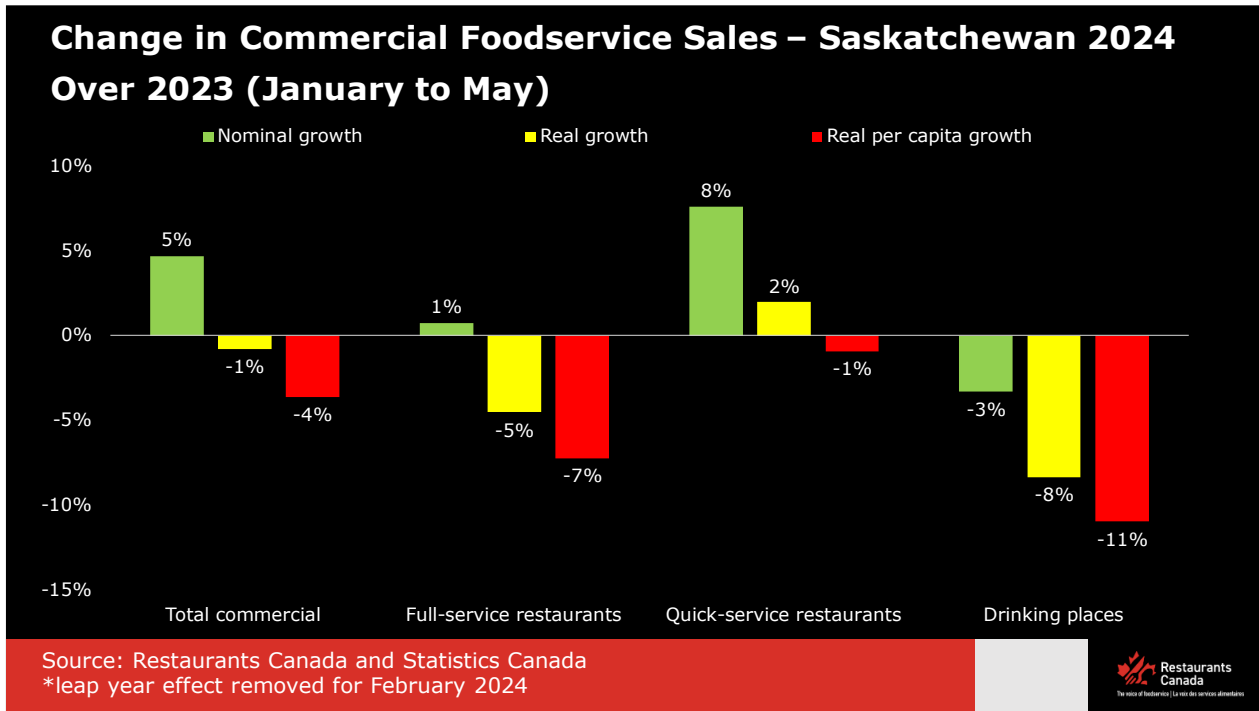
Current State of Saskatchewan's Restaurant Industry

Since the pandemic Saskatchewan's restaurant industry has struggled to return to pre-pandemic sales and profitability resulting in many restaurants going bankrupt or simply choosing to close their doors. Even prior to the pandemic Saskatchewan restaurant sales were negatively impacted by the government's 2017 decision to add provincial sales tax to restaurant meals. After a bounce in sales following the pandemic in 2022 as guests once again felt confident in returning to restaurants, 2023 saw a decline in real restaurant sales over 2022 (nominal sales minus menu inflation) with 2023 ending with zero growth in real sales and declining further in the first few months of 2024.

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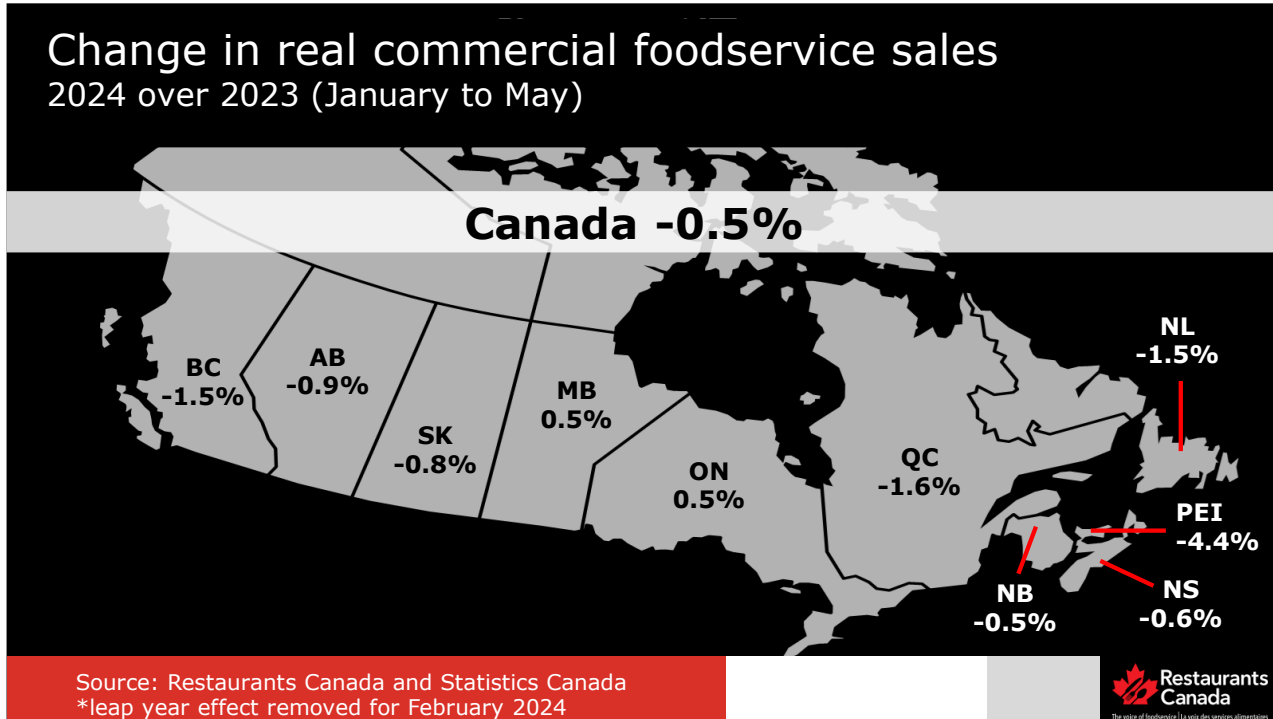


The decline in real sales is even lower when factoring in population growth with full-service restaurants and bars experiencing the largest real sales declines.

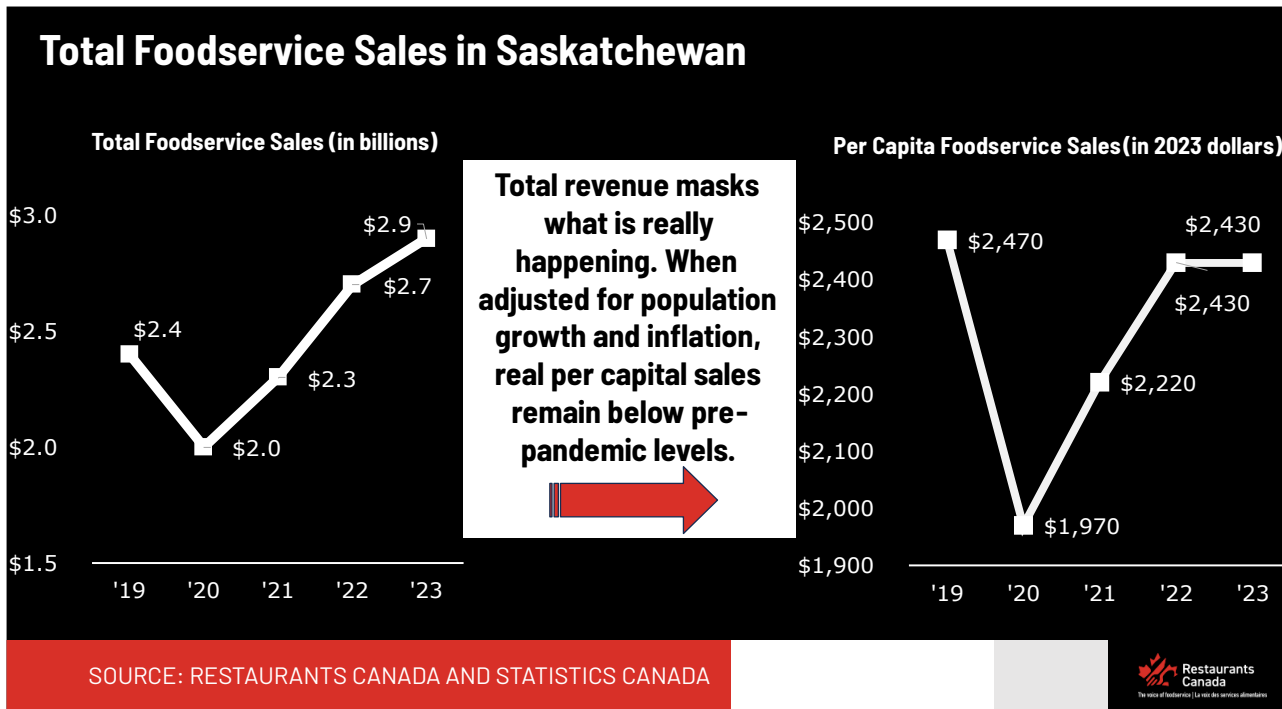


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From January to May 2024 real Saskatchewan foodservice sales declined by 0.8% versus 0.5% for Canada.



Per capita sales in Saskatchewan are still below pre-pandemic per capita sales.



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Saskatchewan restaurants are also struggling to return to profitability as operating costs have increased by more than 20% in the past couple of years while menu inflation is only 5% as restaurants can not pass along all these cost increases on to value conscious guests who have less disposable income.

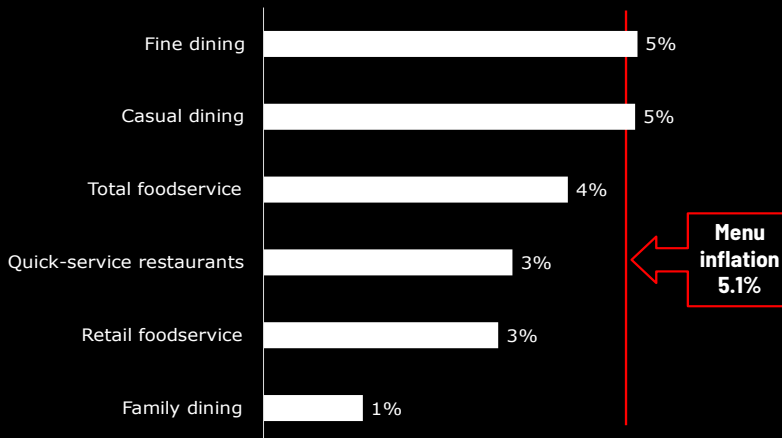
Restaurants face higher operating expenses over the last two years

- 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



Percentage Increase in Average Check Size Per Person in Western Canada 2024 Over 2023 (January to June)



MOST FOODSERVICE OPERATORS HAVE NOT BEEN ABLE TO PASS ALONG GROWING COSTS TO PATRONS – CONCERNS WITH IMPACT ON GUEST COUNTS

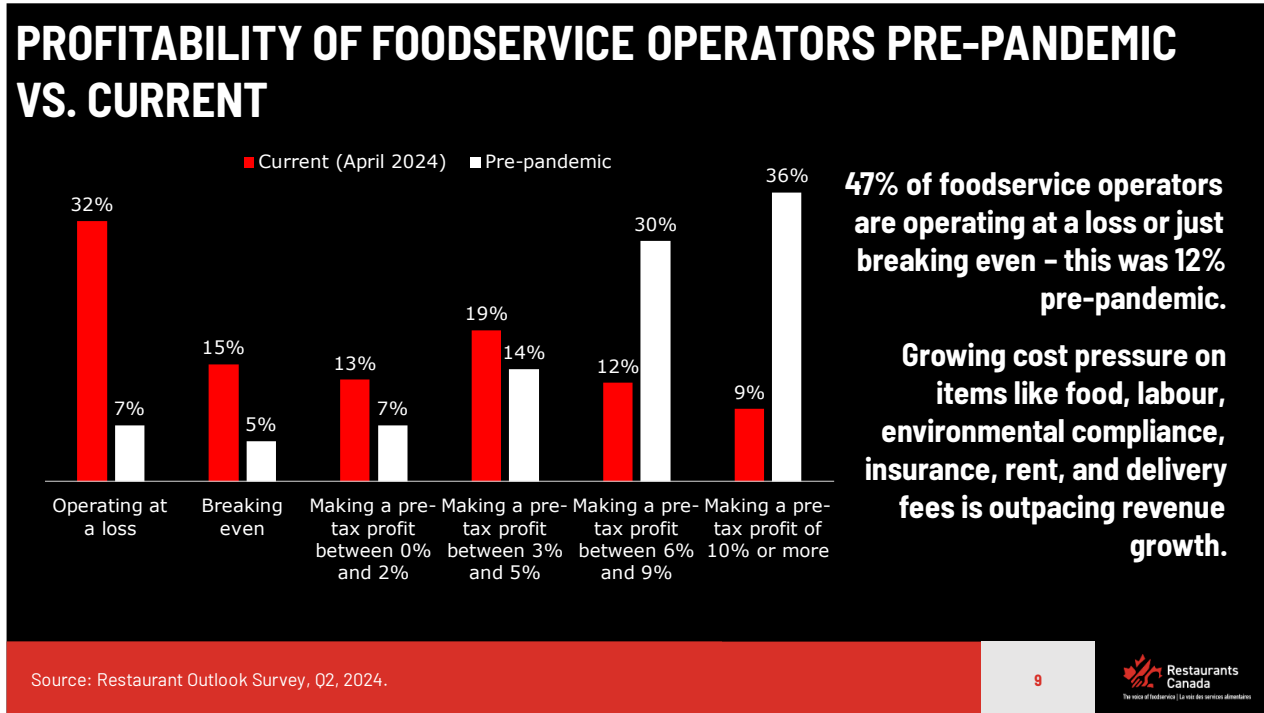
Menu inflation 5.1%

SOURCE: CIRCANA/CREST® ENDING JUNE 2024

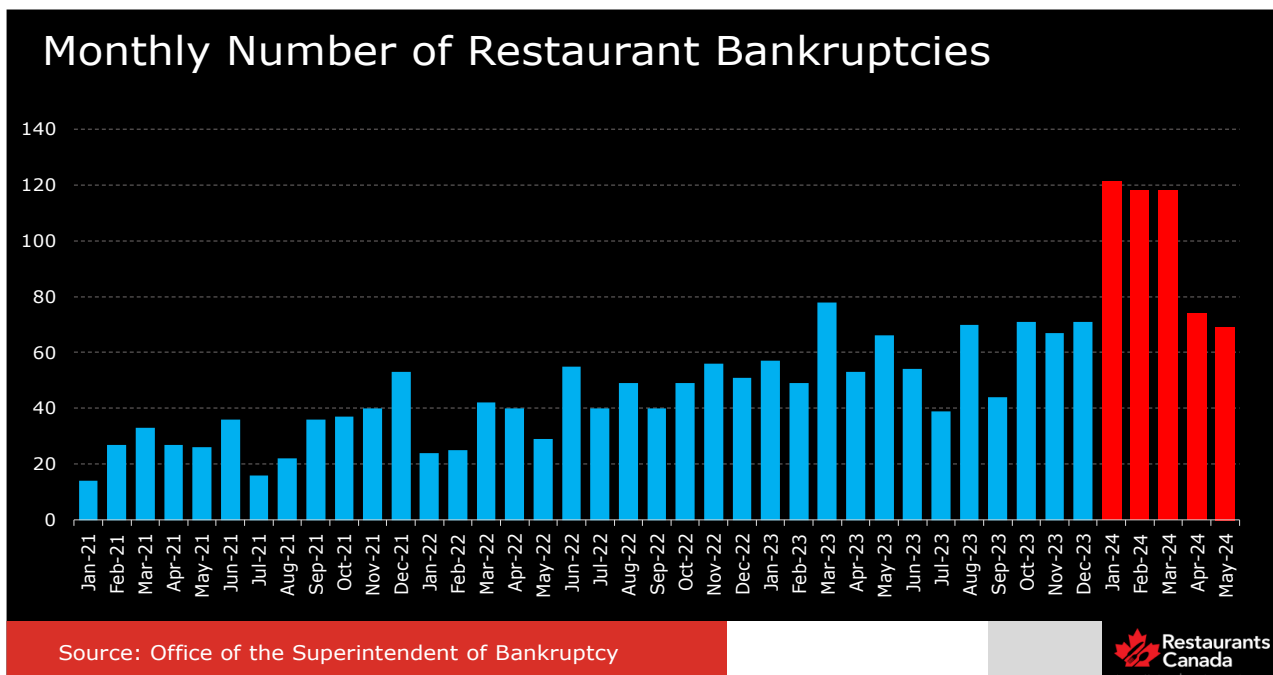


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As a result, as of April 2024 nearly half of restaurant operators are operating at a loss or barely breaking even compared to just 12% operating at a loss or breaking even prior to the pandemic.



Accumulated losses and debt have also resulted in the highest number of restaurant bankruptcies in history in the first quarter of 2024.



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Given the current struggles of restaurants to return to profitability the next Saskatchewan government needs to work with Restaurants Canada to implement policies designed to help Saskatchewan's restaurant industry return to profitability and remain a key economic driver and employer in every Saskatchewan community. Our members also want the newly elected government to commit to "doing no further harm" to the industry by committing to not implement new legislation and regulations that would add further costs and regulatory burden on Saskatchewan's struggling restaurant sector.

2024 Saskatchewan Election Policy Recommendations

Liquor Cost Relief

1. Level the liquor-purchasing playing field: implement wholesale liquor pricing for all hospitality licensees.

While we appreciate the current government's initiative to transition liquor retailing to a private liquor retail modal, licensed Saskatchewan restaurants and bars continue to be frustrated with the SLGA's unfair wholesale liquor pricing policy that allows some hospitality licensees access to full wholesale liquor pricing while most licensees are forced to pay higher retail prices. In some cases, licensees have had to approach their competitors to negotiate a discount off the retail liquor price. The lack of access to wholesale liquor pricing for most of the province's licensed operators continues to be a frustrating policy issue.

Moreover, multiple other jurisdictions across Canada have implemented some form of a broad-based wholesale liquor pricing discount:

- **Ontario:** In December 2021, the provincial government announced that licensed businesses will receive a 10 per cent discount on beer, spirits, and wine and would no longer be subject to the 6% mark-up on wine and spirits. When combined with HST recovery and container deposit fees, licensees will effectively pay 20 per cent less than retail prices for alcohol purchased wholesale from the LCBO.
- **British Columbia:** In February 2021, the BC government announced that "Changes to allow restaurants, bars and tourism operators with liquor licenses to purchase beer, wine and spirits at the wholesale price set by the BC Liquor Distribution Branch (LDB) are now in place permanently. This policy changes saves all B.C hospitality licensees an average of 20% in their liquor purchase costs at a time when they need operating cost relief most.

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- **Alberta:** For decades licensed foodservice operators have had the ability to purchase alcohol at the wholesale price.

Restaurants Canada is calling on the Saskatchewan government to implement the necessary policy reforms to level the playing field on liquor wholesale pricing. It needs to be implemented for all hospitality licensees as other provinces have recently done to improve the industry's profitability and make it more affordable to operate a licensed establishment in Saskatchewan. Saskatchewan licensees should be able to purchase alcohol at the same wholesale price as private retailers.

Crime and Vandalism Support

2. Introduce a securing small business rebate program providing businesses with access to new funding to support increased costs due to crime and vandalism.

In recent months, we have heard from restaurant owners across the province who have consistently highlighted the increase in thefts, property destruction, overdosing and drug use in restaurant bathrooms, vandalism and most disturbingly, an alarming spike in physical and verbal abuse and altercations between members of the public and staff at their restaurants and bars.

In response to this alarming rise in crime and anti-social behavior, our industry has been forced to incur substantial costs into the tens of thousands of dollars to protect themselves, their staff and their commercial premises. Many restaurant and foodservice businesses have hired security guards, installed costly security systems and upgraded their existing ones, installed customer ID scanners at entrances to their establishments, had to pay for graffiti removal, exterior cleaning services, and provided their staff with additional first aid training — all at great expense to protect their businesses. However, the restaurant sector and the business community in general, cannot shoulder the impact and cost of crime in their establishments alone. That's why Restaurants Canada is calling on the Saskatchewan government to follow the BC government's lead with the implementation of a *Securing Small Business Rebate Program*. The program supports small businesses in recovering expenses incurred after experiencing property damage due to crime and vandalism, and to recoup expenses after taking measures to prevent vandalism.

Tax Relief

3. No New Taxes or Tax Increases

Our beleaguered industry is grappling with rising operating costs across the board. Inflationary pressures and the carbon tax are increasing food prices. Our industry cannot afford any new taxes or tax increases as they struggle to return to profitability. There is a critical need to improve the restaurant industry's competitiveness. We welcome the opportunity to collaborate with the newly elected Saskatchewan government to discuss provincial and municipal commercial tax relief measures that can be implemented that will have the most impact in reducing costs for Saskatchewan restaurateurs and make them more competitive.

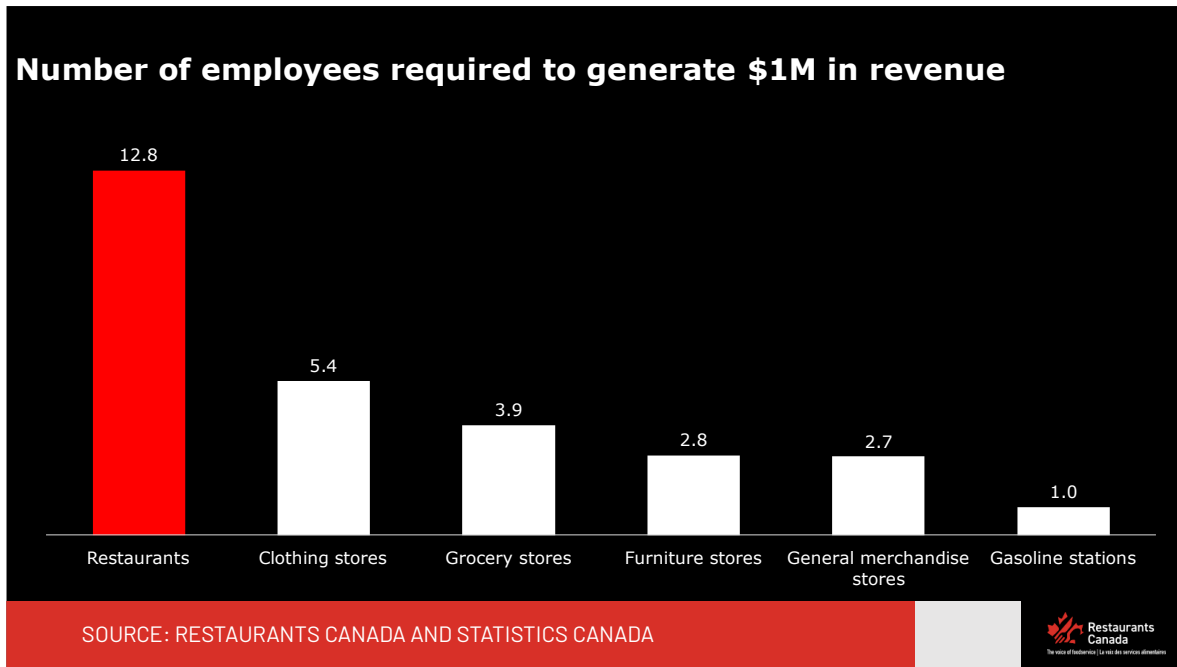
4. Reinstate PST exemption on restaurant meals

Even before the pandemic, running a restaurant was a tough business: the pre-tax profit margin for Canada's foodservice industry declined from 4.2% in 2018 to 3.8% in 2019, representing the lowest profitability since Statistics Canada began reporting this data in 2012. No other sector keeps so little in profit and returns so much to the economic and social vitality of Canadian communities: more than 95 cents of every dollar spent at a restaurant typically goes back into our economy in the form of local jobs, food and beverage purchases, charitable giving, and more. Pre-pandemic, guest traffic and restaurant sales were already impacted by the 2017 decision to add PST on restaurant meals while other food purchases remained tax-free. This change created an uneven playing field, and a disincentive to dine outside of the home. We call on the newly elected government to reinstate the PST exemption on restaurant meals. This would make it more affordable for Saskatchewanians to support their local foodservice businesses and would help move the needle for restaurant operators struggling to pay down pandemic-related debts and return to profitability.

Labour Cost Relief

The restaurant industry is one of the most labour-intensive industry's with roughly a third of every revenue dollar going towards labour costs compared to roughly 10% labour cost for retail.

It takes 12.8 restaurant employees to generate a million dollars of revenue which is more than double the number of employees it takes to generate the same \$1 million in the retail sector.



Access to affordable labour is essential for Saskatchewan restaurants to recover and return to profitability as Saskatchewan’s third largest private sector employer.

5. Return to Saskatchewan’s minimum wage indexation formula and introduce youth and liquor server wage differentials.

Restaurants Canada and Saskatchewan’s struggling restaurateurs were disheartened by the announcement in May 2022 to increase the provincial minimum wage from \$11.81 to \$13.00 per hour which came into effect on October 1, 2022, and to \$15 per hour effective October 1, 2024 – a 27% increase over three years. The decision came without consultation and moves away from the province’s traditional indexation formula, which linked adjustments to Average Hourly Wage to the Consumer Price Index (CPI) for Saskatchewan. The increase removed predictable and sustainable minimum wage increases which were in line with wage inflation at a time when Saskatchewan’s restaurant sector could least afford it. We recommend that the newly elected government return to Saskatchewan’s previous minimum wage indexation formula and introduce youth and liquor server wage differentials.

Liquor servers are minimum wage earners in name only. Gratuity earning liquor servers are the highest paid hourly workers in any licensed establishment, earning above \$40 per hour when factoring in gratuities. A liquor server wage would allow restaurateurs to allocate more labour

budget dollars towards higher wages for non-gratuity earning career-oriented kitchen staff, who are typically harder to attract and retain. It would also provide servers with more hours on the floor to better serve guests and generate more gratuity income.

Restaurants Canada also supports the implementation of a youth wage differential like Alberta's Job Creation Student Wage which provides an incentive to employers to hire and train students for their first job for a limited time period until they are fully trained and as productive as more experienced employees.

We recommend that a liquor server and youth wage differential should be implemented at \$15 per hour and remain at \$15 per hour when Saskatchewan adjusts the general minimum wage in 2025 and beyond to above \$15 per hour.

6. Introduce a Minimum Wage Adjustment Program

Given that minimum wage is increasing by a whopping 27% in the past couple of years our Saskatchewan members and Restaurants Canada is urging the new provincial government to implement a Minimum Wage Adjustment Program as other provinces have done to help offset the impact of significant minimum wage increases. For example, Saskatchewan could model a mitigation program like the Manitoba government's *Small Business Minimum Wage Adjustment Program*. It provided support to small businesses to help offset the impact of the province's minimum wage increases.

The Government of Newfoundland and Labrador also implemented and expanded its wage-focused *Transitional Support Program* for Smaller Employers. This support program offered \$0.50 per hour for all hours worked at the minimum wage from October 1, 2022, to September 30, 2023. It provided two payments to eligible employers, with 80 percent of the eligible amount paid upfront and the remaining 20 percent paid after the covering period ends. The maximum payout to an employer is \$1,040 per minimum wage earner. We are ready to assist the Saskatchewan government in the development of a similar program to ensure it provides meaningful support to the sectors impacted by the significant minimum wage increases announced in the spring 2022.

7. Introduce an employer-focused skills development grant program for in-house employee training

One of the biggest operational and affordability challenges which our Saskatchewan members have identified is the rising cost of onboarding new employees and staff training. Currently, there is a disconnect between the skills training programs and the needs of the province's restaurant and hospitality industry due to the regular use of in-house, on-the-job training versus third party training programs with external businesses. That's why Restaurants Canada and our members are recommending that the provincial government follow the lead of the Government of New Brunswick, and other provinces by launching an employer-focused training grant which covers in-house training for hospitality — front of house (point of sale employees, wait staff, hostess/host, bartenders, supervisors, management) and back of house (cooks, chefs, line-staff, dishwashers/prep-cooks). As a framework, the funding could be dependent on hiring youth, people with disabilities, women, immigrants, indigenous, or racialized people of which our industry is already a leading employer. The training program which the New Brunswick government launched in collaboration with Restaurants Canada allocated \$500,000 to the province's foodservice industry to help offset costs associated with onboarding and training new hires. Eligible applicants can receive \$500 per new hire, up to a maximum of five new hires. Restaurants Canada would welcome the opportunity to collaborate with the Saskatchewan government on a similar program to mitigate the cost of hiring and training new employees and help our industry create jobs in the province.

Labour Shortages

Canada's restaurant industry continues to be short of 73,000 employees and has yet to surpass 2019 employment levels given demographic labour shortages. In fact, the restaurant job vacancy rate is double the average of all other industries. As the largest youth employer, the restaurant industry has been negatively impacted by a significant decrease in the number of young people entering the workforce forcing many restaurateurs, especially in rural regions, to look to immigration to fully staff their businesses. Many Saskatchewan restaurateurs are having trouble attracting and retaining employees. In fact, our members report that they are only able to operate at 80% capacity because they do not have enough staff. This has also led to owner/operator and manager burnout as they need to work many overtime hours to make up for staff shortages.

As a result, some members have reluctantly had to utilize the Temporary Foreign Worker (TFW) program as short-term fix despite the red tape and extra expense (average \$14,000) in addition to paying prevailing wage rates and taking on housing and other expenses to accommodate these

temporary employees. However, long-term labour solutions to alleviate demographic labour shortages will be required to fully staff the hospitality industry in the future.

8. Introduce a Saskatchewan Immigrant Nominee Program (SINP) Tourism & Hospitality Stream

Many Saskatchewan members have already successfully utilized the existing international skilled worker and Saskatchewan experience categories of the SINP program to transition temporary foreign workers into permanent residents to help with their long-term staffing needs. However, Restaurants Canada and our Saskatchewan members recommend introducing a dedicated SINP Tourism and Hospitality Stream like the popular and successful Alberta Advantage Immigration Program (AAIP) Tourism and Hospitality Stream introduced earlier this year which allocates hundreds of dedicated nominations for tourism and hospitality employers. Introducing this new category will ensure that there are dedicated permanent resident nominations each year for the Tourism and Hospitality industry. We look forward to working with the newly elected government on developing the criteria for a SINP Tourism and Hospitality Stream.

9. Support a New Federal/Provincial Newcomer Employment Matching Program

We understand that there are roughly one million unemployed immigrant newcomers in Canada. Targeted settlement supports are necessary to ensure newcomer success including past programs like the *Destination Employment Pilot* run from 2019 to 2021 that connect newcomers with employment opportunities and training. For the past year we have been encouraging the federal government and provinces to work together and introduce a new newcomer employment program for the hospitality industry that matches newcomers with suitable jobs and skills training, including language training, to help alleviate industry labour shortages. Providing employment opportunities to unemployed newcomers in the hospitality industry is a win-win-win for newcomers, restaurateurs and government.

10. Reduce Red Tape & Regulatory Burden

Restaurants are one of the most regulated industries where restaurateurs need to comply with a wide range of federal provincial and municipal regulations and policies impacting every aspect of their businesses. They need to comply with numerous liquor, labour, and food safety regulations, as well as the more recent addition of new environmental regulations and bylaws including

Extended Producer Responsibility (EPR) for packaging, and regulatory restrictions on takeout packaging at a time when consumers are demanding more takeout and delivery. Our members take their regulatory responsibilities seriously and understand the need for commonsense regulations that keep their staff and guests safe. However, many small restaurant businesses feel overwhelmed by numerous complicated regulations and policies they must comply with. Members continue to be side swiped by costly new regulations and policies that unnecessarily end up costing these time-strapped restaurateurs time and money. They must also comply with outdated regulations and policies that need to be modernized and streamlined. Any new regulations and policies should go through a regulatory burden test to ensure they are easily understood and not do not unnecessarily add regulatory cost burdens on struggling restaurateurs. We strongly encourage the newly elected provincial government to continue efforts to reduce unnecessary red tape and regulatory burden including the elimination of jurisdictional regulatory duplication.

Conclusion

Since the pandemic Saskatchewan's restaurant industry has struggled to return to pre-pandemic sales and profitability due to the pandemic and post-pandemic challenges that have resulted in many restaurants going bankrupt or simply choosing to close their doors. Given the current struggles of restaurants to return to profitability the next Saskatchewan government needs to work with Restaurants Canada to implement policies designed to help Saskatchewan's restaurant industry recover and return to profitability and remain a key economic driver and employer in every Saskatchewan community. Our members also want the newly elected government to commit to "*doing no further harm*" to the industry by agreeing not to implement new legislation and regulations that would add further costs and regulatory burden on Saskatchewan's restaurant industry.

We encourage your party to address the above-mentioned top ten restaurant policy priority recommendations in your election platforms. Doing so will help Saskatchewan's third largest private sector employer get back on solid ground and continue to contribute to the province's economic growth.

Summary of Recommendations

1. **Level the liquor-purchasing playing field: implement wholesale liquor pricing for all hospitality licensees.**
2. **Introduce a securing small business rebate program providing businesses with access to new funding to support increased costs due to crime and vandalism.**
3. **No New Taxes or Tax Increases**
4. **Reinstate PST exemption on restaurant meals**
5. **Return to Saskatchewan's minimum wage indexation formula and introduce youth and liquor server wage differentials.**
6. **Introduce a Minimum Wage Adjustment Program**
7. **Introduce an employer-focused skills development grant program for in-house employee training**
8. **Introduce a Saskatchewan Immigrant Nominee Program (SINP) Tourism & Hospitality Stream**
9. **Support a New Federal/Provincial Newcomer Employment Matching Program**
10. **Reduce Red Tape & Regulatory Burden**