

January 30, 2020

OPEN LETTER – Restaurant industry calls on Government of Newfoundland and Labrador to take action to assist small business operators

The Hon. Dwight Ball
Premier of Newfoundland and Labrador
P.O. Box 8700
St. John's, NL A1B 4J6

The Hon. Tom Osborne
Minister of Finance
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Premier Ball and Minister Osborne:

On behalf of Restaurants Canada and our members in Newfoundland and Labrador, I am writing to urge you to take action to assist small business operators who have not only been hard hit by the slowdown in the economy over the past few years, but have now also been battered by the recent blizzard. The blizzard forced many to close for an extended period of time while expenses continued to accumulate, making recovering losses a challenge for many.

As you are aware, Newfoundland and Labrador's roughly 1,200 foodservice businesses are an integral part of the province's economic and social fabric. With 16,500 employees, our industry is the third-largest private sector employer and provides a wide range of opportunities. A thriving restaurant sector is critical to the wellbeing of communities across the province, contributing to jobs, investment, innovation, tourism, charitable causes and spaces for people to come together.

Unfortunately Newfoundland and Labrador's economy has lagged behind all other provinces with an average annual decline of 0.1 per cent over the past five years. As a result, restaurateurs have been struggling to get by with an average pre-tax profit margin of just 4 per cent. For drinking places the situation is even worse, with licensed bars and restaurants averaging a pre-tax profit of just 2 per cent and 3.5 per cent, respectively.

The recent blizzard has further exacerbated this already challenging situation for foodservice operators and many businesses could be in jeopardy. On behalf of Restaurants Canada and the foodservice and hospitality industry in Newfoundland and Labrador, I urge you to take the following actions to reduce costs to restaurant and bar operators in order to safeguard their businesses and the many meaningful jobs they provide:

- **Introduce a wholesale beverage alcohol pricing program for bars and restaurants.** Now that New Brunswick has committed to introduce such a program, Newfoundland and Labrador is the only province in Atlantic Canada not offering wholesale pricing to bar and restaurant licensees.

- **Maintain commitment to continue linking minimum wage to increases to the national consumer price index.** Small business operators would further benefit from the introduction of a training wage, recognizing the cost of hiring inexperienced workers, and a liquor-serving wage, recognizing the significant gratuities earned by servers.
- **Increase the Health and Post Secondary Tax (HAPSET) exemption threshold to \$3 million.** While introduced with the intent to target large corporations, this tax instead penalizes small, labour-intensive businesses like restaurants, where over a third of all sales go toward salaries and wages. Increasing the exemption threshold to \$3 million and changing the rules so that associated establishments are not captured would protect small business operators from the job-killing consequences of this tax.
- **Exempt businesses from the 15 per cent Retail Sales Tax on insurance premiums.** Newfoundland and Labrador is the only province that imposes a tax on the insurance premiums that businesses pay to protect their property and operations from risk.

Small foodservice business operators are the backbone to the province's tourism and hospitality sector. They have invested their life's work in their businesses, showcasing all that Newfoundland and Labrador has to offer. Unfortunately they are struggling, through no fault of their own, and it is incumbent upon the government to act so that they can continue to contribute to the province's social and economic well-being.

I trust you will give these recommendations due consideration.

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,



Luc Erjavec, P.Eng.
Vice President, Atlantic Canada