CANADIAN FEDERATION OF INDEPENDENT BUSINESS
In business for your business

The Cost of Doing Business

Pre-Budget Submission

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On behalf of our 38,000 small- and medium-sized business members in all sectors across Ontario, we welcome the opportunity to share CFIB member feedback and recommendations leading up to the provincial government's 2024 budget.

2023 was another challenging year for Ontario's small business owners. While it was the province's first lockdown-free year since 2019, other economic pressures, including supply chain crunches, high inflation and rapidly rising interest rates continued to put a significant damper on small business recovery.

There is a strong degree of uncertainty as small business owners bring in the new year. The Canada Emergency Business Account (CEBA) loan repayment deadline passed with over one in five small businesses indicating they could not pay in time to keep the forgivable portion and not pay any interest. This means that tens of thousands of businesses across Ontario will be struggling to operate with $60,000 in CEBA pandemic-related debt over the course of the next few years. Ontario's small firms also incurred debt during COVID from other sources: The total average pandemic-related debt for an Ontario small business is over $90,000.

Meanwhile, concerns around domestic demand skyrocketed over 2023 as the cost of doing business in the province mounted, with little end to the pressure in sight. Already small businesses owners have seen Employment Insurance (EI) and Canada Pension Plan (CPP) costs increase on January 1st and the carbon tax will increase to $0.17/L on gasoline in April.

When asked how they are feeling about their business performance over the next 12 months, only 50% of Ontario small business owners reported optimism, while 44% said they are pessimistic. Additionally, 73% are not confident that the Ontario government has a vision that supports small business and entrepreneurship.

As we begin 2024, it is crucial for the Ontario government to focus on reducing the cost of doing business in the province. Over three-quarters (77%) of small business owners believe that reducing taxes should be the government's top priority for the year. Notably, over half (54%) also place a high priority on ensuring fair business competition by addressing the market dominance of corporate giants.

We encourage the Ontario government to look at corporate taxes as a starting point in any cost reduction efforts. For example, the small business tax rate should be lowered from 3.2%, and the small business deduction threshold should be increased from $500,000, where it has lagged since 2007.

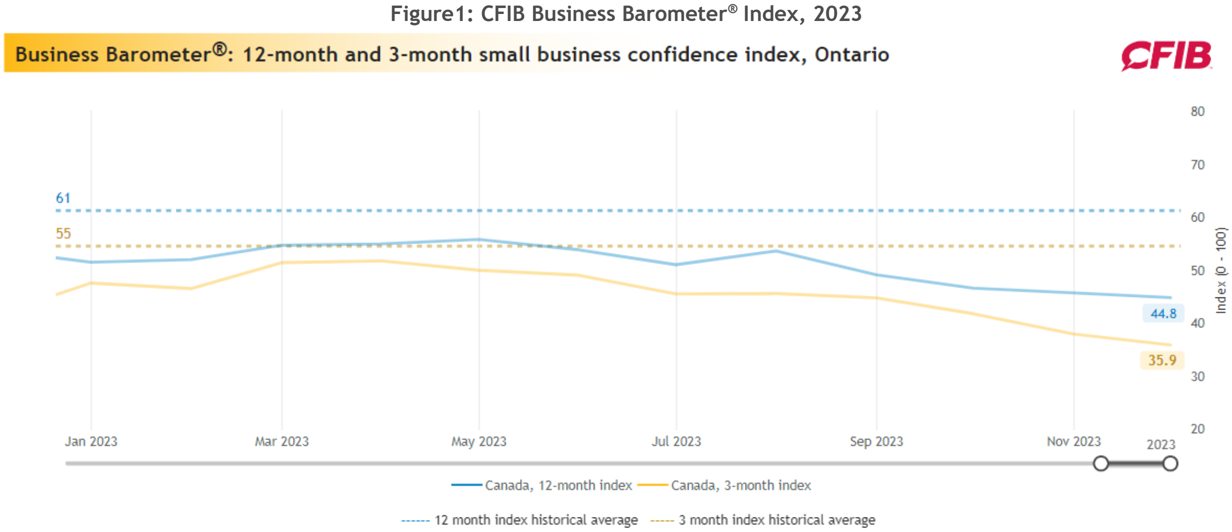
We urge the Ontario government to transition from its "do no harm" approach to small business policy to a "do" approach to help small business owners get back to growing Ontario's economy.

Current State of Ontario SMEs: CFIB Business Barometer®

CFIB has been tracking business confidence on a monthly basis for a number of years. Our Business Barometer® index has proven to be a very accurate predicter of small- and medium-sized business performance. Tracked against GDP, the Business Barometer® index closely reflects the state of the economy. Measured on a scale between 0 and 100, an index level above 50 means that owners expecting their business performance to be stronger over the next year outnumber those expecting weaker performance. According to past results, index levels normally range between 65 and 75 when the economy is growing.

Small business confidence was flat over 2023 (Figure 1) beginning at 51.5 and 47.6 for long- (12-month) and short- (3-month) term confidence respectively, and finishing the year at 2023 lows of 44.8 and 35.9 in December. Both measures remained well below their historical averages throughout the year.

Figure1: CFIB Business Barometer® Index, 2023



After peaking in early 2022, both price and wage plans returned to near-normal levels in 2023, with small business owners expecting average prices to increase 3% over the next year, and average wages to increase by 2.5%. Both these measures indicate a significant cooling from the inflation-driven pressures we saw in 2022.

While the shortage of skilled labour remained a top factor limiting sales or production growth in the province throughout 2023, it was overtaken by "insufficient domestic demand" in the last quarter of the year. Businesses reporting that insufficient domestic demand was a limitation reached their highest level in the province since March 2022 at the outset of the pandemic (Figure 2). Businesses reporting a shortage of working capital also climbed steeply at the end of 2023, indicating significant financial pressures, likely a result of the impending CEBA loan repayment deadline (Figure 3).

Figure 2: CFIB Business Barometer® Ontario insufficient domestic demand trend line, 2009-2023

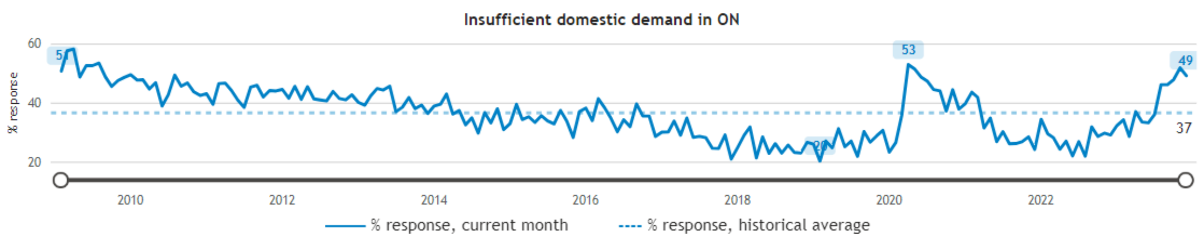
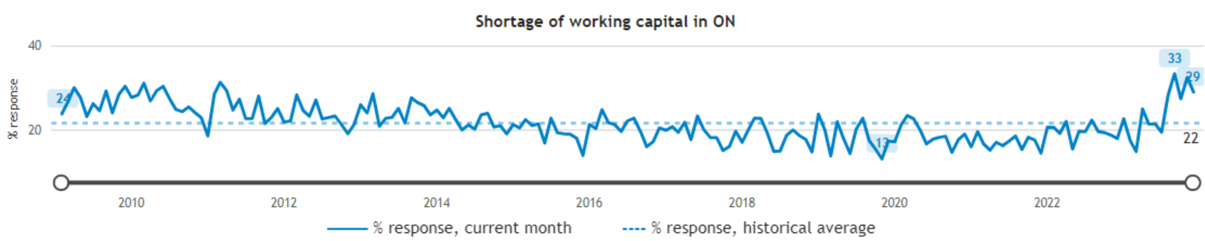
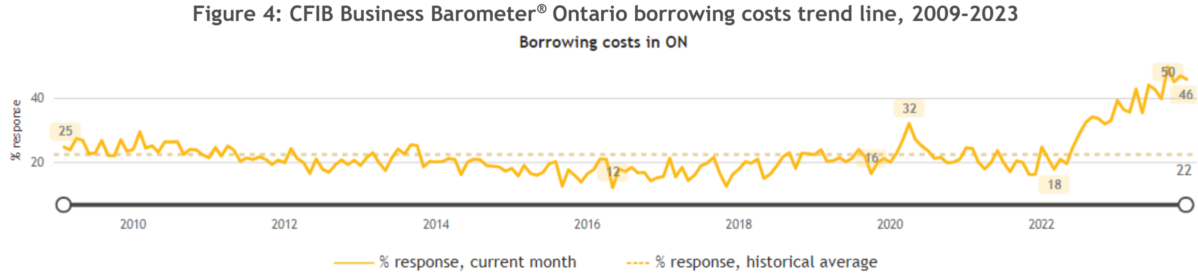


Figure 3: CFIB Business Barometer® Ontario shortage of working capital trend line, 2009-2023



Major input cost constraints varied over the course of 2023. Wage costs grew steadily throughout the year, and insurance costs remain a challenge. Borrowing costs (Figure 4) saw a steep increase over the course of the year and finished 2023 at more than double their historical average. Borrowing cost pressures were exacerbated by both rapidly increasing interest rates and CEBA loan-related pressures. Fuel/energy costs fell back to their historical norm by the end of the year.

Figure 4: CFIB Business Barometer® Ontario borrowing costs trend line, 2009-2023

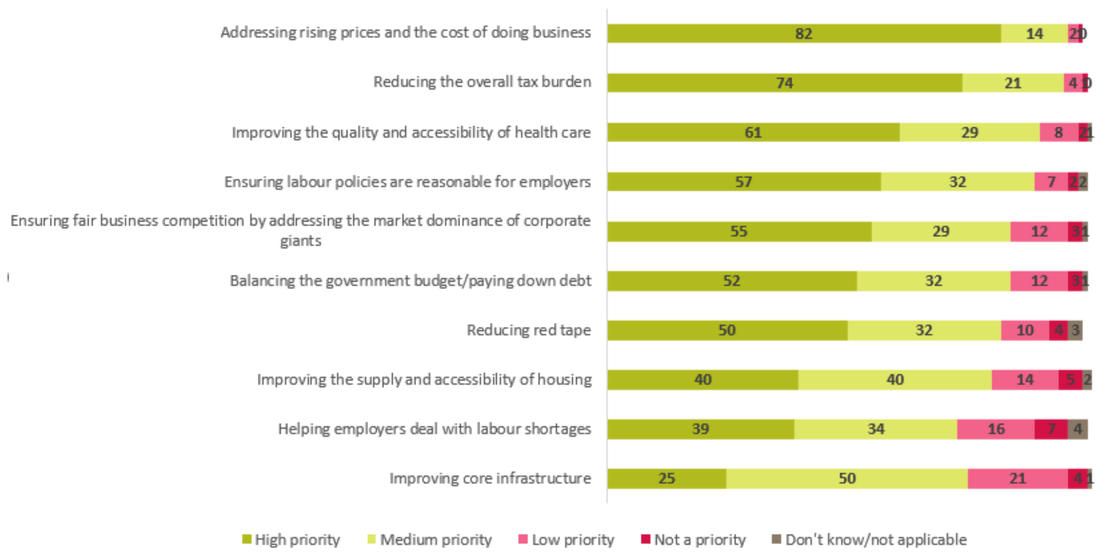


Cost of Doing Business Remains High

Addressing the rising cost of doing business and reducing the overall tax burden are Ontario small business owners' top priorities for the provincial government heading into 2024 (Figure 5).

Ontario's small business owners are seeing their costs rise in virtually every area. Payroll costs like CPP and EI premiums have been increasing, on top of another large hike to the carbon tax on April 1. While the labour market has softened since last year, there is still upward pressure on wages and labour costs, and insurance, rent and energy bills continue to climb. At the local level, property tax increases will impact both commercial owners and renters.

Figure 5: Heading into 2024, please indicate the level of priority you would like governments to place on the following issues



CFIB Your Voice Survey, December 2023. N=975 Ontario responses

Two ways the Ontario government can help reduce costs where the greatest, positive small business impacts will be realized are by increasing the small business deduction threshold and lowering the small business tax rate. Both measures would help recognize the current realities of doing business in Ontario.

The province's personal income tax brackets are annually indexed to inflation, preventing bracket creep and ensuring the province's tax system remains consistent. Unfortunately, the same policy does not extend to Ontario's small business tax rate.

The current $500,000 Ontario small business deduction threshold was introduced on January 1, 2008 and made retroactive to January 1, 2007. It has stayed at that level ever since, despite 15 years of inflation. **Had the small business tax rate been indexed to inflation annually, the threshold would sit at $710,753.08 for the 2023 tax year - a 42.1% increase over 16 years.**

We urge the government to, at minimum, increase Ontario's small business tax rate deduction threshold immediately to $700,000, and index it to inflation annually to prevent future bracket creep.

We also recommend that the government reduce Ontario's small business tax rate. At its current 3.2%, it is tied for highest in the country with Quebec's. The government should lower the rate with a goal of reaching 0%, as has been achieved in Manitoba and the Yukon territory (Figure 6).

Figure 6: Provincial and Territorial Small Business Tax Rates

Province/Territory	Small Business Tax Rate
Ontario	**3.2%**
Quebec	3.2%
Newfoundland and Labrador	3.0%
Nunavut	3.0%
New Brunswick	2.5%
Nova Scotia	2.5%
Alberta	2.0%
British Columbia	2.0%
Northwest Territories	2.0%
Saskatchewan	2.0%*
Prince Edward Island	1.0%
Manitoba	0.0%
Yukon	0.0%

*As of July 1, 2024.

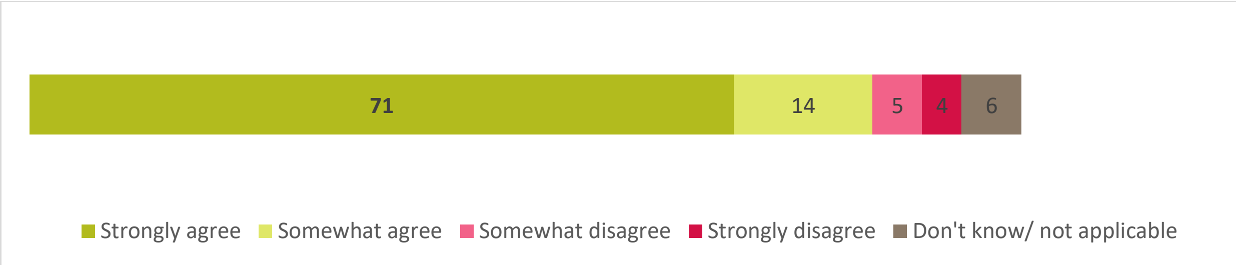
We welcomed the government's commitment in the 2022 Fall Economic Statement to automatically match property tax reductions in those municipalities that adopt a small business property tax subclass. In a September 2022 survey, 69% of small businesses agreed that their municipality should adopt the subclass. We encourage the government to continue to urge more municipalities to adopt the measure. This will be increasingly important as municipalities across the province seek to increase property taxes to improve their own finances coming off the pandemic.

Permanently increasing the Employer Health Tax (EHT) exemption threshold to $1 million in the 2020 Ontario Budget was also a very welcome measure and response to a long-standing CFIB recommendation. Payroll taxes are profit-insensitive and have been particularly punitive during times of slow revenue recovery. We continue to recommend that the government index the EHT threshold annually to inflation to avoid bracket creep, and also recommend that the exemption threshold be raised to $2.25 million, like Manitoba's.

Making the provincial gas tax cut permanent

In July 2022, the Ontario government moved to reduce the gasoline tax by 5.7 cents per litre and the fuel tax by 5.3 cents per litre. Both moves were popular with small business owners at the time, as gas prices were putting significant pressure on supply chains and the cost of doing business. While some of those pressures have eased, lowering the cost of doing business in the province remains a top small business priority. It was a positive move for the government to extend its gas and fuel tax cuts to June 30, 2024. As a next step, the government should make the cuts permanent to give small businesses cost relief certainty moving forward – a measure that enjoys strong support from the small business community (Figure 7).

Figure 7: Please indicate the extent to which you agree/disagree: The Ontario gasoline and fuel tax cuts should be made permanent



CFIB Your Voice Survey, November 2023. N=1,052 Ontario responses

Alcohol and cannabis

We recommend that the government review its sector-specific taxes to spur growth and economic recovery. Alcohol taxes on brewers, distillers and vineyards create an uneven playing field for domestic, interprovincial and international competition. With Ontario's craft-alcohol sectors being the very definition of "Made in Ontario", we encourage the government to eliminate these competitive barriers to help boost the industry.

The government's announcement to end the Beer Store monopoly was welcomed by both prospective retailers and Ontario's craft producers. We were particularly pleased to see that government will address a long-standing CFIB recommendation to eliminate the 6.1% tax on wine sold on site at vineyards. It is also positive that Ontario has frozen alcohol taxes in recent years. There is still further progress to be made. In particular, the government should address the craft distillers' tax structure, and the craft brewers' $0.09 tax on cans and triple indexation.

We have heard several concerns from our members in the cannabis retail sector about the Ontario Cannabis Store (OCS)'s role as wholesaler. It's important to note that most small cannabis retailers are not looking to eliminate the OCS's wholesale function, with many viewing it as an important playing field leveller. However, there is widespread frustration that the OCS unfairly favours larger chain retailers, especially when it comes to information sharing.

As we enter federal cannabis legalization's sixth year, we should now take the time to assess the current system for what is and is not working. CFIB continues to strongly recommend that the government instruct the OCS to convene a working group of retailers that includes strong representation from small, independent operators. Our members would like the OCS to review its markup to allow for greater profit margins for retailers, lower delivery charges and fees from warehouse to retailers, look into product return policies, and increase delivery schedule options.

The government should also amend regulations requiring opaque window coverings in cannabis stores. The requirement presents a significant safety issue for operators, employees and customers, as no one can see what is going on in the store from the outside. Other jurisdictions like Alberta have already made these changes. Furthermore, the Ontario government should also work with the federal government on amending the outdated excise tax structure. Many operators and retailers have seen margins disappear thanks to the assumption that cannabis prices would be around $10/g, when in reality, we have seen them drop far below that. In some cases, more than half of a cannabis sale goes to taxes. We strongly urge the Ontario government to press the federal government for a fairer system.

Our members have also told us that the OCS's presence as an online retailer with a monopoly on shipping products via Canada Post is putting private industry at a disadvantage. The OCS should review both its place in the digital retail market, as well as restrictions around private businesses' ability to serve their customers online.

The hospitality sector continues to experience a challenging recovery period with significant inflationary pressures on both products and customers. Recent changes allowing restaurants to purchase alcohol from the LCBO at reduced wholesale prices are positive. The government should consider more measures, including further reducing the LCBO markup on alcohol sold directly to licensees by local Ontario breweries and distilleries, lowering the 61.5% basic spirits tax, and changing marketing regulations.

Finally, we have heard significant concerns from members that run LCBO agency stores in northern Ontario. Many of these members have reported that delivery fees and charges have become unsustainable to the point where they are questioning whether operating an agency store is worth it. With the LCBO's limited presence in the north, these stores are the key conduit for alcohol sales in the region. As the province delivers on allowing certain retailers to sell beer, wine and mixed drinks, we strongly recommend a significant reduction in fees to keep these locations open and viable.

Recommendations:

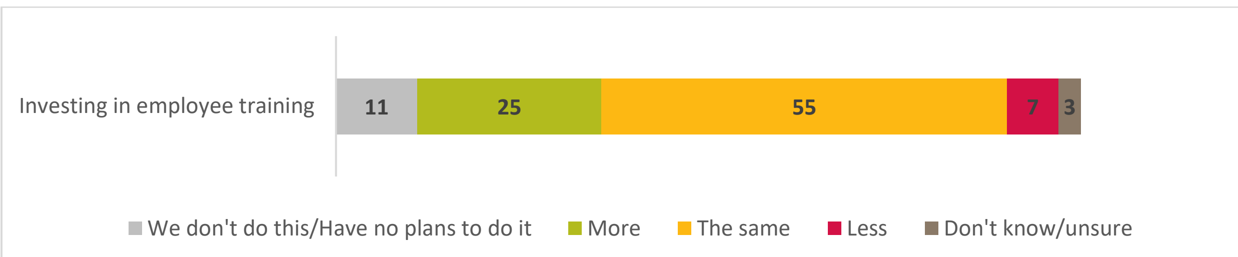
- **Transition from a "do no harm" approach of just not introducing any new costs or administrative burdens on small businesses to a "do" approach of also providing small businesses with tax relief.**
- **Increase the small business deduction threshold to at least $700,000 and index the threshold to inflation annually.**
- **Gradually reduce the small business tax rate to 0%, beginning with a reduction to 2%.**
- **Tie the EHT exemption threshold to inflation annually and increase it to $2.25 million.**
- **Make the gasoline and fuel tax cuts permanent.**
- **Review the LCBO with a goal of eliminating red tape and administrative barriers to allow Ontario's craft brewers, distillers and vintners to fairly compete in the marketplace.**
- **Expand beverage alcohol sales to convenience stores and other retailers as promised.**
- **Eliminate the 6.1% tax for Ontario wineries selling their products on site as promised.**
- **Eliminate the aluminum tax on beer cans.**
- **Review liquor and spirits taxes to spur growth in the craft distilleries industry.**
- **Eliminate the "import tax" imposed on Ontario wines at the LCBO that treats them as though they were produced out of province.**
- **Reduce the LCBO markup on alcohol sold directly to licensees by local Ontario breweries and distilleries.**
- **Reduce LCBO agency store delivery fees.**
- **Allow bricks-and-mortar craft brewers to open an unlimited number of additional retail stores without requiring an operating brewery in each location.**
- **Reduce the 61.5% basic spirits tax to help increase small business margins on alcohol sales.**
- **Alter regulations that prevent licensees from offering promotions on alcohol sales.**
- **Hold formal consultations with small cannabis retailers on the sector's progress.**
- **Review the Ontario Cannabis Store's digital retail presence and relax rules around private businesses' ability to operate online.**

Labour Challenges

While labour challenges relaxed during 2023, many Ontario small businesses are still having trouble finding and training the employees they need. According to CFIB's latest Mainstreet Quarterly (Q4, 2023), Ontario has a job vacancy rate of 3.4%, representing 192,200 vacancies.

Programs like Ontario's Skills Development Fund (SDF) are on the right track. Providing direct support to trainees, job placements with local businesses and direct support to businesses for training are gold standard program pillars. However, small business owners have had difficulty accessing the program because they need to be tied to an applicant organization. We've seen similar challenges in post-secondary co-op programs. Institutions would rather go to a single organization offering 100 placements than 100 organizations offering one placement each. While we understand the streamlining objectives, programs like these leave out many small businesses. Eight in 10 small businesses will invest in employee training in 2024 (Figure 8). We urge the government to either find a way to better connect SDF applicant organizations with small businesses, or open up the fund to provide direct access to small business owners.

Figure 8: Compared to 2023, does your business intend to do more or less of each of the following in 2024?



CFIB Your Voice Survey, December 2023. N=975 Ontario responses

Education and Training

Thanks to both the Minister of Labour, Immigration, Training and Skills Development and the Minister of Education, the Ontario government has made substantial inroads in busting the trades taboo and getting various career paths and options in front of young people earlier. To further this work, we recommend that the Ontario government expand work-integrated learning programs and opportunities, including co-op programs at the high school and post-secondary levels. Small businesses that have participated in co-op programs tend to express strong satisfaction with co-op students, often leading to permanent employment. Expanding small business access to these programs at all levels and broadening financial support for them would be a positive move. A strong 61% of Ontario CFIB members support making work-integrated learning placements a requirement for the completion of university, college, and training school degrees.

Credential Recognition and Immigration

Restrictions around recognizing the credentials and experience gained in other provinces are a significant barrier to addressing labour challenges. The Ontario government's recent "As of Right" rules are a great step towards recognizing out-of-province health care credentials, and we urge the Ontario government to extend this work into Ontario's many other industries. There is overwhelming support for improving credential recognition in Ontario, with 90% of Ontario small businesses agreeing that professional licences or certifications granted in one province or territory should be automatically recognized in all provinces/territories. Adopting a mutual recognition policy across professional licences, certifications and training standards from other Canadian jurisdictions would help people coming to Ontario from other provinces enter the workforce and contribute to our communities faster.

Ontario is home to many immigrants with credentials from other countries that are unable to work in their respective fields of expertise because their credentials are not recognized in Ontario. We urge the Ontario government to work with the federal government on recognizing foreign credentials, so immigrants coming to Ontario can work in their chosen fields.

CFIB supports expansion of the Ontario Immigrant Nominee Program (OINP), the province's economic immigration program that recognizes and nominates people for permanent residence who have the skills and experience the Ontario economy needs. We are pleased that the government recently responded to a previous CFIB request to consult directly with small businesses about their requirements and experiences with the program. OINP will work best if it is targeting the right professions and adequately addressing existing skills gaps in the labour market.

Finally, we encourage Ontario's labour minister to work with his federal counterpart to ensure greater foreign credential recognition.

Paid Sick Days and Portable Benefits

With moves by the federal government and British Columbia to legislate mandatory, employer-paid sick days (10 federally and five in BC), many businesses are wondering if Ontario will follow suit, especially as unions and some advocacy groups push for similar measures. Small business owners' main concern about legislated sick days comes down to who would pay for them. If employers are expected to take on the full cost, there is strong opposition to paid sick days, with 80% of Ontario small businesses saying they would not be unable to afford them. However, if the Ontario government took on the full cost of a mandatory paid sick days program and reimbursed employers on time, there is 56% support.

In addition to not placing more costs on small businesses through new paid sick days, we also urge the Ontario government to avoid placing more costs on small businesses through a new portable benefits program. Nearly nine in 10 (87%) of Ontario small businesses say that employers should not be required to take on all costs of a new portable benefits program. Almost two-thirds (63%) say they would be more inclined to support a portable benefits program if the associated costs were fully taken on by the Ontario government and reimbursed on time. Additionally, 57% believe that employers should be incentivized to participate in a portable benefits program through a tax credit.

A potential portable benefits program invites many questions about how such a program would work within the existing employment framework. For example, exactly which benefits would be included? What would happen to existing benefit plans that exceed or are partially equivalent to the government's program? Who would be responsible for tracking benefits if someone works multiple jobs? We urge the government to consider and consult on these and other questions before taking any further action, and to also consult extensively on any final portable benefits program.

Workplace Safety and Insurance Board (WSIB)

We appreciate that in April 2022, the Ontario government returned surplus funds to eligible employers for the first time, addressing a long-standing CFIB recommendation. By giving back this extra money to businesses, employers end up paying an amount that reflects the WSIB's *actual* (rather than projected) claims expenditures. We urge the government to continue returning surplus funds to employers within the discretionary threshold of 115-124.99% funding.

Keeping premium rates low, reasonable and manageable is also a WSIB priority for our members. WSIB premiums are a payroll tax: Businesses with employees must pay them, and unlike corporate income taxes, they are profit-insensitive (i.e., not scaled up or down depending on a business's profitability). We encourage the government to continue its trend of keeping premium rates stable.

We were pleased to see the WSIB extend its Health and Safety Excellence program for another year. The WSIB should consult with business owners on what is and isn't working in the program to increase small business participation.

Recommendations:

WSIB

- **Ensure that the WSIB continues to return surplus funds to employers and keep premium rates stable.**
- **Repeal or amend mandatory WSIB coverage for owners, directors, and independent operators in the construction sector (Bill 119, 2008).**
- **Reclassify COVID-19 as a non-compensable communicable disease and stop making individual COVID-19 claim determinations.**

Employment Standards Act

- **Do *not* introduce a mandatory employer-paid sick days program.**
- **Do *not* create a mandatory employer-paid portable benefits program.**
- **Continue the government's work on addressing the unintended consequences of the new licensing framework for temporary help agencies (THA)s and recruiters, including fulfilling the labour minister's commitments to potentially: 1) change the fee requirement for companies who operate as both a recruiter and a THA; 2) narrow the scope of recruiters required to provide a security to those who work with vulnerable people; and 3) change the acceptable forms of security. On this file, the labour minister should also consult with recruiters who seek international talent for Ontario companies.**

Training

- **Adopt a training tax credit that recognizes the informal "on-the-job" training happening in small businesses across Ontario.**
- **Address the skilled labour shortage by e.g., adopting measures to mutually recognize certifications from outside of Ontario (both in Canada and internationally) to allow workers moving to Ontario from other provinces or countries to work in their fields immediately.**
  - **Extend the government's work on recognizing out-of-province health care credentials to Ontario's many other industries.**
- **Expand small business access to work-integrated learning programs at all levels and broaden financial support for them.**

- **Consult fully with new and old trades to modernize Skilled Trades Ontario (STO), so the trades it covers fit with the times (e.g., the Structural Pest Management Association of Ontario wants pest control to be regulated under STO to ensure that pest control in the province is permitted to be undertaken by qualified people only).**

<u>Apprenticeships</u>

- **Increase the number of apprentices allowed to be trained simultaneously by one journeyperson in the compulsory trades.**
  - In 2018, we commended the government for reducing the journeyperson-to-apprentice ratio for all compulsory trades to 1:1, a long-standing CFIB ask. Since then and particularly more recently, CFIB members in the skilled trades have asked us to urge the Ontario government to increase the number of apprentices allowed per journeyperson. These businesses have advised that the change would help to address the critical labour shortage in the skilled trades, as more apprentices could be trained at the same time, while still maintaining safety standards.
  - We asked the following question in a February 2023 survey to affected small business owners (i.e., those involved in the compulsory skilled trades): Should the Ontario government increase the number of apprentices allowed per licensed journeyperson in the compulsory trades? An overwhelming 72% said they agree.
- **Bring back the Apprenticeship Tax Credit.**
- **Create supports for employers to keep apprentices on staff after they have completed their training.**
  - We have been hearing from small businesses in the trades that they often invest heavily out-of-pocket in apprenticeships and industry-specific licences, only to quickly lose apprentices to larger companies post-training.
- **The Apprenticeship Capital Grant program works well for large establishments like universities and training centres. Create a similar program for small businesses, so they can modernize their tools and equipment, too.**

<u>SDF</u>

- **Find a way to better connect SDF applicant organizations with small businesses, or open up the fund to provide direct access to small business owners.**
- **Broaden access to free construction training programs, so small businesses can benefit from them.** Since the government announced free training for construction workers under an SDF initiative on August 8, 2023, we have been hearing from small businesses that they need access to a similar program.

<u>Credential Recognition and Immigration</u>

- **Extend the government's work on recognizing out-of-province health care credentials to Ontario's many other industries.**
- **Adopt a mutual recognition policy across professional licences, certifications, and training standards from other Canadian jurisdictions.**
- **Work with the federal government on better recognizing foreign credentials.**

Red Tape

CFIB welcomes the Ontario government's continued focus on reducing the province's regulatory burden. We commend former Minister Parm Gill for his achievements in cross-government red tape reduction and appreciate the work of Minister's Office and Ministry staff to consistently raise the bar on this important file.

The Ontario government should stay focused on reducing unnecessary, excessive and duplicative rules that prevent small businesses from recovering and growing. Many rules exist to protect health, safety, and the environment, but some are just roadblocks to business success.

Earning A- for regulatory reduction efforts

Ontario scored a strong A- (8.7/10) in CFIB's latest annual Red Tape Report Card released on January 31, 2024 as part of our 15th annual Red Tape Awareness Week™. The grade is up from last year's B+ and places Ontario after the only two provinces to achieve an A (Alberta and Nova Scotia).

In this year's report card, we graded the federal government and provinces in three key areas: Regulatory Accountability (40%), Regulatory Burden (40%), and Political Priority (20%). Bonus points were awarded to provinces like Ontario for progress on measuring and reducing the physician administrative burden.

Ontario, Alberta and Nova Scotia topped all provinces on Political Priority, scoring an A (10/10). This high grade for Ontario acknowledges, for example, that red tape reduction is a clear priority championed by Premier Ford and his Cabinet.

The province received a B (7.8/10) for Regulatory Burden, scoring full points for the red tape feedback mechanism on the Government of Ontario home page and for continuing to introduce two burden reduction bills every year. To improve its Regulatory Burden score, CFIB recommends that the Ontario government continue to reduce its total number of regulatory restrictions and knock down barriers to internal trade (e.g., start allowing direct-to-consumer shipment of alcohol products from other provinces and territories to Ontario).

Ontario received a solid B+ (8.4/10) for Regulatory Accountability, scoring full points for public reporting of the regulatory burden, and regulatory budget. To raise its Regulatory Accountability grade, CFIB again urges the Ontario government to count the regulatory burden on citizens, not just businesses. We also encourage the government to publish regulatory documents in a machine-readable format. This would improve transparency by allowing external access to raw government data, so outside parties could, for example, verify and assess the government's regulatory burden counts.

Working on customer service standards

The Ontario government's *At Your Service Act, 2022* was recognized by CFIB during last year's Red Tape Awareness Week™ for being "One to Watch" for regulatory innovation in customer service. This legislation sets out a framework for public response timelines for licence and permit applications, approvals, and information requests across government. It also provides for mandatory refunds in cases where government offices go beyond "guaranteed" service standard timelines. In addition, it allows for regular reporting on how the government is performing and how much money it may have had to refund Ontarians for failing to meet guaranteed service standards.

We are pleased that the Ministry of Public and Business Service Delivery is now consulting on a proposed regulation to give businesses more predictability around service timelines for Ontario permits and licences. The plan is to make it mandatory for Ontario government ministries that provide businesses with permit and licence services to share basic information (e.g., approval timelines) on the government's web page for businesses.

We hope this consultation will result in the government creating the "guaranteed" service standards mentioned earlier. These standards would require businesses to be refunded for the cost of permit or licence fees if the Ontario government fails to meet the permit or licence approval timelines it sets by regulation.

Reducing physician red tape and increasing health care professionals' labour mobility

In CFIB's *Patients before Paperwork* report released during last year's Red Tape Awareness Week™, we estimate that in Ontario, physicians are spending about 6,880,387 hours each year on unnecessary administrative work, the equivalent of an estimated 20,641,164 patient visits. By setting a 10% reduction target, the province would restore enough time for approximately 2,064,116 patient visits a year.

"Red tape" in this context refers to unnecessary paperwork or administrative tasks, including work that doesn't require a physician's clinical expertise and therefore could be completed by someone else, and work that could be eliminated because it's entirely unnecessary.

In CFIB's December 2023 survey, 89% of Ontario small business owners said that governments should make it a priority to improve the quality and accessibility of health care. Reducing physician red tape helps to address physician fatigue and burnout, and improve patient care.

On February 1, 2024 as part of this year's Red Tape Awareness Week™, we released an update to 2023's *Patients before Paperwork* report. For Ontario, we highlight in this document the province's efforts to allow out-of-province health care professionals (i.e., physicians, nurses, medical laboratory technologists, and respiratory therapists) to practise for up to six months while getting their application completed and approved by the relevant Ontario health regulatory college. It also mentions that across government and in collaboration with the Ontario Medical Association, the Ontario government is reviewing key forms to simplify, minimize duplication, and identify opportunities for digital solutions. The government says that improving its forms will free up as much as 95,000 hours each year for physicians to put back into their practices.

While we acknowledge these positive initiatives, it's important for Ontario to require public measurement of the physician regulatory burden and a reduction target to make a real difference on the ground for physicians and their patients.

Promoting and tracking ideas from the government's red tape portal

Ontario's Ministry of Red Tape Reduction has been actively promoting the government's red tape portal where people and businesses can share suggestions to reduce red tape. It makes sense that as traffic to the portal increases, government should start publicly tracking the progress of work on the ideas coming from the portal, as was previously done under the province's old "Red Tape Challenge" reporting system.

Even with all its progress, the Ontario government must remain vigilant on the red tape file. Close to 40% of small business owners might not have gone into business if they had known about the burden of government regulation. This "hidden" tax is estimated to cost Ontario businesses billions annually. Every minute devoted to filling out unnecessary, excessive and duplicative paperwork is a minute not spent on growing the economy and creating employment opportunities for Ontarians.

Furthermore, regulation disproportionately impacts smaller businesses, both in time and in money. On average, Ontario businesses with fewer than five employees spend $6,776 per employee in regulatory costs, taking an average of 177 hours per employee. In contrast, Ontario businesses with more than 100 employees spend only $1,552 and 25 hours per employee.

Recommendations:

- **Continue current regulatory accountability measures (e.g., annual public updates of the province's regulatory reduction progress by Ministry in Burden Reduction Reports).**
- **Count and track the regulatory burden on Ontario's citizens, not just businesses.**
- **Allow direct-to-consumer shipment of alcohol products from other provinces and territories to Ontario.**
- **Provide open and machine-readable data (XML format) for legislation, regulations, policies, and forms.**
- **To maintain regulatory health, set a one-in, one-out rule once the government's 25% regulatory reduction target is met.**
- **Create "guaranteed" service standards under the *At Your Service Act* that require businesses to be refunded for the cost of permit or licence fees if the Ontario government fails to meet the permit or licence approval timelines it sets by regulation.**
- **Continue work with the Ontario Medical Association and measure the total physician administrative burden, identify key red tape irritants to resolve, set a physician regulatory reduction target (e.g., 10%), and publicly report on progress annually.**
- **Assign responsibility for physician red tape reduction to a specific entity with dedicated resources to begin the work.**
- **Publicly track the progress of work on regulatory reduction suggestions coming from people and businesses to government through the red tape portal.**

Internal Trade

To mark the fifth anniversary of the Canada Free Trade Agreement (CFTA), CFIB created a new report card in 2022, and provided an update last year (*The State of Internal Trade: Canada's Interprovincial Cooperation Report Card*, 2023 Edition) where we graded the provincial, territorial, and federal governments in three areas: exceptions to the CFTA in 2023, select barriers to internal trade, and implementation status of reconciliation agreements.

The highest grade awarded was an A-, and Ontario received an overall grade of C, ranking it after Manitoba, Alberta, Saskatchewan, British Columbia, and Nova Scotia.

On a positive note, the province removed the labour mobility exception to the CFTA on nurses, introducing As of Right rules to allow certain health care workers registered in other provinces and territories to immediately start working in Ontario. Based on a September 2022 CFIB survey and noted earlier in this submission, 90% of small businesses in Ontario agree that "a professional licence or certification granted in one province/territory should be automatically recognized in all provinces/territories (such as long-term care workers, other health care workers, etc.)". CFIB strongly recommends that the Ontario government remove its remaining labour mobility exceptions and is encouraging all other Canadian jurisdictions to do the same.

CFIB has continued to recommend that governments mutually recognize all other provincial and territorial regulatory standards (other than an exemption list). For example, if a business meets the occupational health and safety standards for work boots in their home province, these same standards should be accepted by any other province or territory. This mutual recognition could be achieved unilaterally or as a group of provinces/territories.

It is important to note the difference between mutual recognition and harmonization. Mutual recognition refers to the reciprocal acceptance of the standards used in the affected jurisdictions, while harmonization of standards between the affected jurisdictions implies a common definition of both the policy objective and the technical requirements to achieve it.

Mutual recognition is preferred to the current process of identifying barriers through the Regulatory Reconciliation and Cooperation Table (RCT) and taking years to sign and implement a reconciliation agreement. We were pleased to see our recommendation on mutual recognition added as item 30 on the RCT Work Plan in 2021.

Canada's premiers reiterated their commitment to removing internal trade and labour mobility barriers at the Council of the Federation meeting in July 2022. At this meeting, the Premiers directed the RCT "to accelerate work under way on developing a potential model for mutual recognition of regulations with a negative option list". We continue to hope that the RCT takes this direction seriously with support from trade ministers across the country.

In July 2022, the Alberta government announced that it will explore mutual recognition of other provinces' regulations. The province commissioned the Macdonald-Laurier Institute to conduct an independent study on the potential of adopting mutual recognition policies to reduce interprovincial trade barriers.

The September 2022 study found that mutual recognition could increase Canada's economy by 4.4-7.9% over the long term, resulting in a significant gain in economic output of $110-$200 billion (or $2,900-$5,100 per capita) per year.

Internal Trade between Ontario and Quebec

Last year, we released a special report (*Ontario and Quebec: Unlocking an economic corridor for SMEs*) on internal trade between Ontario and Quebec and how both governments could work together to improve their economic relationship.

The report found:

- 66% of Ontario small businesses agree that the Canadian economy benefits from a strong partnership between Quebec and Ontario; and

- 52% agree that reviewing the Trade and Cooperation Agreement between Quebec and Ontario represents an economic opportunity for the country.

As part of the report's recommendations, we are asking the Ontario and Quebec governments to resume regular, bilateral talks at the Premier and Economic Development Minister levels to help identify and foster economic growth opportunities between the two provinces.

Removing domestic trade barriers is key to Ontario's economic recovery. A resounding 90% of Ontario small businesses agree that Canada's governments should prioritize removing as many barriers as possible to the flow of goods, services, and workers between provinces and territories.

Mutual recognition would be a great benefit to both Ontario businesses and consumers by increasing the choice of goods and services, reducing prices in a high inflation environment, generating new employment, and encouraging innovation.

Recommendation:

- **Review and update the October 2009 Trade and Cooperation Agreement between Ontario and Quebec with a focus on increasing trade, labour mobility, and mutual recognition.**

Other Recommendations:

Recognizing that governments have agreed to explore mutual recognition and its reported benefits, which will take time and further discussion, we encourage the Ontario government to move quickly on these recommendations to remove internal trade barriers:

Allow direct-to-consumer shipment of alcohol products from other provinces and territories to Ontario: While Ontario allows people to bring in an unlimited amount of alcohol from other provinces/territories for personal consumption, Ontario consumers are not permitted to have alcohol from alcohol producers in other provinces and territories shipped directly to them. We recommend that Ontario work together with other governments or move unilaterally (like Manitoba) to remove this barrier. Three-quarters (75%) of small businesses in Ontario agree that Canadians should be allowed to order Canadian alcohol products (wine, beer, and craft spirits) directly from any province/territory.

Mutually recognize the workers' compensation registration practices of other provinces and territories: Every Workers' Compensation Board across the country has different rules that govern when a business needs to register for coverage. For businesses that perform work in multiple jurisdictions, the variance in rules presents a barrier to doing business by creating additional administrative burdens and potentially higher costs. Almost three-quarters (73%) of Ontario small businesses agree that registering for workers' compensation in one province/territory should permit workers to work in all provinces/territories.

Explore the removal of these seemingly unreasonable Ontario CFTA exceptions:

- Ontario reserves the right to restrict the category of persons eligible to issue marriage licences, including on the basis of residence, and to require that a person registered under the Act to solemnize marriage must be an Ontario resident or have a parish or pastoral charge in whole or in part in Ontario.
- Travel agents and travel wholesalers registered in Ontario may carry on business in Ontario only if their permanent place of business is in Ontario.

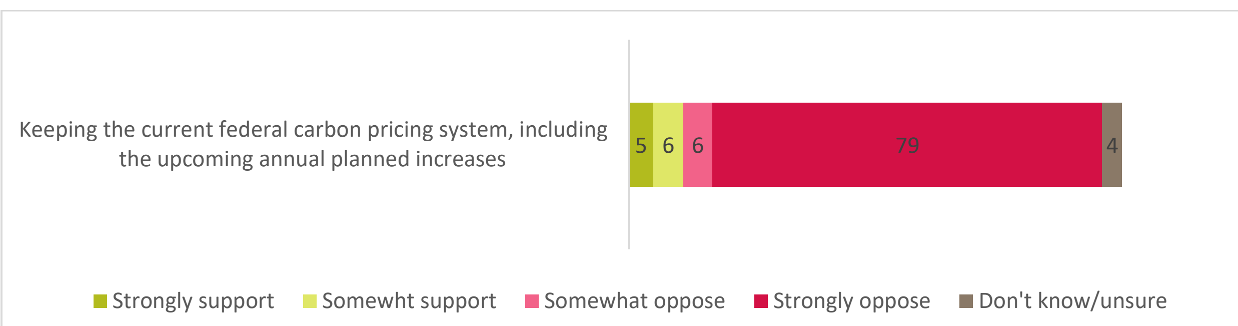
- Wineries must blend with a minimum of 25% Ontario grape content per bottle where a winery in Ontario sells wine manufactured from a blend of imported and domestic grape products.
- Real estate services must be supplied through a commercial presence in Ontario.
- A motor vehicle dealer must be registered and operate only from a place authorized in the dealer's registration that is located in Ontario.
- Only persons who have resided in Ontario for 12 consecutive months immediately preceding an application are eligible to seek a licence to harvest wild rice on Crown lands.
- To be eligible for a licence to deliver driver education and training programs in Ontario, including the Driver Certification Program, the School Bus Driver Improvement Course, and the Beginner Driver Education Program, an applicant must own or lease premises in Ontario that serve as the driving school's office and classrooms.
- Only persons with an established place of business in Ontario are eligible to be licensed to sell livestock medicine in Ontario.
- Collection agencies must operate from a permanent place of business in Ontario.
- Measures that reinforce Ontario's alcohol monopoly.

Energy

Fuel/energy costs remained a top cost constraint for Ontario small businesses in 2023.

The **carbon tax** remains a key driver behind small business fuel/energy costs concerns. To date, small business owners have received less than 1% of promised carbon tax revenues. Ontario's small business owners strongly oppose keeping the current system in place, including future planned annual increases (Figure 9).

Figure 9: Regarding the federal carbon pricing system, please indicate the extent to which you support or oppose the following potential actions.



CFIB Flash Survey on Carbon Pricing, December 2023. N=935 Ontario responses

We appreciate the efforts the Ontario government has made to date in opposing the tax. We continue to recommend that the federal government: expand the carbon tax exemption to <u>all</u> forms of heating fuels; halt future carbon tax increases, including the planned hike on April 1, 2024; immediately return all promised funds to all small businesses that paid into the tax, including Ontario businesses that are owed $1.3 billion; and ensure that businesses are eligible for rebates or refunds equivalent to the full share of the fuel charge costs they incur (CFIB estimates 40%).

The move to allow small businesses to **select the electricity model that best suits their business** remains a positive one. We urge the government to increase the threshold under the tiered rate system for small businesses, so that more can take advantage of this pricing option.

Electric Vehicles (EVs)

As EV adoption increases for both personal and commercial use, there is a greater demand for electricity supply and charging infrastructure in the province. While the Ontario government is addressing energy supply, charging infrastructure has been focused on supporting broad, cross-province travel and introducing EV chargers along Ontario's ONroute network.

There is continued concern that Ontario is not prepared for a behavioural shift in transportation and driving. While many government and industry officials are focused on creating a "gas station style" network for EV charging, it is expected that EV drivers will charge their cars the same way they charge their cell phones – at home overnight and at the workplace. It follows that as EV usage grows, the demand for access to electricity for charging EVs at the workplace will also increase (for both employees and customers), potentially driving up business electricity costs.

With Canada's EV availability mandate set to ramp up over the next couple of years, culminating in the requirement for all new cars sold after 2035 to be electric, there is concern that Ontario's infrastructure will not be ready in time for the influx of EVs into the system.

We also remain concerned that associated small business costs to the transition have still not been taken into account when forecasting provincial energy plans.

Furthermore, a substantial amount of money is transferred from the province to municipalities through gas tax revenue. Government should study and plan for this revenue shortfall now to get a better understanding of the impact of electrification on the existing funding arrangement.

Recommendations:

- **Increase the existing small business year-round 750 kWh threshold for the tiered rate system to 3,000 kWh.**
- **Provide small business support for EV charging stations.**
- **Provide information on how the government intends to make up the revenue shortfall from gas tax revenues as EV adoption increases.**

Construction Mitigation

Infrastructure investment will continue to be a major component of Ontario's economic recovery. While small business owners generally support infrastructure and transit upgrades, the impacts on local businesses during the actual construction phase can be devastating.

Most businesses along Toronto's Eglinton LRT corridor will say that the construction over the past decade did more damage to the local business community than the pandemic. As municipalities and regions across Ontario look to improve transit, small business owners have become increasingly worried that construction disruption will become the norm in the province.

Almost half of Ontario businesses have been disrupted by construction projects over the past five years. Small businesses cannot afford to take another major hit, just as they are getting back on their feet.

We strongly urge the province to adopt comprehensive construction mitigation programs for all major projects to help the businesses disrupted by construction survive to see and benefit from project completions. Penalties for construction delays should be built into all future contracts and used to cover small business construction relief costs.

It is our understanding that while there is a workaround, the *City of Toronto Act* and the *Municipal Act* limit municipalities' ability to provide direct compensation programs. We recommend that all future provincial-municipal conversations include opening up these restrictions and that all future funding conversations include money for construction mitigation.

Recommendation: **Include a comprehensive construction mitigation package as part of all significant provincial construction projects that cause major disruptions for extended periods of time to the regular operations of local business owners. The package should include the following components:**

- **A direct compensation program that is easy to access and involves fair and timely monetary compensation.**
- **An improved contracting process that includes a bonus/penalty system for the early/late completion of the project, with penalties to be allocated to small business construction relief.**
- **A comprehensive planning process that uses the "sign once" principle and spells out the phasing/timing of a project.**
- **A "no surprise" rule that includes significant consultation with the affected communities on expected timelines and disruptions to ensure no business is caught off guard during the construction period.**
- **A designated business liaison officer with managerial authority for the project to ensure the local business community is regularly canvassed and updated on the project's progress.**

Recycling

Resource Productivity and Recovery Authority/Blue Box Program

For the past three years, we have represented small business recycling views on the Resource Productivity and Recovery Authority (RPRA)'s Industry Advisory Council. As Ontario's recycling oversight and enforcement body that receives no government funding (i.e., a cost-recovery organization dependent solely on fees for revenue), our members expect us to make sure that RPRA is conducting its activities in an efficient, cost-effective, and regulatory burden-conscious manner.

We'll continue to urge RPRA to keep its contingency reserve at a reasonable level (i.e., below the allowed 50% of RPRA's annual operating budget, and no higher than the 32% forecasted for December 31, 2023).

The Ontario government should consider the impact of high inflation on small businesses by annually indexing to inflation the $2 million exemption threshold for small businesses under the Blue Box

Regulation. This would be consistent with Ontario's annual inflationary increases to personal income tax rates and government payments, like WSIB and ODSP.

As the Blue Box program transitions fully to Individual Producer Responsibility (IPR) on January 1, 2026, CFIB will be watching for municipal plans for money that was previously allocated to this program. Under the old system, net Blue Box costs are shared 50:50 between stewards of printed paper and packaging and municipalities. Under IPR, producers are now responsible for all costs, freeing up significant amounts of money for municipalities.

For example, the City of Peterborough claims that the transition to IPR "may result in a reduction in the City's municipal recycling costs in the range of $750,000 to $1,500,000 per year, depending on fluctuating recycling costs and commodity revenue".

Recommendations:

- **Amend the Minister's Operating Agreement with RPRA to lower RPRA's maximum Reserve Fund ratio to annual operating costs.**
- **Tie the $2 million Blue Box de minimis exemption to inflation on an annual basis in the Blue Box Regulation (O. Reg. 391/21).**
- **Monitor municipal spending plans for money that is being freed up as Blue Box programs across the province transition to IPR.**