

May 12, 2020

Hon. Prabmeet Sarkaria
Ministry of Economic Development, Job Creation and Trade
7th Floor, 56 Wellesley St. W
Toronto, ON M7A 2E7

RE: Economic Recovery Program to help rural and northern SMEs recover from COVID-19

Dear Minister Sarkaria,

Thank you for your continued leadership during this unprecedented and uncertain time. The Ontario Chamber of Commerce (OCC) is working closely with the business community and government to support a successful reopening and economic recovery.

For small- and medium-sized enterprises (SMEs) in rural and northern Ontario, access to capital has long been a major challenge to competitiveness and job creation. The COVID-19 crisis has only exacerbated this problem, and the OCC is deeply concerned that the economic downturn will aggravate the decline in investment and business opportunities for businesses in these communities.

We would like to express our support for a proposal brought forward by the Rural Opportunity and Investment Coalition to establish a Rural Economic Recovery Program (RERP), formerly known as the Rural Investment Tax Credit, in Ontario. The RERP would allow for the creation of a \$250-300 million pool of private capital for investment in rural and northern SMEs across the province. The capital will be flexible and responsive to the needs of each business, whether in the form of workforce training, equipment, payroll, adaption due to COVID-19, facility expansion, or technology.

The RERP would leverage a delayed tax credit on the Insurance Premium Tax, which is paid directly to the Province by insurance companies on the policies they write in Ontario. Under the proposed amendment and regulation, insurance companies that invest in rural and northern investment funds will get a delayed, at-risk tax credit for investments. The capital raised by the insurance premium tax credit will be leveraged to raise the other half of the funds from traditional private sources that will not receive a tax credit. The RERP requires a minor change to the Tax Code to allow institutional investors (insurance companies) to participate in these funds.

This approach to economic development is designed to harness the power of the private sector to help rural and northern Ontario SMEs withstand and recover from the current crisis while protecting the interests of taxpayers. Given that all associated costs would be post-performance and delayed until private capital investment is complete, impact on the current budget would be negligible.

The investment firms behind the RERP proposal were involved in deploying similar funds in the United States to great success following the 2008 financial crisis. While some SMEs will use

investments to cover immediate expenses, many businesses will be able to use the funds to adapt and thrive in the years to come, as was the case with the 2008 financial crisis.

Programs like the RERP work best when policy outcomes are clearly defined, specific performance metrics are established and maintained, and meaningful penalties are in place to ensure compliance and performance. The OCC encourages the Government of Ontario to work with the business community and the Rural Opportunity and Investment Coalition to set appropriate policy parameters that will benefit as many SMEs as possible.

As the indispensable partner of business in Ontario, we understand the hardship SMEs are enduring while COVID-19 abatement measures are in place and applaud government efforts to mitigate those challenges. The OCC believes that the RERP is a fair, responsible, transparent, and sustainable way to strengthen SMEs, communities, and individuals across Ontario as they recover from the COVID-19 crisis. We welcome the opportunity to discuss this proposal further.

Sincerely,



Rocco Rossi
President and CEO
Ontario Chamber of Commerce

CC:

Hon. Rod Philips, Minister of Finance, Government of Ontario

Hon. Vic Fedeli, Minister of Economic Development, Job Creation and Trade, Government of Ontario