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CFIB
CANADIAN FEDERATION OF INDEPENDENT BUSINESS
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Keeping Ontario Competitive

2019 Ontario pre-budget submission

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On behalf of our 42,000 small- and medium-sized business members in Ontario, we welcome the opportunity to comment on the provincial government's upcoming budget.

Ontario's small- and medium-sized businesses are a key contributor to the strength and success of the provincial economy, employing 87.3 per cent of Ontarians in the private sector, and acting as an important cornerstone in local communities.

This year marks a crossroad for Ontario's small business owners. While the economy is performing well and unemployment is at or near record lows, small business owners are staring down the double-barrel of Canada Pension Plan (CPP) premium hikes and the federal carbon tax, adding even more cost pressure on top of last year's 21 per cent minimum wage hike and increasing electricity prices.

Compounding the problem is a province-wide shortage of labour, which continues to be the number one barrier to increased sales and production.

The government has made significant progress on small business issues in the six short months it has been in power. Bill 47 (*Making Ontario Open for Business Act*) and significant commitments to red tape reduction, including a government-wide 25 per cent regulatory reduction target, have all been helpful measures for small business growth and competitiveness. Going forward, in addition to balancing the books and keeping campaign commitments, we strongly urge the government to maintain its focus on small business affordability, and turn its attention to ensuring the next generation of Ontario workers is available and prepared for the demands of the workplace.

Summary of Recommendations

SHORTAGE OF SKILLED LABOUR

- **Work with the federal government to increase immigration pathways for lower-skilled workers.**

- **Equip youth with job readiness skills and workplace literacy in high school to better prepare them for the workplace.**
- **Improve access to post-secondary Work Integrated Learning (WIL) programs, with a focus on creating small business positions and expanding programs to more sectors and beyond urban centres.**
- **Introduce a mandatory, full-semester financial literacy course at the high school level.**

GOVERNMENT DEBT AND DEFICIT

- **Implement a clear plan and timeline to return Ontario's budget to balance within the current mandate.**
- **Introduce a long-term debt reduction plan with key timelines and benchmarks.**

TAXES

- **Keep the 2018 campaign commitment to reduce the small business tax rate to 3.2 per cent and develop a plan to further reduce the small business tax rate to 0 per cent.**
- **Reduce the provincial general corporate income tax rate from 11.5 per cent to 10 per cent.**
- **Increase the small business corporate income tax rate threshold from $500,000 to $750,000 and index it to inflation thereafter.**
- **Increase the Employer Health Tax (EHT) threshold to $1 million and index it to inflation.**
- **Review the province's Business Education Tax (BET) to make the system fairer by reducing the discrepancy between industrial and commercial rates, and between business and residential rates.**
- **Make good on the fall fiscal update commitment to match the federal accelerated depreciation measure introduced in November 2018.**
- **Continue to pressure the federal government to abandon the upcoming Canada Pension Plan (CPP) premium increases.**

ENERGY COSTS

- **Eliminate Time-of-Use pricing for small businesses.** The Time-of-Use pricing model should be abandoned in favour of a model that addresses usage, instead of the time of day, such as a tiered-rate system where there is a lower cost on the first 3,000 kWh of energy used per month, **<u>or</u>** a "**pick your peak**" model to provide flexibility and choice around business consumption needs.
- **Keep the campaign commitment to reduce hydro rates for residents, small business owners and farmers by 12 per cent.**
- **Require the Global Adjustment fee to be visible and explained on all bills** to inform Ontarians of exactly what they are paying for in their hydro bills.

- **Better manage the supply and demand of energy.** Given increased conservation, excess supply and rapidly aging infrastructure, find a way to better manage supply and demand so that small businesses and Ontarians more broadly are not paying other jurisdictions to take excess electricity.
- **Consult on and publish a new Long-Term Energy Plan (LTEP) that reflects the government's energy policy changes and their impact on the existing LTEP projections.**

RED TAPE

- **Update the province's regulatory count and keep it updated on an annual basis.**
- **Introduce a one-in, one-out rule for new regulations once the new 25 per cent red tape reduction target is met by 2022.**
- **Ensure that the system replacing the College of Trades does not create new red tape for small business owners.**
- **Follow through on the commitment to create a common corporate registry, with provisions for information-sharing between provinces, to eliminate the need to register a business multiple times.**
- **Align regulations for wide-load transportation with other provinces to eliminate cases where inches of difference can cost thousands of dollars.**
- **Broaden mutual recognition of trade and professional certifications, so elevator technicians and dental hygienists, for instance, can work in different provinces without having to get recertified.**

WORKERS' COMPENSATION

- **Ensure that Workplace Safety and Insurance Board (WSIB) premium savings as a result of eliminating the unfunded liability are not wiped out by reclassification.**
- **Introduce a mandatory rebate policy should WSIB funding exceed 110 per cent.**
- **Eliminate mandatory WSIB coverage for owners, directors and independent operators in the construction sector (Bill 119, 2008).** This measure has done nothing to target the underground economy or improve workplace safety. Bill 119 needs to be repealed to exclude businesses that already have 24/7 private insurance coverage.
- **Introduce legislation to eliminate the 72-month lock-in provision.** Amend the *Workplace Safety and Insurance Act* to allow the WSIB to reopen cases after the 72-month deadline where there is noted improvement in work-related injuries. This would reduce the financial pressure on the WSIB, while ensuring that those who really need the help, get it.

LCBO AND ONTARIO CANNABIS STORE

- **Conduct a red tape review/audit of the Liquor Control Board of Ontario (LCBO).**

- **Broaden access by Ontario's craft distillers to LCBO stores,** so they may compete fairly for shelf space with other larger distillers. Let the consumer decide which distilled products they prefer, not the LCBO.
- **Explore a Beer Store alternative for Ontario's craft brewers.**
- **Consider opening up the broader cannabis retail market earlier than December 13, 2019 should the national supply reach a point where it can accommodate the Ontario market.**
- **Start consulting now on the rules around the retail and consumption of edible and topical cannabis products.**

ARBITRATION

- **Amend the existing arbitration system.** Require arbitrators to abide by legislated, defined criteria when resolving public sector labour disputes.

ENVIRONMENT

- **Continue to fight the federal carbon tax.**
- **Conduct a red tape audit of Ontario's recycling programs.**
- **Review the framework introduced in Bill 151 (*Waste-Free Ontario Act*) to ensure an affordable, fair and accountable system.**

AGRI-BUSINESS

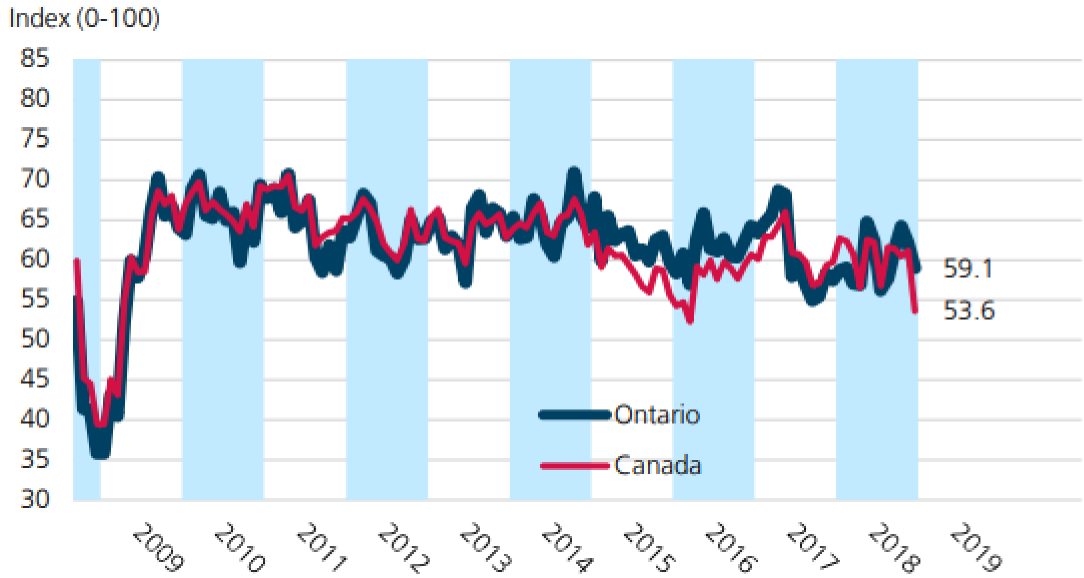
- **Take further action to eliminate stray voltage on Ontario farms.** Many of the province's farmers and their livestock are adversely affected by stray voltage, and the provincial government has yet to acknowledge the severity of this issue and adequately address it.
- **Assist Ontario agri-business owners with succession planning.** Address the competitive challenges in the agricultural sector by introducing policies and initiatives that encourage farmers to plan for succession and attract youth to the sector.

Current State of Ontario SMEs: CFIB's 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 SME 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.

In 2018, Ontario's index ranged from a high of 64.7 in May, to a low of 56.3 in July. While Ontario's small business confidence was at or above the national average – finishing a full six points above the rest of the country in December – it remained below the expected range for a healthy, growing economy (Figure 1).

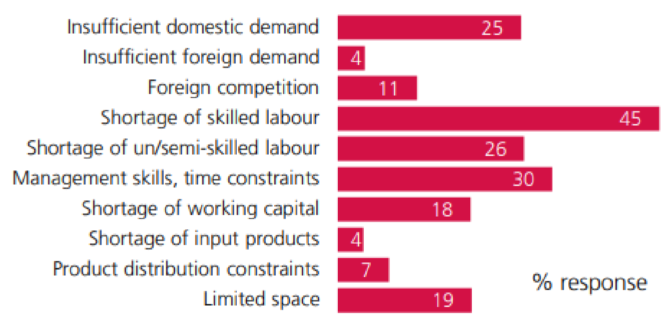
Figure 1: CFIB Business Barometer® Index – December 2018



Source: CFIB, Business Barometer®, December 2018, based on 254 responses

As in the previous year, 2018 also saw significant growth in small business concern around the shortage of skilled labour. Not only did Ontario entrepreneurs identify the shortage as their top limitation on sales or production growth every month in 2018, their concern also grew for 12 consecutive months, from 38.4 in January to 44.5 in December (Figure 2).

Figure 2: CFIB Business Barometer: Limitations on Sales or Production Growth – December 2018



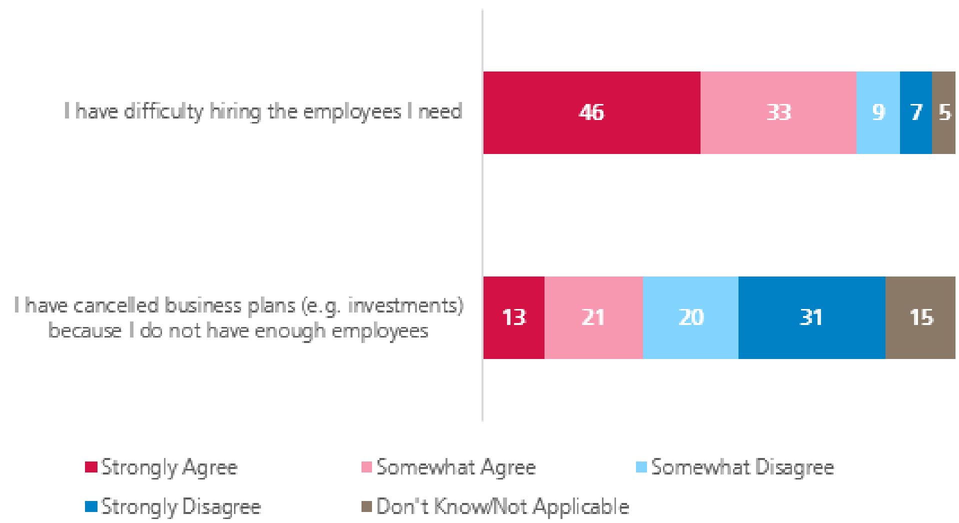
* *12-month moving averages.*

Source: CFIB, Business Barometer®, December 2018

Shortage of Labour

Many of Ontario's small business owners are looking to hire; however, the overwhelming majority of them (79 per cent) are having difficulty hiring the employees they need, resulting in a third of small business owners cancelling business plans (Figure 3).

Figure 3: Thinking about your business during the past 12 months, to what extent do you agree with the following statements?



Source: CFIB, Your Views on Employment Survey, Aug. 24-Oct. 30, 2018, based on 2,942 Ontario responses

Furthermore, business owners are reporting that there simply aren't enough candidates in their area, let alone qualified ones (Figure 4).

Figure 4: Which of the following challenges does your business face in terms of recruitment? (Select as many as apply)

Source: CFIB, Your Views on Employment Survey, Aug. 24-Oct. 30, 2018, based on 2,300 Ontario responses

According to CFIB's latest *Help Wanted* report, Ontario's job vacancy rate is at 3.3 per cent – the highest rate for the province since CFIB began recording the data in 2004 – representing approximately 167,900 unfilled positions. As mentioned earlier, small business owners are feeling the impact of this labour shortage, reporting it as the number one barrier to sales and production growth.

While the labour shortage is generally widespread, there are certain sectors and positions that are more acutely impacted, such as construction and transportation. There is a particularly high demand for employees with training in the skilled trades (Figure 5).

Figure 5: If you are planning to hire over the next 12 months, what type of positions will you be looking for? (Select as many as apply)

Source: CFIB, Your Views on Employment Survey, Aug. 24-Oct. 30, 2018, based on 1,041 Ontario responses

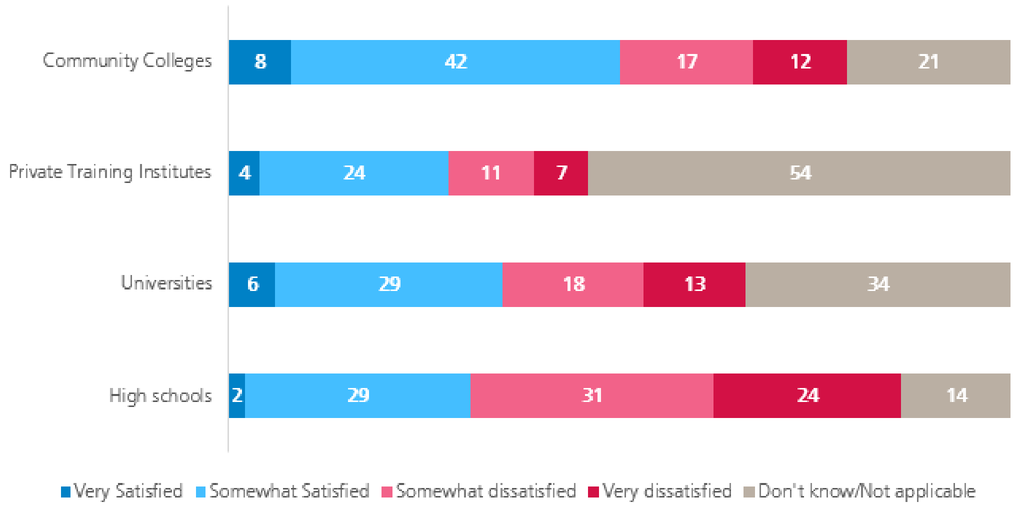
IMMIGRATION

One part of the solution to Ontario's labour shortage problem is immigration. While this is mainly of federal jurisdiction, we encourage the province to work with the federal government to increase pathways for lower-skilled workers and to consider Ontario's economic immigration needs.

EDUCATION

It's important for the government to consider multiple angles and take a long view in tackling the labour shortage. The problem can be fixed earlier through education by addressing the shortcomings of the province's education system (Figure 6) and increasing workplace literacy and preparedness in curriculums from high school to post-secondary.

Figure 6: How satisfied are you with the job of the following educational institutions in preparing youth for employment (Select one for each line)?



Source: CFIB, Youth Employment Survey, May 22-June 25, 2018, based on 1,553 Ontario responses

Small business owners want to hire young people; however, youth hiring comes with a significant training cost. In fact, the cost for a small business owner to train a new hire with no experience is almost double the cost of hiring someone with experience (Figure 7).

Figure 7: Average training cost per employee, by type of employee, 2014

Source: CFIB, Training in Your Business Survey, Sept.-Oct. 2015, 6,705 responses

The government should ensure that business owners can focus on training new employees for the work they have been hired to do, rather than on how to be an employee in general in any workplace. This could be achieved with shifts in the curriculums of Ontario's educational institutions to place more focus on basic job readiness (e.g. professionalism) and workplace literacy and communication.

FINANCIAL LITERACY

Small business owners also feel that the high school system could be doing more to teach financial literacy to students. In a recent CFIB mandate question, 88 per cent of small business owners supported the introduction of a mandatory, full-semester financial literacy course at the high school level. Placing a greater emphasis on practical financial literacy will help better equip young people for financial realities and expectations as they enter the workforce.

RECOMMENDATIONS:

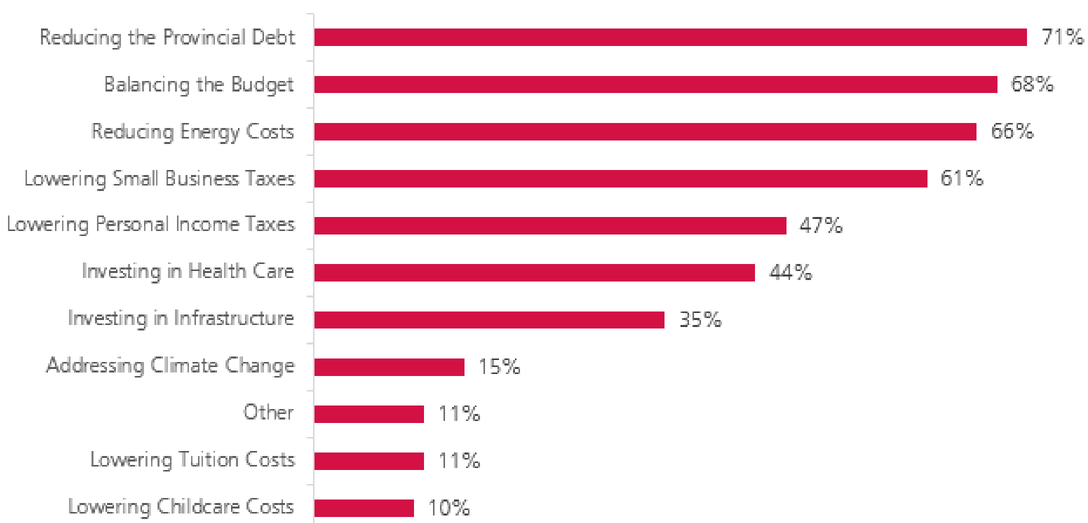
- **Work with the federal government to increase immigration pathways for lower-skilled workers.**
- **Equip youth with job readiness skills and workplace literacy in high school to better prepare them for the workplace.**
- **Improve access to post-secondary Work Integrated Learning (WIL) programs, with a focus on creating small business positions and expanding programs to more sectors and beyond urban centres.**
- **Introduce a mandatory, full-semester financial literacy course at the high school level.**

Government Debt and Deficit

Government debt and deficit were the top priorities identified by small business owners during the 2018 campaign (Figure 8).

Figure 8: 2018 Campaign Priorities

What are the top priorities that the newly-elected Premier should first address? (select as many as apply) (% response)



Source: CFIB, Ontario Pre-Election Survey, April 11-26, 2018, based on 3,390 responses

At a time when Canadian household debt is among the highest in the world, it is imperative that the government lead by example and take swift and concrete steps towards reducing the deficit and debt load. As the government moves to eliminate Ontario's deficit, there should also be a longer-term plan in place to address Ontario's significant debt and ballooning annual interest payments.

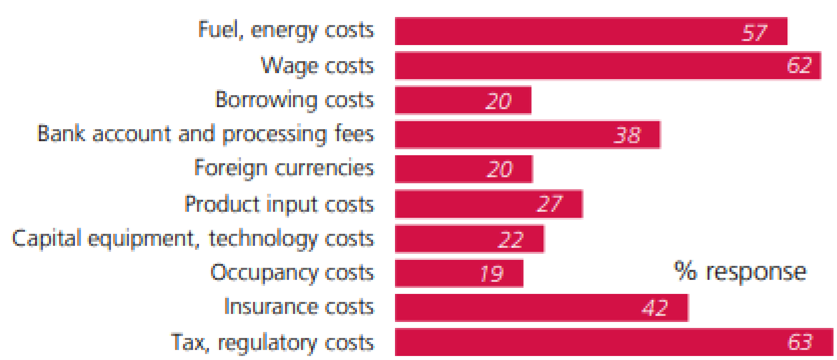
RECOMMENDATIONS:

- **Implement a clear plan and timeline to return Ontario's budget to balance within the current mandate.**
- **Introduce a long-term debt reduction plan with key timelines and benchmarks.**

Taxes

Tax and regulatory costs remain the top cost constraint for Ontario's small business owners (Figure 9).

Figure 9: CFIB Business Barometer® Major Cost Constraints – December 2018



CFIB, Business Barometer®, December 2018

CFIB is pleased that the government committed during the 2018 campaign to reduce the small business tax rate from 3.5 to 3.2 per cent, and the general corporate tax rate from 11.5 to 10.5 per cent. As the government eliminates the deficit, we encourage them to maintain this path and gradually reduce the small business tax rate to 0 per cent, as was done in Manitoba, and the general corporate tax rate to 10 per cent.

While the minimum wage saw a 21 per cent increase on January 1, 2018, the Employer Health Tax (EHT) threshold did not increase simultaneously, resulting in some businesses that had previously been under the threshold and not paying the tax, being pushed over it, despite not making any new hires or voluntary increases to their payroll. Small business owners should not have been penalized with higher payroll taxes as a result of a government-imposed wage increase.

While the inflationary increase to the EHT threshold announced in the fall fiscal update is welcome, it does not go far enough. We recommend that the government increase the EHT threshold to $1 million and then index it to inflation to ensure small businesses are not unfairly penalized on their payroll taxes for any future government wage increase decisions.

Furthermore, we encourage the government to consider increasing the provincial small business deduction threshold, which has remained at $500,000 for a decade, to $750,000 and indexing it to inflation moving forward.

Finally, the previous government had committed to reducing Business Education Tax (BET) rates upon achieving a balanced budget. While the previous government claimed balance in their final budget, no move to reduce the BET was made. We encourage the current government to review BET rates across the province with a goal of reducing the discrepancy between industrial and commercial rates, and between business and residential rates.

RECOMMENDATIONS:

- **Keep the 2018 campaign commitment to reduce the small business tax rate to 3.2 per cent and develop a plan to further reduce the small business tax rate to 0 per cent.**
- **Reduce the provincial general corporate income tax rate from 11.5 per cent to 10 per cent.**
- **Increase the small business corporate income tax rate threshold from $500,000 to $750,000 and index it to inflation thereafter.**
- **Increase the Employer Health Tax (EHT) threshold to $1 million and index it to inflation.**
- **Review the province's Business Education Tax (BET) to make the system fairer by reducing the discrepancy between industrial and commercial rates, and between business and residential rates.**
- **Make good on the fall fiscal update commitment to match the federal accelerated depreciation measure introduced in November.**
- **Continue to pressure the federal government to abandon its upcoming annual Canada Pension Plan (CPP) premium increases.**

Energy Costs

Electricity and fuel costs remain a top concern and constraint for small business owners. Competitive electricity rates are a key component of small business success in a global economy. The long-term energy outlook remains grim, with costs expected to increase rapidly once the *Fair Hydro Plan*'s inflation-capped increases expire. Even within the inflation-cap period, costs are rising faster than projected, due to higher than anticipated inflation rates.

It should be the priority of the provincial government to provide relief from rising energy costs that goes beyond electoral timelines.

Furthermore, businesses that were too big to qualify for the average 25 per cent reduction under the *Fair Hydro Plan*, and too small to qualify for the Industrial Conservation Initiative (ICI) – many of them mid-sized manufacturers – continue to find themselves in limbo, and will now have to deal with the federal carbon tax's impact on top of their electricity costs.

The Time-of-Use (TOU) pricing structure remains one of the most detrimental energy policies to small businesses. Eighty-six per cent of small businesses have been unable to change their consumption patterns from on-peak to either mid- or off-peak hours to manage their electricity costs. They have to keep the lights on when customers demand, which is during business hours – the most expensive time of day. Small business owners view TOU pricing as a penalty for being open for business.

The previous government removed the Debt Retirement Charge (DRC) from commercial energy bills effective March 31, 2018. For some businesses, retiring the DRC saves hundreds of dollars per month. However, we remain concerned that, given the cost of the *Fair Hydro Plan,* a similar charge under a new name could take its place. We urge the current government to introduce measures to ensure that a new debt retirement charge is not passed on to energy consumers.

Ontarians have paid a steep price for bad planning and poor political decision-making in the energy sector. During the previous government's Long-Term Energy Plan (LTEP) consultations, stakeholders overwhelmingly called for taking politics out of the equation and removing political decision-makers from the energy process. Such a move would help to ensure that energy decisions, including supply mix, are based on facts and made by industry experts, instead of elected officials.

In the near-term, we also recommend that the government re-open consultations for a new LTEP, given their shifting energy priorities and the impact on the existing LTEP of recent decisions, including the cancellation of certain energy contracts and a shift in thinking on electric vehicles.

Small businesses continue to report difficulty in understanding the charges on their hydro bills. Transparency in billing is still lacking, especially when it comes to "hidden" fees like the Global Adjustment. We continue to encourage government to mandate that all charges be included and explained on all hydro bills.

The previous government had halted most planned new energy generation and indicated they were moving towards a competitive market for future generation. This was a positive step towards a "consumer first" approach. We are hopeful that the new government will maintain this direction to better manage supply and demand issues and prevent the practice of paying other jurisdictions to take on our excess power, or selling our excess power at a loss.

Electric Vehicles

Ontario's existing LTEP forecasts little change in the energy supply, thanks largely to the belief that the electrification of the economy will increase. The LTEP outlook projects 2.4 million electric vehicles (EVs) on the road by 2035 – up from 7,000 as of June 2016 – representing less than one per cent of all vehicles in the province.

While there is continuing debate about the reality of meeting such an ambitious target, of more immediate concern to the small business community is that the current LTEP supply projections account for 2.4 million EVs on the road, while its cost projections do not account for the cost to residents or businesses for charging those vehicles. This likely means that the LTEP cost projections are misleadingly low.

It is highly likely that a shift towards EV usage would also come with a behavioural shift in transportation and driving as a whole. While many government and industry officials are focused on creating a "gas station style" network for EV charging, it is possible that EV drivers will regard charging their cars the same way they charge their cell phones – at home overnight and at the workplace. Because of this, it's likely that as EV usage grows, the demand for access to electricity for charging EVs at the workplace will also increase (both for employees and customers), rapidly driving business electricity costs.

We remain concerned that these costs have 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 garner a better understanding of the impact of electrification on the existing funding arrangement.

RECOMMENDATIONS:

- **Eliminate Time-of-Use pricing for small businesses.** The Time-of-Use pricing model should be abandoned in favour of a model that addresses usage, instead of the time of day, such as a tiered-rate system where there is a lower cost on the first 3,000 kWh of energy used per month, **or** a "**pick your peak**" model to provide flexibility and choice around business consumption needs.
- **Keep the campaign commitment to reduce hydro rates for residents, small business owners and farmers by 12 per cent.**
- **Require the Global Adjustment fee to be visible and explained on all bills** to inform Ontarians of exactly what they are paying for in their hydro bills.
- **Better manage the supply and demand of energy.** Given increased conservation, excess supply and rapidly aging infrastructure, find a way to better manage supply and demand so that small businesses and Ontarians more broadly are not paying other jurisdictions to take excess electricity.
- **Consult on and publish a new Long-Term Energy Plan (LTEP) that reflects the government's energy policy changes and their impact on the existing LTEP projections.**

Red Tape

Government regulation/paper burden continues to be a major concern for small businesses. As noted during our recent 10th annual Red Tape Awareness Week™, CFIB has commended the government for its political will and action on tackling the province's red tape. Bill 47 (*Making*

Ontario Open for Business Act) prevented the paper burden that would have been imposed by onerous scheduling provisions, removed the most significant barrier to young people entering the skilled trades by reducing all apprenticeship ratios to 1:1, and is eliminating an entire bureaucracy by winding down the College of Trades. CFIB will watch closely to ensure that the model being developed to replace the College does not create new or additional red tape for participating small business owners.

We appreciate that the government followed through on the long-standing CFIB recommendation to set a cross-government red tape reduction target, and we encourage government to set a one-in, one-out regulatory rule once the target is met.

Even with all the progress made in the last half of 2018, the government must remain vigilant on the red tape file. Close to 40 per cent 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 excessive 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.

Internal Trade

Following the internal trade deal reached in 2017 by the provincial and federal governments, CFIB has been closely monitoring the work of the Regulatory Reconciliation and Cooperation Table (RCT) to determine whether progress is being made by provinces on addressing the outstanding red tape issues within our country's borders.

Internal trade continues to take on even greater importance as uncertainty weighs down on international trade. Last year, CFIB challenged governments to eliminate persistent cross-provincial red tape frustrations. While some progress has been made, more work is needed at the provincial level to send a clear signal to Canada's small business community that the new Canadian Free Trade Agreement (CFTA) is truly an improvement over the old deal.

RECOMMENDATIONS:

- **Update the province's regulatory count and keep it updated on an annual basis.**
- **Introduce a one-in, one-out rule for new regulations once the new 25 per cent red tape reduction target is met.**
- **Ensure that the system replacing the College of Trades does not create new red tape for small business owners.**
- **Follow through on the commitment to create a common corporate registry, with provisions for information-sharing between provinces, to eliminate the need to register a business multiple times.**
- **Align regulations for wide-load transportation with other provinces to eliminate cases where inches of difference can cost thousands of dollars.**

- **Broaden mutual recognition of trade and professional certifications, so elevator technicians and dental hygienists, for instance, can work in different provinces without having to get recertified.**

Workers' Compensation

The Workplace Safety and Insurance Board (WSIB) eliminated its unfunded liability nearly 10 years ahead of the legislated schedule and reduced premium rates for 2019 by an average of nearly 30 per cent across all sectors.

However, many employers are concerned about the impending WSIB rate reclassification and its potential impact on their future premiums. While employers are experiencing savings now, many expect to see their premiums increase as a result of reclassification. CFIB urges the government to mitigate the impact of the reclassification as much as possible to ensure that the hard-earned savings realized as a result of eliminating the unfunded liability are not lost after only one year.

Furthermore, as the WSIB reaches full funding, we recommend that it institute a policy to keep funding at 100-110 per cent, and that rebates be issued to employers for overpayment if funding exceeds the 110 per cent marker.

Last year's WSIB news was positive for CFIB and many industries. However, independent operators, owners and directors of construction firms remain the odd people out, forced to carry mandatory WSIB coverage not just on their employees, but also on their own earnings. This is an additional average cost of **$6,000** per year, per firm. Contrary to its objectives, Bill 119 has not increased workplace safety and has not curbed the underground economy. Furthermore, business owners and independent operators in the sector already carry superior private insurance at a fraction of the cost – another good reason to eliminate this ill-advised tax increase.

Another measure to reduce WSIB system costs would be for the Ministry of Labour to eliminate the 72-month lock-in provision under the *Workplace Safety and Insurance Act* (WSIA). Currently, the WSIA guarantees the level of benefits paid to injured workers 72 months post-injury until the worker turns 65. If the injured worker's condition deteriorates after the 72-month mark, the WSIB can reopen the case to assess the adequacy of benefits. The same cannot be said in the case of an improvement in the worker's condition. This results in additional financial pressure on the WSIB system. Reforms to this provision were announced in 2012, but no further action has yet been taken.

RECOMMENDATIONS:

- **Ensure that Workplace Safety and Insurance Board (WSIB) premium savings as a result of eliminating the unfunded liability are not wiped out by reclassification.**
- **Introduce a mandatory rebate policy should WSIB funding exceed 110 per cent.**
- **Eliminate mandatory WSIB coverage for owners, directors and independent operators in the construction sector (Bill 119, 2008).** This measure has done nothing to target the

underground economy or improve workplace safety. Bill 119 needs to be repealed to exclude businesses that already have 24/7 private insurance coverage.

- **Introduce legislation to eliminate the 72-month lock-in provision.** Amend the *Workplace Safety and Insurance Act* to allow the WSIB to reopen cases after the 72-month deadline where there is noted improvement in work-related injuries. This would reduce the financial pressure on the WSIB, while ensuring that those who really need the help, get it.

LCBO and Ontario Cannabis Store

A number of business owners, both in the alcohol production and alcohol purchasing businesses, have continued to raise concerns with CFIB about the restrictive nature of the Liquor Control Board of Ontario's (LCBO's) rules. As the government looks to reduce red tape, we recommend that the Ministry of Finance review the LCBO with the goal of eliminating red tape and administrative barriers to ensure that Ontario's craft brewers, distillers and vintners are not unfairly restricted from the marketplace.

The LCBO's current system clearly favours the big brands. For example, the LCBO's Small Distiller Program limits the products of Ontario craft distilleries to the shelves of only 25 stores, and puts the onus on the distiller to market, sell and deliver to each store manager independently. In its "Spirits Brand Domination 2017 Package", the LCBO offered craft distilleries an opportunity to "make a splash" for only one month in 100 LCBO stores, provided that they generate $20 million in annual sales <u>and</u> pay a $250,000 fee.

We would recommend looking at British Columbia's distillery industry as a blueprint for reducing red tape and increasing opportunities for existing and would-be craft distillers.

We also encourage the government to explore a Beer Store alternative for Ontario's craft brewers to increase their market visibility and consumer selection.

CFIB applauded the government's decision to include private businesses in the province's cannabis retail model. While we appreciate the government's concerns about the national supply and that the recently imposed "lottery system" is a temporary measure, we recommend that the government be flexible in its approach to broadening the retail market as national supply grows.

Furthermore, we recommend that the government begin consultations on the retail sale of and consumption rules around edible and topical cannabis products as soon as possible.

With the federal government in the middle of their consultations and the legalization date for edibles and topicals to be no later than October 17, 2019, it is imperative that the province clearly indicate their direction on edibles and topicals to give the small business community and industry adequate time to prepare for legalization.

RECOMMENDATIONS:

- **Conduct a red tape review/audit of the LCBO.**
- **Broaden access by Ontario's craft distillers to LCBO stores,** so they may compete fairly for shelf space with other larger distillers. Let the consumer decide which distilled products they prefer, not the LCBO.

- **Explore a Beer Store alternative for Ontario's craft brewers.**
- **Consider opening up the broader cannabis retail market earlier than December 13, 2019 should the national supply reach a point where it can accommodate the Ontario market.**
- **Start consulting now on the rules around the retail and consumption of edible and topical cannabis products.**

Arbitration

CFIB was supportive of the Drummond Commission's recommendation to transform the arbitration system to be "in favour of more objective analysis, based on objective criteria, and supported by systemic data and research". Unfortunately, no such move or similar reform has taken place since the recommendation was made. CFIB recommends that arbitrators be required through legislation to consider specific criteria when determining arbitral awards. The criteria should include the employer's ability to pay, the province's economic position, and the compensation levels between like-occupations in the public and private sectors. These moves would increase fairness for the taxpayers who ultimately foot the bill.

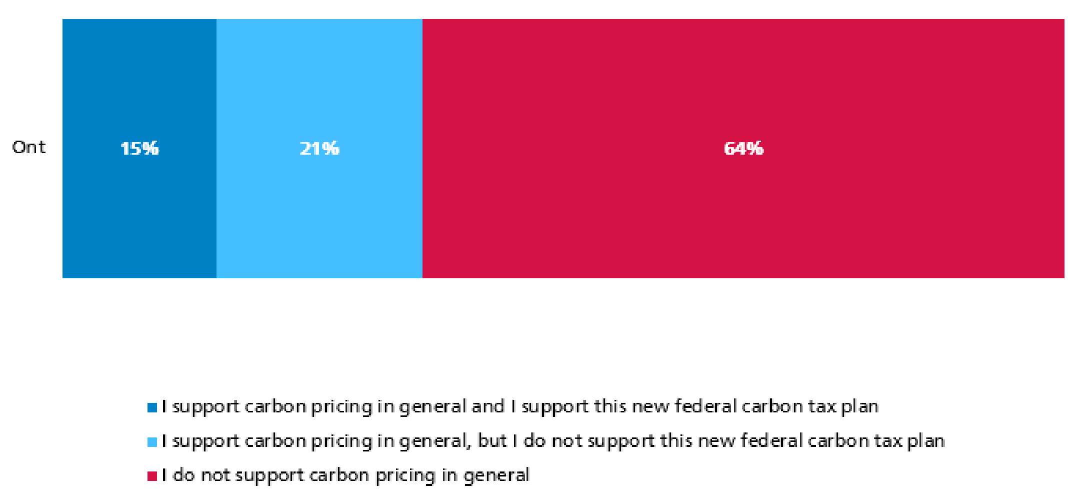
RECOMMENDATION:

- **Amend the existing arbitration system.** Require arbitrators to abide by legislated, defined criteria when resolving public sector labour disputes.

Environment

Ontario's small business owners are strongly opposed to the federal carbon tax plan (Figure 10).

Figure 10. Which of the following best captures your view on carbon taxes? (Select one answer only)



Source: CFIB, Carbon Tax Survey, Nov 9-Nov. 27, 2018, based on 2,580 Ontario responses

While small business owners are supportive of the fight against climate change, the carbon tax will unfairly burden them. With large emitters getting special treatment and households receiving rebate cheques, small- and medium-sized businesses are being unfairly squeezed in the middle. Small businesses support the provincial government's court challenge, and we await the ruling later this year. In the meantime, we encourage the Ontario government to maintain their course on opposing the federal carbon tax.

RECYCLING

Under the previous model overseen by Waste Diversion Ontario (WDO), businesses have been paying fees to an "Industry Funding Organization" or "Industry Stewardship Organization" for the safe and responsible end-of-life management of used tires, electronic waste, municipal hazardous waste, and Blue Box materials.

Recycling programs for these materials are being transitioned to the new "individual producer responsibility" model overseen by the Resource Productivity and Recovery Authority (RPRA). RPRA is basically WDO but with expanded responsibilities, including operating and managing a registry, and carrying out compliance and enforcement activities. Like WDO, RPRA is self-funded (i.e., no government funding), so it will have to cover all of its costs through the fees it will charge to the "obligated parties" that must register with it.

Under the new model, the Industry Funding Organizations will no longer exist as they are today; however, nothing prevents them from reinventing themselves as Producer Responsibility Organizations (PROs).

While the new model will allow for competition (i.e., producers will be able to choose a PRO to recycle their materials, rather than being forced to deal with only the IFO or ISO), small businesses involved in current and future recycling programs could end up paying twice and more than their fair share. They could be forced to pay "fees, costs and other charges" to RPRA, while also paying fees to a PRO to responsibly manage their waste.

One equipment business owner advised us that working through a PRO is costing them "2.5 times what we paid in 2018 and we still have to do the calculations." The same business owner also noted that under the new recycling model for tires, stewards of large tires used in farming are still being asked to pay a tire recycling fee up front for tires that can last up to 25 years because they travel slowly in dirt.

RPRA's fee-setting process lacks full accountability: The "fees, costs and other charges" set by RPRA do not require approval by the Minister of the Environment, Conservation and Parks.

Uncertainties exist around which small businesses will be required to register with RPRA in the new electronic registry. It is also unclear for which responsibilities they will need to register (e.g., registering only, promotion and education, and/or reporting/auditing/record keeping?), and how much red tape will be involved. CFIB will be on the lookout for any excessive paper and regulatory burden that comes with registering with RPRA and that results from the transition of the recycling programs to the new model.

Because the definition of ‘producer’ could be expanded for each program by regulation, the potential exists for businesses with no significant or relevant connection to the recycling program being classified as an ‘obligated party’ and forced to register with RPRA and pay a fee.

We’ve also received calls from tire businesses about the Tire Stewardship Fee being taxed as a result of a Canada Revenue Agency ruling, even though it wasn’t taxed in the past. These businesses are calling this ‘a tax on a tax’.

RECOMMENDATIONS:

- **Continue to fight the federal carbon tax.**
- **Conduct a red tape audit of Ontario’s recycling programs.**
- **Review the framework introduced in Bill 151 (*Waste-Free Ontario Act*) to ensure an affordable, fair and accountable system.**

Agri-business

Stray voltage

Ontario farmers continue to report incidents of their livestock developing a variety of health problems and even dying due to prolonged exposure to the electrical current in the ground, also known as stray voltage. The province recognized the problem in 2009 by making changes that required local distribution companies to conduct an investigation, but no other significant measures have since been taken by the government to address this issue. Given that other jurisdictions like California have put measures in place to mitigate the effects of stray voltage (General Order 95, Rule 33.2), Ontario should follow suit in addressing this serious, but preventable problem.

Succession planning

The provincial government has an opportunity to provide leadership in helping agri-business owners with succession planning, especially by encouraging farmers to plan early for retirement and by focusing on attracting youth to the sector. Ag-education in the high school curriculum would help younger generations better understand the employment and business ownership opportunities available to them.

RECOMMENDATIONS:

- **Take further action to eliminate stray voltage on Ontario farms.** Many of the province’s farmers and their livestock are adversely affected by stray voltage, and the provincial government has yet to acknowledge the severity of this issue and adequately address it.
- **Assist Ontario agri-business owners with succession planning.** Address the competitive challenges in the agricultural sector by introducing policies and initiatives that encourage farmers to plan for succession and attract youth to the sector.