

December 11, 2018

Giles Gherson
Deputy Minister, Red Tape and Regulatory Burden Reduction
Ontario Investment and Trade Centre
250 Yonge St, 35th Floor
Toronto, ON
M5B 2L7

RE: Red Tape Priorities to Strengthen Ontario's Competitiveness

Dear Deputy Minister Gherson,

The Ontario Chamber of Commerce (OCC) would like to thank you for your valued participation in our Red Tape Roundtable on November 8, 2018. The opportunity for businesses to hear you speak about government's upcoming red tape priorities and to share their feedback was greatly appreciated.

For more than a century, the OCC has supported economic growth in Ontario by advocating for business priorities at Queen's Park on behalf of our diverse 60,000 members, including local chambers of commerce and boards of trades in over 135 communities.

The OCC and its members understand the importance of preserving high standards to protect our people and our environment. We also recognize Ontario is the most heavily administered province in Canada, and that the complexity of our regulatory regime adds unnecessary inefficiencies that limit our competitiveness and economic prosperity.

As Ontario's business advocate, the OCC applauds the government's commitment to reducing the regulatory burden on businesses by 25 percent by 2022, announced in the 2018 Fall Economic Statement this month. We also appreciate the steps already taken within the last few months to act on this target, including the passage of Bill 47, the *Making Ontario Open for Business Act, 2018*, and Bill 66, the *Restoring Ontario's Competitiveness Act, 2018*.

As our economy evolves, so too must the regulatory environment. A modern regulatory regime that is flexible, simple and easy to navigate will help ensure Ontario continues to be an attractive place for businesses to invest, grow, innovate, and create high-quality jobs.

Based on insights from the Red Tape Roundtable and ongoing consultations with our members, the OCC recommends that the Government of Ontario prioritize the following in its ongoing regulatory reform: harmonizing regulations, modernizing compliance systems, taking an outcomes-based approach, and promoting a new red tape narrative.

1. Harmonization to avoid unnecessary layering.

Ontario businesses face unnecessary administrative costs, uncertainty, and delays when they are required to comply with provincial regulations that duplicate or conflict with regulations imposed by other ministries, levels of government, provinces, and/or countries.

To eliminate excessive layering, we recommend that the Ontario government:

- Defer to federal and international standards where appropriate. The Government of Canada is taking steps to harmonize its own regulations across provinces and with international standards as part of the Regulatory Reconciliation and Cooperation Table established by the Canadian Free Trade Agreement. Aligning with federal standards will ensure that businesses within Ontario are subject to a competitive and globally relevant set of regulations.
- Work with other provinces and territories to increase regulatory consistency within Canada to facilitate interprovincial trade and investment.
- Accept certification obtained in other countries when standards are equally or more stringent than Ontario's. This will make it easier for multi-national companies to invest in Ontario.
- Review existing regulations and eliminate regulations that are redundant or in conflict across ministries, jurisdictions, and levels of government.
- Require new regulations to be assessed for duplication and conflict. Where possible, update current regulations instead of implementing new ones.

2. Modernization of compliance systems.

Complying with, and enforcing, regulation can be costly and time-consuming for businesses and government, diverting resources away from investment and innovation. New approaches to compliance can create a more efficient regulatory regime that saves taxpayer dollars, ensures quality and consistency, and enhances business competitiveness.

To modernize Ontario's regulatory compliance systems, the OCC recommends:

- Establish digital processes and electronic compliance where possible. Paperwork adds unnecessary administrative costs to both businesses and government and tends to be more prone to error. Bill 50, the *Cutting Red Tape for Motor Vehicle Dealers Act, 2018*, took a step in the right direction by proposing to allow certain auto dealers to license vehicles electronically, but more remains to be done. To give one example, the implementation of an electronic compliance system within the pharmaceutical sector would help companies avoid filling entire rooms with binders of paperwork to meet reporting requirements.
- Consider where government verification can be replaced with self-certification, voluntary industry codes, and certification by professional associations. This will reduce the burden

- on taxpayers by lowering costs associated with inspections and other compliance verification procedures, while reducing delays for business.
- Explore opportunities for using technology to generate efficiencies. Automated, data-driven compliance can eliminate some of the uncertainty, costs, and delays involved in regulatory compliance. This might include the use of artificial intelligence to assist with assessments, video and machine learning to replace physical monitoring of sites, and blockchain technology to track proof-of-process for compliance. Work with financial institutions, legal firms, and other jurisdictions that use technology-driven regulatory compliance to design evidence-based reforms that are appropriate for Ontario.

3. An outcomes-based approach.

Although Ontario excels at entrepreneurial activity and innovation, our province often fails to translate this activity into economic growth, due in part to regulation that over-emphasizes processes and outputs. An outcomes-based approach to regulation would allow firms to explore better ways of delivering value to the people of Ontario.

To apply an outcomes-based approach to regulation, the Ontario government should:

- Revise regulations so that they prescribe outcomes while allowing for flexibility in how these outcomes are delivered. This will encourage innovation and allow for continuous improvements to customer service.
- Prioritize regulatory reform in areas where substantial compliance costs exist for the people, businesses, and, by extension, Ontario's broader economy. As your government release its semi-annual burden reduction packages, we urge you to follow the precedent of Bill 66 by continuing to prioritize reforms with the potential to generate the most value for our province.

Case Study #1: Consumer-Driven Auto Insurance **Member Spotlight: *Insurance Bureau of Canada***

The auto insurance industry is one example of Ontario's overly prescriptive approach to regulation. In Ontario, insurance companies are required to send certain documentation – including proof of insurance cards – to customers by mail. By not permitting a fully online insurance experience, our province falls behind jurisdictions like Nova Scotia and most US states, and prevents insurers from providing convenient, up-to-date services to their customers.

A second issue that affects the auto insurance industry is rate regulation. Ontario's regulators maintain oversight over any changes that insurers make to auto rates. Their stringent approach, particularly when compared to that used in the United States, has prevented insurers from offering pay-per-mile and usage-based insurance to customers. For Ontarians, this means greater price instability and higher premiums for low-risk drivers. A more effective approach would be to collect information on rates from insurers but only intervene when there is a risk level that warrants it.

Case Study #2: Waste Management for Tomorrow
Member Spotlight: *Waste Connections of Canada*

With only 12 to 15 years of landfill capacity left, Ontario needs to take immediate action to supply an additional 16 landfills to keep up with demand. Companies like Waste Connections of Canada (WCC) are ready to make necessary investments, but the *Environmental Assessment Act, 1990* (EAA) is limiting their ability to do so by adding excessive risks, delays, and costs to the process of landfill approvals – including expansion of previously approved landfills. According to WCC, enforcement of the EAA is creating billions of dollars in inefficiencies across the many industries it affects.

Another important regulatory issue for the waste management sector is the *Waste Free Ontario Act, 2016* (WFOA), aimed at diverting more waste from disposal. While noble in its intentions, the WFOA's burden on businesses and taxpayers is estimated to be approximately \$1 billion. This directly limits Ontario's competitiveness and capacity for investment.

Important environmental and economic outcomes depend on Ontario's ability to effectively manage waste. Regulations should be rebalanced to achieve these outcomes.

Case Study #3: Real Estate for the People
Member Spotlight: *Ontario Real Estate Association*

Over the next decade, more than 700,000 Millennials are expected to enter the housing market but red tape is limiting the real estate industry's ability to meet this demand. Lengthy approval processes, a lack of serviced land, and outdated municipal zoning requirements have prevented developers from providing sufficient supply. Ontario needs bold action to reduce red tape and increase the supply of 'missing middle' housing.

Additionally, regulation of the real estate sector has failed to keep up as the sector becomes increasingly digital, global, and dynamic. In fact, the *Real Estate and Business Brokers Act, 2002* (REBBA) was written when fax machines and dialup internet were the norm. REBBA must be updated to allow the industry to continue providing value for Ontarians as our economy grows.

Real estate is one of the largest consumer-driven sectors in Ontario's economy, with widespread economic multipliers and a direct impact on living standards. Regulation that supports a vibrant real estate market is fundamental to sustaining our middle class and high-paying jobs in the housing, construction, and homebuilding sectors.

4. A new narrative about red tape.

Regulation is often seen as necessary to reduce risk, and a tendency to be risk adverse means that governments and the public can be reluctant to cut red tape. What is often overlooked is the inherent risk in accepting the status quo of excessive and sometimes ineffective regulation, stifling economic prosperity and preventing businesses from investing.

To change the narrative, we recommend that the Ontario government:

- Work with industry, researchers, and other stakeholders to identify and calculate the real costs and benefits of regulation. Clearly communicate these impacts to the public, using independent, third-party assessments where possible. In many cases, it will become clear that a simpler, more effective regulatory regime is in the best interests of all Ontarians.
- Avoid when possible reacting to single, one-off events by implementing new regulations as a means of signaling government action. This short-term, reactionary approach can lead to ineffective regulations with wide-ranging implications.
- Take a 'review first' approach to new regulation, by attempting to update or reform existing regulations prior to imposing new ones.

We look forward to continuing to work together to support evidence-based policies that strengthen Ontario's business competitiveness and economic prosperity.

Sincerely,



Rocco Rossi
President and CEO
Ontario Chamber of Commerce

cc:

Hon. Doug Ford, Premier of Ontario

Steve Orsini, Secretary of the Cabinet, Head of the Public Service

Hon. Todd A. Smith, Minister of Economic Development, Job Creation and Trade

Shirley Phillips, Deputy Minister, Ministry of Economic Development, Job Creation and Trade