

POLICY PRIORITIES 2018

VITERRA





Port of Thunder Bay

As we do each year, the OCC has determined our policy scope through the results of the Business Confidence Survey and the Business Prosperity Index, in consultation with our members, via the Ontario Chamber Network resolution process, by considering stated government priorities, and by building on the work of the previous year.

This process revealed three areas of focus: urbanization and housing, transportation infrastructure and governance, and the health and life sciences sector. These files, alongside continued work on regulation, taxation, competitiveness, energy, and the environment, represent the perspective of the Ontario business community, its interests and its needs.

Urbanization and Housing

In our 2017 Ontario Economic Report, the OCC revealed that although total business prosperity in the province was near a 15-year high, business fundamentals are weak. A major component influencing this trend was the decline of consumer activity, impacted most notably by increases in the cost of living and high household debt levels. In many communities across Ontario this rising cost of living, compounded by a lack of affordable housing, combine to inhibit economic growth.

While shelter-related costs are increasing across Canada, in Ontario the challenge is particularly acute. According to the Canadian Mortgage and Housing Corporation (CMHC), the traditional definition of affordable housing is when the carrying costs for suitably-sized housing do not exceed 30 percent of pre-tax income.⁹ Canada-wide, 24 percent of households spend more than that benchmark on shelter.¹⁰ As of 2016, 28 percent of Ontarians live in housing that is not deemed affordable, with the problem being most severe in Toronto: a third of households in the city exceed the benchmark.

At the same time, rental demand in Ontario has reached multi-decade highs, driven by population growth, job creation for prime renter cohorts, and a decline in homeownership affordability. A healthy vacancy rate is considered to be 3 percent or higher.¹¹ In Ontario, purpose-built vacancy rates have fallen to a 15-year low of 1.6 percent across the province¹² and, as of late 2017, the vacancy rate in Toronto had reached 1 percent.¹³

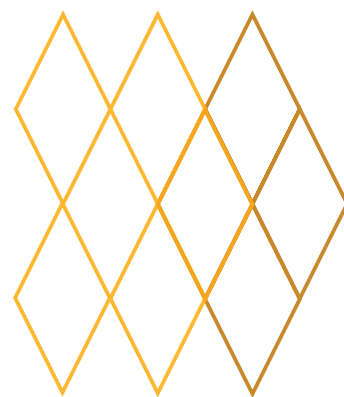
9 Canada Mortgage and Housing Corporation. 2016. *Innovating for Better Housing Outcomes: 2016 Annual Report*. <https://www.cmhc-schl.gc.ca/en/corp/about/core/upload/cmhc-annual-report-2016.pdf>

10 Statistics Canada. 2017. *Housing in Canada: Key results from the 2016 Census*. <http://www.statcan.gc.ca/daily-quotidien/171025/dq171025c-eng.htm>

11 Wellesley Institute. 2017. *Precarious Housing in Canada*. http://www.wellesleyinstitute.com/wp-content/uploads/2010/08/Precarious_Housing_In_Canada.pdf

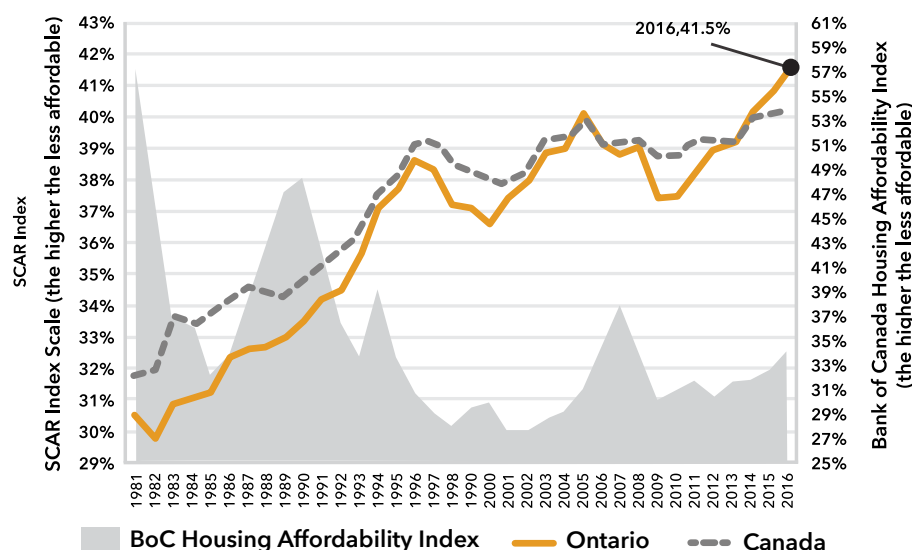
12 Canada Mortgage and Housing Corporation. 2016. *Innovating for Better Housing Outcomes: 2016 Annual Report*. <https://www.cmhc-schl.gc.ca/en/corp/about/core/upload/cmhc-annual-report-2016.pdf>

13 Canada Mortgage and Housing Corporation 2017. *Rental Market Report: Ontario Highlights*. https://www.cmhc-schl.gc.ca/odpub/esub/64507/64507_2017_A01.pdf?fr=1516214753704&sid=p7w3oNaosMDPiv7hkEeT2PEbXwNQsgbueWQczfDzydzyNKR5AvmhqGyGa6dJc6dW



The breadth and depth of this challenge for Ontario is having a pronounced impact on our economy, thanks to interconnected and compounding issues such as a lack of appropriate housing choices, a lack of housing productivity (e.g. over-housing, low density), and households being “forced” into worse options (purchasing instead of renting or moving to another community). These factors, identified in the Business Prosperity Index, not only negatively influence consumers activity but also hinder the ability of industry to attract and retain talent, as local housing options may be unaffordable or inappropriate.

Housing Affordability Pressure in Ontario



Source: Canadian Centre for Economic Analysis, Statistics Canada

As the Ontario government pursues policies of greater urbanization and intensification, communities across the province will realize both tremendous opportunities and considerable growing pains. Given that business is an integral part of every community, and are as impacted by policies related to housing, land use planning, and public transit as any Ontarian, it is critical that they be at the table when we envision the future of Ontario's cities and towns.

In 2018, the OCC will turn its attention to urbanization and housing policy. Throughout the year, we will explore the scope of this challenge and begin to formulate a business-friendly response. Our goal is to achieve better outcomes for more people by exploring changes to legislation and regulation, as well as innovative approaches such as “smart city” policies.

CHAMBER NETWORK LEADERSHIP

“Positioning Ontario to be a Global Leader in Smart City Development” is a resolution authored by the London Chamber of Commerce and passed in 2016, which urges the Government of Ontario to “commit to funding and/or tax incentives to assist Ontario municipalities engaged in smart city initiatives and identify qualified cities or neighbourhoods within Ontario which the government can support in the creation of research and testing environments”.

Transportation Infrastructure, and Governance

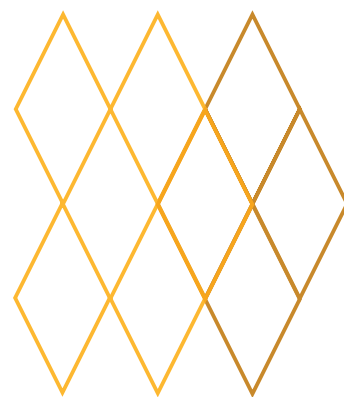
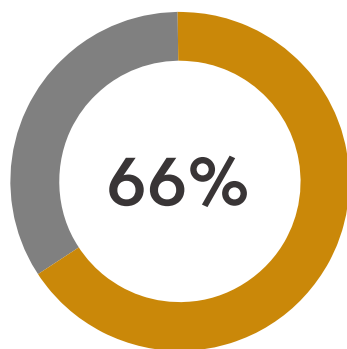
This year, we will sharpen our focus on infrastructure by examining solutions to Ontario's current and future transportation needs. In 2017, we released [*Building Better: Setting up the Next Ontario Long-Term Infrastructure Plan for Success*](#), a report that provided recommendations to the provincial government on the direction of its Long-Term Infrastructure Plan. Building on that report, the OCC will dive deeper into a topic that is of great importance to industry across the province: transportation. Sixty-six percent of Ontario businesses consider transportation infrastructure and public transit critical to their organization's competitiveness.¹⁴

Ontario is a vast province with diverse regions each facing unique transportation challenges. Southern Ontario's population growth is exacerbating existing congestion problems; research shows that the cost of congestion in Ontario is anywhere from \$6 billion to \$11 billion annually. As that area urbanizes, demand increases for functional and multi-modal public transit assets that effectively move people and contribute to affordable and liveable communities.¹⁵

Meanwhile, Northern Ontario requires immediate transportation capacity to facilitate movement of both goods and people to attract investment and diversify the local economy. The vast distances between remote communities and the lack of suitable transportation options limits not only business opportunity but the ability of residents to access health care and education resources.

Broadly, the province is facing a significant transportation infrastructure deficit, resulting in increased congestion and decreased productivity. As noted in *Building Better*, the cost to rehabilitate the province's public infrastructure, including roads and bridges, would be \$19 billion.¹⁶

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¹⁴ Survey of n=1046 OCC members conducted online by Fresh Intelligence between September 20 and November 3, 2017.

¹⁵ Dachis, B. *Cars, Congestion and Costs: A New Approach to Evaluating Government Infrastructure Investment*, 2013, https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/Commentary_385_0.pdf

¹⁶ Ontario Chamber of Commerce, *Building Better: Setting up the Next Ontario Long-Term Infrastructure Plan for Success*, 2017, <http://www.occ.ca/wp-content/uploads/Building-Better-Aug-23-1.pdf>

After decades of underinvestment, both the federal and provincial governments have recently dedicated tremendous funds to infrastructure projects. The Government of Ontario's Moving Ontario Forward plan will support public transit, transportation and priority infrastructure, using dedicated funds of \$31.5 billion split nearly evenly between the GTHA and the rest of the province.¹⁷ Meanwhile, the Government of Canada will provide \$8.3 billion to Ontario to support transit through Phase 2 of the Public Transit Infrastructure Fund starting in 2018.¹⁸ Thus, there is tremendous potential for Ontario to build the kind of transportation networks that will help our economy grow now and in the future.

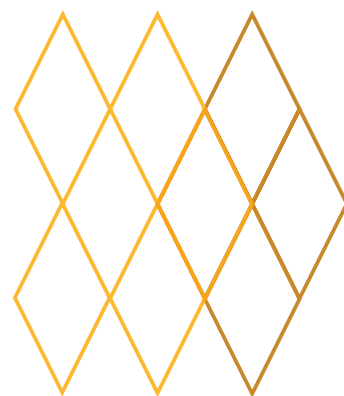
Building on our existing infrastructure commentary, the OCC will dedicate 2018 to identifying the investments and strategies necessary to build an effective and sustainable province-wide transportation network.

CHAMBER NETWORK LEADERSHIP

Over the past year, the Ontario Chamber Network has passed nine resolutions related to transportation priorities in the province. These range from the general need to invest in goods and people movement to the development of a provincial transportation and transit infrastructure plan to the modernization of the Connecting Links Funding Program to the integration of regional transportation fare systems.

¹⁷ Ministry of Finance, *Building Tomorrow's Infrastructure Now*, 2016, <https://www.fin.gov.on.ca/en/budget/ontariobudgets/2016/bk2.pdf>

¹⁸ Association of Municipalities Ontario, Ontario Municipal Transit, 2017, <https://www.amo.on.ca/AMO-Content/Backgrounders/2017/OntarioMunicipalTransit>

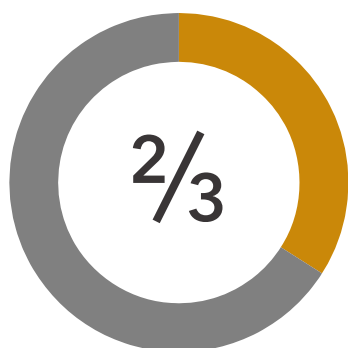


The Health and Life Sciences Sector

Health sector transformation has been a priority of the OCC for the past two years. Our public health care system—a \$52 billion operation—and our world-class research and development infrastructure should give Ontario a competitive advantage in the booming global health and life sciences sector. Yet health care is regarded as a cost driver rather than an economic opportunity, harming our province's tremendous potential in this space.

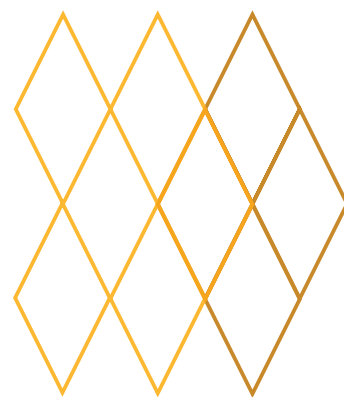
The economic activity of the life sciences sector contributes approximately \$38.5 billion to Ontario's GDP and produces \$5.7 billion in exports each year – two thirds of all Canadian life sciences exports.¹⁹ If you include the public health care system as part of this ecosystem, it represents more than 578,000 jobs across the province.²⁰ Significantly, between 2001 and 2013, this sector outpaced the provincial job growth average by nearly 10 percent.²¹ If the government's goal is to make Ontario a global leader in the high-tech knowledge economy, then the health and life sciences is an excellent existing advantage to develop. Here at home,

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the innovations and discoveries that emerge from Ontario's health and life sciences sector have the potential to improve the quality of health care, strengthen our agricultural output, and create a cleaner and more sustainable economy. This is well aligned with evergreen government priorities such as strengthening the health care system, protecting the environment, boosting exports, and creating high-paying jobs.

However, government could do more to align these priorities, including viewing the health care system as an integral (and productive) segment of this sector. Its diversity of industries—along with the span of public, private, and post-secondary stakeholders—contribute to its long-standing undervaluation. Yet there are common issues faced by all stakeholders that strategic government action could mitigate, such as intellectual property protection and management, access to



¹⁹ Government of Ontario. 2016. "Ontario Investing Over \$4 Million to Expand R&D in Medical Devices"; <https://news.ontario.ca/medg/en/2016/03/ontario-investing-over-4-million-to-expand-rd-in-medical-devices.html>

²⁰ Life Sciences Ontario. 2017. *Blueprint for a Coordinated Ontario Life Sciences Strategy*. http://www.lifesciencesontario.ca/files/file.php?fileid=fileImEbCKPtlf&filename=file_LSO_Blueprint_final.pdf

²¹ LSO, 2017.

capital for growing companies, access to funding for long development cycles, evidence- and science-based decision-making and policies, barriers to government procurement, and talent scarcity. While the life sciences has been identified as a priority area by both the federal and provincial governments, there remain considerable policy and regulatory barriers in the way of this sector's development.

The OCC's interest in the health and life sciences sector is not limited to building a knowledge-economy competitive advantage for the province; this sector holds the key to transforming the health and wellness of everyday Ontarians. Although Canada is a well-spring of scientific discoveries and technological advancements, we struggle to integrate these innovations into our public services: Canada is ranked 55 out of 140 when it comes to government procurement of advanced technology.²² Compared to other developed nations, access to the Canadian market generally takes more than two years longer for innovative firms and processes are particularly difficult to navigate for SMEs.²³ These challenges are of particular significance to Ontario, as we are one of the largest biotech clusters in North America. If we were able to build pathways for public/private collaboration, Ontario could take advantage of our home-grown innovations to provide a greater quality of care within its health care system and greater quality of life, generally, to its residents.

In 2018, the OCC will convene health and life sciences stakeholders to frame this sector as a competitive advantage that is aligned with government priorities and emphasize the distinct economic opportunity that lies within the public health care system.

Supporting Ontario's health and life sciences sector is a priority for the Ontario Chamber Network, with recent resolutions that emphasize the untapped potential within the agri-food industry, the bio-economy, rural and remote community health care, and tech clusters in Northern Ontario.

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CONTINUING POLICY FILES

Beyond the three priorities outlined on these pages, the OCC will continue its advocacy work on a variety of files important to the business community in Ontario. These include the research into lowering electricity prices, sustaining our nuclear capacity and the future of the energy system itself; the possible renegotiation of NAFTA and other international trade opportunities; health care system reform and pharmacare; mitigating regulatory burdens; modernizing business taxation; spurring green innovation and carbon management; eliminating the skills mismatch; and promoting debt and deficit reduction, among others.

22 Ontario Bioscience Innovation Organization. 2016. *How Canada Should be Engaging in a \$9 Trillion Dollar Health Economy*. <http://www.obio.ca/publications-1/2016/6/paths-to-the-future>

23 DEEP Centre. 2014. Canada's Billion Dollar Firms: Contributions, Challenges and Opportunities. <http://deepcentre.com/wordpress/wp-content/uploads/2014/07/DEEP-Centre-Canadas-Billion-DollarFirms-July-2014-ENG.pdf>

LOOKING FORWARD

In 2017, the Ontario Chamber of Commerce leveraged our inaugural Ontario Economic Report to ensure that the perspective of Ontario’s business community—and the importance of its prosperity—was at the forefront of our conversations with the provincial government.

We emphasized that the Ontario businesses are the backbone of our economy and our communities, but noted that the foundations of our prosperity are shifting, and that government action must shift with it.

The findings contained within this document are especially important in 2018, given the upcoming provincial and municipal elections. While the OER outlines vulnerabilities within the Ontario economy, the OCC is also dedicated to socializing realistic solutions through projects such as our election platform, *Vote Prosperity*, and our commitment to building partnerships between the public and private sectors.

The OER will be available in communities across Ontario, through our network of local chambers of commerce and boards of trade. Additionally, the analysis and recommendations drawn from these documents will inform our upcoming policy and advocacy work, including throughout the election period. We encourage you to consider how the OER is relevant to your industry and your community. In 2018, reach out and help us achieve a more prosperous Ontario, together.

