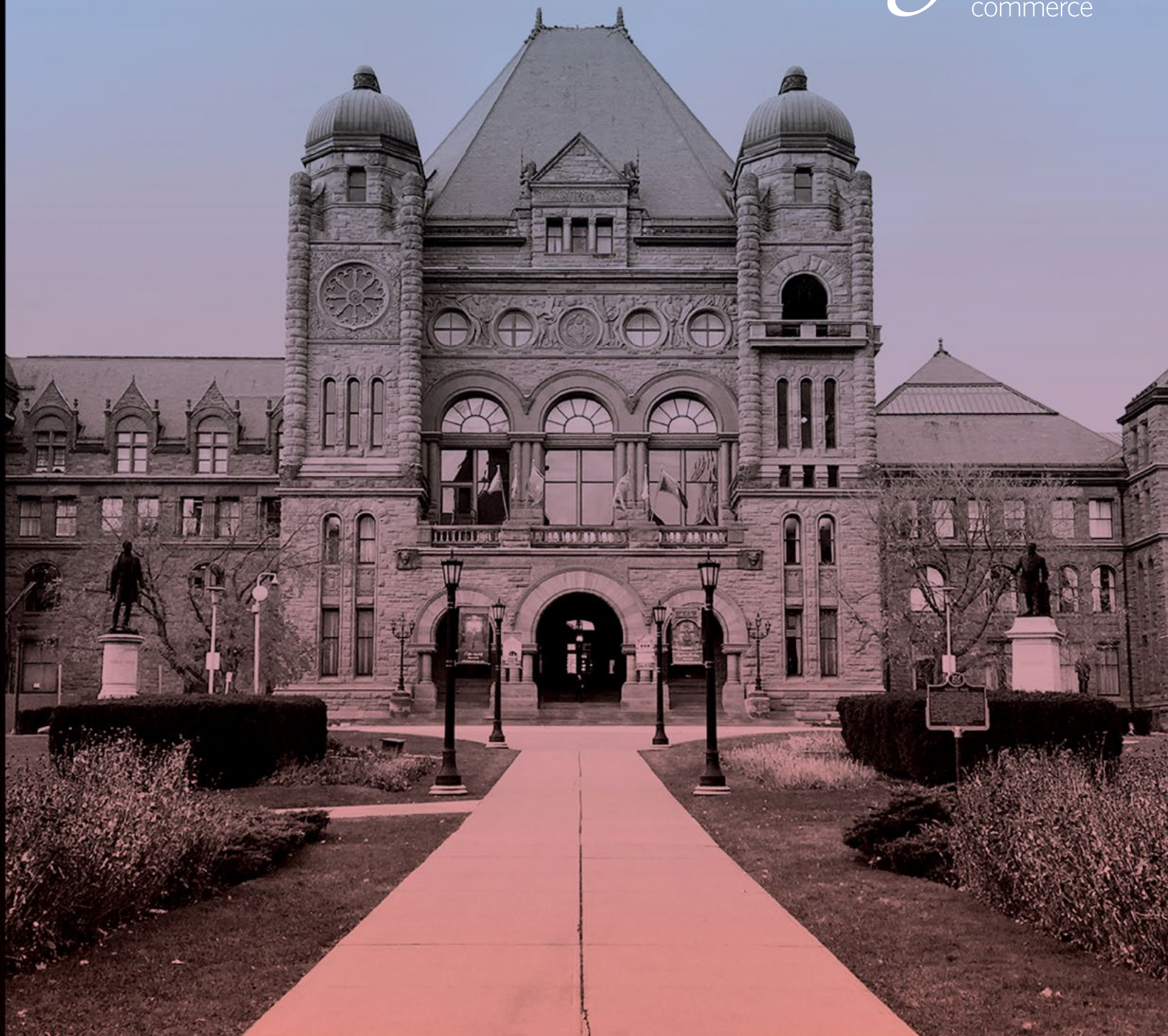


2019

PROVINCIAL PRE-BUDGET SUBMISSION



ABOUT THE ONTARIO CHAMBER OF COMMERCE

For more than a century, the Ontario Chamber of Commerce (OCC) has been the independent, non-partisan voice of Ontario business. Our mission is to support economic growth in Ontario by defending business priorities at Queen's Park on behalf of our network's diverse 60,000 members.

From innovative SMEs to established multi-national corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all sectors. We represent local chambers of commerce and boards of trade in over 135 communities across Ontario, steering public policy conversations provincially and within local communities.

Through our focused programs and services, we enable companies to grow at home and in export markets. The OCC provides exclusive support, networking opportunities and access to policy insight and analysis to our members. We also work alongside the Government of Ontario on the delivery of multiple programs and leverage our network to connect the business community to public initiatives relevant to their needs.



The OCC is Ontario's business advocate.

ISBN: 978-1-928052-54-8

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INTRODUCTION

Minister Fedeli,

For more than a century, the Ontario Chamber of Commerce (OCC) has supported economic growth in Ontario by advocating for business priorities at Queen's Park on behalf of our diverse 60,000 members, including local chambers of commerce and boards of trades in over 135 communities across Ontario. As Ontario's business advocate, we would like to submit our recommendations in advance of Government of Ontario's 2019 Budget.

As of 2019, the size of Ontario's public debt has reached \$347 billion, with forecasted interest payments of \$12.5 billion to service that debt in 2018-19.¹ The magnitude of Ontario's debt makes our province vulnerable to rising interest rates, reduces government's capacity to make productivity-enhancing investments, as well as places an unjustified fiscal burden on young Ontarians.

The OCC applauds your government for repeatedly affirming its commitment to the difficult task of restoring fiscal balance, beginning with Budget 2019. Going forward, we encourage the articulation of a detailed, transparent debt and deficit reduction plan as well as a timeline that will guide and inform future budgets.

In formulating a responsible debt and deficit reduction strategy, it is critical that Ontario's economic prosperity be at the forefront of all decisions. A thriving private sector is

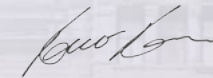
the most important source of employment, innovation, and growth. Fostering a competitive policy environment will allow businesses to create high-quality jobs, contribute to skills development and knowledge creation, make strategic investments, and, ultimately, boost living standards for the people in Ontario.

Continued efforts to reduce regulatory red tape will go a long way in driving cost efficiency for both businesses and government, stimulating business investment and growth, and creating the conditions for sustainable economic prosperity in Ontario. To that end, we urge the Ontario government to deliver on its target of cutting red tape by 25 percent by 2022.

Fiscal balance is in the best interests of every Ontarian. With this shared objective in mind, the OCC has chosen to focus this 2019 Pre-Budget Submission on four key areas: taxation that restores competitiveness; fiscal capacity at the municipal level; investments to increase productivity, and reforms that stabilize public finances for the benefit of all Ontarians for years to come.

We look forward to working with the Government of Ontario on the successful implementation of its 2019 Budget in support of economic prosperity across the province.

Sincerely,



Rocco Rossi

*President and CEO
Ontario Chamber of Commerce*

SUMMARY OF RECOMMENDATIONS

1. Tax Competitively

- a. Establish tougher penalties for tax noncompliance.
- b. Create a variable small business deduction and delay taxation on corporate income growth to overcome Ontario's scale-up challenge.
- c. Maintain the current mining tax rates for remote, non-remote, and diamond mining operations.
- d. Preserve provincial tax exemptions on employer health and dental plans.
- e. Modify the Municipal Accommodation Tax to protect tourism industry competitiveness.

2. Enhance Fiscal Capacity for Municipalities

- a. Gradually increase the Heads and Beds Levy on institutions.
- b. Fix the interest arbitration system for fire and police services.

3. Address Ontario's Infrastructure Deficit

- a. Leverage the private sector to expand broadband access.
- b. Restore passenger rail in Northern Ontario by partnering with the Canada Infrastructure Bank.

4. Adopt Sustainable Spending Models

- a. Use value-based procurement to more effectively spend taxpayer money.
- b. Implement user-pay models and means testing for certain government services.
- c. Direct business support to where it is needed most.
- d. Leverage technology to increase public sector cost efficiency.

CHAPTER 1: Tax Competitively

1. Last year, 48 percent of Ontario businesses indicated they were not confident about the province's economic outlook and 61 percent of those cited high tax rates as a reason.² Recent US tax reforms have further exacerbated those concerns by eliminating the favourable tax position that Ontario previously enjoyed. This includes, for example, lower corporate tax rates and regulations around accelerated depreciation, which allows businesses to expense more of their assets in the same year they are purchased.

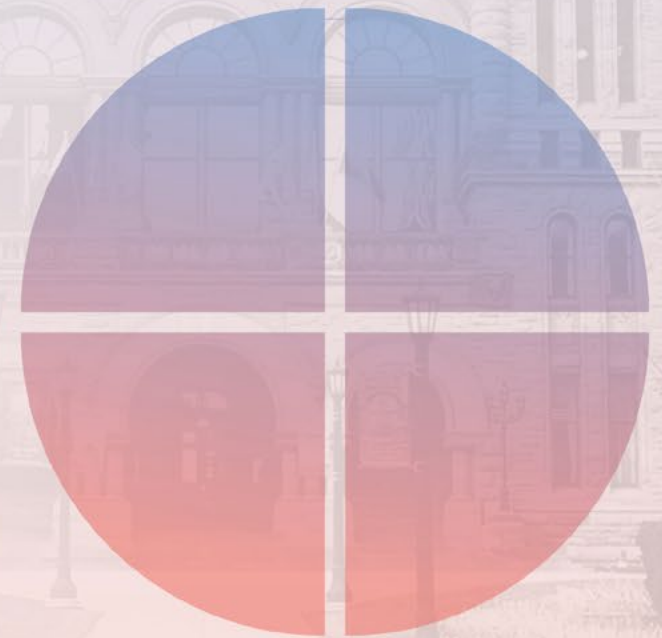
In its 2018 Fall Economic Statement, the Government of Ontario recognized the need for a competitive tax system for businesses. We welcome the steps the Province has already taken to encourage private sector investment by committing to mirror the federal government's partial implementation of accelerated depreciation; reversing the previous provincial government's decision to scale back the Small Business Deduction for some businesses, and increasing the Employer Health Tax exemption to reduce the burden on private-sector employers.

Building a more competitive tax environment is critical to fuelling investment, innovation, and economic growth across Ontario, particularly in times of fiscal restraint. Indeed, the OCC understands the inherent difficulty in balancing the two objectives of debt reduction and competitive taxation. In light of this, we have identified taxation priorities for Budget 2019 that are focused on fiscal sustainability and long-term economic prosperity.

a. Establish tougher penalties for tax noncompliance.

Tax noncompliance is a substantial source of lost revenue for Ontario. According to EY Canada, Ontario's contraband tobacco market alone results in \$750 million per year in lost revenue.³ Without addressing tax noncompliance more aggressively, fewer and fewer Ontario residents and businesses will be paying the bulk of Ontario's taxes while those who do not pay continue to grow.

The government's 2018 Fall Economic Statement identified illegal tobacco as a major source of tax noncompliance, however, underground, untaxed economic activity is also prevalent in the lottery and gaming sector and in industries where cash transactions are common (such as automotive repairs and construction). It is soon likely to become an issue in the cannabis market as well.



The Ontario government should establish tougher penalties for noncompliance, coupled with intensified audits, for industries prone to underground activity. Initiatives taken to combat illegal tobacco—such as launching a tobacco enforcement grants program and maintaining the Provincial Tobacco Tax rates—can also be applied to other high-risk industries.

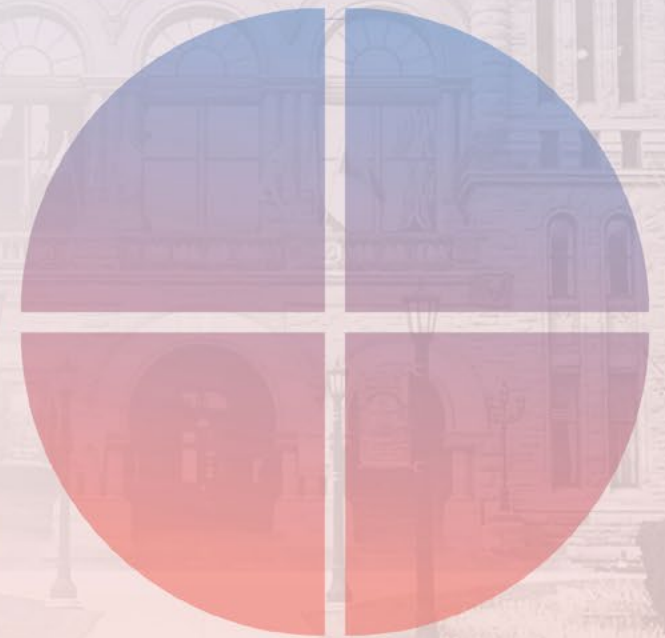
b. Create a variable small business deduction and delay taxation on corporate income growth to overcome Ontario's scale-up challenge.

A prosperous economy is one that encourages and enables firm growth. Although Ontario is home to an abundance of small and medium enterprises, they often face several obstacles to growth. As a result, Ontario has a smaller proportion of large firms relative to US states with similar industrial compositions.⁴ This limits the productivity and competitiveness of our province; larger firms take advantage of economies of scale, invest heavily in research and development (R&D), and generate proportionally greater export value and GDP.⁵

Ontario's scale-up challenge is partly a result of a tax system that does not incentivize small business owners to seek out opportunities for investment and growth. Restructuring some of these taxes could boost overall productivity at little or no cost to government.

In particular, the current structure of the Small Business Deduction (SBD) means companies are faced with a substantial rise in their corporate tax rate when their annual income increases above \$500,000. To address this challenge, the OCC recommends creating a variable SBD rate, instead of the existing flat rate, for businesses with an annual income below \$500,000. With a variable rate that increases gradually as revenue grows, small business owners will no longer be discouraged from actively seeking opportunities that will boost investment and firm growth. This reform should be tax neutral, such that total tax revenue generated before and after the change remains the same.

Additionally, we encourage the Province to exempt businesses' incremental income (additional earnings over the previous year) from the Corporate Income Tax in a given year. With this exemption in place, firms that are growing can reinvest more into their businesses. Eligibility could be restricted to target higher-growth firms by setting a threshold minimum rate of income growth over the previous year.



c. Maintain the current mining tax rates for remote, non-remote, and diamond mining operations.

Ontario's mining industry is a significant contributor to the provincial economy, producing approximately \$10.6 billion in non-fuel minerals, accounting for more than a quarter of Canada's total value of mineral production, and serving as the largest private-sector employer of Aboriginal Canadians. In recent years, the Ontario government has faced pressure to increase the mining sector's tax rates as a means of addressing the provincial debt.

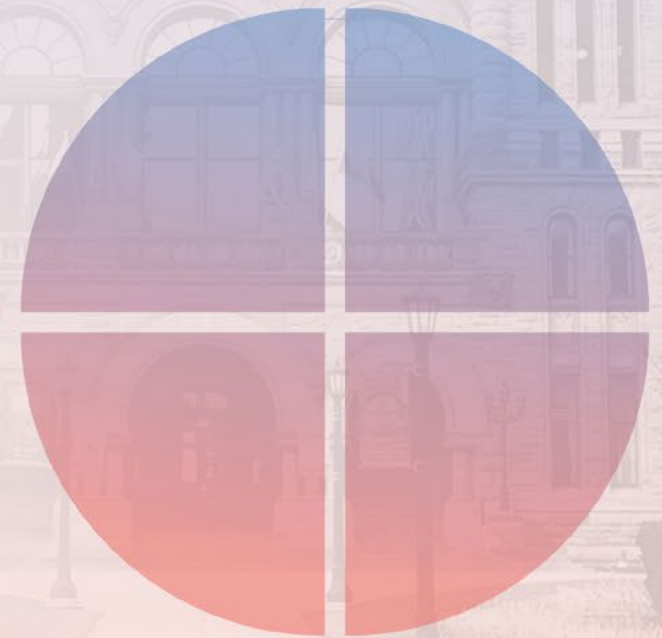
Ontario's mining sector is already facing headwinds by way of regulatory burdens and soaring energy rates. In 2016, Ontario slipped out of the top 15 mining jurisdictions in the world, falling to number 18 in the Fraser Institute's Annual Survey of Mining Companies.⁶ For an industry already challenged by rising costs, a heavier tax burden would only serve to further undermine the vitality of Ontario's mining sector. The OCC urges the Ontario government to maintain existing mining tax rates for remote, non-remote, and diamond mining operations as part of its broader strategy to support regional economic development in Northern Ontario.

d. Preserve provincial tax exemptions on employer health and dental plans.

When the province of Quebec decided to tax employer health and dental plans in the early 1990s, the added costs led to a 20 percent reduction in benefits offered by employers, and a nearly 50 percent decrease among small businesses.⁷ Very few workers replaced their workplace insurance with private health coverage.

In Ontario, a similar tax on benefit plans could cause millions of employees and their dependents to lose access to health insurance coverage.⁸ For many Ontarians, employer benefits are used to cover preventive services that keep people out of provincially funded hospitals and clinics. A reduction in workplace benefits would seriously impact public health and shift billions of dollars of health care costs to an already strained provincial health care system, in exchange for comparably minimal tax revenue.

Based on evidence from Quebec, the OCC urges the Government of Ontario to maintain tax exemptions on private health and dental plans.



e. Modify the Municipal Accommodation Tax to protect tourism industry competitiveness.

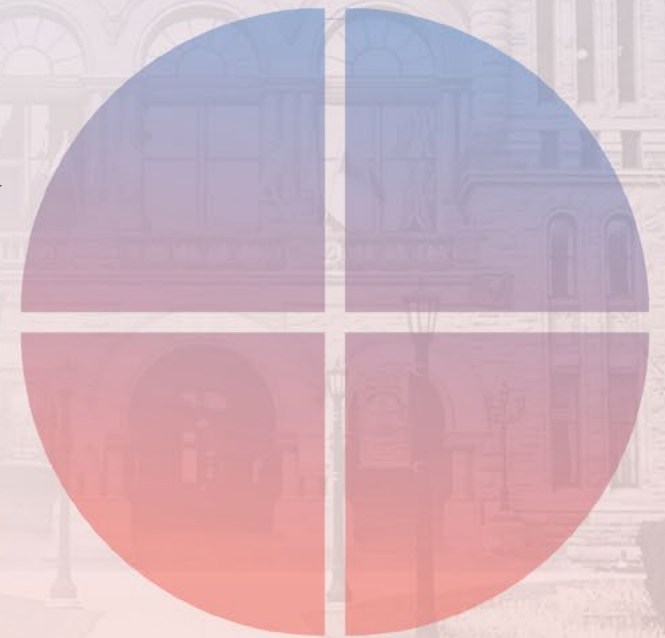
In December 2017, the Province of Ontario granted municipalities the authority to impose a Municipal Accommodation Tax on facilities that offer accommodation stays under 30 days.

This tax differs considerably from the Destination Marketing Program (DMP), a voluntary revenue-generating scheme that continues to exist in many municipalities. First, the tax is uncapped and non-voluntary, meaning that municipalities are free to impose it unilaterally and set the rate at any level they choose. The absence of a cap on this tax is a significant concern for the tourism industry, which already faces a series of challenges related to exchange rate fluctuations, global economic competition, and heightened border security.⁹

Second, unlike revenue from DMP fees, as little as 50 percent of Municipal Accommodation Tax revenues must go towards a non-profit tourism industry association, and businesses that are directly impacted by the tax have little spending oversight over those funds. This reduces the industry's ability to ensure that spending is allocated effectively to address new and ongoing challenges.

In order to protect tourism industry competitiveness, the OCC encourages the Ontario government to cap the Municipal Accommodation Tax at 4 percent. In municipalities where the DMP fee exceeds 4 percent, the cap should match that total and all funds should go towards the appropriate non-profit tourism organization. Additionally, we urge you to allow businesses that pay the Municipal Accommodation Tax in Ontario to participate in the oversight and distribution of the tourism-focused portion of revenues.

Tourism is an important driver of economic activity in Ontario, contributing over \$32 billion to the provincial GDP and supporting nearly 400,000 jobs.¹⁰ Our recommended changes to the Municipal Accommodation Tax will ensure that the industry remains competitive and continues to be a source of economic prosperity for our province.



CHAPTER 2: Enhance Fiscal Capacity for Municipalities

2. In its 2018 Fall Economic Statement, the Government of Ontario rightly recognized that municipalities have real, tangible impacts on the day-to-day lives of Ontarians. Supporting the fiscal capacity of municipalities is essential to ensuring that individuals and businesses across the province are provided with the conditions they need to prosper.

To that end, the OCC applauds the Province's commitment to provide municipalities with a portion of revenues from the federal cannabis excise tax to help offset the costs associated with new administrative and enforcement functions – an ask we had made in advance of legalization.

Given the importance of well-funded municipalities, it is important to recognize and continue alleviating the fiscal challenges that local governments face in Ontario. In 1995, in order to balance the provincial budget, the Ontario government began a process of “downloading” its responsibilities onto municipalities – including programs for child care, transit, housing, and public health. As revenue sources have not been sufficiently downloaded to fund these programs, municipal governments are faced with a multi-billion dollar funding gap that has led to service cuts and severe underfunding for essential projects like infrastructure.

Programs that are still running are often much less cost-effective than before, since municipalities often lack the human capital, economies of scale, experience, and market power present at the provincial level. Moreover, in order to make up for the funding gap, municipal governments have had to compensate with measures that penalize Ontarians, such as property tax hikes. The net effect has been to increase the cost of living for taxpayers, discourage business investment, and hamper efforts to retain and attract talent.

In light of this, the OCC urges the Ontario government to avoid the same mistake made by previous governments by taking further action to support the fiscal capacity of municipalities across the province.

a. Gradually increase the Heads and Beds Levy on institutions.

The Heads and Beds Levy is paid by the Province of Ontario to municipalities on behalf of certain public institutions (i.e. provincial correctional facilities, hospitals, and universities) in lieu of taxes. The rate has not changed since 1987, when it was increased to \$75.

This long period of inaction has prevented municipal revenues from keeping up with increased costs. It also means that municipalities with a large number of post-secondary institutions, hospitals, and correctional facilities face significant competitive



disadvantages vis-à-vis other municipalities, as they are forced to make up for the increasing funding shortfall associated with those institutions.

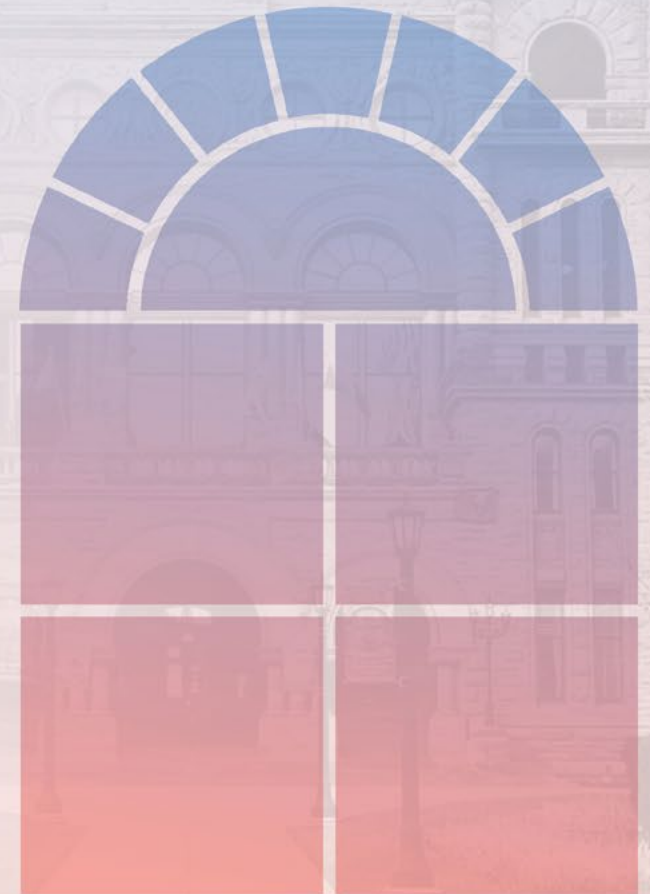
The OCC recommends increasing the levy to \$100 per bed, then matching future increases to the Consumer Price Index. The economic impact would be immediate, as municipalities would no longer have to compensate for this lost revenue in other ways.

b. Fix the interest arbitration system for fire and police services.

The OCC and our members value the contributions that firefighters and police make to our communities. We also recognize, however, that the costs of these services have increased at over three times the rate of inflation annually since 2002, contributing to a fiscal crisis in many municipalities.¹¹

In Ontario, interest arbitration is the legal mechanism through which emergency service personnel and municipalities resolve collective bargaining disputes. The awards granted by arbitrators are often based on comparisons to provincial—not regional—emergency services, challenging rural and remote municipalities with significantly smaller tax bases than large urban centres. In Owen Sound, for instance, 46 percent of tax dollars allocated to managing city affairs were absorbed by police and fire services in 2016.¹² The OCC believes it is time to reform the system to reflect the current capacity of our municipalities to pay for increased service costs.

In addition, we recommend that the Ontario government mandate that arbitration decisions be delivered in fewer than 12 months; the current system places no limit on the length of time for which a decision can be delayed, resulting in significant inefficiencies and costs. Finally, to improve accountability and transparency, arbitrators should be required to publicly release a written explanation of their decision that indicates consideration given to the fiscal health of a community.



In late 2018, the Government of Ontario modernized the interest arbitration system for the firefighting sector by amending the *Fire Protection and Prevention Act, 1997* as part of Bill 57, the *Restoring Trust, Transparency and Accountability Act, 2018*. The OCC applauds these amendments, which will:

- Update the system to reflect the current capacity of municipalities to pay for increased service costs;
- Improve efficiency by requiring that arbitration decisions be delivered within four months; and
- Improve accountability and transparency for taxpayers by requiring arbitrators to provide written reasons for their decisions if requested by either party.

The OCC supports these changes within the firefighting sector and encourages the Province to undertake similar reforms with police services by updating the *Police Services Act, 1990*. Moreover, for greater accountability to taxpayers, the OCC maintains that arbitrators should be required to release written decisions to the public following all cases.

CHAPTER 3: Address Ontario's Infrastructure Deficit

3. Ontario's infrastructure deficit is limiting economic development. Our underfunded transportation, utility, and telecommunications stock is keeping Ontarians away from services, information, and jobs, while preventing businesses from tapping into value chains and efficiently getting their goods and services to market. Growing demographic and environmental pressures will only add to these challenges in the future.

In the current context of fiscal restraint, it is more important than ever to deliver infrastructure projects in a way that yields the highest return on taxpayer dollars. If chosen and delivered strategically, these investments can be a powerful engine for economic growth.

The Government of Ontario has taken steps in the right direction with initiatives like *Bill 32, the Access to Natural Gas Act, 2018*. Budget 2019 should prioritize additional investments in technology and transportation infrastructure with expected long-term value. For recommendations on strengthening critical transportation infrastructure, we encourage the government to consult our recent report, *Moving Forward: Towards a Strategic Approach to Ontario's Transportation Needs (Part I)*.¹³

a. Leverage the private sector to expand broadband access.

Despite large investments, tens of thousands of rural, remote, and last-mile homes and businesses in Ontario still lack adequate access to high-speed internet. This is compromising the ability of communities across the province to attract business and talent, innovate and modernize, collect important data, educate their populace, and engage with the rest of the world. In today's economy, access to high-speed internet is a basic infrastructure requirement, much like roads, bridges, and electricity. An analysis of comparator jurisdictions indicates that a 10 percent increase in household broadband penetration could accelerate economic growth by up to 1.5 percentage points.¹⁴

In its 2018 Fall Economic Statement, the Government of Ontario committed to releasing a broadband and cellular strategy in early 2019. Investing in digital infrastructure across the province is critical to our competitiveness. Of course, this must be done in a fiscally responsible way – by actively seeking out private sector investment and alternative funding sources for last-mile connectivity.

The first step should be to reclassify broadband as an investment category in order to broaden potential funding sources. Then, in partnership with other levels of government, the Province should commit to an intergovernmental 'funds matching' formula to

incentivize accelerated private sector investment. Savings generated from Ontario's new natural gas expansion program can be allocated to this end. Existing regional bodies (including Mayors' and Wardens' groups) are well positioned to oversee the implementation of such investment and ensure responsiveness to local needs.

Ontario's broadband strategy should also identify and remove barriers to investment around building, wholesaling, leasing, and ownership of digital infrastructure. Finally, Ontario should establish targets for broadband penetration and speeds, which should be benchmarked to competitor jurisdictions. Benchmarking will ensure that broadband investments are well aligned with needs.

b. Restore passenger rail in Northern Ontario by partnering with the Canada Infrastructure Bank.

The lack of adequate transportation infrastructure in Northern Ontario is a significant barrier to economic development. In recent years, mass transit service within Northern Ontario has been significantly reduced or cancelled, limiting mobility in a region already underserved compared to the rest of the province. In 2012, the Northlander passenger rail service came to an end, followed in 2018 by the cancellation of inter-city Greyhound routes as well as those that link the North to Western Canada.

A lack of transit limits access to health care, jobs, and business opportunities for Northern communities. It also hinders development of the Ring of Fire, which has the potential to generate up to \$9.4 billion in GDP over 10 years for this province.¹⁵

In its 2018 Fall Economic Statement, the Ontario government committed to supporting economic development and job creation in the North by investing in infrastructure. Since the expansion of passenger rail in Northern Ontario would generate fare revenue, it can be funded in part by the Canada Infrastructure Bank (CIB), a Crown corporation that attracts private sector investment to fund revenue-generating infrastructure in the public interest.¹⁶ By partnering with the CIB on this project, the Ontario government would take considerable strides towards unlocking economic development opportunities in Northern Ontario—including the Ring of Fire—at an acceptable cost to Ontario taxpayers.

CHAPTER 4: Adopt Sustainable Spending Models

4. Given the severity of Ontario's public debt, the OCC urges the Province to reconsider the approaches it takes to spending and explore adopting more fiscally sustainable models. Only then can Ontario achieve long-term fiscal balance without undermining critical investments in the economy.

Many of these reforms will require a longer timeline than what can realistically be achieved within Budget 2019. Nonetheless, it is critical that the Ontario government begin immediately to implement evidence-based spending reforms that the OCC has long called for and to undertake thorough cost-benefit assessments of other opportunities that could substantially enhance cost efficiency in the public sector.

- a. **Use value-based procurement to more effectively spend taxpayer money.**

Public procurement is a powerful tool for government to increase cost efficiency, support small businesses, and inject innovation into its services.

The Government of Ontario's project-based, transactional approach to most procurement tends to favour short-term, low-cost purchases over long-term value creation. In *Spend Smarter, Not More: Leveraging the Power of Public Procurement*, the OCC championed the modernization of procurement practices across all government ministries.¹⁷ The report highlights six steps necessary for the successful implementation of strategic procurement.

Small and medium enterprises (SMEs) play an important role in strategic procurement. Removing barriers for SMEs to access procurement opportunities strengthens local employment, economic growth, innovation, and cluster development.

Infrastructure is one area in which a more outcomes-based approach could add tremendous value. With limited resources, decisions about what should be funded and how must be based on assessments of future costs and productivity.

One way to encourage value-based spending is to link infrastructure funding to municipal asset management plans. Asset management planning ensures that municipalities take a long-term perspective on infrastructure spending to optimize investments, better manage risk, and consider the impact of climate shocks. It also generates cost savings by helping decision-makers spot deterioration early on and act to rehabilitate or renew assets.



Tremendous opportunities also exist to reform Ontario's health care system, a sector worth a more than \$55 billion that is, in many cases, not driven by the real needs of patients and health care professionals. The OCC's report, *Prescription for Partnership: How New Models of Collaboration in Health Care Can Make Outcomes a Priority*, provides a practical, evidence-based commissioning toolkit for government to adopt value-based procurement and service delivery into Ontario's health care system.¹⁸ Unlocking system-wide efficiencies through procurement reform is critical to ending hallway health care in Ontario.

Strategic procurement also involves enhanced collaboration with the private sector through the use of alternative financing and service delivery models. Well-designed public-private partnerships can overcome many of the challenges related to underfunding, timing delays, and risk aversion that currently plague the administration of many public programs and services in Ontario. The cost savings produced by such reforms could have a more significant impact on deficit reduction than spending cuts or revenue-generating schemes.

The Government of Ontario should empower payers within the public sector to explore non-traditional means of partnership, procurement, and contracting with vendors. Innovative approaches to consider include:

- Commissioning;
- Risk-sharing and/or performance-based agreements;
- Joint ventures;
- Integration contracts;
- Public sector mutuals;
- Delegated administrative authorities;
- Choice-based (voucher) systems; and
- Social impact bonds.



b. Implement user-pay models and means testing for certain government services.

Reducing Ontario's debt in a timely manner will require new solutions to delivering public services. In addition to value-based procurement, we encourage the government to consider user-pay and means testing models for certain government programs as a way to continue providing existing service levels at a lower cost to Ontario taxpayers.

User-pay models involve collecting fees from end users, which are used to partially or fully cover service costs. In addition to reducing the fiscal burden on taxpayers, user fees help regulate and mitigate unnecessary or fraudulent demand and encourage more efficient use of available services.

Means testing models restrict eligibility and/or adjust the costs that service users pay based on financial need. Currently, many public services are available to all Ontarians at the same cost (or no cost), despite significant variation in households' financial means.

Several OECD countries use user-pay and means testing models to deliver public programs and services effectively. The Australian government, for example, decided to integrate means testing into residential aged care as part of a reform package. In the context of an aging population similar to that of Ontario, this has allowed Australia to build a more fiscally sustainable residential care system.

The line-by-line review undertaken by EY Canada earlier this year noted that the Ontario government funds a number of programs that could be suitable for means testing. While core programs should continue to be universal, relying more on user-pay and/or means testing would ensure that government funding is directed to those that need it most. These models allow government to continue providing services to the people of Ontario without adding to an already high level of public debt.

When considering whether to adopt these approaches, however, we urge the Ontario government to factor in the added administrative costs required to implement and enforce costs to users, particularly when there is a requirement to demonstrate level of need. Service delivery must be done in a way that is fair, transparent, and cost effective.

c. Direct business support to where it is needed most.

Supporting businesses is an important means for the Ontario government to foster economic development and job creation across the province. It is in everyone's best



interests that business tax incentives, training programs, and grants are effective and making good use of taxpayer dollars.

Currently, there may be opportunities to improve the value of existing business supports. Following a recommendation made by EY Canada, the Ontario government announced in its 2018 Fall Economic Statement that it will undertake a review of all business support programs to determine their effectiveness, value for money, and sustainability.

The OCC welcomes this decision. We encourage the government to undertake this review in close collaboration with industry, which is well positioned to help clarify whether business supports are creating the intended value for our economy and to identify opportunities to make them more effective.

Currently, more than half Ontario's business support initiatives provide firms with resources to increase their general inputs (financial assistance, and human and physical capital), while fewer programs support those factors known to increase firm size and productivity, such as export capacity.¹⁹ Reorienting some of these initiatives can be one way to create more value under fiscal restraint.

Additionally, we recommend looking at whether the existing programs are the best means to achieve the desired outcomes. In some cases, it may be more appropriate to reduce red tape, connect businesses with available resources, or use other tools to fulfill the underlying rationale.

Finally, where grants are deemed to be the most appropriate policy mechanism, consider establishing specific and transparent return on investment thresholds to ensure that funds are directed to where they are most helpful. Simply put, require that projects produce a minimum level of incremental economic value before funding them through the business support budget.

d. **Leverage technology to increase public sector cost efficiency.**

Another means to improve long-term fiscal sustainability is to make greater use of technology to alleviate inefficiencies in the delivery of programs and services. Two examples are digital health and regulatory compliance:

Digital health

Within the health care system, digital health tools make patient-provider interactions more effective and prevent individuals from falling through the cracks as they are



transferred from one care provider to another. From a spending perspective, digital tools reduce the costs associated with a poor continuum of care, such as unnecessary duplication of medical tests.

Regulatory compliance

Complying with regulation can be expensive and time consuming, both for businesses and government agencies tasked with assessing such compliance. Technology-driven solutions have the potential to create a more modern regulatory regime with long-term cost savings across government, while enhancing business competitiveness and economic productivity.

At the simplest level, this means replacing paperwork with electronic forms where possible. The introduction of Bill 50, the *Cutting Red Tape for Motor Vehicle Dealers Act, 2018*, was a step in the right direction; when implemented, this act will allow certain auto dealers to license vehicles electronically.

More substantial reforms could include the use of artificial intelligence to assist with compliance assessments, video and machine learning to replace physical monitoring of sites, and blockchain to track proof-of-process.

As a first step, the OCC recommends working with industries and jurisdictions that use technology-driven compliance systems to identify worthwhile opportunities. Cost-benefit analyses should be used to estimate long-term impacts on Ontario's finances and to develop evidence-based solutions that are appropriate for Ontario.



CONCLUSION

As decision-makers in the public and private sector place greater emphasis on Ontario's economic growth and prosperity, effective fiscal policies are perhaps more important than ever. Sound spending and taxation will be key to furthering our province's competitiveness.

The OCC's 2019 Pre-Budget Submission provides thirteen pragmatic recommendations for the upcoming provincial budget that are designed to strengthen the province's economic position, while pursuing fiscal balance. These recommendations were developed thoughtfully from the perspective of Ontario business, with the shared interest of bringing prosperity to all Ontarians.

We look forward to Budget 2019 and continuing to work with the Government of Ontario in support of evidence-based policies that drive growth and prosperity across the province.

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