

## 1.4 Work with federal and local levels of government to establish a publicly available analysis of the cost of doing business (CODB) in Ontario

### HIGHLIGHTS

- The OCC is calling on the newly elected government to work with federal and local levels of government to establish a publicly available analysis of the cost of doing business in Ontario.
- The most common concern amongst the Ontario business community is rising input costs, especially those costs deriving from government regulations and policy such as electricity prices, labour and the trickle-down effect of the cap and trade system - alongside the on-going burden of operating in one of the most regulated economies in Canada.
- A measurement of the cost of doing business would be an effective benchmark for government to measure their own progress.

The most common and acute concern of the business community in Ontario is rising input costs, especially those costs deriving from government regulation and policy. As operating a business becomes more difficult and more expensive, the ability of businesses to compete is limited.

From 2008 to 2016, Ontario's electricity prices have risen by 71 percent, far outpacing electricity price growth in other provinces, as well as increases in income and inflation.<sup>1</sup> Furthermore, with approximately 380,000 regulations on the books, Ontario is the most administered province in the country, harming business competitiveness.<sup>2</sup> This challenge is particularly acute for small businesses. Overregulation imposes the equivalent of an additional 5-15 percent import tariff on small businesses compared to larger firms, due to small firms' inability to appropriately navigate the regulatory environment.<sup>3</sup> In a comparison of neighbouring jurisdictions, it was found that small businesses in Ontario pay the highest tax rate.<sup>4</sup> This, along with recent

labour reforms, contribute to an overall high cost of doing business in Ontario.

Unfortunately, the impact of such costs have not been measured in aggregate so it is difficult to effectively quantify the full cost of government action on business, and thus on the economy. The OCC recommends the creation of a cost-of-doing business (CODB) analysis to identify and track all government-induced input costs by sector. Such an analysis should be updated annually to highlight the cumulative impact of any new government policies implemented in the past year or proposed in the year ahead. Importantly, this analysis would be benchmarked against an aggregated CODB metric in comparator jurisdictions. Finally, we expect that a CODB number would be published publicly.

A CODB measure would be an effective snapshot of business competitiveness, as well as provide a benchmark against which government can measure their own progress.

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1 Jackson, Taylor, Ashley Stedman, Elmira Aliakbari and Kenneth Green. *Evaluating Electricity Price Growth in Ontario*. Fraser Institute, 2017.

<https://www.fraserinstitute.org/sites/default/files/evaluating-electricity-price-growth-in-ontario.pdf>

2 Cross, Philip. "Ontario's Staggering 380,000 Regulations are Warping the Way Business Runs" *Financial Post*, 2016. <http://business.financialpost.com/opinion/philip-cross-ontarios-staggering-380000-regulations-are-warping-the-way-business-runs>

3 Ibid..

4 Statistics Canada. *Corporation Taxation Rates*. <http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=2510>