



PRE-BUDGET SUBMISSION 2015

March 10, 2015

Letter to Minister Sousa

Dear Minister Sousa,

The Ontario Chamber of Commerce is pleased to have this opportunity to present our recommendations to you as you craft the 2015 Ontario Budget.

Your government must take steps to improve the business climate in the province. We are increasingly concerned with how new provincial programs and policies are impacting Ontario's competitiveness and job creation. Over the past year, the Government of Ontario has implemented or announced several new initiatives that have a direct impact on business, including increases to minimum wage, a new *Waste Diversion Act*, a review of the *Labour Relations Act*, the Ontario Retirement Pension Plan (ORPP), and a potential carbon pricing regime. Government needs to seriously consider the cumulative impact of these initiatives on business.

Addressing the fiscal situation should also continue to be top priority for government. Eliminating the deficit is an important step your government can take to improve Ontario's competitiveness and create jobs in the province.

As it stands, the province spends \$10.6 billion on interest charges to service its debt. That's money that could be invested in infrastructure, education, or other productivity-enhancing measures. Worryingly, the amount Ontario spends on interest charges will increase as our debt grows over the coming years and as interest rates inevitably rise.

This document outlines seven key recommendations that we believe the Government of Ontario must adopt in order to return to fiscal balance and spur growth in our economy.

Thank you.

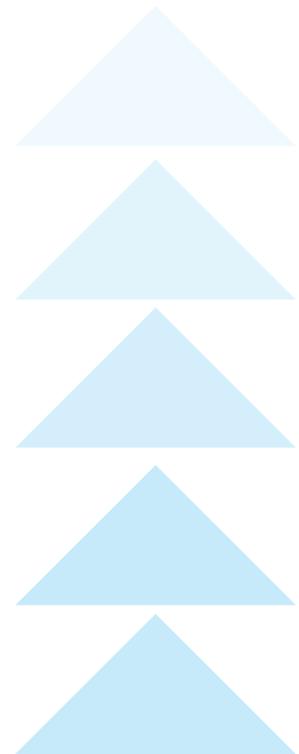
A handwritten signature in black ink that reads "Allan O'Dette". The signature is written in a cursive, flowing style.

Allan O'Dette
President & CEO, Ontario Chamber of Commerce

7 Key Budget Priorities

1.	Conduct a Comprehensive Audit of Ontario's Regulatory Burden
2.	Eliminate the Deficit and Reduce the Debt
3.	Leverage the Power of Alternative Financing and Procurement (AFP)
4.	Mitigate the Impacts of the new Ontario Retirement Pension Plan (ORPP) on Business
5.	Ensure Ontario's Electricity Rates are Competitive
6.	Create the Frameworks Necessary to Accommodate Disruptive Innovation
7.	Address Rising Municipal Costs

If you have any questions or comments, please contact Josh Hjartarson, Vice President Policy & Government Relations, at joshhjartarson@occ.ca or 416-482-5222 x2320



1. Conduct a Comprehensive Audit of Ontario's Regulatory Burden

Over the past year, the Government of Ontario has introduced or announced a number of initiatives that have added to the cost of doing business in the province. These include increases to the minimum wage, a new *Waste Diversion Act*, a review of the *Labour Relations Act*, the Ontario Retirement Pension Plan (ORPP), and a potential carbon pricing regime.

We are increasingly concerned that the government is making these program and policy decisions in isolation. Each of these decisions adds to the cumulative cost of doing business in Ontario faced by Ontario businesses and ultimately hurts the province's competitiveness.

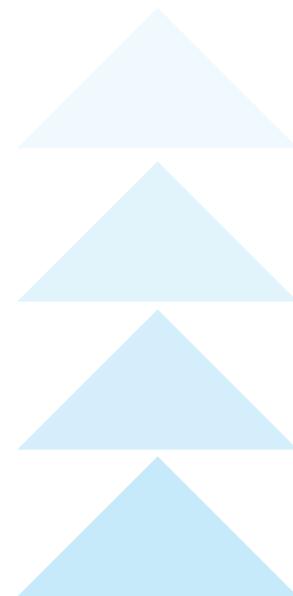
To correct this, we strongly recommend that the government take the following two steps:

1. **Conduct a comprehensive and public audit of all existing regulations**, with the goal of reducing the current regulatory burden experienced by businesses.
2. Subject **all new regulations to a public cost-benefit analysis before they are implemented**, to ensure that the full impact of these initiatives on the business climate are considered in the decision making process.

Top three factors hurting businesses in Ontario*:

- **Electricity Prices**
- **Payroll Taxes**
(WSIB, EI, CPP)
- **Regulatory Climate**
(red tape)

*2015 Pre-Budget Survey, February 2015, n=1136



2. Eliminate the Deficit and Reduce the Debt

Ontario's current fiscal situation deters private investment, reduces the government's capacity to make productivity-enhancing investments, and compromises the government's ability to respond to future economic slowdowns. In the long-run, a slower-growth future and a rapidly aging population will make a large deficit and debt much more difficult to address. The Program Review, Renewal, and Transformation is a step in the right direction. However, more can be done.

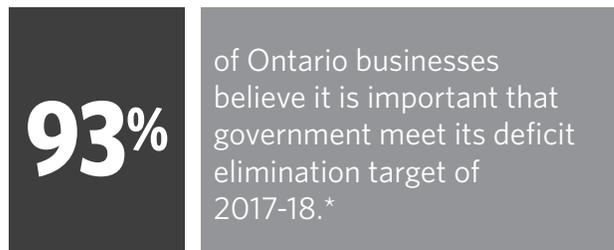
To improve its fiscal situation, the Government of Ontario should:

- **Establish baseline information about existing expenditures and program performance.** Once this information is obtained, the government will be in a better position to determine the appropriateness of using current or new service delivery models and to better target spending.
- **Inject competition into the delivery of public services through new forms of partnership with the not-for-profit and private sectors** (often referred to as alternative service delivery) when there is clear evidence that these arrangements can produce better outcomes for citizens.
- **Shift to outcomes-based funding for some public services.** Ontario has already done this with some public services through the Workplace Safety and Insurance Board, job training programs, and funding for homeless shelters.
- **Leverage third-party technology, capital, and expertise to update antiquated Information Technology (IT) and business models.**

WHAT THE OCC IS DOING:

In October 2014, the OCC released *How Bad Is It? What Do We Do About It? A Straightforward Guide to Ontario's Debt and Deficit Situation*, a report which outlines the government's fiscal situation and provides solutions to improve it.

To read the submission, visit occ.ca/debt-and-deficit



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3. Leverage the Power of Alternative Financing and Procurement

A recent report from Ontario's Auditor General was critical of the province's use of the Alternative Financing and Procurement (AFP) model, claiming the government would have paid \$8 billion less if large infrastructure projects were managed within the public sector and finished on time and on budget. Unfortunately, the report's criticisms of AFP do not take into account the primary benefit of the AFP model, which is to shift risk from the taxpayer to the private sector.

The Auditor General's report also assumes a perfect government track record on large and complex capital projects. However, it was a poor government track record in project delivery that led Ontario to make greater use of AFP. The shift is paying off: 97 percent of Ontario's AFP projects have been completed on or under budget over the past ten years.

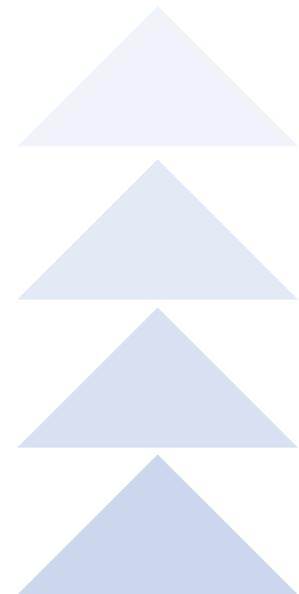
The Government of Ontario should make full use of AFP as it undertakes \$130 billion in infrastructure spending, much of it on complex projects, over the next 10 years.

WHAT THE OCC IS DOING:

The OCC recently published a response to the auditor general's report on AFP.

We will also be holding an Economic Leadership Series, Building Ontario's Infrastructure Advantage, which will focus on Ontario's world-leading AFP model.

To read more, visit occ.ca/afp



4. Mitigate the Impacts of the New Ontario Retirement Pension Plan on Business

A standalone Ontario pension plan will put Ontario businesses at a competitive disadvantage and fragment Canada's pension landscape. We are worried that the Ontario Retirement Pension Plan (ORPP) will slow job creation and deter investment in Ontario at a time when the province's economic recovery is not guaranteed.

At a minimum, the Government of Ontario must conduct and publicly release an analysis of the impact of the new pension plan on foreign direct investment, job creation, and Ontario's competitiveness.

Further, if the government moves forward with the ORPP, it should deem defined contribution pension plans, group RRSPs, and other workplace pension plans as 'comparable'. If it excludes these plans, the government may create perverse incentives for employers to diminish contributions to their existing plans—or abandon these plans altogether.

WHAT THE OCC IS DOING:

In February 2015, the OCC provided its submission to the Ministry of Finance on proposed design detail for the ORPP. Read *Getting it Right: The Business Perspective on the Undersaving Challenge in Ontario*, at occ.ca/pensions

26%

of businesses can afford the costs associated with increased pension contributions.*

44%

of businesses will reduce payroll or hire fewer employees in response to the ORPP.*

*2015 Pre-Budget Survey, February 2015, n=1136

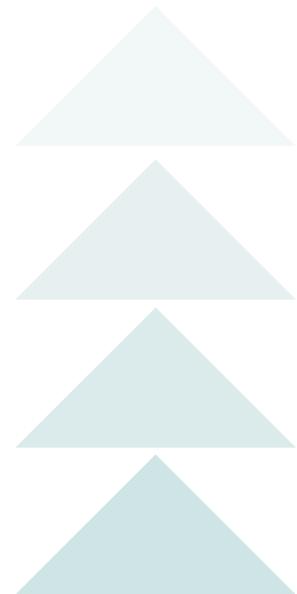
5. Create the Frameworks Necessary to Accommodate Disruptive Innovation

The rapid growth of the sharing economy, represented by companies like Uber and AirBnB, is disrupting many industries. Companies such as these, which are built on the premise of providing on-demand services using existing resources, are becoming increasingly more prominent. These companies are also creating new employment and previously unforeseen economic opportunities.

Ontario should position itself for success by developing the regulatory capacity to accommodate disruptive innovations. Those jurisdictions that recognize this disruption as an opportunity will be more likely to incubate the new technologies and innovations that will drive growth in the future.

WHAT THE OCC IS DOING:

This Spring, we will be leading a discussion and making recommendations on how to enable disruptive innovation while protecting the public interest.



6. Ensure Ontario's Electricity Rates are Competitive

The price of electricity in Ontario is set to rise over the next two decades. According to OCC survey results, 4 percent of businesses will either shut their doors and/or move to another jurisdiction in the coming years due to these rising rates. Economic development agencies south of the border have taken notice, and some of them have attempted to 'poach' Ontario manufacturers and convince them to set up shop in the United States.

The Government of Ontario must ensure electricity rates are competitive in order to keep businesses in the province. While minor steps have been taken since the release of the Long Term Energy Plan (LTEP) to decrease overlap between crown agencies, further system-wide cost-savings should be explored.

WHAT THE OCC IS DOING:

In March 2015, the OCC will be releasing a report that examines the top ways to bend Ontario's projected electricity cost curve. Stay tuned.

Rising electricity prices are the number 1 factor hurting the competitiveness of Ontario's businesses.*

*2015 Pre-Budget Survey, February 2015, n=1136

7. Address Rising Municipal Costs

Many municipalities face ballooning costs as a result of faulty labour legislation and processes. This fiscal burden can be eased in two ways:

- **Reform the broken interest arbitration system.** As a result of costly contract settlements created by the current interest arbitration system, there is significant pressure on municipalities to raise taxes and/or reduce services to compensate.

The Government of Ontario needs to reform the labour arbitration system by mandating arbitrators to factor a municipality's ability to pay into their decisions.

- **Maximize competition in municipal construction contracts.** Infrastructure investments across the province would go much further if Ontario amended Section 126 of the *Ontario Labour Relations Act*. A loophole in the Act has forced a growing number of municipalities to restrict tendering, resulting in higher costs (up to 30 percent) for taxpayer funded construction projects.

Closing this loophole would prevent municipalities from being certified as "Construction Employers", enabling all qualified companies and workers to bid on taxpayer funded infrastructure projects and ensuring municipalities make the most of their infrastructure dollars.

WHAT THE OCC IS DOING:

The OCC is working with local chambers to drive awareness and present solutions that work for all parties involved.

