



April / May / June 2022

State of The Sectors: Round Table and Case Study I

FOOD & BEVERAGE

We're coming out of a dark tunnel, and we all survived.



BACKGROUND

The COVID-19 pandemic resulted in unprecedented challenges for the global economy, but none more acute than those faced by small business. In British Columbia there are over 523,000 small businesses — those that employ 50 people or less.

They make up 98 percent of all businesses and employ 1.1 million people, meaning that one-in-ten British Columbians are small business entrepreneurs.

The Nelson and District Chamber of Commerce, stretching from Salmo through Nelson along Kootenay Lake to Balfour/Ainsworth, advocates on behalf of over 1,400 business license holders. The Chamber's effort to assist small businesses was comprehensive and uninterrupted throughout the pandemic's two plus years.

As it has since its inception in 1893, the organization endeavours to garner deep understanding of the region's diverse business landscape, and advocate on its behalf as the economy faces ongoing challenges of global disruption and changing climate.

Nelson is becoming more complicated than it was a few years ago.



INITIATIVE

In March of 2021, in an effort to help small business overcome the pandemic's challenges, the Economic Trust of the Southern Interior (ETSI-BC) launched a Business Recovery Advisor project, hiring 36 advisors to train, network, and provide recoverycentric resources in communities with less than 25,000 residents.

In May of 2021, the Nelson and District Chamber hired Darren Davidson as its advisor. Community Futures Central Kootenay utilized the services of Selkirk College research Intern Jenna Annett.

Following nine months of outreach, the Chamber and CFCK undertook a series of three independent round tables, researching the Food/Beverage/Hospitality sector, Retail and Development/Construction.

The round table findings were used to generate case studies on each of the sectors, detailing specific challenges over the course of the pandemic, those that remain, and others anticipated over 2022/early 2023.

The findings have been summarized and developed into a set of advocacy efforts that will be shared with federal and provincial levels of government through the Canada and BC Chambers of Commerce, as well as regional and municipal levels of government, other agencies and business service providers.

This is State of The Sector Case Study I, focusing on Food/Beverage and Hospitality.



ROUND TABLE PARTICIPANTS AND INTERVIEWS

Jake Murfitt / Jane Linley / Ainsworth Resort/Ktnaxa Lounge
 Robin Goldsbury / Dock and Duck (Balfour)
 Clive Jackson / Jackson's Hole
 Anjali Mathias / Baba's
 Rob Little / Adventure Hotel, New Grand, Louie's
 Marc Forest-Smith / The Royal
 Lamaya Trower / Dragon Fly Cafe (Salmo)
 Ryan Martin / Marzano / Mike's Place Pub / Library Lounge /
 General Store Restaurant
 Brad Filleul / Cantina/Yum Sun/Broken Hill
 Chad Hansen / Broken Hill
 Nick Diamond / Main Street Grill
 Mei Mei Kwan / Kokanee Glacier Resort (North Shore)
 Korina Langevin / Red Light Ramin
 Tanya Finley / Finley's Bar and Grill/Sage/BC Chamber
 Brent Holowaychuk / Finley's Bar and Grill/Sage
 Dick DeJong / Full Circle Cafe
 Rebecca Hamilton / John Ward Coffee
 Joel Jackson / Prestige Hotel
 Takashi Hirano / Kurama Sushi
 Guillaume Totoche / Charcuterie Totche
 Ari Derfel / Kootenay Co-op (General Manager)
 Amanda Verigin / Kootenay Co-op (Marketing)
 Cal Renwick / City of Nelson, Councillor
 Matt Kuziak / City of Nelson, Planner
 Chris Drysdale, Nelson Kootenay Lake Tourism, Cloudside Hotel
 Megan Johnston, Kootenay Career Development Society
 Jon Meyer / Oso Negro
 Anne Bokser Wishlow / Oso Negro

70

Number of restaurants, pubs and cafes in
 Nelson, Salmo/Ymir, South Slocan, Harrop/
 Procter, Balfour and Ainsworth

Sector Challenges

CURRENT TO 2023



1. WORKFORCE

- Workforce is becoming more vibrant as subsidies end
- Wages are starting to rise, but they might not be enough to overcome the high price of housing
- Canada's workforce, comprising people between the ages of 15 and 64, has never been so old. Baby Boomers are getting ready to retire en masse
- An increase in immigration — even a large one — would not significantly curb the projected drop in working age population
- Management was 'burnt out'
- Contributing factors to workforce shortages include: lack of affordable housing, lack of foreign workers, transportation difficulties
- Workforce shortages are felt even more in rural communities — Ainsworth, Balfour and Salmo — due to lower housing inventories and transportation challenges
- The province's legislated minimum wage increase is making it harder to afford staff, as it is combined with new sick day requirements, and before that legislated employee health tax/MSP payments by employers
- The impact of increased minimum wages causes payroll 'ratcheting/compression', as new and lower skilled workers receive increased wages, there is pressure to provide equally increased wages for longerterm and higher skilled workers expect
- The curtailment of international travel and short term work visa cancellation severely reduced forging worker ranks — vital to the food and beverage sector in the greater Nelson region's hospitality and tourism sector.
- Servers are coming back, and making very good money due to gratuity increases, based solely on standard tip percentages on what are now higher menu prices
- Labour is still a problem, but it's improving
- Managers are having to be more lenient with staff on standard workplace protocol due to the fact workers can simply leave for another job elsewhere
- The stability of worker and management mental health/emotional health is now a long term challenge. Customers aren't as polite and patient as they once were.

22%

Percentage of Canadians who found their first job in the restaurant industry (highest of any industry)

6.4%

Percentage of all Canadian jobs provided by the restaurant industry

People didn't want to manage people.



If it wasn't for Selkirk's International program we'd have been dead in the water.



It's been pretty crazy just trying to find staff. Just to attract and keep workers — we've introduced benefits, free meals, have had a staff house and have even sent out invitations to apply, we can't just cut and paste job postings anymore.





2. INFLATION & FUEL

- The cost of products, utilities, rent, insurance and fuel are all increasing
- Rising costs are making it nearly impossible to make any profit
- Menu prices are having to increase, and may become too expensive for most customers
- Restaurants and bars are now being hit with higher credit card payment costs. Due to the pandemic, and an increasingly cashless society, our machines are used more and the credit companies charge us for that
- Further, venues no longer split gratuity cash from a 'tip jar'...it's subtracted from credit card payments. Venues used to take the house's portion of extra cash to the bank at the end of every week. And that no longer exists.
- Many food and beverage stakeholders have had to raise their prices. Customer perception is that venues are increasing their margins, when in fact, margins are in some case even lower

33%

Increased cost percentage of one local restaurant cluster between July 2021 and July 2022

Estimated percentage increase in restaurant product categories

+32%	+20%	+20%	+20%	+11%	+20%
canned goods	sauces, dressing, pastes	oil, vinegar, pasta	baking	bread	dairy/cheese
+12%	+30%	+31%	+30%	+11%	+30%
beer/wine	produce	seafood	beef	pork	kitchen supplies

Food prices have gone so high that it is getting harder and harder for restaurants to make a profit after covering all their costs.

People will only pay so much for a cheeseburger.

Costs — they're all going up — product, heat, lights, rent, insurance, fuel surcharge, carbon tax, and minimum wages.





3. INSURANCE

- Premiums increased, while offering fewer benefits, in some cases by as much as 300%
- Policy renewals at the time of natural disasters and weather events are resulting in higher rates, or worse, inability to re-up e.g. When forest fire is nearby, house and business insurance is unavailable
- Insurance quotes and price comparisons take time. Businesses should open discussions on competitive pricing before their annual premiums and renewals are due

Our insurance cost has tripled.
With fewer benefits.



4. NATURAL DISASTER, CLIMATE CHANGE & SEASONAL BUSINESS

- Loss of tourism business, and the future of the tourism in general are areas of universal concern
- Concern over the region's changing tourism experience from highly unique to average, or less (heavy snow versus light, smokey skies versus clear, cool, high water, versus low and warm)
- Tourism is going to bounce back dramatically, and with it, hospitality customers — are we prepared for the return of big crowds? (Perhaps record breaking)
- Employee 'smoke burnout'
- Tourism asset threat

Business over the summers the last two years was phenomenal in the hotel, despite COVID. Winters though have been abysmal. We bleed out for eight months and make money for four.



Climate change preparedness for the tourism sector, like all sectors, is low.





5. SUPPLY CHAIN

- Deliveries are being delayed
- Product is becoming harder to find
- Quality is inconsistent
- Paying more for lower quality
- Labour shortages in Mexico and US, they are planting less crops, and yields are lower to climate change and natural disaster
- Livestock supply has been disrupted by Fraser Valley flooding — poultry die-off was high and prices have climbed dramatically, beef die-off was low
- Cheaper now to purchase in bulk from grocery stores than pay the extra cost of delivery — but that is a significant draw on time spent revenue

74%

Percentage cost increase of a brioche bun used at one local restaurant, for all its burgers and sandwiches

Planning menus is a challenge due to inconsistent product supply across the board. We've never faced those challenges to this extreme.



It used to be worthwhile getting suppliers to deliver to our door, but not anymore. I have to go shop for supplies on my own. And after 17 years in the business, I was transitioning out of that. Now I'm back in the old days.





6. SICK PAY LEGISLATION

- Some businesses have had to implement 'functional closures' to accommodate sick days (days of the week when product or service is not provided)
- Some businesses had reduced hours because of sick staff
- Decreased levels of service sends customers to competitors, or online away from local merchants
- Province held little consultation with the business community on sick day legislation
- Province revised sick pay legislation in four months after implementation (April 2022)
- Sick pay legislation negated WorkBC compensation package for sick workers, which reimbursed employers for the contributions to ill staff, in 2020/21, costing businesses more, unexpectedly

A wave of sickness won't kill us because we're a larger business. But it will badly hurt small business – they could lose \$10K in one wave of illness.

”

The province missed the boat — this should be paid through an insurer.

”

The government presented Sick Day legislation as they're own act of support for workers. The public is not aware that it is in fact the industry that is absorbing the substantial additional costs in sick day pay out.

”



7. PUBLIC HEALTH ORDERS

- Restrictions were always changing for the industry, it was very hard to plan for the future



8. FEDERAL AND PROVINCIAL GRANTS

- Federal grants were easy to attain, provincial grants not as much
- Discrepancy in measurement of revenue 'losses'
- Subsidies could be denied based on mere percentage points
- Federal Rent Subsidy program (CERSP) was complicated and created delays for businesses who rent or lease space, due to fact landlord had to apply, not the tenant/business
- Fraudulent claims seemed widespread, how much time/tax payers cash will be spent clawing back, and how effective will it be?

8/10

Portion of Canadian restaurants that needed subsidies to survive fall 2021/winter 2022

The government offered a lot of money but that's gone now. Now it's survive or die... if businesses haven't been minding their p's and q's...they won't be in business by the end of the year.



People were getting paid to not work, now they don't want to.





9. MUNICIPAL AND REGIONAL GOVERNMENT / CHAMBER

Other sectors, agencies and programs (insurance, post secondary, Community Futures Central Kootenay, Kootenay Careee etc.)

- City of Nelson: City's 25-Point Action Plan was reactive and helpful
- Reduction of tax burden during COVID was pragmatic and supportive (0% for 2020, 1.75% for 2021, 4% for 2022)
- City's efforts on patios have been widely noted and appreciated
- Chamber of Commerce: Implementation of Business Recovery Advisor well received
- Public education campaigns were high profile (Wearing is Caring, Shot in The Arm)
- Support Local campaign was appreciated and vital
- Other agencies: Kootenay Career Development Society programs uptake was steady, but funds still exist for job seekers (subsidies, certifications, work clothes, gas cards, etc) ...DER3/KAST assisted 260 e-commerce clients....Basin Business Advisor program uptake was strong, particularly for BBA Tech Reviews (Digital Marketing, e-Commerce, Programs and Apps For Business) as well as Cash Flow and Bookkeeping courses
- Basin Business Advisor program uptake was strong, particularly for BBA Tech Reviews (Digital Marketing, e-Commerce, Programs and Apps For Business) as well as Cash Flow and Bookkeeping courses

The City is the one group to date, that has recognized the plight of small businesses.



Now is a good time for people to start advocating for any changes, whether you like them as is, or want changes... because there'll be a new council in October...and I'm not certain they will feel the same about patios or any other changes the city has introduced.



The Chamber advisor's visits were great — it was very good to know the Chamber was listening and offering help on recovery funds.



Loved the Wearing is Caring posters. They're everywhere!

—
The Wearing is Caring posters were disclusive — don't I care if I don't wear a mask?



Thank you for all the support for local shopping — the support of our local community kept us in business.



There's a lot of money on the table for labour assistance, but it won't be there forever.



Opportunities for Support & Advocacy

Based on the analysis of Food and Beverage sector stakeholder feedback, here's a compilation of aims the Nelson and District Chamber will initialize in the year ahead, through local, provincial and federal channels.

I'm feeling pretty positive about the future.



FEDERAL GOVERNMENT

- Lobby Ottawa for HR support for businesses and/or the creation of group HR
- Utilize the Rural Immigration Program and advocate for continuation of program's three-year pilot
- Increase immigration
- Expand and extend temporary work visas program, as well as vacation visas
- Allow older workers to work longer
- Curtail federal income tax on seniors additional earnings beyond \$39K
- Curtail federal income tax on Old Age Security and other income support programs, which are considered 'additional taxes on working'
- Due to exodus of boomers there's an exodus of skills — educate companies on how to invest more money into training programs to get new employees up to speed

We don't want to expand too fast...we're still just dipping our toes in...lots can still go wrong.



Things are very uncertain still.



PROVINCIAL GOVERNMENT

- Ensure flexibility in BC Provincial Nominee Program (BC PNP) — the immigration system that allows skilled and semi-skilled workers to gain permanent residency in BC
- Introduction of a student wage
- Incentivize accommodators or businesses to buy housing for staff through tax breaks
- Reduce insurance rates from municipalities that show proactive efforts in natural disaster business plan mitigation
- Amend the Rental Tenancy Act to allow for more affordable and accessible entry level / working class housing
- Promote small and medium-sized Food and Beverage businesses' adaptation to on-line/e-commerce platforms and markets (jc.gc.ca/eic/site/152.nsf/eng/home — Canadian Digital Adoption Program, Small Business BC)
- Consult and collaborate with industry and stakeholders on a revision of the funding model for post-secondary institutions, to actively support BC's economic growth
- Lobby for greater assistance for employee mental and emotional health care

MUNICIPAL AND REGIONAL GOVERNMENT

- Improve rental housing opportunities and regulations within the Regional District of Central Kootenay
- Support the amendment of the City of Nelson's Sidewalk Cafe Bylaw to allow patios to open in April, instead of May
- More certainty/urgency around street cleaning to allow for the opening of patios as early as possible
- Continue to develop more affordable housing within the city through infills and entry level accommodations
- Lobby BC Transit for more consistent bus schedules, and the addition of more routes outside of 9 a.m. -to-5 p.m

DIRECT BUSINESS SECTOR EDUCATION AND SUPPORT

- Nelson and District Chamber of Commerce : Maintain Rural and Business Community Recovery Team, transition to businesses resilience, coaching and partnerships, and promote Food and Beverage venue cost savings through Chamber Membership Benefits Package (discovernelson.com/chamber/membership/)
- Connect pubs, restaurants, coffee shops and craft breweries with remaining economic recovery grants and funds (discovernelson.com/news/economic-recovery)
- Assist F/B stakeholders' cost-savings and climate action efforts through Chamber and City of Nelson energy efficiency/retro-fits, waste diversion and emissions reduction programs (discovernelson.com/chamber/sustainability — Business & Climate Advisor program + nelson.ca/222/EcoSave-Program + nelson.ca/804/Climate-Change-Action — City of Nelson's Nelson Next program)
- Educate pubs, restaurants, coffee shops and craft breweries on how to retain the staff they have, make investments in them and create a positive working environment (kcds.ca — Kootenay Career Development Society programs including RAFT, Fast Forward, Smartlaunch, West Tech, KCDS Virtual Hiring Supports). "The person you hire is likely eligible for many job-related expenditures you can't afford, but KCDS can help."
- Encourage food and beverage employers to provide work experience and on-the-job training to unemployed Nelson and area residents (wage-subsidy.es.workbc.ca — WorkBC Employer Identified Wage Subsidy.)
- Help educate F/B businesses to recruit/retain, motivate and leverage the millennial workforce
- Help F/B venues improve their management, human resource practices, marketing and growth (bbaprogram.ca — Basin Business Advisors program + ourtrust.org/grants-and-programs-directory/basin-revup — Columbia Basin Trust Rev Up program)
- Help connect Food and Beverage industry student interns with employers (<https://ourtrust.org/grants-and-programs-directory/career-internship-program> — Columbia Basin Trust Career Internship program)
- Help business start-ups, business growth, financing, the sale of their products and services in new markets, and workforce support (futures.bc.ca — Community Futures Central Kootenay)
- Connect early stage Food and Beverage entrepreneurs with Executive in Residence mentors and prepare angel investors for entry into the F/B start-up sector (kast.com/programs/venture-acceleration — Kootenay Association Science Technology's Venture Acceleration Program and Investor Readiness Training)
- Educate business emergency preparedness and disaster resilience planning in the event of economic disruption through natural or man-made catastrophe (futures.bc.ca/ced/nelsonready/ — Community Futures CK Nelson Ready program)
- Promote business action on climate adaptation and climate resilience, including engagement with new emerging market opportunities (basinclimatesource.ca — Columbia Basin Climate Source)
- Insurance Sector : Educate businesses on the ability of local agencies to match pricing from competing carriers, and that compatibles can take between three and four months
- Selkirk College: Connect food and beverage businesses looking to hire with students in the Hospitality and Tourism program at Selkirk College, with second additional job fair in late winter — for local H&T to time invitations of summer employment, along with fall job fair (which attracts employers from around Southeastern BC and Alberta Rockies)
- Invite Nelson and area H&T stakeholders/venues to learn more about Selkirks' H&T program and class timing
- Ensure greater understanding between food and hospitality venues and Selkirk Tourism and Hospitality: "Students are here for their education first, and their employment opportunities second."
- Advocate for on-going owner and management awareness of emotional and mental health issues and proactive efforts to assist
- Increase awareness of assistance programs for employee and management mental health issues



We're so stoked to
be fully open again.



YOUR CHAMBER.
YOUR FUTURE.
OUR COMMUNITY.



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