

2020 Provincial Pre-Budget Submission



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About the Ontario Chamber of Commerce

Together with almost 140 member chambers of commerce and boards of trade and our network's diverse 60,000 members, the Ontario Chamber of Commerce is the indispensable partner of business.

For more than a century, the OCC has undertaken important research on Ontario's most pressing policy issues, advocating for solutions that will foster the growth of Ontario businesses and lead to the creation of jobs in the province. Through our focused programs and services, we support businesses of all sizes, encouraging workforce development and inclusive economic growth. This work is based on the belief that strong businesses are the foundation of a prosperous Ontario.

Our mission is to convene, align, and advance the interests of our members through principled policy work, value-added business services, and broad engagement to build prosperity for all Ontarians.

We are the most respected, trusted, and indispensable partner of business, driving government decision-making and leveraging assets across our province-wide membership to support their growth and a competitive business climate in Ontario.

From innovative SMEs to established multinational corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all industries. We represent local chambers of commerce and boards of trade in almost 140 communities across Ontario, steering public policy conversations provincially and within local communities.

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Introduction

Dear Minister Phillips,

Thank you for your leadership in supporting Ontarians throughout this difficult time. COVID-19 has disrupted the province's economy in unprecedented ways. Although the pandemic is ongoing, Ontario is carefully managing the reopening of its economy and stakeholders have begun turning their attention towards recovery.

The Ontario Chamber of Commerce (OCC) is confident that Ontario has the talent, resources, and political will to navigate this crisis. The collaboration we have seen among governments, businesses, and civil society managing this pandemic should give us all confidence about our collective ability to deal with the long-lasting changes it will bring.

Economic growth – fundamental to Ontario's economic recovery – should be the underlying objective that drives provincial policymaking. Pro-growth policies will ensure public resources are used productively, help bring down the debt-to-GDP ratio, and enable the private sector to generate jobs, economic activity, and tax revenues.

Notwithstanding the current context, Ontario is also facing a series of long-standing challenges: skills mismatches, climate change, an aging population, global protectionism, rising input costs, and a growing infrastructure deficit. Addressing these challenges will not only support near-term economic recovery, but also longer-term prosperity.

We must also keep our eyes on the future. Increasingly, a competitive economy is one that encourages innovation through efficient regulation, workforce training, public-private partnerships, and support for entrepreneurship. Modernization – including the adoption of digital tools – should underpin all areas of government policy.

With these principles in mind, the OCC has chosen to focus this year's pre-Budget submission on the following areas:

1. **Fiscal policy**
2. **Regulation**
3. **The future of employment**
4. **Innovation and entrepreneurship**

We look forward to working with the Government of Ontario on the successful implementation of its Budget and subsequent policies to support economic recovery.

Sincerely,
Rocco Rossi



*President and CEO
Ontario Chamber of Commerce*



Summary of Recommendations

1. Fiscal Policy

- a. Work with the private sector to invest in the fundamental enablers of growth.
- b. Strengthen municipalities' fiscal capacity.
- c. Create a stabilization fund for the nonprofit sector.
- d. Restructure the small business tax to encourage firm growth.
- e. Adopt a formal policy on asset recycling.
- f. Pursue lost tax revenues from underground markets.

2. Regulation

- a. Eliminate interprovincial barriers to trade and labour mobility.
- b. Adapt the regulatory modernization agenda to COVID-19 realities.
- c. Harmonize standards across Public Health Units.
- d. Broaden the toolbox for industrial electricity customers.
- e. Allow licensed producers to directly negotiate with recreational cannabis retailers.

3. The Future of Employment

- a. Incentivize collaboration around workforce development.
- b. Accelerate post-pandemic reskilling.
- c. Adopt a diversity lens to reskilling.
- d. Strengthen labour market information.
- e. Give colleges more autonomy over course offerings.
- f. Address regional labour market needs with flexible trades certification programs.

4. Innovation and Entrepreneurship

- a. Accelerate expansion of broadband and cellular infrastructure.
- b. Avoid creating a patchwork of commercial privacy laws within Canada.
- c. Develop interoperable data sharing standards and infrastructure in health care.
- d. Address gaps in commercialization and technology adoption.
- e. Leverage procurement to promote domestic innovation.
- f. Cultivate Ontario's global leadership in isotope development.



1. Fiscal Policy

The Government of Ontario has duly responded to the COVID-19 crisis with a series of unforeseen expenditures that have been supported by the business community as necessary means of sustaining the livelihoods and confidence of Ontarians. As we enter the next stages of this crisis, additional spending will be necessary to avoid a prolonged economic downturn. In addition to greater government debt, personal and private sector debt will also rise as households struggle to make payments and firms borrow to preserve their operations. In this context, government will need to walk a tightrope between ensuring their fiscal house is in order while maintaining a competitive economy that encourages business investment and economic growth.

a. **Work with the private sector to invest in the fundamental enablers of growth.**

Fiscal responsibility will be critical in the next stage of the crisis, but it should not involve austerity-driven spending cuts. Instead, Ontario should focus investments on the foundations of its economy. Specifically, health care, broadband and transportation infrastructure, and education and training. Just as investments in these areas support job creation and household spending, underinvestment will hamper long-term economic growth.

Partnerships with the private sector will be more important than ever to share risk and avoid duplicated efforts or spending inefficiencies. On the procurement side, alternative financing and service delivery models can overcome many of the challenges related to underfunding, timing delays, and risk aversion that currently plague the administration of many public programs and services in Ontario. The Government of Ontario should empower payers within the public sector to explore non-traditional means of partnership, procurement, and contracting with vendors. Innovative approaches to consider include commissioning, risk-sharing and/or performance-based agreements, joint ventures, integration contracts, public sector mutual, delegated administrative authorities, choice-based (voucher) systems, and social impact bonds.

b. **Strengthen municipalities' fiscal capacity.**

In Ontario, municipalities' limited capacity to generate revenue has had tangible impacts on individuals, businesses, and their communities. In light of the pandemic, each region's ability to invest in economic development and core infrastructure such as public transit will be critical to their recovery.

If Ontario's municipalities are to maintain competitive local economies, they should have access to the revenue generation tools needed to effectively drive economic development. The governance role of municipalities has moved far beyond the service-administration framework of past local governance models.



Today, local governments are responsible for an array of services that require new, and more efficient funding models capable of sustaining significant, and distributed needs such as social services in addition to traditional user-centric services such as water treatment and recreational facilities.

The revenue generation methods available to Ontario's municipalities are ill-prepared to move Ontario's local economies into the 21st century. Tools such as property tax and the municipal land transfer tax have inherent limitations:

- unable to sufficiently tie taxation methods to the costs they satisfy in an economically efficient manner;
- unable to fairly allocate taxation burdens among residential and commercial constituents;
- dependent on volatile housing markets; and,
- ill-equipped to offer incentive for local governments to drive economic growth.

It is important that municipalities have revenue generation capabilities commensurate with the responsibilities they bear. And, while understanding taxation reform is a highly complex and nuanced process, it is a process that must be constantly re-examined to ensure taxation incidence moves in accordance with Ontario's continually evolving economic environment. The Ontario government should therefore consider re-examining the fiscal structure it imposes on its municipalities to ensure its local businesses and citizens are provided an efficient, equitable, and competent array of taxation methods.

The Province should also review how it can more efficiently participate in and guide municipal affairs. Existing policies such as the head and beds levy and police arbitration system give little to no consideration of the unique economic capacity and industrial character of Ontario's many localities. As Ontario's municipalities work to develop unique, globally competitive industries, local demand for public services and capacity to provide them will become more differentiated. Blanket policies which assume equivalent need will erode the ability of local policies to acknowledge and respond to local demand.

Additionally, the Government of Ontario should encourage municipalities to collaborate on infrastructure projects to pool resources where there is a shared interest. The Province could explore forums and policies that would encourage municipalities to coordinate their municipal asset management plans and regional infrastructure spending. Expanding the Community Transportation Grant Program announced in January 2019 could support this kind of municipal collaboration in the area of public transit.



c. **Create a stabilization fund for the nonprofit sector.**

COVID-19 has led to severe challenges and uncertainty for Ontario's nonprofits. In the first three months of the pandemic, the sector's losses resulted in an estimated provincial GDP loss of \$1.8 billion.¹ With many finding themselves ineligible for government support programs and faced with an increase in demand, around 20 percent of nonprofits in Ontario say they are on the verge of closing within the next six months.²

Nonprofits are an integral part of Ontario's economy, delivering critical services alongside government and the private sector, and their closure would have a devastating, costly impact on communities across the province.

The Ontario Nonprofit Network (ONN) is proposing a stabilization fund to mitigate the short-term upheaval and ensure these organizations are able to support economic recovery.³ Stabilizing the sector would help lessen the downstream effects of the economic downturn and reduce the need for more costly government interventions in the future.

d. **Restructure the small business tax to encourage firm growth.**

The structure of Ontario's Corporate Income Tax (CIT) deters firm growth and contributes to the scale-up challenge small businesses confront. In particular, the flat-rate Small Business Deduction (SBD) means that, when a company's annual income increases above \$500,000, their CIT rate jumps from 3.2 percent to 11.5 percent. To address this challenge, the OCC recommends creating a variable or bracketed SBD for income below \$500,000. With CIT rate that increases gradually as revenue income grows, small business owners will no longer be discouraged from actively seeking opportunities to grow their firms. This reform should be revenue-neutral, such that total tax revenue generated before and after the change remains the same.

e. **Adopt a formal policy on asset recycling.**

To alleviate pressure on their budgets, governments around the world are increasingly turning to asset recycling, which involves repurposing public assets, for example by selling or leasing them to the private sector. In Ontario, asset recycling could be one way for government to continue investing in critical infrastructure in the current context of fiscal constraints.



1 Ontario Nonprofit Network (ONN). 2020a. Stabilizing Ontario's nonprofit sector to rebuild the economy and communities post COVID-19. <https://theonnc.ca/wp-content/uploads/2020/05/ONN-Stabilization-Fund-April-30-2020.pdf>.

2 ONN. 2020b. Risk, resilience, and rebuilding communities: The state of Ontario nonprofits three months into the pandemic. https://theonnc.ca/wp-content/uploads/2020/08/Final_English_-Three-months-into-COVID-1.pdf.

3 ONN. 2020a.

Ontario is the second largest property owner in the country after the federal government. In 2017, the province owned 4,838 buildings, of which 812 were vacant and costing the province approximately \$19 million a year to maintain.⁴ In October 2019, as part of its Building Smarter Government Initiative, the Government of Ontario committed to assessing and potentially selling unused government and broader public sector properties. This is a welcome step.

More significantly, the Province should adopt a broader, more comprehensive policy on asset recycling that applies to a range of government assets, regularizes the review process, and commits to using revenues generated from the repurposing of assets to pay down the debt and make critical investments that generate economic activity.

f. Pursue lost tax revenues from underground markets.

Illegal markets are a substantial source of lost tax revenue for Ontario and its municipalities. Contraband tobacco alone results in \$750 million per year in lost revenue for the Province.⁵ Meanwhile, the size of Ontario's illegal cannabis market accounts for 81 percent of household spending on cannabis. Both these markets remain a concern for both economic and public health reasons. Untaxed economic activity is also prevalent in the lottery and gaming sector and in industries where cash transactions are common (such as automotive repairs and construction).

The Ontario government should establish tougher penalties for noncompliance, coupled with intensified audits, for industries prone to underground activity. Initiatives taken to combat illegal tobacco—such as launching a tobacco enforcement grants program and maintaining the Provincial Tobacco Tax rates—can also be applied to other high-risk industries. With regard to cannabis, regulatory changes are also needed to give industry the ability to compete more effectively with the illegal market (as discussed below).



⁴ Office of the Auditor General of Ontario. 2017 Annual Report. http://www.auditor.on.ca/en/content/annualreports/arreports/en17/v1_311en17.pdf

⁵ EY Canada. 2018. Tobacco Tax Policy in Ontario. [https://www.ey.com/Publication/vwLUAssets/Tobacco-tax-policy-in-Ontario-2018/\\$File/Tobacco-tax-policy-in-Ontario-March-2018.pdf](https://www.ey.com/Publication/vwLUAssets/Tobacco-tax-policy-in-Ontario-2018/$File/Tobacco-tax-policy-in-Ontario-March-2018.pdf).

2. Regulation

By placing health and safety at the forefront of all decision-making, the COVID-19 pandemic has underscored the importance of regulation as a tool to protect what matters most to Ontarians. To be effective, regulation must focus on achieving its intended outcomes without unduly limiting the market from generating efficiencies and innovation. Striking an appropriate balance will be especially important during recovery, as Ontario will need to continue containing the public health crisis while spurring economic growth.

a. Eliminate interprovincial barriers to trade and labour mobility.

The patchwork of regulatory and licensing requirements across Canada is a costly setback to business productivity. Among other things, interprovincial barriers make it difficult for small- and medium-sized businesses (SMEs) to raise capital and take advantage of domestic economies of scale. In 2017, Statistics Canada estimated that the amount of economic activity restricted by non-tariff trade barriers was tantamount to having a 7 percent tariff on interprovincial trade.⁶

Moreover, the pandemic – and trends that preceded it – have limited access to some international markets, such that companies within Canada will need to make the most of internal trade. Differences in professional licensing and certification requirements will be especially costly, as record-high unemployment means labour mobility will be critical to ensuring the economy is operating at or near capacity.

The Government of Ontario should continue supporting the work of the Regulatory Reconciliation and Cooperation Table established under the Canadian Free Trade Agreement. However, given the urgency of eliminating internal trade barriers, Ontario should pursue a bolder approach in parallel.

Specifically, the Province should consider unilaterally declaring it will recognize the adequacy of standards used elsewhere in Canada or pursue mutual recognition agreements with Alberta and/or other provinces and territories that are similarly prepared to act swiftly. Australia and New Zealand took this approach in the 1990s, when the two governments agreed to mutually recognize compliance with each other's laws for the sale of goods and the registration of occupations, subject to limited exceptions.⁷



⁶ Statistics Canada. 2017. “Study: Estimating the effect of provincial borders on trade.” <https://www150.statcan.gc.ca/n1/daily-quotidien/170914/dq170914d-eng.htm>.

⁷ Government of Australia. 2015. Mutual Recognition Schemes: Productivity Commission Research Report. <https://www.pc.gov.au/inquiries/completed/mutual-recognition-schemes/report/mutual-recognition-schemes.pdf>.

b. Adapt the regulatory modernization agenda to COVID-19 realities.

Pre-pandemic, Ontario was on an ambitious path to reduce the regulatory burden on businesses. While this work should continue, it must reflect the new context in which additional regulations will be necessary to protect public health, safety, and consumer confidence for the remainder of this crisis.

With both new and old regulations, it is important to take a more outcomes-oriented approach and allow for more flexibility in how outcomes are achieved. During a period of economic recovery, the private sector's tendency to innovate will be at its peak, and an agile approach to regulation will ensure that government avoids erecting unnecessary barriers to economic growth.

Additionally, many temporary regulatory improvements that were introduced during the pandemic should be made permanent to support economic growth. This includes allowing restaurants to deliver alcohol online, allowing e-commerce options for legal cannabis retailers, and extending commercial patio spaces.

c. Harmonize standards across Public Health Units.

Ontario's 35 Public Health Units are regional agencies established by municipalities to deliver public health programs to local communities. The lack of integration across these units is a long-term challenge that has been amplified by the pandemic.

The Government of Ontario should share recommended guidelines and governance frameworks with Ontario's Public Health Units to encourage consistency across municipalities. This would improve the quality of health care delivery, while building public confidence in the efficacy of the system.

d. Broaden the toolbox for industrial electricity customers.

Industrial electricity prices are considerably higher in Ontario than in most other jurisdictions in North America. In fact, large firms in Ontario pay around twice as much as they would in Montreal or Vancouver.⁸ This puts our industries – particularly energy-intensive, trade-exposed industries – at a competitive disadvantage. As the economy enters a period of economic recovery, we need competitive industrial electricity rate structures that attract new investment and growth in the province and enable companies to innovate, grow, and enhance their productivity.

The Government of Ontario should revisit its options to support industrial electricity customers with a more versatile portfolio of rate constructs that align with the operating realities of different sectors. The Industrial Conservation Initiative is a valuable program for some industrial consumers, but incremental options are needed for sectors with different business models. In 2019, several good ideas were shared through Ontario's industrial electricity rate consultations, such as New York's Recharge NY program and Quebec's Rate L.



⁸ Canadian Manufacturers and Exporters. 2018. Manufacturing Ontario's Future; Leveraging Ontario's Manufacturing Sector to Drive Ontario's Economic Success. <https://cme-mec.ca/wpcontent/uploads/2018/12/CME-ON-Manufacturing-Strategy-Final-compressed.pdf>.

e. **Allow licensed producers to directly negotiate with recreational cannabis retailers.**

Developing a robust, legal cannabis retail market will not only generate more tax revenues, create jobs, and support the long-term viability of the sector, but is also critical to combatting the illicit market.

To effectively combat the illegal market, we need to create an environment that allows large businesses and entrepreneurs to compete effectively. To that end, it is imperative for retailers and licensed producers (LPs) to have the ability to establish a commercial relationship with one another to create exclusive and unique products, as well as wholesale pricing. This would allow retailers and LPs to negotiate their product mixes, along with the associated prices, terms, and conditions, while the Ontario Cannabis Store (OCS) maintains its oversight role as regulator. Simply put, a direct relationship between retailers and LPs will be a cornerstone to building an efficient and effective legal retail market that will, in the fullness of time, displace the illegal market and support the longevity of sector.



3. The Future of Employment

Pre-COVID-19, employers across Ontario were finding it increasingly difficult to locate enough candidates with the right skillsets. The rapidly changing labour market has led to a need for constant upskilling and reskilling, an emphasis on work-integrated learning, and a growing demand for data and digital skillsets.

The pandemic has accelerated and amplified these trends. Many companies will rely on automation to reduce risk and improve productivity as they recover from the crisis, and Ontarians will need responsive skills training programs to get them back to work. Economic competitiveness will require both employers and workers to adjust to the new realities of employment. Workforce development is especially important for SMEs, which often lack the resources to develop internal training programs and have been profoundly impacted by the current crisis.

a. Incentivize collaboration around workforce development.

As skills training becomes a lifelong process, partnerships between post-secondary institutions, employers, and unions will play a growing role in responding to labour market needs. However, current responsibility for workforce development is dispersed across a patchwork of stakeholders from both the public and private sectors. The Government of Ontario can play an important role in establishing incentives for collaboration and leadership on this file.

Experiential learning programs – including but not limited to work-integrated learning, co-operative education, and internships – are one of the ways in which partnerships can help align skills development with the employment market. The Province should explore options to incentivize greater participation from employers, especially SMEs and businesses in remote regions. This could involve expanding the Co-operative Education Tax Credit and/or offering a tax credit to employers who hire graduates of co-operative education, or equivalent programs, that allows employers to claim a percentage of salaries for the first year of graduates' full-time employment. Business-facing ministries within the government should also help promote new and existing experiential learning opportunities and communicate their benefits.

Another way to incentivize collaboration is through partnership-focused grants. For example, the Strategic Skills Initiative (SSI) was a former Ontario program that leveraged partnerships between industry and training providers to accelerate the development of skills deemed most critical to the future economy.⁹ We recommend investing \$50 million over three years to implement a modernized version of the initiative. Funding could be funneled towards projects that train students in skills needed to adapt to technological change experienced by SMEs, such as data science, with a focus on work-integrated learning. Eligible applicants would be post-secondary institutions with evidence of strong partnerships and involvement with SMEs, and program funding would primarily be used to procure enabling equipment, such as software, virtual reality tools, simulators, and upgrades to existing facilities. The program could be targeted strategically towards specific communities and sectors to align with broader economic recovery objectives.



⁹ KPMG. 2004. Evaluation of the Strategic Skills Investment Program.

b. Accelerate post-pandemic reskilling.

Reskilling is essential to the rapid re-employment of workers that were displaced during the COVID-19 crisis, particularly given the permanent restructuring expected in hard-hit sectors such as retail, hospitality, and tourism. In collaboration with the federal government, training institutions, and employers, the Government of Ontario should continue to support and scale successful reskilling initiatives, similar to their programming on the skilled trades.

One option is to introduce a temporary program to support on-the-job workforce training. The Quebec government recently implemented a \$100 million program to help companies train workers and continue paying those undergoing training. The Concerted Action Program for Maintaining Employment covers a range of training purposes, including digital skills training, training recommended by professional orders, training necessary for the resumption of company activities, and training related to a strategy for adjusting company activities in the context of economic uncertainty related to COVID-19. Due to the ambiguity around what technical skills will be needed as the labour market demands continue to shift, an Ontario version of this program could be adapted to include core universal skills such as communication, critical thinking, business acumen, and financial literacy.

Additionally, creating a common understanding and validation of micro-credentials for employers through the development of a micro-credential framework will allow for provincial and federal funds to be flowed through Employment Ontario to support short-term micro-credential programs that meet local and sectoral needs. Employment Ontario has specific, pre-existing programs at its disposal that could be helpful, such as Second Career, which is designed for displaced workers and delivered by public and private colleges. Colleges have many Program Advisory Committees composed of employers that could help identify relevant skills.

c. Adopt a diversity lens to reskilling.

COVID-19 has had a disproportionate economic impact on women, lower-income workers, visible minorities, Indigenous peoples, people with disabilities, and other underrepresented segments of our labour market. This is concerning because the evidence is clear: diversity and inclusion lead to higher workforce productivity and economic growth. Going forward, it is imperative that Ontario adopt a diversity lens to every workforce development initiative to ensure disadvantaged groups are not left further behind during recovery.

In many cases, this will require addressing specific barriers to participation (including financial, informational, geographic, or otherwise). With regard to financial capacity, the Ontario government can partner with the private sector to support low-interest loans and training scholarships. It is important to ensure Ontarians in rural and remote regions are also aware of available opportunities and able to access them in person and/or virtually.

Additionally, many mothers will not be able to participate in training opportunities unless they have access to child care. In the short-term, subsidies for licensed or at-home child care will be critical to ensuring women can participate in training and re-employment in the early months of economic recovery.



d. **Strengthen labour market information.**

A primary concern for employers is the lack of comprehensive local- and occupational-level labour market information (LMI). Existing data is not granular enough to demonstrate precisely where labour is needed within regions or which specific skills are in demand, and survey results are often aggregated into a small number of industries, which masks dissimilarities between individual occupations. Further, information is not always coordinated or shared in an easily accessible manner for employers, job seekers, and decisionmakers. There is also a lack of coordination between the provincial and federal governments. LMI deficiencies risk unnecessarily hindering economic recovery after the COVID-19 pandemic.

In Budget 2019, the Province announced a plan to launch an enhanced LMI website; however, we caution against initiatives that are duplicative of private and public sector initiatives that aim to better connect job seekers with employers and provide meaningful LMI insight such as Magnet, LinkedIn, and the Labour Market Information Council.

The OCC encourages the Government of Ontario to:

- Work with the federal government, businesses, and the education sector, on an intergovernmental strategy to establish a new governance framework to address deficiencies in the quality and sharing of LMI and one that aims to create a set of common performance measures for program evaluation;
- Enhance the timeliness of LMI by extracting it from the wealth of data already collected from Canadians for other purposes, such as income taxes and social assistance programs, while ensuring the protection of private information;
- Advocate for the collection of more granular LMI and localized data in all future federal surveys on labour vacancies;
- Promote existing LMI more actively and enhance public awareness of what is available; and
- Enhance interprovincial collaboration on LMI and consider the establishment of a cross-ministry committee to improve coordination on LMI efforts.

e. **Give colleges more autonomy over course offerings.**

To adapt to a quickly changing labour market, colleges in Ontario need more flexibility to respond to employers' needs in a timely manner, particularly by developing micro-credentials and other demand-driven programming.¹⁰ Specifically, the Government of Ontario should allow for in-program changes without prior consent from the Ministry of Colleges and Universities and focus on taking a risk-based approach to evaluate quality according to predetermined frameworks.¹¹



¹⁰ Mitchell Davidson and Shiv Ruparell. 2020. The Future of Ontario's Workers. StrategyCorp. <https://strategycorp.com/wp-content/uploads/2020/06/Colleges-Ontario-The-Future-of-Ontarios-Workers-White-Paper-June-2020.pdf>.

¹¹ Ibid.

f. **Address regional labour market needs with flexible trades certification programs.**

While access to talent is a challenge for businesses across Ontario, finding enough skilled workers can be especially difficult for businesses in rural communities and smaller urban centres. Flexible trade certification programs will be especially valuable during economic recovery when many workers will be in need of reskilling and large-scale infrastructure investments will create new opportunities in the trades.

First, the OCC recommends the Government of Ontario implement a three-year pilot project that would allow SMEs in rural communities to apply for an apprenticeship ratio increase on a per-project basis. A similar program exists in Nova Scotia, where requests are evaluated based on a series of criteria, including the geographic location of the employer and steps undertaken by the employer to hire more journeypersons. Data from this pilot should be evaluated and used to inform future programs and policies.

More broadly, the government should develop a process to certify creative trades training programs based on demonstrated regional and/or sectoral needs. Ontario's Ministry of Labour, Training, and Skills Development should develop a standardized application process to encourage businesses and communities to develop programs that respond to demonstrated labour market needs. Bruce County's Nuclear Innovation Institute – a new initiative which aims to create a regional talent pipeline in current and future industries with an emphasis on youth, underemployed workers, and Indigenous communities – is an example of the kind of creative, locally adapted solution Ontario needs to meet current and future demand for skills.



4. Innovation and Entrepreneurship

While Ontario excels at research and development, it often fails to capitalize on its inventions through commercialization and technology adoption. In fact, Ontario has historically underperformed compared to international peers on business R&D, patents, and labour productivity.¹²

In a global economy that is increasingly driven by intangibles such as data and intellectual property, these shortcomings put Ontario at a serious competitive disadvantage. Further, a region's capacity to monetize innovation will become more consequential than ever in a post-pandemic world, as innovation tends to accelerate after an economic crisis and will be leveraged deliberately by governments elsewhere to drive their own recoveries.

a. Accelerate expansion of broadband and cellular infrastructure.

Innovation is not possible in the 21st century without access to high-speed internet. Despite substantial public and private investments, many regions of Ontario continue to lack connectivity. During the pandemic, this challenge was amplified as broadband became essential for employees to continue working and for all Ontarians to access health care, education, and information.

The Governments of Ontario and Canada, along with the private sector, have made substantial investments in broadband expansion. Going forward, the Province should both augment and accelerate these investments, and coordinate its programs with telecommunications providers more strategically to ensure public investments are complementing (not competing with) private dollars.

Additionally, the Ontario government should identify and remove regulatory barriers that sow down and deter expansion of broadband and cellular infrastructure, as promised in its 2019 Broadband and Cellular Action Plan. This will require working closely with municipalities, which are responsible for many of the onerous bylaws, permitting requirements, and construction standards.

b. Avoid creating a patchwork of commercial privacy laws within Canada.

Currently, businesses and other entities engaged in commercial activity within Ontario are governed by the Personal Information Protection and Electronic Documents Act (PIPEDA), a federal privacy law. Maintaining a national approach to commercial privacy protection is critical. Fragmentation would add unnecessary uncertainty and costs, deter investment and innovation within Ontario, and restrict customers' access to online services (which have become increasingly important during the pandemic). As we begin to emerge from the pandemic, these impacts would be detrimental to Ontario's economic recovery and future prosperity.



¹² The Conference Board of Canada. 2018. "Innovation." <https://www.conferenceboard.ca/hcp/provincial/innovation.aspx>.

Therefore, the Government of Ontario must avoid creating laws pertaining to the collection, use, and disclosure of personal information by private sector organizations, while encouraging the federal government to prioritize PIPEDA reforms within the next year.

c. Develop interoperable data sharing standards and infrastructure in health care.

In Ontario, most health care data are trapped in siloes, where a lack of shared standards, infrastructures, and/or incentives prevent it from being used to its full potential. Better data sharing would result in better quality of care, operational efficiencies, and innovation in care delivery. It also generates new intellectual property, which contributes to the competitiveness of Ontario's health and life sciences sectors.

The Government of Ontario should continue transitioning towards a more centralized data management system for health care information by working with stakeholders to harmonize standards and technologies required to effectively share health data while protecting data privacy and security. Where possible, this work should be done in coordination with provincial/territorial and federal counterparts to accelerate nationwide sharing of health data.

d. Address gaps in commercialization and technology adoption.

In July 2020, the Government of Ontario announced a new made-in-Ontario Intellectual Property Action Plan to carry out recommendations made by the Expert Panel on Intellectual Property. The OCC looks forward to the implementation of this strategy, particularly the initiatives around capacity-building, which will help ensure the social and economic benefits of research and innovation remain in Ontario.

Beyond intellectual property, Ontario needs to take a more intentional and focused approach to innovation. Other jurisdictions can provide inspiration. For example, the Israel Innovation Authority drives innovation by investing in competitive grants, incubators and accelerators, and a collaborative ecosystem in which entrepreneurs can efficiently access resources needed to scale. The model is centred around partnerships between government, academia, and the private sector.

Leveraging procurement and prioritizing competitive advantages, as discussed below, are part of the solution. Additionally, government should focus more of its support towards scale-up firms (small, innovative firms that are growing at a rate of at least 20 percent per year). These businesses have demonstrated a high potential for growth and face very specific challenges, including expanding into diverse global markets and accessing long-term capital. Finally, Ontario should harmonize the programs it offers across departments and agencies to remove some of the siloes that prevent entrepreneurs from making the most of available supports.



e. **Leverage procurement to promote domestic innovation.**

As the largest customer in the economy, government can use procurement to help innovative firms scale. This is far more cost-effective than grants or tax incentives, and it simultaneously enables modernization within government. Other countries actively use procurement to support nascent industries; for example, federal agencies in the United States spent \$975 million on artificial intelligence (AI)-related contracts in 2018, an increase of nearly 70 percent from the previous year.¹³

There are several ways public-sector buyers in Ontario can take a more innovation-oriented approach to procurement. These include using proofs of concept to test the technologies before the final purchase or adopting challenge-based procurement systems.

Procurement reform also has tremendous potential to inject innovation into Ontario's health care system. The OCC's report, *Prescription for Partnership: How New Models of Collaboration in Health Care Can Make Outcomes a Priority*, provides a practical, evidence-based commissioning toolkit for government to adopt value-based procurement and service delivery within Ontario's health care system.¹⁴

f. **Cultivate Ontario's global leadership in artificial intelligence and medical isotopes.**

A winning innovation strategy is to focus on developing existing competitive advantages. Ontario is home to some of the world's most advanced AI research networks and a thriving ecosystem for AI start-ups. With AI forecasted to create \$2.9 trillion in business value in 2021,¹⁵ Ontario's advantage will only become more important in the increasingly intangibles-based economy, where ownership of AI firms, talent, and IP will drive competitiveness.

Notable challenges to AI competitiveness include data sharing, commercialization, and technology adoption (all discussed above). It is important that governments continue to fund primary AI research as well as applied research that engages end-users and facilitates the practical implementation of the technology. Partnerships between industry and academia can help to ensure that AI applications are both relevant to industry needs and more easily adopted within Ontario.

Meanwhile, health care patients around the world rely on Ontario for a safe and stable supply of medical isotopes. Ontario's nuclear and medical infrastructure is ideal for performing scientific research in the field of medical isotopes and contributing to international developments and critical trials. In addition to its importance for health care, Ontario's isotope supply chain also presents a major economic opportunity for Ontario, as the global isotope market is projected to grow from \$14 billion in 2019 to \$23 billion in 2023.

13 Raymond Perrault, Yoav Shoham, Erik Brynjolfsson, et al. 2019. The AI Index 2019 Annual Report. Stanford University. https://hai.stanford.edu/sites/g/files/sbiybj10986/f/ai_index_2019_report.pdf.

14 Ashley Challinor. 2016. *Prescription for Partnership: How New Models of Collaboration in Health Care Can Make Outcomes a Priority*. OCC. https://occ.ca/wp-content/uploads/REPORT_Prescription-for-Partnership-1.pdf.

15 Gartner. 2019. "Gartner Says AI Augmentation Will Create \$2.9 Trillion of Business Value in 2021." <https://www.gartner.com/en/newsroom/press-releases/2019-08-05-gartner-says-ai-augmentation-will-create-2point9-trillion-of-business-value-in-2021>.



The Government of Ontario should collaborate with industry to continue investing in the province's isotope infrastructure to build on its global leadership in the training, research, development, deployment, and export of medical isotopes. This would serve to maintain and bolster existing investments across the province, including infrastructure at Bruce Power, Ontario Power Generation, McMaster University, Chalk River, and within Ontario's health care research network.

Conclusion

Amid a global pandemic and economic crisis, it can be difficult to look beyond day-to-day challenges. This year, governments, businesses, communities, and individuals will have to contend with unprecedented uncertainty as they plan for the future and lay the groundwork for long-term economic growth.

However, the OCC remains confident that Ontario has the right ingredients to overcome this crisis and prosper in a rapidly changing global economy. Our 2020 pre-Budget submission contains recommendations that leverage economic growth to help Ontario's communities emerge stronger and more resilient than before. These suggestions were developed together with businesses, chambers of commerce, and boards of trade across the province, with the shared interest of making Ontario a more attractive place to live, work, and invest.

