



Thursday December 1, 2016

City of Toronto

Executive Committee

RE: EX20.1 City of Toronto Long-Term Financial Direction Update

Email: exc@toronto.ca

Comments Delivered By: Tony Elenis, President & CEO, ORHMA

Mayor and Committee Members..... My name is Tony Elenis, President & CEO of Canada's largest provincial hospitality association known as the Ontario Restaurant Hotel & Motel Association (ORHMA).

The ORHMA strongly opposes the Toronto hotel tax, the Toll fees, Toronto liquor tax and a Toronto business parking tax. **All of these taxes being considered by you have a DIRECT impact on hotels and restaurants in the City of Toronto.**

Back in 2004 following 9/11 and SARS Toronto's hospitality industry was devastated. There was not sufficient funding to promote the city. The industry came up with a solution to this industry problem in the Destination Marketing Fee an initiative that added enormous value in a very tough business climate.

It has taken 15 years for the hotel industry to start recovering from average profit margins that dropped by 50% across Ontarioand Toronto has not been immune to it. Recently hotel revenue growth has been healthy but the margins are only **crawling** upwards.

A Toronto room tax will damage the industry solution and future success.

Toronto's hotel industry is different than New York and other major destinations

mainly due to underperformance in the REVPAR and most importantly the Average Rate that flows straight down to the Net Operating Income.

Toronto does not have the ROI other major cities enjoy and I'm highlighting Property taxes as a concern as these have been questioned by investors to the point that recent and projected product investment is mostly built around and not in the City of Toronto.

The Restaurant sector has unique challenges. It is not about the line ups, it's about the pressures on the expense lines leading to unprecedented slim margins.

In the 1990's the industry was achieving 6% to 10% plus in pretax profit margins. Since the year 2000 the Ontario restaurant sector dropped by 56% performing 2% less than the National Average and less than any other province. The average profit of a restaurant is at 3.5% and it includes big and small players. It does not take much to determine that independent owners are struggling closer to a profit of 1%.

It's been about rising labour costs, food commodity hikes and the hydro's global adjustment calculated at 65% of a total invoice for both restaurants and hotels.but the P&L line that influences Ontario's profit to be the lowest in Canada is the Rental and Leasing expense stemming from the City of Toronto.

With rigid price elasticity model restaurants continue to face enormous regulatory expenses from all levels of government and trust me it's tough for the City's restaurants. There is fear in this sector in Toronto more than any other Ontario city of continued bombardment of darts thrown at them. The decline in margins tells the story. When will this stop?

The road tolls, a parking levy and new liquor taxes are worrisome. On the Liquor tax option the KPMG report failed to mention anything about licensees and the impact to an industry that pays \$10 more for a case of beer than the consumer.

Not to mention that many operators currently purchase their products from the Mississauga LCBO warehouse creating more complexity.

Furthermore a proposed hotel room tax is a major concern to the city's restaurants as they prosper from conventions and many events generated through the sales activities through the DMP. The proposed tax is a deterrent and will hurt.

This is the time to support the industry for business growth and jobs.

For example taking action on the inequality that exists on the amount of property related taxes paid by small business on the:

1. Disparity between residential and commercial property tax rates.
2. Disparity between the levels of the business education tax in Toronto versus neighbouring municipalities.
3. Commercial property assessment levels in rapidly developing areas.

We are entering a future where global travel and tourism is showing the highest growth than any other industryand Canadaand definitely Toronto are well positioned in a very competitive market.

Thank you for your time and consideration.

Sincerely,
Tony Elenis
President, CEO
ORHMA