



January 30, 2009

The Honourable Dalton McGuinty
Premier of Ontario
Legislative Building
Queen's Park
Toronto, Ontario
M7A 1A1

Dear Premier:

On behalf of foodservice, resort, accommodation and attraction operators throughout Ontario, we the undersigned are writing to you on a matter critical to the sustainability of our collective industries and the preservation of several thousand jobs. At issue is a freeze in the province's minimum wage for liquor servers and students.

We begin this year with the provincial economy facing significant challenges. As the government is well aware, a combination of rising production costs, falling consumer confidence at home and abroad, and a credit crunch on the financing of business has produced a 'perfect storm' effect with devastating results for Ontario's economy. The fallout is being felt strongly in the province's hospitality and tourism sectors where, following in the wake of the tumultuous events of 9/11 and SARS, hospitality and accommodation operators are facing their most challenging business environment in decades.

A Statistics Canada report released in November showed tourism generated nearly \$20 billion in revenue for federal, provincial and local governments in Canada in 2007, up 4.3 per cent from a year earlier. The report also showed that these gains were made despite a drop in visits and spending by foreign tourists (in particular Americans) as Canadians travelled and spent more within our borders. However, a stark increase in domestic unemployment and a credit crunch at financial institutions has shaken consumer confidence and the outlook for the year ahead looks grim.

Recent Statistics Canada figures indicate tourism spending in Canada fell 0.7% in real terms in the third quarter of 2008, as spending by both Canadians and international visitors declined. Overnight travel within Canada was lower as indicated by the 0.6% decrease in spending on accommodation. Slower growth in personal disposable income, the high price of gasoline at the pumps and fuel surcharges on airfares served as contributing factors. Spending by international visitors to Canada fell 2.1% in real terms in the third quarter of last year, the third consecutive decline as the number of international travellers continued to decline. The downturn is expected to deepen as a result of the new Western Hemisphere Travel Initiative passport requirements in

effect June 1, 2009. Against this backdrop the province's minimum wage rates for liquor servers and students are set to increase on March 31st 2009 to \$8.25 and \$8.90 per hour respectively representing a 8.5% raise and following five annual increases since 2004.

The government sets minimum wages for liquor servers and students at a different rate than the general minimum wage in recognition of the fact that they earn the majority of their income through gratuities (liquor servers) or are economically supported by other means, usually their parents (students). Our operators are thankful that the government continues to preserve this distinction. It is a standard that reflects the economic reality of our business environment.

Research conducted by Morley Gunderson, Chair in Youth Employment at the University of Toronto, confirms that increases to the minimum wage rate (and its differentiated categories) will affect the accommodation and food service industries significantly more than other sectors. In particular, research shows that "a 10 percent increase in the minimum wages **reduces** the employment of teens by 3 to 6 percent and slightly less for young adults." This is particularly worrisome considering 45% of those employed in Ontario's foodservice and accommodation industry are youth. Ontario's hospitality and tourism industries are two of the largest employers of youth and it is essential to these sectors to keep our young people employed in order to develop the workplace skills necessary for a successful career and ensure an adequate pool of talent in the future. A higher minimum wage is likely to prove an insurmountable barrier to the employment chances of many young people during an economic downturn.

The liquor server wage rate is unique to the hospitality industry. It recognizes that these workers earn the majority of their income by way of tips. Mr. Gunderson's research reveals that payroll cost increases are almost three times as high for small firms as compared to larger ones and are substantially higher in the food and accommodation sectors (4.2% to 6.3%). This is especially alarming considering 60% of the establishments in the foodservice sector are independently owned and operated. Nearly 31 cents of every dollar spent at a restaurant goes directly to payroll costs. An increase to this minimum wage will result in employee hours being cut and/or jobs being eliminated as operators struggle to maintain a payroll budget in light of falling sales. Moreover, increases to less skilled workers create a 'domino effect' whereby employers are pressured to increase the wages of higher skilled workers (e.g. cooks.)

In 2007 when the government announced the scheduled increases to the differentiated minimum wage rates it committed they would be done in a balanced manner so as to not compromise jobs and to enable Ontario businesses to remain financially stable and competitive in the global economy. Economic circumstances have drastically changed since that decision was made. **It is in Ontario's best interest now to keep the differentiated minimum wage rates for liquor servers and students at 2008 levels in order to balance the needs of employees with the needs of their employers to remain open through these harsh economic times. Freezing the minimum wage for liquor servers and students is a step towards preserving much needed work hours and employment opportunities in the face of substantial economic challenges.**

Make no mistake - an increase to the minimum wage rates for students and liquor servers are added burdens to the bottom lines of small and medium sized hospitality and accommodation operators at a time when they can least afford it or have the means to offset the added burden. As the government considers a series of measures designed to stimulate demand and provide assistance to large corporations we ask that these measures be balanced with government action to mitigate cost increases on small and medium sized businesses for as you recognize half of Ontario companies that have fewer than 500 employees account for more than half of all jobs in the province.

We stand ready to work with you and your officials on this issue and others critical to our collective industries. It is our hope that the government can provide the necessary supports to the hospitality and accommodation industries so that they can survive these challenging times and continue to be a sustainable and viable source of revenue and employment for the provincial economy.

Sincerely,



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Ontario Restaurant Hotel & Motel Association



Bruce M. Gravel
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The Honourable Peter Fonseca, Minister of Labour
The Honourable Harinder Takhar, Minister of Small Business and Consumer Affairs
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