

DRAFT



Report Back on Small Business Strategy

Ministry of Economic Development and Growth
Minister Responsible for Small Business

Committee TBC
Date: TBC

Minister

Deputy Minister

SUMMARY OF PROPOSAL

To address heightened stakeholder concern about cost, competitiveness and growth challenges facing Ontario small and medium-sized businesses, the Ministry of Economic Development and Growth is proposing a small business strategy with three pillars:

- 1) Lower costs
 - 2) Create opportunities
 - 3) Modernize government
- The strategy will feature a range of new initiatives (outlined on slides 7-15) and existing actions across multiple ministries.
 - The MEDG and partner ministries are seeking Cabinet approval to implement the new initiatives, including direction to request additional resources where required, and continue with the existing initiatives under the banner of the Small Business Strategy.
 - Pending necessary approvals the strategy will be announced in Fall 2017 for implementation beginning January 1, 2018

GOVERNMENT COMMITMENT

- On May 19, 2017, Ontario announced proposed measures, to be introduced in Fall 2017, to help business grow and cut red tape, including reviewing licence and registration fees paid with a goal of providing relief to small- and medium-sized enterprises (SMEs).
- On May 29, 2017, Ontario announced a reduction to the regulatory fee required to sell beer, cider and wine by \$2,000 per year for small, independent grocers.
- On September 14, 2017, Ontario introduced the Cutting Unnecessary Red Tape Act. If passed, the Act would help build a more modern regulatory environment by rooting out unnecessary burdens and streamlining regulations.

CONTEXT FOR ACTION

- Small businesses are vital to the Ontario economy. They are responsible for two-thirds of private sector employment, and provide essential goods and services to larger companies, consumers and government.
- In an increasingly competitive economy where change is the norm, small businesses face increasing costs – such as energy costs and the cost associated with cap and trade - and other pressures affecting their bottom-line. Employment in small businesses have been growing slower, on average, than larger businesses since the recession.
- Locally-oriented industries such as retail, construction and restaurants may address the bottom-line impact of cost pressures by raising prices over the medium-long term. However, in the short term bottom-line deterioration could be acute in these and other sectors, negatively affecting business activity and employment.
- Export-oriented firms such as those in manufacturing cannot manage cost impacts by raising prices, nor by quickly enhancing productivity.
- As businesses are faced with increasing cost pressures that will affect their profitability, Ontario needs a plan to help a wide range of small and medium-sized businesses to manage this period of transition.

SMALL BUSINESS CHALLENGES

Small businesses are challenged by rising input costs.

- The Ontario Chamber of Commerce (OCC) estimates a cap and trade regime will raise gasoline prices by 4.3 cents a litre.
- An OCC survey finds that 33% of Ontario small business believe rising energy prices will cause member firms to delay or cancel investment.
- A CFIB survey finds that over a third of their respondents are considering closing or selling their businesses in response to Bill 148.

Small businesses are constrained by low levels of productivity and skilled labour shortages.

- An OCC survey found a mismatch between the nature of job vacancies and the qualifications of those seeking work. 39% of employers said they had difficulty filling a job opening as they cannot find qualified employees.

Small business identifies regulation as an impediment to business.

- Small business owners often lack the capacity and resources required to navigate government regulation effectively or to absorb the costs of compliance.

EXISTING GOVERNMENT SUPPORT

- Small business programs commonly focus on start ups and innovation, e.g.:
 - The small business innovation challenge to help small and medium-sized businesses develop public sector technology solutions;
 - Starter company plus, which supports small business start-ups;
 - The Ontario Network of Entrepreneurs, which connects “Main Street” entrepreneurs with business acceleration experts; and
 - The MaRS business acceleration program, which provides specialized mentorship, educational services and competitive market intelligence to technology-based start-ups.
- Programming exists to target established and main street businesses, but more is needed:
 - The small business deduction from corporate tax;
 - The Fair Hydro Act, 2017 - reducing electricity bills for up to half a million small businesses

A need exists to better support established and main street small businesses adapt to a changing environment and chart a course for future prosperity.

ONTARIO'S SMALL BUSINESS STRATEGY

Initiatives For Decision At This Time	Other Initiatives Tracked Elsewhere	Ongoing Program (no decision required)
Lower Cost		
Fee Reduction / Voucher	Tax	WSIB Premiums
Create Opportunity		
Access to Capital	Canada-Ontario Job Grant	Global Trade Strategy
Procurement	Pooled Apprenticeship	Exporter Marketing
Main Street Improvement Fund	Graduated Apprenticeship Grant	Magnet Pilot
Wage Subsidy		Training for Age-Restricted Products
Modernize Government		
Small Business Services		
Risk-based Inspections by Default		
Coordinated Inspections Pilot		
Equivalency		

FEE REDUCTION / VOUCHER

Description

- Transfer payment program targeted at firms with 1 – 499 employees in four specific industries – manufacturing; accommodation and food; retail trade; and, agriculture.
- A targeted voucher can provide financial relief to selected industries more effectively than fee reductions, which in many cases would require legislative changes.
- Application and payment process delivered through Grants Ontario.
- Eligible firms (approx. 87,800) will receive a payment of \$660 per year for two years, regardless of how much is paid in fees.
- To be implemented in early 2018, with enrolment of small businesses beginning January 1, 2018.
- Number of firms supported and financial savings provided to firms will be measured.
- OSS working with MEDG and TBS-CAC to assess the costs, benefits, and risks to using Grants Ontario to administer the fee-voucher program.

Expected Cost

- 2017/18 - \$14.7M
- 2018/19 - \$58.6M
- 2019/20 - \$43.9M
- 8 additional FTEs required

Risks and Considerations

- Some firms will receive more funding than they pay in fees. Some firms may not pay fees at all.
- While the application process will be simplified, registering for Grants Ontario and applying for the payment may be time consuming for companies.

Stakeholder Views

- Firms may view voucher amount as insignificant.
- Larger firms, firms not in the target industries and individuals will not receive the voucher, as a result, will view the program negatively.

ACCESS TO CAPITAL

Description

- FinTech-enabled small business lending program for “retail” improvements / replacements:
 - Would provide support for small loans (<\$100,000)
 - Would emphasize speed of approval process and simplicity of application; and
 - Could involve partnerships with both emerging fintech lenders and traditional lenders deploying innovative solutions.
- Broaden program design beyond specific FinTech subsector (i.e. P2P lending) and include innovative traditional players (e.g. credit unions).
- Rigorous screening of proposed partners in lending program and their lending rules.
- Program design needs to assess the financial risk of lending program and also need to give consideration to resolving potential financial / regulatory issues.
- Performance measures could assess changes in access to capital for small businesses (e.g. lower interest rates, access to desired loan amounts).

Expected Cost

- Costs would depend on the desired scope of number of businesses / loans and the number of platforms to support
- Costs would depend on the design of the lending program including financial risk profile

Risks and Considerations

- Risks relate to partners lending to questionable / controversial small businesses, ensuring equitable access to capital, expense risk / fiscal impact associated with bad debts, financial / regulatory issues with lending partners, and stakeholder perception of supporting “payday loans”.

Stakeholder Views

- Not available

PROCUREMENT

Description

- Develop, announce and implement a framework to-designate 33% of government procurement awards to SMEs by 2020
- Increase vendor outreach programs
- Eliminate fees charged to vendors to bid on government procurement opportunities
- Develop strategy to remove/reduce barriers for vendors to do business with government

Logistics

- Recommend phased implementation (e.g. start with large spend ministries)
- May require procurement policy, operational process and systems changes
- Implementation will require 9 – 12 months

Outcomes and Metrics

- Percentage of SME participation in procurements and outreach
- Data not available to support additional metrics

Expected Cost

- Up to \$2M annual funding (estimated) required for Ontario Tenders Portal fee elimination
- Funding and resources required to modify systems to support reporting and monitoring (TBD)
- Funding and FTE impact likely for expanded outreach program, reporting/tracking and acceleration of outcome/innovation procurement (TBC)
- Procurement and contract administration costs (TBC)
- Ministries may require additional resources (TBC)

Risks and Considerations

- Tracking and reporting mechanisms do not exist. Lack of tracking and reporting will expose government to criticism and audit risk
- Processes must be (and be perceived) fair, open, non-discriminatory and transparent or will expose government to potential bid, trade and legal disputes
- Program delivery, procurement costs and administration costs expected to increase with no identifiable offsets

Stakeholder Views

- Not available

MAIN STREET IMPROVEMENT FUND

Description

- Small businesses in downtowns and traditional main street areas struggle to compete with other commercial nodes (e.g. large format retail) and newer technology (e.g. e-commerce).
- Main Street Improvement Fund to include:
 - A Main Street Revitalization stream to allocate funding for Main Street revitalization planning and implementation activities and include direct business support for capital improvements through Community Improvement Plans (CIPs).
 - Expanding the Digital Main Street program outside of Toronto
 - Provide 100% subsidized energy audits for small businesses to focus on reducing energy consumption.
 - A Large-Scale Revitalization Support stream to provide priority assistance and incentive, for a large investment(s) in a community's downtown revitalization by offering matching funds or support (e.g. up to 25% of project costs).
- Two out of four program components of the Fund are built on existing programs with OMAFRA (Downtown Revitalization) and the City of Toronto (Digital Main Street) – Fund to be launched by Spring 2018.
- Performance measures include jobs created through revitalization projects, decreased commercial vacancy rates, increased business reach/competitiveness via Digital Main Street, decreased costs through Energy Audits, total investments (including private-sector) on revitalization.

Expected Cost

- 2017/18 - \$0M
- 2018/19 - \$20M
- 2019/20 - \$20M
- FTE requirements - TBD

Risks and Considerations

- Implementation details of Energy Audits and Digital Main Street TBD with partners (MoE, City)
- Current OMAFRA-led Downtown Revitalization program is specific to Rural Ontario.
- Digital Main Street impact is uncertain, rural availability dependent on broadband access

Stakeholder Views

- Significant share of Main Street: Retail, Professional services, Food and Accommodation impacted by minimum wage; challenges with tax assessment; the availability of vacant unit rebates which impacts investment attraction on Main Street; and meeting accessibility requirements in small businesses.

WAGE SUBSIDY

Description

Reintroduce Ontario Summer Job Service*

- Ontario Summer Job Service, wound down in 2015, could be reconstituted on a temporary or ongoing basis to support employers hiring youth and students.
- Under the original provisions of the program, employers could receive a \$2/hr wage subsidy for hiring students between the ages of 15 and 30 (who are returning to school in September) for up to 16 weeks of employment.
- Program intake would occur between February and April, with student employment eligible for the subsidy between May and August.
- The Ontario Summer Job Service was delivered through three ministries (MAESD, OMAFRA and MNDM) and spent \$29.3M in 2013-14 on wage subsidies for approximately 41,000 summer jobs.

Expected Cost

- 2017/18 - TBD
- 2018/19 - TBD
- 2019/20 - TBD

Risks and Considerations

- MAESD does not have resources for reintroducing Ontario Summer Job Service.
- Risk of overlap with federal programming.
- Service Delivery - wind-down of Ontario Summer Jobs programming included the discontinuation of the third-party service delivery infrastructure for the programs.
- Cost - the average cost of a student wage subsidy for MAESD's former Ontario Summer Jobs program was between \$700 and \$750 per client.

Stakeholder Views

TBD

**Note: Subject to confirmation of recommended option by MAESD Minister.*

SMALL BUSINESS SERVICES

Description

- Many small businesses do not have the time or resources to understand changing business requirements or access government services to support the SME sector. Ontario's Small Business Services would function as a coordinated approach to promote and enhance streamlined small business service offerings.
- 1. Ontario.ca/SmallBusiness - will be a trusted site that provides information to assist small businesses get started, grow, and manage day to day operations.
- 2. A telephone Contact Centre – will provide a high level of customer service to small businesses and respond to inquiries related to government services.
- 3. Awareness and Education – third party providers will deliver information and training on new regulatory requirements such as Bill 148, if passed.
- 4. Domestic Marketing Campaign – to drive traffic to website and telephone contact centre.

Phase 1 – October 16 launch: Ontario.ca/smallbusiness webpage will provide links to existing content and services. Third party partnerships, including contracting for contact centre.

Phase 2 – early 2018 launch: full launch - net new content on Ontario.ca/small business; complete awareness and education plan and domestic marketing campaign.

Expected Cost

- 2017/18 - TBD
- 2018/19 - TBD
- 2019/20 - TBD
- *MEDG/MRIS is seeking 6 permanent FTEs to support the execution of Ontario Small Business Services.*

Risks and Considerations

- Depending on the other items included in the small business strategy, there is a risk that small businesses will see this initiative as a minimal effort to assist with the transition to compliance with Bill 148.

Stakeholder Views

- Stakeholders welcome the initiative to simplify their interactions with government.
- The domestic marketing campaign will be an important component to increase awareness of enhanced services available to small businesses.

RISK BASED INSPECTIONS BY DEFAULT

Description

- All government compliance programs impacting business are already risk-based.
- We are seeking Cabinet direction to build on the work of the Economic and Regulatory Deputy Minister's Committee (EDRMC) and Treasury Board Secretariat's Enterprise Risk Management Unit to identify and adopt an OPS-wide risk framework that will guide risk-based approaches.
- A government lead would identify and facilitate key ministry partnerships to improve data analysis and information sharing.
- By improving the data analytics used by government to target their inspections, it is anticipated that compliant businesses will experience fewer unnecessary inspections.
- Government resources would be better utilized to target businesses that are non-compliant.

Expected Cost

- 2017/18 – \$0
- 2018/19 - \$0
- 2019/20 - \$0
- No new FTEs, however a percentage of existing FTE time will be required from each participating ministry.

Risks and Considerations

- Many OPS programs have sector-specific components. **Mitigation:** Ensure the OPS-wide Risk Framework is flexible enough for ministries to continue to use sector-specific approaches.

Stakeholder Views

- Ministries agree that using a risk-based approach reduces burden on compliant small business while allowing them to deploy their resources more effectively.
- Businesses expected to support this approach as compliant businesses would benefit from more targeted inspections.

COORDINATED INSPECTIONS PILOT

Description

- MEDG is seeking Cabinet approval to implement a coordinated inspections pilot for the restaurant and bar sector.
- Coordinated inspections help target non-compliance of “bad actors” while reducing inspections (i.e., reducing burden) for “good actors”.
- For the purposes of the pilot, coordinated inspections would mean the creation of a formal relationship between a lead ministry and key partners to identify both critical problems (top 5 observable risk) and examples of excellent compliance and inform the responsible partner. This formal partnership would use effective and systematic information sharing between regulators to coordinate compliance activities.
- It is anticipated work on the administrative components could begin in 2018, and coordinated inspections could begin April 1, 2018 to align with current provincial inspection schedules.

Expected Cost

- 2017/18 – TBD*
- 2018/19 - TBD*
- 2019/20 - TBD*
- *Exact costs are still TBD and will include inspector training and FTEs to support the administration of the pilot.

Risks and Considerations

- A lead ministry and partner ministries/municipalities still need to be selected. **Mitigation:** Criteria to select a lead and partner ministries/municipalities are currently being developed.

Stakeholder Views

- Businesses are expected to support this pilot as compliant businesses would experience reduced and targeted inspections from improved data analytics and information sharing amongst participating regulators.

EQUIVALENCY

Description

- MEDG is seeking approval to add a seventh Regulatory Modernization Principle. The seventh principle, equivalency, would state that ministries should, where possible, facilitate equivalent means of regulatory compliance where a business can demonstrate an alternative approach that meets or exceeds the requirement of the regulation.
- Regulatory equivalencies are already used in Ontario and abroad. MEDG is aware of at least 33 distinct examples of regulatory equivalency provisions in existing Ontario regulations.
- MEDG will work with Cabinet Office and affected ministries to incorporate equivalency into the regulation development process, where appropriate.

Expected Cost

- 2017/18 – \$0
- 2018/19 - \$0
- 2019/20 - \$0

Risks and Considerations

- Assessing regulatory compliance may be more difficult when regulatory equivalency is used.
Mitigation: Individual ministries would be responsible for determining how to best assess alternative means of compliance for their specific program.

Stakeholder Views

- Businesses are expected to support the additional flexibility provided by equivalency. If the same or better outcomes can be achieved by different means than stipulated in the regulation, businesses may use alternative means of their choosing to reduce their regulatory burden while achieving the intended policy outcome.

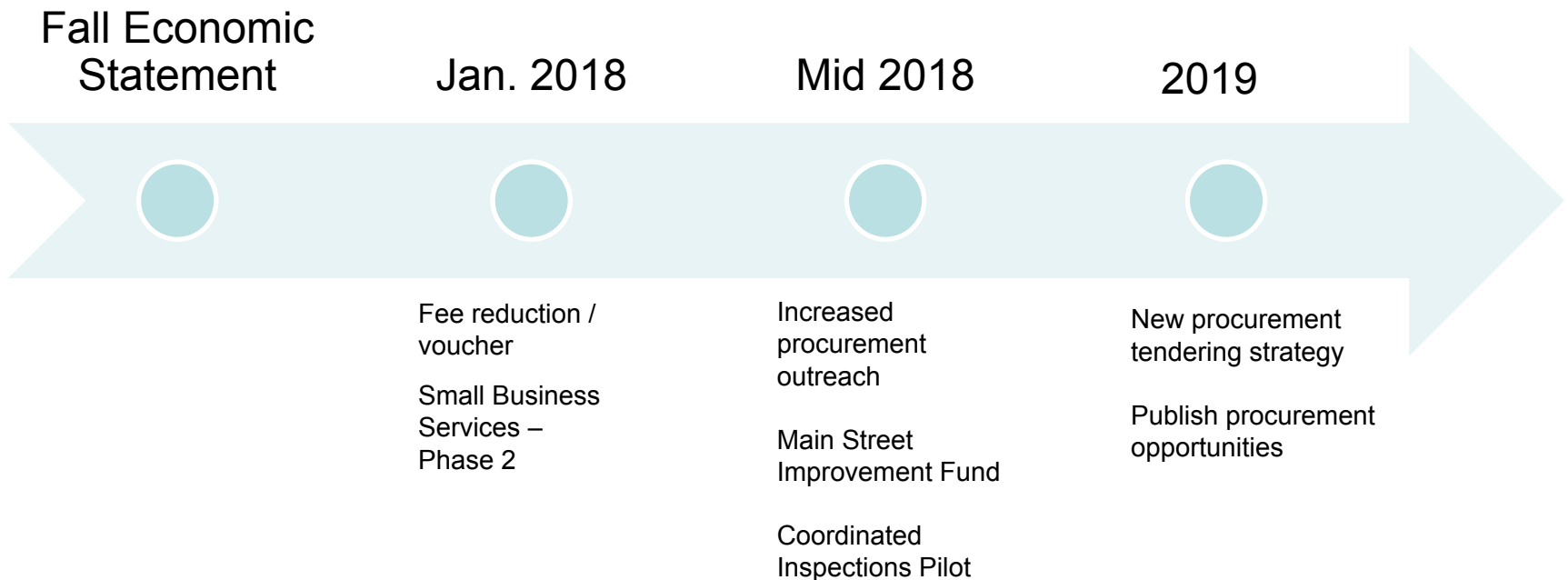
PROPOSED INITIATIVES - FISCAL IMPLICATIONS

Ministry	Initiatives	2017/2018	2018/2019	2019/2020
MEDG	Fees reduction / voucher	\$14.7 million	\$58.6 million	\$43.9 million
MOF	Access to capital	TBD	TBD	TBD
MGCS	Procurement	n/a	\$2 – 5M	\$2 – 5M
OMAFRA	Main street improvement (new funding would be required, no internal offset available)	--	\$20 million *There is a high probability that project applications under the Large Scale Revitalization will be rare (due to reliance on private sector investments)	\$20 million
MAESD	Wage subsidy	TBD	TBD	TBD

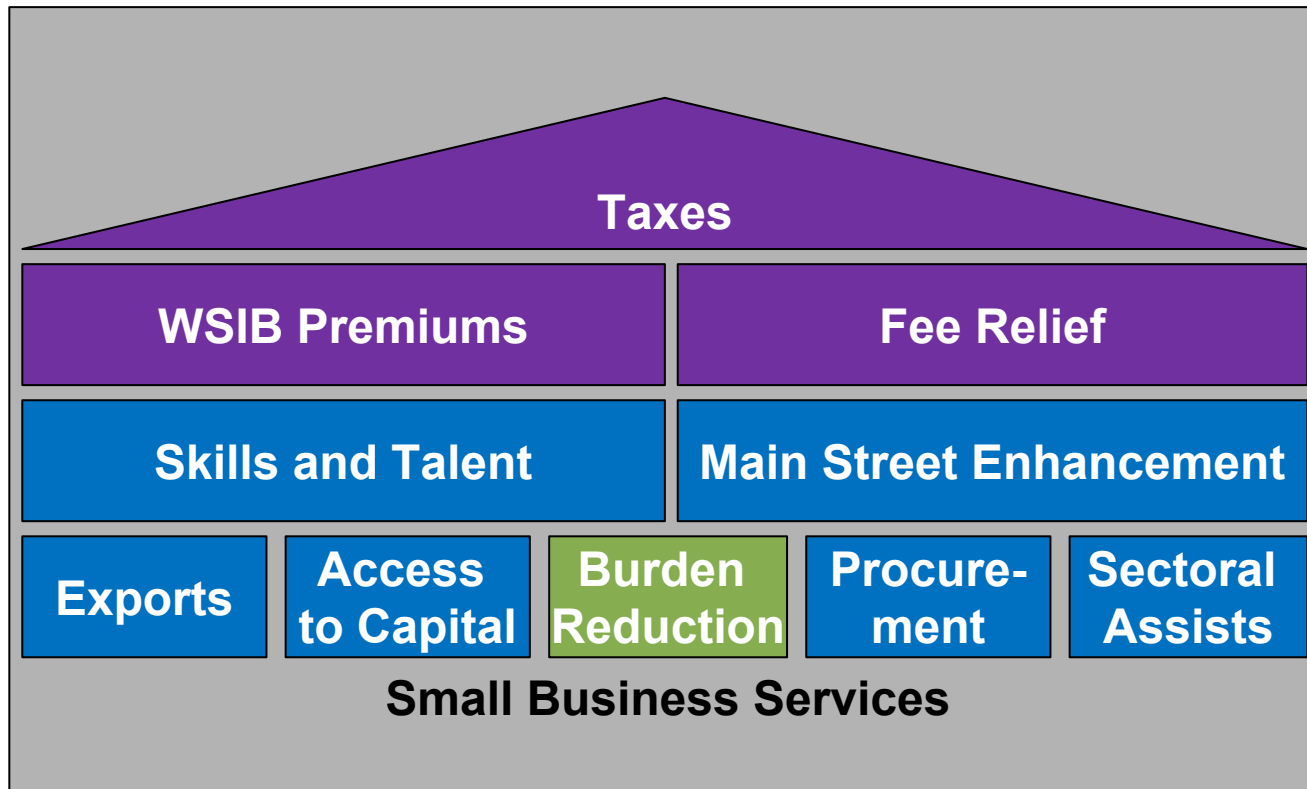
PROPOSED INITIATIVES - FISCAL IMPLICATIONS

Ministry	Initiatives	2017/2018	2018/2019	2019/2020
MEDG MGCS	Small Business Services 1-800- Contact Centre – costs TBD, but if ServiceOntario operates the contact centre, there will be financial and FTE impacts. Staff would need to be trained on the various programs they are responsible for answering questions. Furthermore, ServiceOntario will see an increase in the volume of calls handled.	TBD TBD	TBD TBD	TBD TBD
MEDG	Risk-based Default	\$0	\$0	\$0
MEDG	Coordinated inspections *exact costs are still TBD and will include inspector training and FTEs to support the administration of the pilot	TBD*	TBD*	TBD*
MEDG	Equivalency	\$0	\$0	\$0
<u>TOTAL</u>				

IMPLEMENTATION TIMELINE



COMMUNICATIONS FRAMEWORK



Pillars

1. Lower Costs
2. Creating Opportunity
3. Modernizing Government

COMMUNICATIONS

Strategic Approach:

- Targeted, proactive and coordinated communications approach led by MEDG with support and active participation from partner ministries.

Small Business Key Messages:

- The Ontario government is committed to promoting fairness and opportunity for all Ontarians.
- Small businesses are vital to Ontario's economy. There is an opportunity for government to enhance its small business supports to ensure the continued vitality and inclusive growth of this mainstay segment of the Ontario economy.
- The Ontario government is committed to modernizing the way the government interacts with small business and their workers.

BGI Messaging:

- Ontario's five-year, \$650-million Business Growth Initiative is helping to grow the economy and create jobs by addressing some of the very real challenges Ontario's economy is facing.
- Our efforts are focused in three key areas:
 - Lowering business costs through modernized, streamlined regulations that impose fewer obstacles to growth.
 - Scaling up — catapulting more Ontario firms into global leadership, from startups to ambitious medium-sized firms. We need lots more of these — and ultimately home-grown large-scale firms.
 - And creating an innovation-driven economy.

COMMUNICATIONS

Rollout:

- MEDG, with the affected ministries, will work with the Premier's Office and Cabinet Office on the implementation of an integrated communications strategy. More detailed communications activities/rollout for the proposed initiatives will be provided when the details are approved and confirmed.
- More immediately, there is an opportunity for Minister Leal to announce the first phase of the Small Business Services [name TBC] during the Small Business Week (Oct 15-21).
- Should the first phase of this online resource be ready for that timeline, a Newsroom statement by the Minister is recommended.
- This will support the phasing in of the Small Business Strategy and raise awareness of the upcoming changes and new programs.

Considerations:

- Some stakeholders may question what this new strategy will actually do for their businesses. They may not find the proposed initiatives to be effective to offset the challenges they're facing.
 - **Response:** highlight that the government is working to enhance its small business supports and modernize the way we do business with them to ensure the continued vitality and inclusive growth of this mainstay segment of the Ontario's economy.

PROPOSED CABINET MINUTE

Cabinet agreed that

1. The Ministry of Economic Development and Growth will:

Coordinated Inspections

- A. Act as the project facilitator, in collaboration with affected ministries, identify a lead ministry to implement a Coordinated Inspection Pilot for the restaurants and bars sector that seeks to:
 - i. Target non-compliant businesses while reducing inspections (i.e., reducing burden) for compliant businesses.
 - ii. Create a formal relationship between the lead ministry and key partners to identify both critical problems and examples of excellent compliance and to inform the responsible partner.
- B. Report outcomes back to Cabinet, once the pilot is complete, including opportunities to improve information sharing between ministries, perform more targeted inspections and reduce the inspection burden on compliant businesses.

Risk-Based Inspections by Default

- C. Work with affected ministries, including the Treasury Board Secretariat, to identify and adopt an OPS-wide risk framework to guide risk-based approaches.

Equivalency

- D. Amend the Regulatory Modernization Principles, as referenced in the May 17, 2017, Cabinet minute, to include a new seventh principle regarding equivalency that would read: "Facilitate equivalent means of regulatory compliance where a business can demonstrate an alternative approach that meets or exceeds the requirement of the regulation."

PROPOSED CABINET MINUTE CONTINUED

Fee Reduction / Voucher

- E. Develop a temporary, targeted business fee reduction / voucher grant program to provide funding to small and medium-sized businesses in targeted sectors to address the cost of fees paid to the province by firms in these sectors.
- F. Report to Treasury Board on the details of the fee reduction / voucher grant program.

One Window Service for Small Business

- G. Receive report back.
- H. Work with Cabinet Office and MMA, Energy, MOECC, MAESD, MRIS, MIT, OMAFRA, MGCS, MOL, MOF, MNDM and ADO develop Ontario.ca/Smallbusiness webpage with content that supports small businesses.
- I. Establish 1-800 number to receive incoming inquiries from small businesses.
- J. Work with Cabinet Office Communications to launch a domestic marketing campaign to drive use of the Ontario.ca/SmallBusiness page and 1-800 number for small businesses.

PROPOSED CABINET MINUTE CONTINUED

2. The Ministry of Finance and the Ministry of Economic Development and Growth will:

Peer-to-peer lending

- A. Details to come...

3. The Ministry of Government and Consumer Services will:

Work with Treasury Board Secretariat, MEDG, and ministries, as required to:

- A. Develop and implement a framework to designate 33% of procurement spend to small and medium enterprises by 2020
- B. Identify options to enhance its vendor outreach program including linkages with MEDG's Small Business Services
- C. Enhance procurement planning towards publication of upcoming ministry procurement opportunities
- D. Report back on options to eliminate user fees for the Ontario Tenders Portal including timing, implementation and ongoing costs
- E. Ensure any new processes developed to support small and medium enterprises are fair, open, non-discriminatory and transparent to ensure that government is not exposed to greater risk of bid, trade and legal disputes
- F. Explore considerations for the potential expansion to provincial agencies and/or the Broader Public Sector

PROPOSED CABINET MINUTE CONTINUED

4. The Ministry of Agriculture, Food and Rural Affairs will:

Main Street Revitalization

- B. Work with affected ministries, including the Treasury Board Secretariat, to develop initiatives that provide supports for small businesses in downtowns and traditional main street areas, including:
- i. A Main Street Revitalization Program that will strengthen and expand the *Downtown Revitalization Program* by re-introducing allocated funding for planning and implementation activities;
 - ii. Include direct business support for capital improvements through Community Improvement Plans (CIPs);
 - iii. Expand the *Digital Main Street* program outside of Toronto, to provide Main Street businesses with digital and technology supports to increase their competitiveness.

5. The Ministry of Advanced Education and Skill Development will:

Wage Subsidy

- A. Details to come...

PROPOSED CABINET MINUTE CONTINUED

6. MEDG, with the affected ministries, work with the Premier's Office and Cabinet Office on the implementation of an integrated communications strategy.

APPENDIX A: ITEMS FOR DECISION

BACKGROUND INFORMATION

FEE REDUCTION / VOUCHER

Context

- The government administers 1,076 fees each year, with about 350 fees charged to business.
- Generally, fees exist to offset the costs to government of administering specific activities. However, not all fees provide full cost recovery to government for administering these services.
- Some fees relate to specific activities (eg. alcohol licensing) or industry sub-sectors and are not general to all firms in an industry.
- On May 17, 2017, Cabinet directed MEDG and the Minister Responsible for Small Business and affected ministries to report to Treasury Board and Cabinet with options for reductions to fees by small businesses by Fall 2017.

Stakeholder Views

- Small- and medium-sized enterprises have expressed concerns over increasing costs pressures, such as electricity prices, cap and trade and the proposed minimum wage increase.

Other Jurisdictions

- The state of Pennsylvania waves certain fees for businesses started by veterans.
- The city of Boulder's Flexible Rebate Program provides certain companies a rebate for certain taxes and fees after submitting receipts.
- The U.S. Food and Drug Administration waives the application for the first human drug application submitted by a small business.

FEE REDUCTION / VOUCHER

Option 1

- Fee reduction / elimination – involves a point of sale interaction with small businesses whereby the fees paid for government services are reduced at payment.
 - Government has directed ministries to move toward full cost recovery for fees.
 - In many cases, fees would require legislative/regulatory or IT and administrative system changes to reduce or eliminate the fees.
 - Some ministries do not distinguish between fee payers - whether by industry or firm size. Consequently, fee reductions could not be targeted.

Option 2

- Voucher – maintain the current fees paid by small businesses. However, business would be eligible for full or partial reimbursements of fees paid after the point of sale interaction.
 - Can be targeted towards certain size of firms (eg. small business) and/or industries.
 - Can be developed to be time-limited.
 - Would not require legislative or point of sale technological changes to implement.

FEE REDUCTION / VOUCHER

Recommendation

- Develop a transfer payment program targeted at firms with 1 – 499 employees in four specific industries – manufacturing; accommodation and food; retail trade; and, agriculture.
- A payment of \$660 will be provided to eligible companies.
 - This voucher amount was determined by looking at the top three fees, based on number of transactions, for each target industry. The amount is an average of the largest fee from the top three from each sector.
 - It is estimated that about 87,800 firms will be eligible for the voucher.
- To be implemented effective January 1, 2018.

Risks

- Larger firms, firms not in the target industries and individuals will be not included in the program and, as a result, will view the program negatively.
- Some firms will receive payments larger than the amount they typically pay in fees. In fact, some firms may not pay any fees.

Mitigation Strategies and Logistical Details

- Ministry will work with GrantsOntario to implement the program.
- Program design will be simplified to reduce administrative burden on firms. Firms will not be required to submit receipts to identify fees paid.
- However, the GrantsOntario registration process can take about 20 minutes, plus additional time required to complete voucher application form.

ACCESS TO CAPITAL

Context

- **Access to Capital.** Small businesses need better access to financing to grow.
- **Lowering Costs of Doing Business.** Innovations enabled by FinTech can reduce costs associated with obtaining growth capital and increase the profitability / cash flow of small businesses.
- **Supporting Startups/Scale-ups.** Supporting FinTech companies to gain and expand their market share.

Stakeholder Views

- Highlight views / stats / news from major stakeholder groups regarding the core problem / opportunity

Other Jurisdictions

- Federal government worked with large financial institutions to introduce the \$500 million Canadian Business Growth Fund
- UK's British Business Bank has worked with a number of financial institutions and funding platforms (including Fintech-enabled lenders) to support small business lending.

ACCESS TO CAPITAL

Option 1

- FinTech-enabled small business lending program for “retail” improvements / replacements
 - Would provide support for small loans (<\$100,000)
 - Would emphasize speed of approval process and simplicity of application; and
 - Could involve partnerships with both emerging fintech lenders and traditional lenders (e.g. credit unions and banks) deploying innovative solutions.
-

Option 2

- Advisory network for FinTechs. Leverage existing government startup/scale-up advisory services with FinTech-focused regulatory experts (e.g. the OSC Launchpad) to:
 - enable more rapid growth of innovative FinTech companies;
 - bring benefits of Ontario-based FinTech solutions to Ontario small businesses; and
 - open new markets for Ontario-based FinTechs

ACCESS TO CAPITAL

Recommendation

- FinTech-enabled small business lending program for “retail” improvements / replacements

Rationale for Recommendation

- Ensures that small business are able to access needed growth capital. Also leverages the province’s strategic investments in enabling platform technologies (e.g., payment processing).

Risks

- Risks relate to partners lending to questionable / controversial small businesses, ensuring equitable access to capital, expense risk / fiscal impact associated with bad debts, financial / regulatory issues with lending partners, and stakeholder perception of supporting “payday loans”.

Mitigation Strategies and Logistical Details

- Broaden program design beyond specific FinTech subsector (i.e. P2P lending) and include innovative traditional players (e.g. credit unions)
- MEDG//MRIS and MOF to do rigorous screening of proposed partners in lending program and their lending rules (note: may require new FTEs or other resources).
- Program design needs to assess the financial risk of lending program, including expense risk / fiscal impact associated with bad debts. It will also need to give consideration to resolving potential financial / regulatory issues.

ACCESS TO CAPITAL

Costs

- Costs would depend on the desired scope of initiative, e.g. number of businesses / loans and the number of platforms to support
 - Costs would depend on the design of the lending program including financial risk profile
-

Outcomes and Metrics

- Longer term performance measures could assess ability of program to improve access to capital of small businesses (e.g. lower interest rates, access to desired loan amounts)

Next Steps

- Consult with stakeholders to develop broader understanding of the funding need
- Explore potential funding platform providers
- Explore potential program design options

PROCUREMENT

Overview

- Develop, announce and implement a framework to designate 33% of government procurement awards to small and medium enterprises (SMEs) by 2020
 - Framework to include planning, reporting and control mechanisms
- Increase vendor outreach programs in conjunction with MEDG and other existing SME programs
- Eliminate fees charged to vendors to bid on government procurement opportunities
- Develop strategy to remove/reduce barriers to doing business with government from a vendor perspective

Logistics

- Recommend phased implementation (ie - large spend ministries)
 - May require procurement policy, operational process and systems changes
 - Implementation will require 9 – 12 months
-

Risks and Other Considerations

- Tracking and reporting mechanisms do not exist. Lack of tracking and reporting will expose government to criticism and audit risk
- New processes must be, and perceived to be fair, open, non-discriminatory and transparent or will expose government to potential bid, trade and legal disputes
- Program delivery, procurement costs and administration costs expected to increase with no identifiable offsets

PROCUREMENT

Costs

- Up to \$2M annual funding (estimated) required for Ontario Tenders Portal fee elimination
- Funding and resources required to modify systems to support reporting and monitoring (TBD)
- Funding and FTE impact likely for expanded outreach program, reporting/tracking and acceleration of outcome/innovation procurement (TBC)
- Procurement and contract administration costs (TBC)
- Ministries may require additional resources (TBC)

Outcomes and Metrics

- % of SME participation in procurements and outreach
- Data not available to support additional metrics

Next Steps

- Determine resource requirements and timeline to implement
- Establish project team and working groups engaging MEDG and other ministries as required
- Engage systems provider to identify implementation options and costs
- Develop engagement plan for vendors, vendor associations and SME stakeholders
- Develop data collection, reporting and monitoring options
- Develop communications plan for vendors and ministries
- Consult with TBS on policy requirements, if any, and considerations for agencies and BPS in future phases

Industries Expected to Benefit

- Construction, road maintenance, IT and professional services sectors would benefit most from the procurement changes

MAIN STREET IMPROVEMENT FUND

Context

- Small businesses in downtowns and traditional main street areas struggle to compete with other commercial nodes (e.g. large format retail) and emerging technologies (e.g. e-commerce)
- Financing for business development and commercial real estate has gradually shifted from downtowns and independent small businesses, to favouring larger scale developments
- Commercial districts can lack the collective market focus and organizational capacity to strategically address challenges and opportunities
- Healthy and vibrant downtown and main street areas can benefit businesses and property owners, as well as residents, community organizations, and local government.
- OMAFRA has delivered a Downtown Revitalization program since 2005. Over 70 communities across rural Ontario have been supported by the program since that time.

Stakeholder Views

- Top issues raised by Ontario Business Improvement Areas Association (OBIAA): New definition of a BIA's roles in the Municipal Act is needed; challenges with tax assessment; the availability of vacant unit rebates which impacts investment attraction on Main Street; and meeting accessibility requirements in small businesses.

Other Jurisdictions

- Through its state-level affiliates, the US National Main Street Center delivers its Main Street Approach to revitalization (on which OMAFRA's program is modelled)
- The Approach is centered on balancing annual economic development planning and implementation activities in four areas, called the Four Points: Economic Vitality, Design, Promotion, and Organization

MAIN STREET IMPROVEMENT FUND

Option 1

- A. Introduce a Main Street Revitalization program that would i) strengthen and ii) expand OMAFRA's *Downtown Revitalization Program* by i) re-introducing allocated funding for Main Street revitalization planning and implementation activities and ii) include direct business support for capital improvements through Community Improvement Plans (CIPs).
- *Pros - Built on a proven model already deployed in Ontario; existing resources can be leveraged; Cons - Some benefits to business may be diffuse and indirect; high fiscal impact; direct business support is available to communities with CIP only*
-
- B. Expand the *Digital Main Street* program outside of Toronto - an online platform and service for main street businesses that can help with the adoption of digital tools and/or technologies. Digital Main Street was created in 2016 in partnership with the City of Toronto and TABIA (Toronto Association for BIAs) and is supported by private sector partners.
- *Pros – direct support to modernize businesses; Cons – Impact still uncertain; excludes non Main Street businesses.*
-
- C. Energy Audits and Deployment Fund. Provide 100% subsidized energy audits for small businesses to focus on reducing energy consumption. Audits will contain recommendations regarding actions businesses can take to reduce consumption and the fund will co-fund 50% (or TBD) of project costs to support businesses deploying energy saving measures.
- *Pros – Helps Main Street control rising energy costs; Cons – Uptake of such programs run through some LDCs has been low; excludes non Main Street businesses*

MAIN STREET IMPROVEMENT FUND

Option 2

- *Large-Scale Revitalization Support Fund.* Provide priority assistance and incentive to a firm or group of firms, looking to make a large investment (e.g. \$20 million) in a community's downtown revitalization by offering matching funds or support (~25%).
 - *Pros – enables large-scale transformation of Main Street; Leverages investments from large firms; Cons – very high fiscal impact, benefits concentrated to 1 or a few communities, no estimate on the take-up potential of such a program.*
-

Option 3

- *Main Street Business Incubator Hubs Fund.* Through such a fund, the province could support the revitalization of Main Street by encouraging small businesses to grow in the area and expand into other spaces on main streets.
- *Pros - Fosters growth of innovative businesses on Main Street; Cons – ignores existing Main Street businesses*

MAIN STREET IMPROVEMENT FUND

Recommendation

- Integration of Option 1 (Main Street Revitalization Fund, Digital Main Street, Energy Audits) and Option 2 (Large-Scale Revitalization Support Fund)

Rationale for Recommendation

- Leverages a proven model, already in use by OMAFRA.
- Holistic Main Street focus through place-based revitalization efforts, as well as direct support to Main Street businesses in addressing competitiveness challenges and redevelopment costs.
- Creates infrastructure to take advantage of large-scale transformation opportunities for Main Street.

Logistical Details

- Municipalities, OBIAA, TABIA and BIAs could possibly assist in the development of the program and assessment of applicants for the awarding of funds
- BIAs, with the support of local municipalities, businesses, and other community organizations could lead the development and implementation of strategic plans.

Risks and Mitigation Strategies

- Main Street Revitalization Program would leverage lessons learned through over 12 years of program delivery to mitigate risks with community investment
- Current OMAFRA-led *Downtown Revitalization* program is specific to Rural Ontario. Scoping strategies will need to be undertaken for expansion to urban areas.
- Internet broadband availability/speed in Rural Ontario may impact uptake for *Digital Main Street* program.
- Investment in community-based organizations (e.g. BIAs) less risky than direct investment in businesses
- Targeting main street areas may limit access to other businesses that could benefit from the programs.
- Funding for business projects (e.g. façade improvement) can only be delivered through a CIP, limiting the number of municipalities that could receive funding.
- A limit of \$15,000-20,000 provincial funding per project (common in CIPs) could impact the program's ability to support larger-scale projects, but would enhance funding currently provided by municipalities under a CIP
- If all options are integrated into one Fund, a large-scale project could utilize all of the funding.

MAIN STREET IMPROVEMENT FUND

Costs

- ~\$25 million
 - \$5-8 million (Main Street Revitalization Fund)
 - \$10-15 million (Large Scale Revitalization Fund) *
 - \$10-15 million (Energy Audits and Digital Main Street) **

** There is a high probability that such projects are rare (due to the dependence on large-scale private sector funding for revitalization, meaning there could be years where there is no fiscal impact.*

*** It may be possible to include these in the Main Street Revitalization Fund. However, data on costs and feasibility for Digital Main Street and Energy Audits needs to be confirmed before it can be factored in.*

Next Steps

- TBD

Outcomes and Metrics

- Business attraction, business retention, business expansion, employment growth, increased occupancy in main street properties, private sector investment
- Increased collaboration among businesses, local government, and community organizations
- Communities that have moved through OMAFRA's downtown revitalization program have achieved notable impacts in these areas (Appendix)

Industries Expected to Benefit

- Retail trade
- Other services (e.g. personal services)
- Accommodations and food
- Health care and social assistance
- Professional, scientific, and technical services
- Note: Rural communities (25-100K), there is a higher share (Vs. Urban) of : Arts, Entertainment, Recreation, Finance, and Real estate.

WAGE SUBSIDY

Context

- The government administers 1,076 fees each year, with about 350 fees charged to business.
- Generally, fees exist to offset the costs to government of administering specific activities. However, not all fees provide full cost recovery to government for administering these services.
- Some fees relate to specific activities (eg. alcohol licensing) or industry sub-sectors and are not general to all firms in an industry.
- On May 17, 2017, Cabinet directed MEDG and the Minister Responsible for Small Business and affected ministries to report to Treasury Board and Cabinet with options for reductions to fees by small businesses by Fall 2017.

Stakeholder Views

- TBD

Other Jurisdictions

- Federal Government provides wage subsidy supports to employers for hiring young students through its Canada Summer Jobs program. The program provides a 100% wage subsidy (up to the minimum wage) to not-for-profit employers and a 50% minimum wage subsidy to private sector employers.
- Canada Summer Jobs subsidized approximately 11,600 jobs in Ontario in 2015-16 and federal funding has doubled for 2016, 2017 and 2018.
- In addition, the Federal Government recently announced a Student Work-Integrated Learning Program helps students in science, technology, engineering, math (STE) and business programs get work experience they need to prepare for jobs in high-demand fields.

WAGE SUBSIDY

Option 1

Option 1. Transitional Wage Support Program

- Supports all workers, regardless of age, tenure, or industry type at those firms with fewer than 100 employees. This definition of small business is the similar as proposed by MEDG on the broader strategy. The MEDG definition includes fewer than 100 employees and / or revenue of between \$30,000 and \$5M. Wage rebate for \$1/hr for all staff making the minimum wage at small businesses.

Option 2. Targeted Transitional Wage Support Program

- Supports all workers, regardless of age or tenure at those firms with 100 or fewer employees only in the Retail Trade and Accommodation and Food Services industries. Wage rebate for \$1/hr for all staff making the minimum wage at small businesses. Business owners would submit an application, with required documentation and receive funding.

Option 3 Reintroduce Ontario Summer Job Service

- Ontario Summer Job Service, wound down in 2015, could be reconstituted on a temporary or ongoing basis to support employers hiring youth and students. Under the original provisions of the program, employers could receive a \$2/hr wage subsidy for hiring students between the ages of 15 and 30 (who are returning to school in September) for up to 16 weeks of employment.

WAGE SUBSIDY

Recommendation

Option 3: Reintroduce Ontario Summer Job Service

- Ontario Summer Job Service, wound down in 2015, could be reconstituted on a temporary or ongoing basis to support employers hiring youth and students. Under the original provisions of the program, employers could receive a \$2/hr wage subsidy for hiring students between the ages of 15 and 30 (who are returning to school in September) for up to 16 weeks of employment.
- In keeping with the policy interest of supporting small businesses transitioning to the new minimum wage rates and in consideration of potential costs, the wage subsidy should focus on small employers (i.e., 50 or fewer employees) and could be further targeted to strategically focus on potentially vulnerable sectors (e.g., Retail Trade, and Accommodation and Food Services industries) by limiting eligibility to these sectors.

Risks

- **Represents a shift in policy focus:** in 2015, Cabinet approved the wind-down of the three \$2/hr wage subsidy summer jobs programs delivered by MAESD, OMAFRA and MNLM. Resources from these programs were refocused on services targeting young people more distant from the labour market with more complex employment barriers (e.g., socially marginalized, low educational attainment and challenging family/household circumstances). In presenting to cabinet on this policy change, the ministry made a conscious policy decision to shift away from wage subsidies.
- **Wage inflation:** the \$2/hr wage subsidy was last used when minimum wage was \$11/hr. With the minimum wage set to increase 36% by 2019, consideration could be given to appropriately scaling the wage subsidy to align it with rising wages.
- **Federal programming overlap:** the Federal Government provides wage subsidy supports to employers for hiring young students through its Canada Summer Jobs program. The program provides a 100% wage subsidy (up to the minimum wage) to not-for-profit employers and a 50% minimum wage subsidy to private sector employers.

SMALL BUSINESS SERVICES

Problem Statement

Many small businesses (i.e., those with fewer than 100 employees and/or revenue of \$30,000 to \$5 million) do not have the time and/or resources to engage with the patchwork of organizations and services available to support the SME sector. Small Business Services would function as a coordinated venue to promote and enhance small business service offerings.

SMALL BUSINESS SERVICES

The proposal/options being developed

1. Website

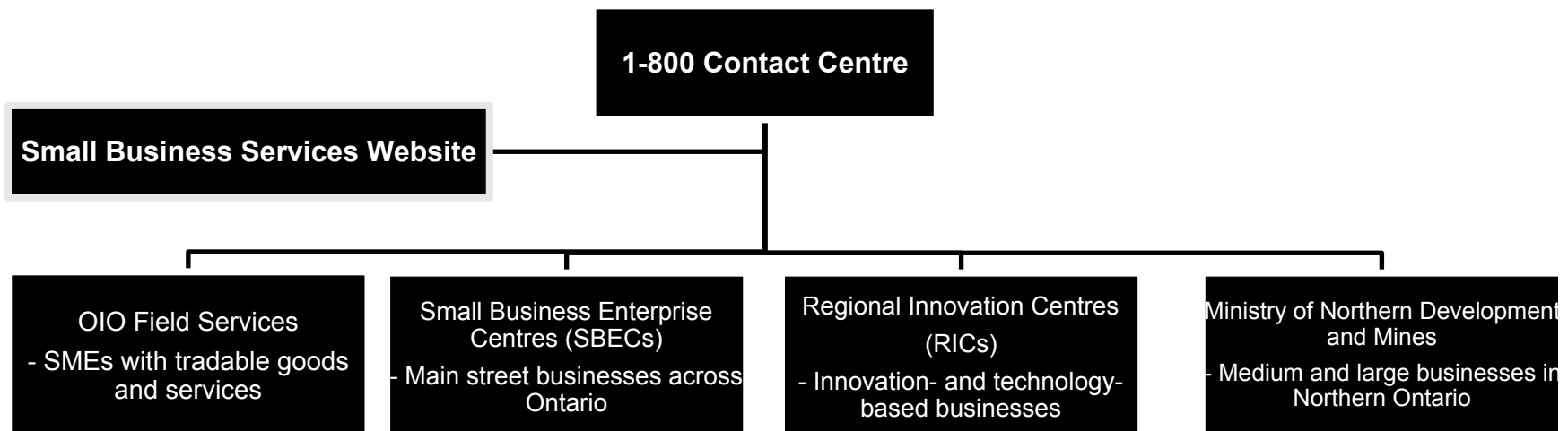
The Small Business Services website will support Ontario small businesses by providing information to assist them with getting started, their growth plans and day to day operations.

- Website information will include:
 - New content and resources to make it easier and more effective for businesses to interact with government;
 - Information on MEDG's small business measures (e.g. proposed fee reduction measures, export promotion, procurement, funding, etc.);
 - Details on and links to the services available to different businesses across the province (e.g. SBECs, RICs, OIO Field Services, third parties);
 - A link to MOL's Bill 148 implementation tools (currently under development);
 - A link to the [Ontario Business Programs Guide](#), a new service launching in beta to help businesses find business support programs and initiatives.
 - A 1-800 phone number operated by Canada Business Ontario (see next slide)

SMALL BUSINESS SERVICES

2. 1-800 Contact Centre

- Operated by Canada Business Ontario (CBO), the Small Business Services phone line will answer questions and provide a high level of customer service to small businesses.
- With their current partners which include MIT's 1-800 Go Trade line, CBO is able to fully execute 80% of calls.
- The remaining 20% would be connected with the government services they need to start, run or grow their small business in Ontario, including OIO Field Services, SBECs, RICs, and MNDM.



SMALL BUSINESS SERVICES

3. Awareness and Education

- By leveraging a third party's existing relationships with small businesses to deliver information and services, Small Business Services (SBC) will provide a coherent message to small businesses.
- To assist with the implementation of Bill 148, SBC will distinguish the roles of MOL as enforcement body, MEDG as support body, and the third party vendor as education provider.
- MEDG/MRSB is considering partnering with the Ontario Chambers of Commerce and the Chartered Professional Accountants of Ontario.

4. Services for More Small Businesses

- Options are being developed to determine the best way to reach more small “main street” businesses not currently captured by MEDG's service offering.

5. Domestic Marketing Campaign

- To drive traffic to the website and 1-800 line, a domestic marketing campaign will be ready to launch in January 2018.

SMALL BUSINESS SERVICES

Current Status:

- The Ontario Investment Office is working towards the following being ready to launch in October 2017:
 - Phase 1 of Ontario.ca/smallbusiness and a 1-800 contact centre that includes links to existing content and services.

For a January 2018 launch:

- Phase 2 of Ontario.ca/smallbusiness that includes net new content that speaks to small businesses;
- A third party vendor to deliver education and information on Bill 148 to small businesses across the province; and
- Domestic marketing campaign to increase traffic to website and program uptake.

Next Steps:

- Liaise with Cabinet Office on necessary web approvals.
- Work with cross-ministerial working group on development of Phase 1 content;
- Determine service level required for 1-800 contact centre triaging with CBO;
- Continue discussions with transitional third party provider (CPA and OCC); and
- Engage external marketing agency to develop domestic marketing plan.

Industries Expected to Benefit

- Small businesses with tradable goods and services;
- Main street businesses across Ontario; and
- Innovation- and technology-based businesses.

RISK-BASED INSPECTIONS BY DEFAULT

Overview

- All government compliance programs impacting business are already risk-based.
- It was agreed that using a risk-based approach reduces burden on compliant small business.
- We will likely be seeking Cabinet direction to build on the work of the Economic and Regulatory Deputy Minister's Committee (EDRMC) and Treasury Board Secretariat's Enterprise Risk Management Unit to identify and adopt an OPS-wide risk framework that will guide risk-based approaches.

Logistics

- Establish government lead to identify and facilitate key ministry partnerships to improve data analysis and information sharing.
-

Risks and Other Considerations

- While there are commonalities in definition of risk and risk assessment, it is not clear whether the OPS Enterprise Risk Management Framework is used as a guide for risk-based inspections across all ministries. **Mitigation:** Work with ERDMC and TBS's Enterprise Risk Management unit to identify current practices.
- Many OPS programs have sector-specific components. **Mitigation:** Ensure the OPS-wide Risk Framework is flexible enough for ministries to continue to use sector-specific approaches.

RISK-BASED INSPECTIONS BY DEFAULT

Costs

- n/a

Outcomes and Metrics

- By improving the data analytics used by government to target their inspections, it is anticipated that compliant businesses will experience fewer unnecessary inspections.
- Government resources would be better utilized to target businesses that are non-compliant.

Next Steps

- Establish government lead to identify and facilitate key ministry partnerships to improve data analysis and information sharing
- Cabinet consideration in September 2017

Industries Expected to Benefit

- All sectors would benefit.
- Compliant businesses subject to risk-based inspections would benefit from reduced inspections resulting from improved data analytics and information sharing amongst ministries

CO-ORDINATED INSPECTIONS PILOT

Overview

- Coordinated inspections help target non-compliance of “bad actors” while reducing inspections (i.e., reducing burden) for “good actors”.
- For the purposes of the pilot, coordinated inspections would mean the creation of a formal relationship between a lead ministry and key partners to identify both critical problems (top 5 observable risk) and examples of excellent compliance and inform the responsible partner. This formal partnership would use effective and systematic information sharing between regulators to coordinate compliance activities.
- The technical working group has recommended the **restaurant and bars** sector for the pilot.

Logistics

- To better evaluate the impact of coordinated inspections, it is recommended that the pilot use an experimental group (which benefits from coordinated inspections) and a control group (where the status quo is maintained).
- It is anticipated work on the administrative components could begin in 2018, and coordinated inspections could begin April 1, 2018 to align with current provincial inspection schedules.

Risks and Other Considerations

- A lead ministry and partner ministries/municipalities still need to be selected. **Mitigation:** Criteria to select a lead and partner ministries/municipalities are currently being developed.
- The province will need information sharing agreements with provincial and municipal partners. **Mitigation:** The current Delivery Plan has time allocated to the completion of the necessary agreements.

CO-ORDINATED INSPECTIONS PILOT

Costs

- Exact costs are still TBD. Similar pilots have required several FTEs.
-

Outcomes and Metrics

- Coordinated inspections result in compliant businesses undergoing fewer inspections
- Coordinated inspections lead to efficiencies for regulators and focus inspection resources on non-compliant businesses

Next Steps

- Finalize sector selection, lead ministry and partner ministries/municipalities.
 - Cabinet consideration – September 2017
 - Develop and launch of pilot – Fall/Winter 2017/18
-

Industries Expected to Benefit

- Compliant Businesses within the Restaurant and Bar sector would benefit from reduced inspections.

EQUIVALENCY

Overview

- MEDG proposes adding a seventh Regulatory Modernization Principle to the six principles approved by Cabinet in May. The seventh principle, equivalency, facilitates equivalent means of regulatory compliance where a business can demonstrate an alternative approach that meets or exceeds the requirement of the regulation.
- Regulatory equivalency will provide businesses with flexibility on how they comply with regulations. If the same or better outcomes can be achieved by different means than stipulated in the regulation, businesses may use alternative means of their choosing.
- This addition aligns with the themes and policy objectives of existing and proposed burden reduction initiatives.

Logistics

- Regulatory equivalencies are already used in Ontario and abroad. MEDG is aware of at least 23 distinct examples of regulatory equivalency provisions in existing Ontario regulations.
- MEDG will work with affected ministries to incorporate equivalency into the regulation development process, where appropriate.

Risks and Other Considerations

- Assessing regulatory compliance may be more difficult when regulatory equivalency is used. **Mitigation:** Individual ministries would be responsible for determining how to best assess alternative means of compliance for their specific program.

EQUIVALENCY

Costs

- n/a
-

Outcomes and Metrics

- Prescriptive regulations can deter innovation by businesses. Regulatory equivalency provisions provide an outcomes-based approach, allowing businesses to choose their method of regulatory compliance provided the results are equal or greater than required. This encourages businesses to develop innovative and creative ways to comply with regulations that will both inform government and reduce burden on businesses.

Next Steps

- MEDG is seeking approval to consult with affected ministries, including MAG, to understand the circumstances where it would be appropriate to incorporate equivalency, including the potential legal and enforcement impacts.
- Cabinet consideration – September 2017

Industries Expected to Benefit

- Would apply to all sectors.
- Industries that are provided equivalency options would benefit from additional flexibility in meeting regulatory requirements