



Attention City Clerk clerk@toronto.ca

Dear Members of the Executive Committee,

We are writing to you today regarding item **EX10.15 - Curb Lane CaféTO Program: Review of 2023 and Changes for 2024.**

CaféTO is an important program that proved to be a lifeline for many Toronto Restaurants struggling to make it through the pandemic. We are sincerely grateful to the City for introducing and funding the program during the pandemic and for making the program permanent and continuing to review the program to ensure its ongoing success. The program is vital to restaurants and to the overall vibrancy and attractiveness of Toronto for both residents and visitors.

Report and Attachments 1-4 from the General Manager, Transportation Services and the General Manager, Economic Development and Culture

We want to commend the staff on the thorough [report](#) that has been provided as a review of the program and to provide recommendations for 2024 and beyond. We appreciate the recognition that there were significant delays with the program in 2023 and challenges for operators with administration and communication. The report addresses these challenges and presents solutions to ensure better communication and administration of the program, simplified application and approvals, and enables most cafés to be operating in time for the Victoria Day long weekend.

Financial Impact

While we appreciate that Council made concessions in 2023 with a significant climb down of proposed rates to phase in the costs over three years, our concern continues to be that the increase in costs for 2024 will likely to be cost prohibitive and unworkable for many of Toronto's struggling restaurants. The increase in fee structure will impact the vibrancy of the program and deter both new entrants and continued participation in the program.

We are appealing to the committee and council to consider holding the fees or reducing the anticipated cost increase.

While COVID may largely be behind for many businesses, Toronto's restaurants continue to struggle to survive. 56% of restaurants in Ontario are still operating at a loss or just breaking even – this was 10% pre-pandemic (and represents a 6% increase over what was presented to council ahead of the 2023

CaféTO fees). For those that are profitable, they are barely eking out a profit margin of 2-3% on average. Restaurants continue to struggle with reduced guest counts, increased expenses (labour, insurance, food costs, rents, utilities) and staggering debt at significantly higher interest rates. We have seen a 55% increase in bankruptcies for foodservice operators and the CEBA deadline is looming.

CaféTO was a lifeline for many businesses struggling to survive and they continue to struggle for their livelihoods. CaféTO is an investment in our city – to the vibrancy of our neighbourhoods and a vibrant restaurant and patio scene helps to attract visitors to our city and to keep them coming back.

Restaurants continue to need support as they continue to try and recover from the tremendous sacrifice, they made through the pandemic to keep our city safe. For many of our members, the cost of the program, despite their need to participate, may make it inaccessible.

Specifically, we would ask the committee and council to consider investing further in the program to ensure greater participation and a more vibrant destination for visitors and residents alike by:

- Holding the fees at 2023 rates to encourage new and returning participation in the program and to support Toronto's struggling foodservice sector.
- Deducting a portion of the fees for restaurants who participated in 2023 but were unable to recognize ROI on the program due to unanticipated delays (for which they could not control) that meant they were unable to operate patios until late June, July or even August. Significant revenues were lost.
- For restaurants in the Duncan and King Street corridors who can operate patios year-round, that fees are not charged during the off season. These operators have to invest significantly (heaters, infrastructure, innovation) in order to operate year-round but are creating vibrant destinations to attract visitors year-round. By not enforcing permit fees in the off-season, more operators may be encouraged to invest in a vibrant street scene in the off-season.

On behalf of the Ontario Restaurant Hotel & Motel Association and Restaurants Canada, we sincerely thank the city for its leadership in continuing to invest in programs like CaféTO, Winterlicious, Summerlicious and others that have been embraced by our members and by the residents of Toronto.

We have attached an Executive Summary of the *2023 Foodservice Facts* that will help to provide further insight into the precarious situation of Toronto's restaurants, and we thank you for your support.

Sincerely,



Tony Elenis
President & CEO
Ontario Restaurant Hotel & Motel Association



Tracy Macgregor
VP Ontario
Restaurants Canada

Submitted by email.

FOODSERVICE FACTS 2023

REBALANCING FOR GROWTH | EXECUTIVE SUMMARY

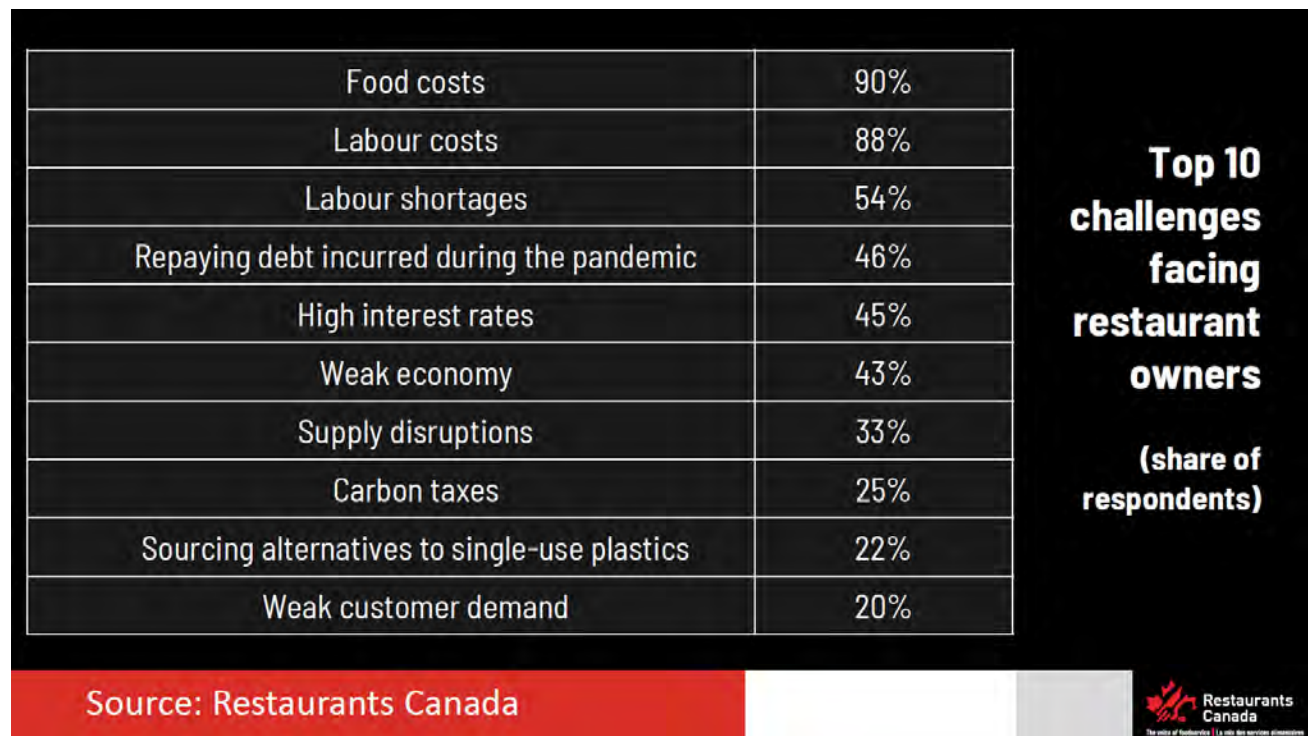


Executive Summary: [Foodservice Facts 2023](#)

Introduction: The Foodservice Facts 2023 report by Restaurants Canada provides a comprehensive overview of the Canadian foodservice industry's current state and future prospects. This executive summary highlights key insights from the report, presented by the President & CEO Kelly Higginson, Chair of the Board of Directors Jeremy Bonia, and Chief Economist Chris Elliott. The Canadian foodservice industry, a vibrant and essential part of the nation's economy, is at a critical juncture. Restaurants Canada presents this executive summary to the government as a call to action for strategic collaboration in supporting an industry that plays a pivotal role in the lives of Canadians.

Industry Strength and Challenges: The Canadian foodservice industry has achieved remarkable growth, surpassing \$100 billion in 2022 with further forecasts of \$110 billion in 2023. However, this growth has not translated into financial stability for the majority of businesses, with over 50% operating at a loss or barely breaking even.

A Sector in Transition: The industry is rebalancing in the wake of the pandemic and historic inflation, seeking to adapt to a new equilibrium. A resilient industry, committed to providing value and care to nearly 22 million Canadians, remains critical to the nation's economy.



Adapting to New Realities:

- Canada's foodservice industry remains financially fragile, with soaring operating costs impacting profitability.
- The volatility is primarily attributed to the ongoing adaptations in households, businesses, and labor markets due to the pandemic's aftermath.
- The industry has been permanently transformed, necessitating a reevaluation of business models and strategies.

Strategies for Rebalancing:

- Rebalancing strategies include prioritizing off-premise dining, streamlining menus, reducing restaurant footprints, and embracing technology.
- Household studies in the report offer insights into consumer behavior, pricing, and technology adoption.
- Short-term economic headwinds will challenge foodservice operators in 2023 and 2024.
- The report provides valuable insights and strategies from industry leaders on adapting to the new equilibrium.

Conclusion: The Canadian foodservice industry is a dynamic and integral part of our society. It has weathered the storm of the pandemic, but challenges remain. To secure its strong future, the government's support is crucial. The report emphasizes the industry's resilience and adaptability and offers guidance for navigating the evolving landscape.

We propose a united effort to reinvigorate an industry that embodies innovation, resilience, and community. Together, we can build a more stable, sustainable, and prosperous future for the Canadian foodservice sector, ensuring its continued contribution to our nation's growth and well-being. We look forward to the opportunity to engage with the government and collaborate in achieving these goals.

WE'RE FINDING OUR BALANCE. WHAT HAPPENS NEXT?

The foodservice industry is immensely complex. Every day, nearly 22 million Canadians make a purchase from a restaurant, opting for dine-in or take-out, choosing between quick-service and full-service restaurants, and selecting from tens of thousands of menu items across the entire industry. Decisions can be made weeks in advance for special occasions or on the spur of the moment as an impulse buy. And it's all influenced by what's happening in the economy, the weather, and general consumer sentiment.

In 2022, the foodservice industry surpassed the \$100 billion mark for the first time.

**\$100
BILLION**

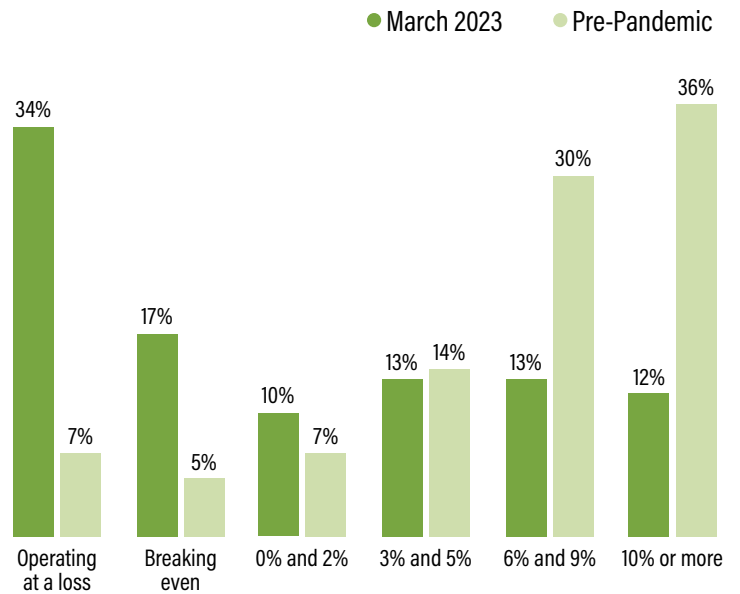
Yet, for all its complexity, one could sum up the current state of Canada's foodservice industry in just two numbers. Strangely, they tell two different narratives of the situation, one of success and the other of financial struggles.

We start with the first number: \$100 billion.

This figure is an incredible milestone, showcasing the size and importance of Canada's foodservice industry and its contribution to the overall economy and communities nationwide. In 2023, we forecast it will grow to \$110 billion. On the surface, this appears to be a strong rebound in spending compared to the depths of the pandemic, highlighting the importance of the foodservice industry in the daily lives of Canadians.

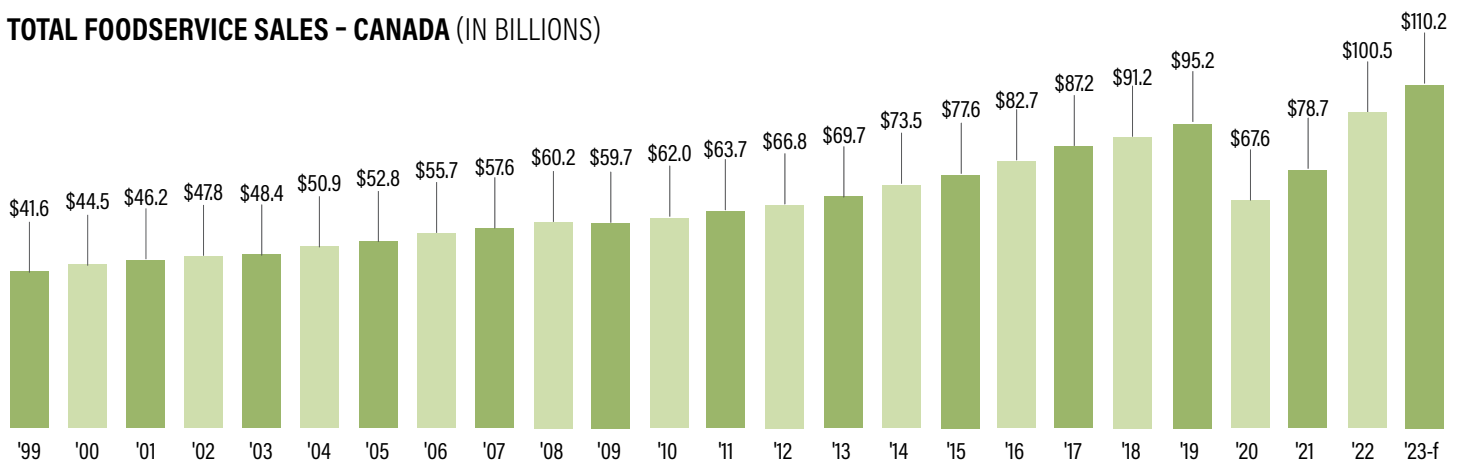
But the second number tells a vastly different story: **50%. Based on a survey of restaurant owners, half of all foodservice companies are operating at a loss or just breaking even.** While sales have improved, operators are unable to be profitable due to soaring operating costs and customer traffic that remains stuck below pre-pandemic levels. The situation is a mirror version of what it was like before the pandemic, when just 7% of restaurant companies operated at a loss, and 5% broke even. At that time, 36% of restaurant operators had a pre-tax profit of 10% or more. Today, just 12% are realizing double-digit profit margins.

PROFITABILITY IN THE FOODSERVICE INDUSTRY (SHARE OF RESPONDENTS)



SOURCE: RESTAURANTS CANADA'S RESTAURANT OUTLOOK SURVEY

TOTAL FOODSERVICE SALES - CANADA (IN BILLIONS)



SOURCE: RESTAURANTS CANADA AND STATISTICS CANADA

We're moving forward but still recovering from the past.

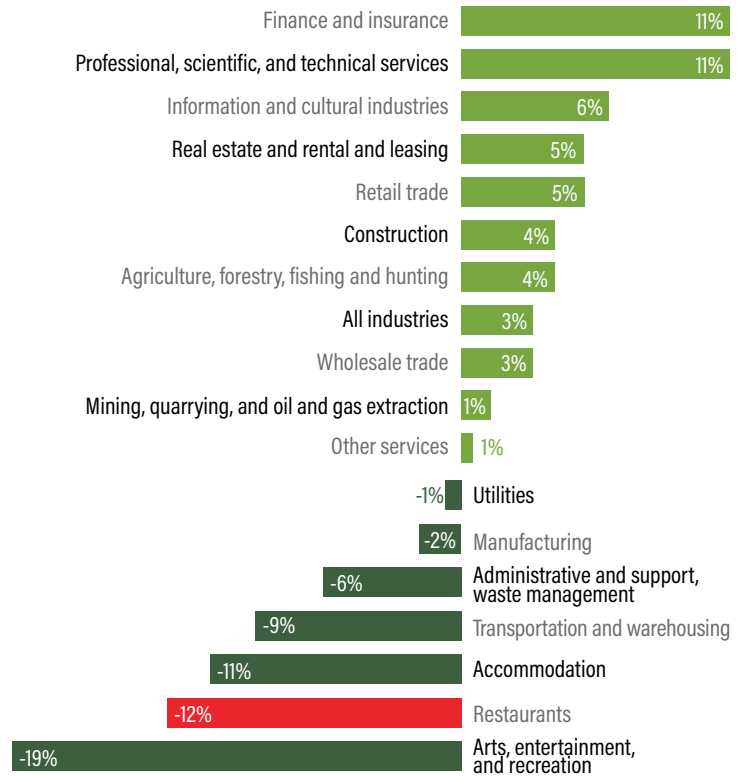
Despite record annual sales volumes, once adjusted for menu inflation and population, real per capita foodservice spending remains 9% below 2019 levels, or by \$257. In 2023, real per capita sales are just on par with levels seen more than a decade ago in 2012. We can largely pin this tepid performance on consumers not returning to their usual dining behaviours, with many working more at home and less at the office, and on some residual reluctance to return to dining out due to the pandemic.

All of this highlights that, while most of the economy has moved on from the pandemic, the foodservice industry has a long way to go, with a real GDP still 12% below 2019 levels. Across all major industries, only the arts, entertainment, and recreation sector has seen a steeper decline in economic activity. By comparison, restaurants were the fifth-fastest growing industry between 2010 and 2019, expanding by 30%. For some perspective, we can look at retail sales, which rose 21% (ranking 12th) during that same period.

As a result, 75% of table-service restaurants and 51% of quick-service restaurants surveyed were still in debt due to the pandemic.

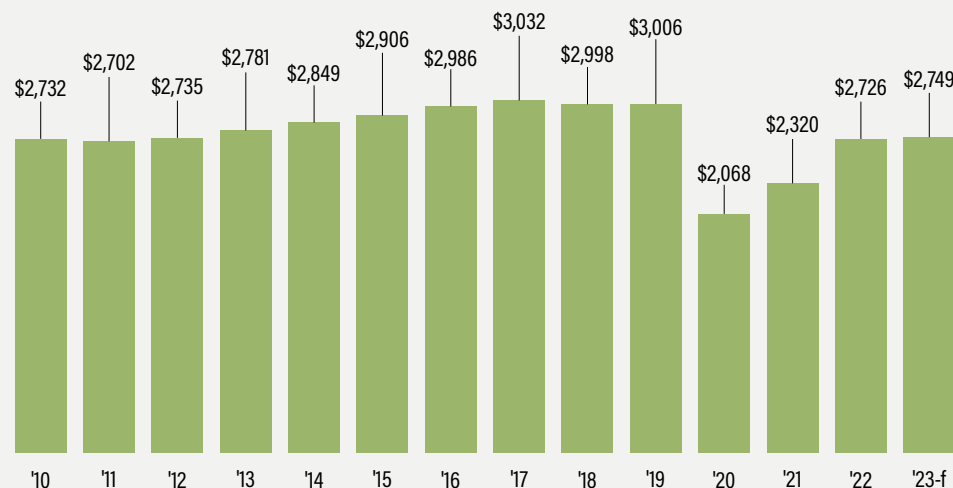
One in four independent table-service restaurants said they do not expect their business to recover from the debt incurred due to the pandemic unless current conditions change.

CHANGE IN ECONOMIC ACTIVITY (REAL GDP) BETWEEN 2019 & 2022



SOURCE: RESTAURANTS CANADA AND STATISTICS CANADA

PER CAPITA FOODSERVICE SALES IN CANADA IN 2023 DOLLARS



After adjusting for inflation and population growth, real per capita sales are still **below 2019 levels.**

SOURCE: RESTAURANTS CANADA AND STATISTICS CANADA

MARKET REVIEW AND FORECAST



Overall, foodservice sales are forecast to climb to \$110.2 billion in 2023, a 9.7% increase over 2022. Driving this rise are a continued recovery in the accommodation foodservice segment (+27.4% over 2022), population growth, and higher menu prices. Once adjusted for anticipated menu inflation of 5.6%, real foodservice sales are forecast to grow 4.1% in 2023.

FOODSERVICE SALES CANADA (IN MILLIONS OF DOLLARS)

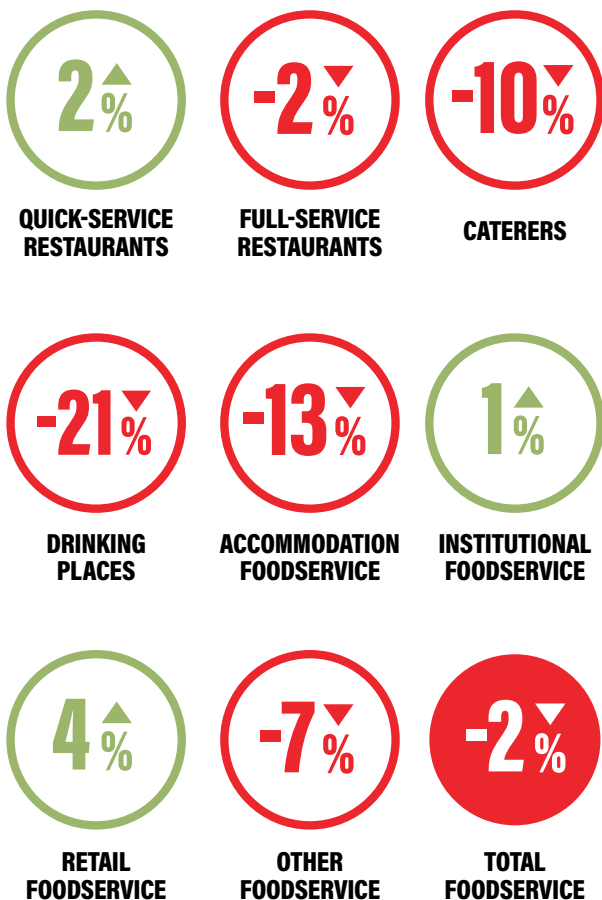
TOTAL COMMERCIAL	\$65,687.4	18.1%	\$82,654.8	25.8%	\$89,786.8	8.6%
TOTAL FOODSERVICE	\$78,738.3	16.4%	\$100,503.1	27.6%	\$110,242.7	9.7%
MENU INFLATION		3.1%		6.7%		5.6%
REAL GROWTH		13.3%		20.9%		4.1%

SOURCE: RESTAURANTS CANADA, STATISTICS CANADA, FSSTRATEGY INC. AND CBRE HOTELS

Despite higher nominal sales across the industry, most segments **remain below 2019** levels once adjusted for menu inflation.

Real sales in 2023, once adjusted for inflation, remain below pre-pandemic levels for most of the industry, despite higher nominal sales. Overall, real foodservice sales were 30% below 2019 levels in 2020. Despite a significant recovery, sales are forecast to remain 2% below 2019 in 2023. The shift to off-premise dining, higher menu prices, remote work, and lingering concerns about going out in public mean there is still a long road to recovery for many foodservice segments.

HOW INFLATION-ADJUSTED SALES COMPARE TO PRE-PANDEMIC LEVELS
REAL SALES GROWTH IN 2023 COMPARED TO 2019



SOURCE: RESTAURANTS CANADA, STATISTICS CANADA, FSSTRATEGY INC. AND CBRE HOTELS

FOODSERVICE SEGMENTS

Commercial foodservice

Operations whose primary business is food and beverage service.

Quick-service restaurants

Restaurants where you pay before you eat. Includes counter service, cafeterias, food courts, and take-out and delivery establishments.

Full-service restaurants

Restaurants where you pay after you eat. Includes licensed and unlicensed fine-dining, casual and family restaurants as well as restaurant-bars.

Caterers

Includes contract caterers supplying food services to airlines, railways, institutions and recreational facilities, as well as social caterers providing food services for special events.

Drinking places

Includes bars, taverns, pubs, cocktail lounges and nightclubs primarily engaged in serving alcoholic beverages for immediate consumption. These establishments may also provide limited food service.

Non-commercial foodservice

Self-operated foodservice in establishments whose primary business is something other than food and beverage service. Branded restaurants in any of these settings are counted in commercial restaurant sales if they are owned by the restaurant chain.

Accommodation foodservice

Foodservice in hotels, motels, and resorts.

Institutional foodservice

Foodservice in hospitals, residential care facilities, schools, prisons, factories, remote facilities and offices. Includes patient and inmate meals.

Retail foodservice

Foodservice operated by department stores, convenience stores, and other retail establishments.

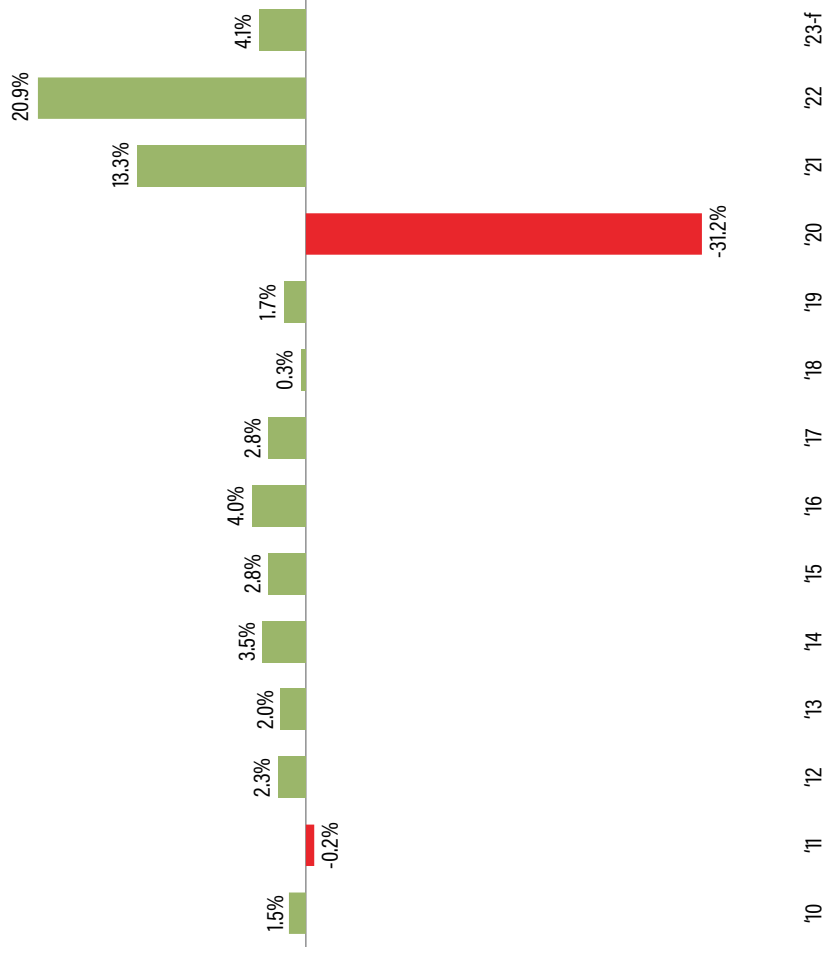
Other foodservice

Includes vending, sports and private clubs, movie theatres, stadiums, and other seasonal or entertainment operations.

Total foodservice

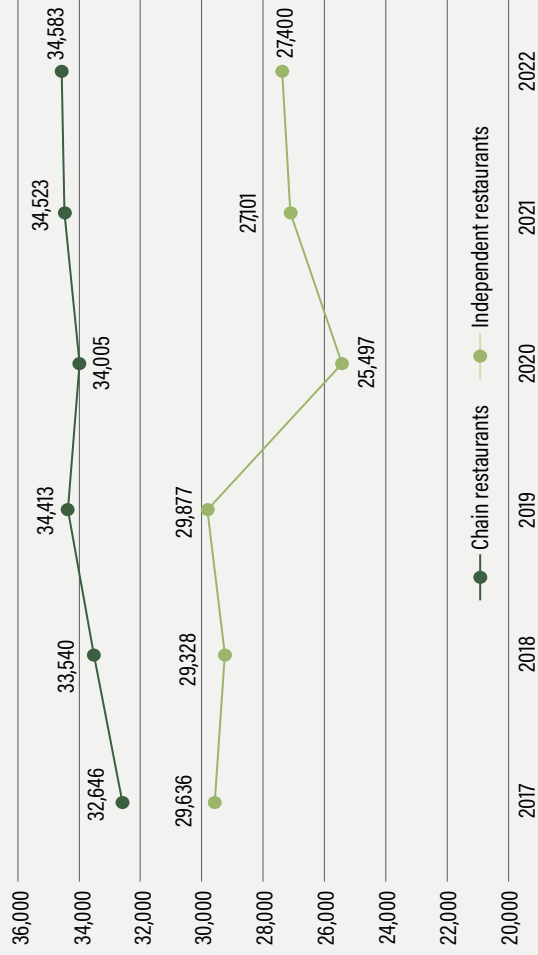
Includes commercial and non-commercial foodservice.

TOTAL FOODSERVICE SALES - CANADA YEAR-OVER-YEAR REAL CHANGE



SOURCE: RESTAURANTS CANADA AND STATISTICS CANADA

NUMBER OF CHAIN AND INDEPENDENT RESTAURANTS (CANADA)



SOURCE: CIRCANA / RECOUNT® 2023



FOODSERVICE EMPLOYMENT

The Short Order

Despite employing over 1.1 million people, the Canadian foodservice industry faces labour shortages and slow post-pandemic recovery. As a result, total employment at restaurants remains 173,700 jobs below 2019 levels. The industry is a key employer of women, visible minorities, and young people. However, a recent survey revealed longer wait times at restaurants are primarily due to a lack of staff. The declining participation rate of young, working Canadians contributes to these shortages, but future population growth of these cohorts may provide some relief.



With traffic to restaurants not fully returned to pre-pandemic levels in 2022, combined with chronic labour shortages, employment in the foodservice industry still falls short of 2019 figures. As a result, total foodservice employment in 2022 remained below where it was in 2010. This poor performance comes despite efforts to make working in the sector more attractive, including offering employees benefits, such as healthcare services, which 32% of foodservice companies now do.


FOODSERVICE EMPLOYMENT FACTS

4TH

The foodservice industry is the fourth-largest private-sector employer in Canada.

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Half of all Canadian restaurants are run by entrepreneurs who came here as immigrants.

 **58%**

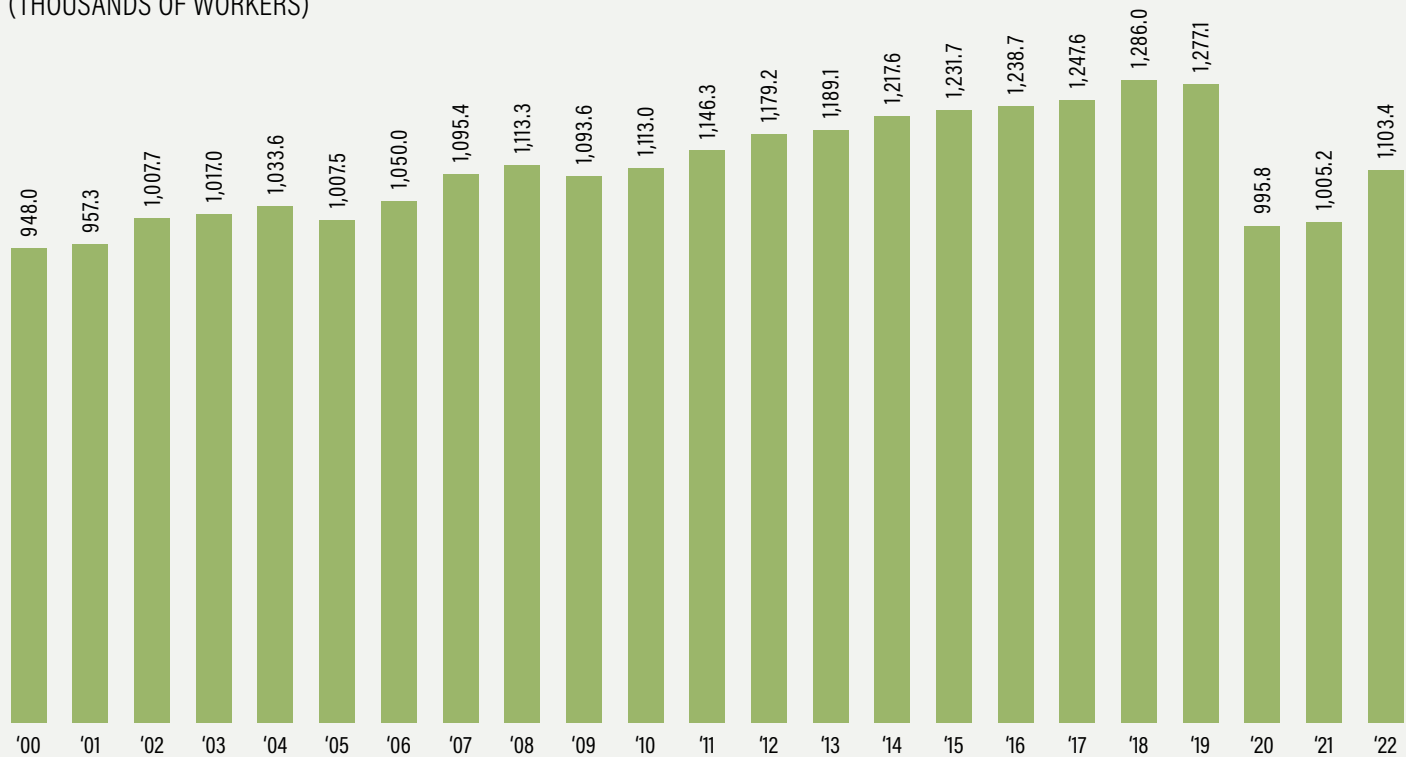
Women make up 58% of the foodservice workforce.

Thirty-one percent of restaurant owners, operators, and staff belong to visible minority groups.

Foodservice is Canada's number one source of first jobs, with one in five Canadians between the ages of 15 and 24 currently employed in restaurants.



TOTAL FOODSERVICE EMPLOYMENT IN CANADA (THOUSANDS OF WORKERS)



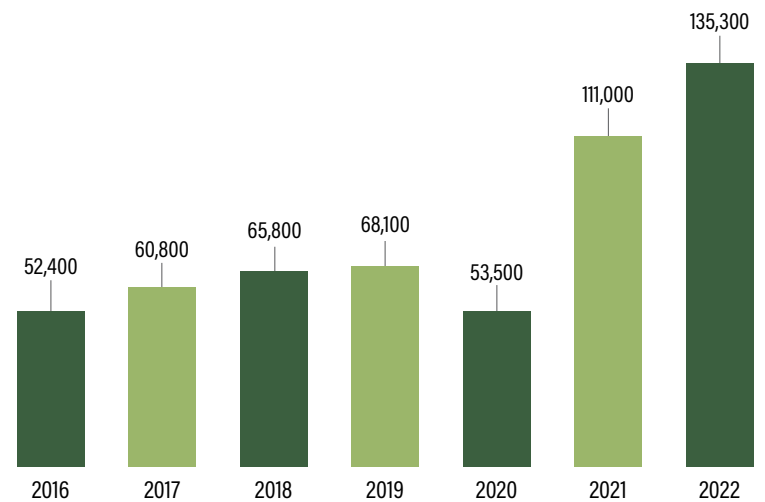
SOURCE: RESTAURANTS CANADA AND STATISTICS CANADA

How demographic changes are contributing to labour shortages

According to a May 2023 Angus Reid survey, nearly four in 10 Canadians said they are waiting longer for food at restaurants than before. Looking at the statistics, we can safely say this is due in large part to labour shortages; overall, there was an average of 135,000 job vacancies in the foodservice industry in 2022, double the pre-pandemic levels.

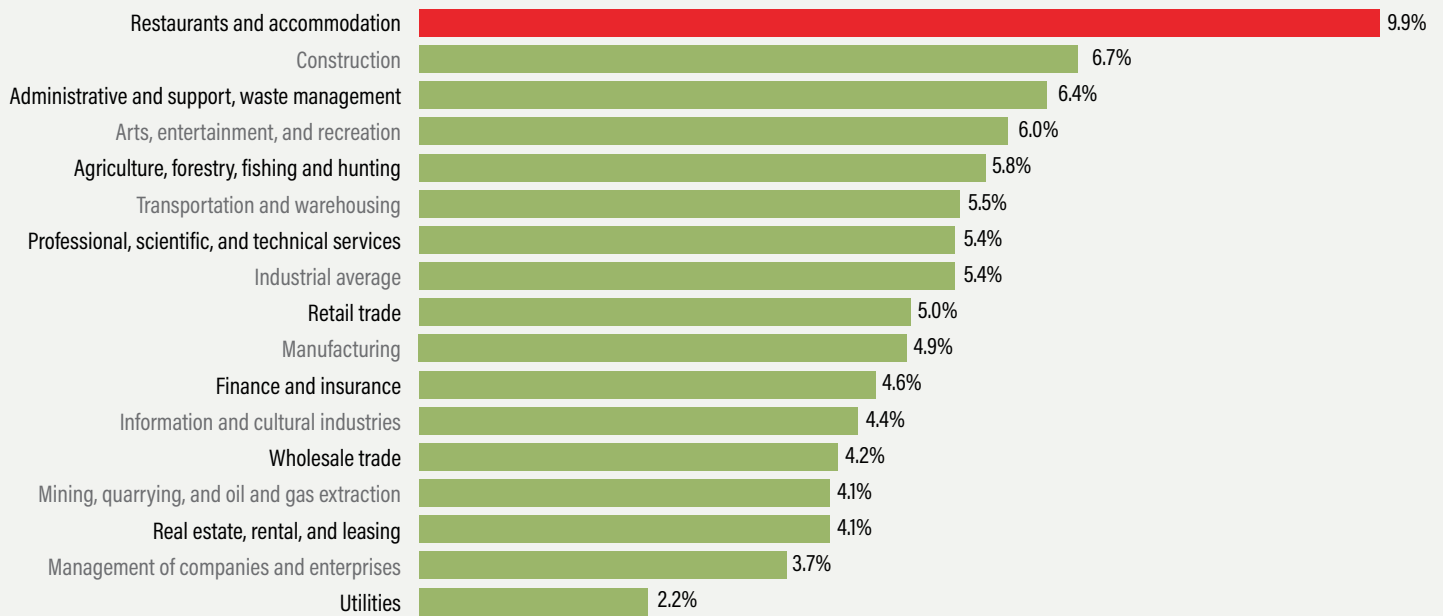
Across all industries, the participation rate of 15- to 19-year-olds dropped from 55.4% in the 1980s to 51.6% in 2022. Similarly, the participation rate of 20- to 24-year-olds fell from 81% in the 1980s to 77.2% in 2022. The declines in these rates matter; if participation rates were the same now as in the 1980s, that would add 170,000 15- to 24-year-olds to the workforce. Many young Canadians are postponing entry into the labour market to do volunteer work or take additional courses, both of which are strategies to help them get into post-secondary education.

NUMBER OF JOB VACANCIES IN THE RESTAURANT AND ACCOMMODATION INDUSTRY (ANNUAL AVERAGE)



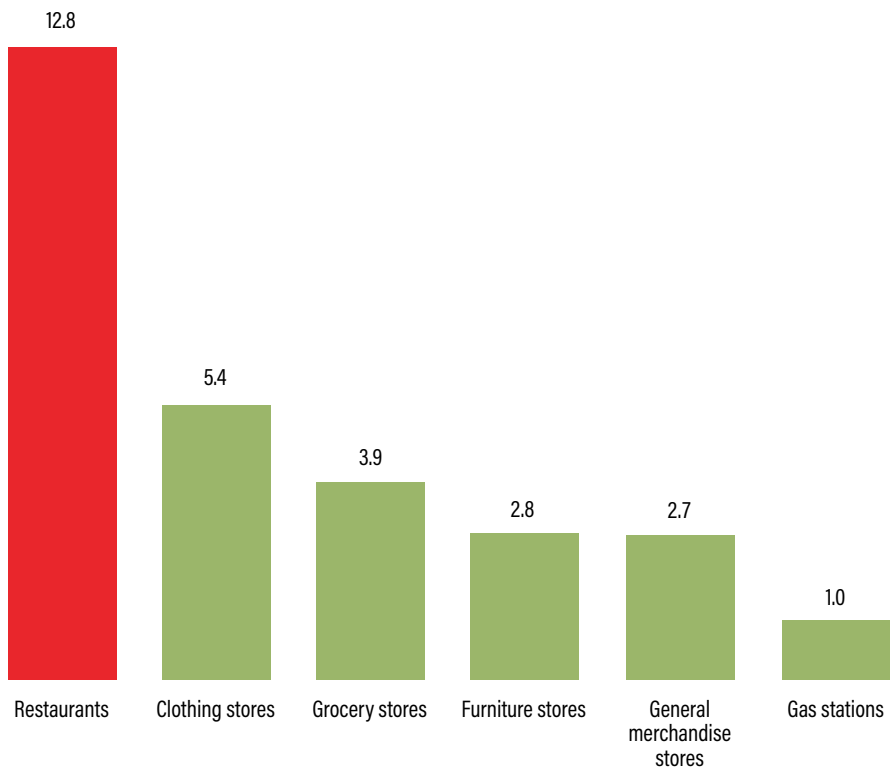
SOURCE: RESTAURANTS CANADA AND STATISTICS CANADA

2022 JOB VACANCY RATE BY INDUSTRY



SOURCE: STATISTICS CANADA

NUMBER OF EMPLOYEES REQUIRED TO GENERATE \$1M IN REVENUE (IN 2022)



SOURCE: RESTAURANTS CANADA AND STATISTICS CANADA

In the first four months of 2023, wages in the foodservice industry **grew by 8.4%** compared to the same period in 2022—the largest increase of any major industry and well above the industrial average (+5.1%).

Given that foodservice is a very labour-intensive industry, rising wages and labour shortages disproportionately impact the foodservice industry compared to other consumer-facing industries. While it takes an average of just 3.9 employees to generate \$1 million in revenue at a grocery store, it takes nearly 13 in the foodservice industry.

Restaurants have the highest job vacancy rates of any industry, accounting for one of every six private-sector job vacancies in Canada. Retailers, such as general merchandise stores and grocery stores, have job vacancy rates that are half those of the foodservice industry, despite restaurants paying more and providing many employees the opportunity to earn tips.



The voice of foodservice | La voix des services alimentaires

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