DRAFT

Ontario

Report Back on Small Business Initiatives

Ministry of Economic Development and Growth
Minister Responsible for Small Business

TBD
Date: TBD

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 the following main themes:

1) Lower costs
2) Create opportunities
3) Modernize government

- The strategy will feature a range of new and existing initiatives across multiple ministries, under each of the themes (initiatives outlined on slides x-y).

- The MEDG and partner ministries are seeking Cabinet approval to implement the new initiatives, including direction to seek additional resources where indicated, 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).

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.

- Locally-oriented industries such as retail, construction and restaurants may address the bottom-line impact of cost pressures by raising prices over the long term. However, in the short-medium bottom-line deterioration could be acute in these and other sectors.

- Export-oriented firms such as those in manufacturing, cannot manage cost impacts by raising prices, nor by quickly enhancing productivity.

- 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 liter.
- 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 corporate tax deduction;
  - 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 – *this is the purpose of the proposed small business strategy*.

ONTARIO'S SMALL BUSINESS STRATEGY

- Table showing existing and proposed new initiatives (both in current decision path and those tracking elsewhere, listed under the three themes.

PROPOSED NEW INITIATIVES (1/3)

	Ministry	Proposal (please add a concise description of the recommended option)	Impact (describe how it will affect businesses and workers. E.g., All small business or target sectors? Significance of benefit to small business competitiveness?)
Lower Costs			
1	MEDG	Fee Voucher	
2	OMAFRA	Labour Saving Technology	

PROPOSED NEW INITIATIVES (2/3)

	Ministry	Proposal (please add a concise description of the recommended option)	Impact (describe how it will affect businesses and workers. E.g., All small business or target sectors? Significance of benefit to small business competitiveness?)
Create Opportunity			
3	MOF	Peer-to-peer lending	
4	MGCS	Procurement	
5	MIT	WTC Trade Accelerator Program	
6	OMAFRA	Mainstreet Improvement Fund	
7	MOHLTC	Training for Age-Restricted Products	

PROPOSED NEW INITAITIVES (3/3)

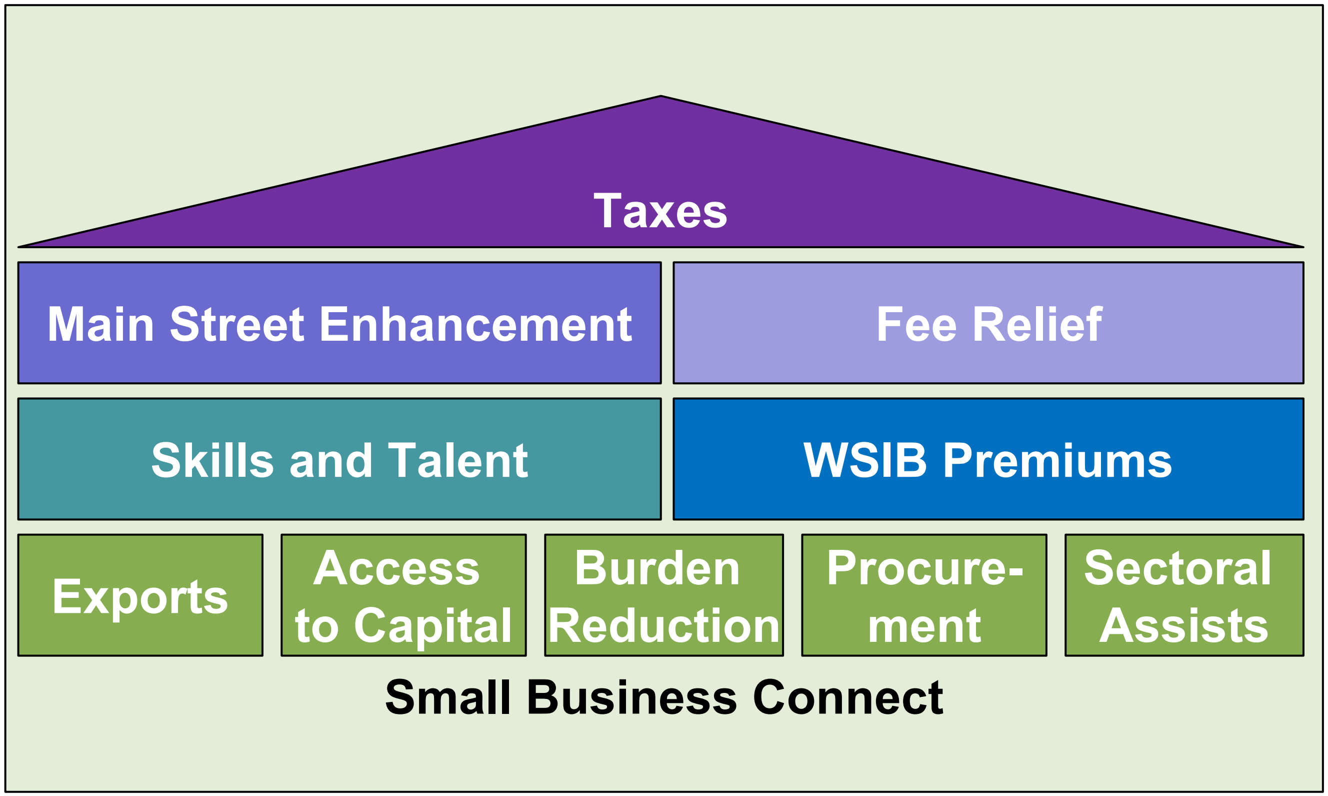
	Ministry	Proposal (please add a concise description of the recommended option)	Impact (describe how it will affect businesses and workers. E.g., All small business or target sectors? Significance of benefit to small business competitiveness?)
Modernize Government			
8	MEDG	Small Business Connect	
9	MEDG	Risk-based Inspections by Default	
10	MEDG	Coordinated Inspections Pilot	
11	MEDG	Equivalency	

PROPOSED INTIATIVES - FISCAL IMPLICATIONS

Ministry	Initiatives	2017/2018	2018/2019	2019/2020
MEDG	Fees reduction / voucher			
OMAFRA	Labor Saving Technology			
MOF	Peer-to-peer lending			
MGCS	Procurement			
MIT	WTC Trade Accelerator			
OMAFRA	Main street Improvement			
MOHLTC	Training for Age-Restricted Products			
MEDG	Small Business Connect			
MEDG	Risk-based Default			
MEDG	Coordinated inspections			
MEDG	Equivalency			
	TOTAL			

IMPLEMENTATION TIMELINE

COMMUNICATIONS FRAMEWORK



Priorities

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

COMMUNICATIONS

Proactive – Medium Profile:

BGI Messaging:

Small Business Key Messages:

COMMUNICATIONS

Rollout:

Considerations:

PROPOSED CABINET MINUTE

Cabinet agreed that

1. The Ministry of Economic Development and Growth will:

<u>Coordinated Inspections</u>

A. Acting 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. Once the pilot is completed, report outcomes back to Cabinet, including opportunities to improve information sharing between ministries, perform more targeted inspections and reduce the inspection burden on compliant businesses.

<u>Risk-Based by Default</u>

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

<u>Equivalency</u>

D. MEDG 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 Voucher

E. Develop a temporary, targeted business fee-voucher grant program that:

i. Provides funding to small and medium-sized businesses in the retail, accommodation and food, agriculture and manufacturing sectors sectors to address the cost of fees paid to the province by firms in the targeted sectors.

ii. Uses Grants Ontario as the delivery mechanism in order to minimizes administrative burden for business.

F. Report to Treasury Board on the details of the fee-voucher grant program.

Ontario Small Business Connects

G. Details to come…

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:

Procurement

A. Details to come…

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

Labour Saving Technology

A. Details to come…

Main Street Revitalization

A. Details to come…

PROPOSED CABINET MINUTE CONTINUED

5 The Ministry of Health and Long Term Care will:

Training for Age-Restricted Products

A. Details to come…

6 The Ministry of International Trade will:

Trade Accelerator Program

A. Details to come…

PROPOSED CABINET MINUTE CONTINUED

7. 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 PROPOSAL DETAILS

Fee Reduction | Context

- The government administers ***1,076 fees each year***, with about 350 fees charged to business.
- This fiscal year, ***the government*** is ***expected to generate about $1.7B in revenues*** from fees charged to businesses.
- Generally, ***fees exist to offset the costs to government of administrating 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.***
- 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).***
- ***Implementation of any approved option is expected to be effective for January 1, 2018.***

Fee Reduction | Options

- There are ***two broad options through which to deliver a fee reduction to small businesses.*** Either option can be further designed to target all small businesses or only small businesses in specific industries.

OPTION A:
Fee Reduction

- A fee reduction involves a point of sale interaction with small businesses whereby the ***fees they pay for government services are reduced at payment.***

OPTION B:
Voucher

- A voucher would ***maintain the current fees paid*** by small businesses. However***, business would be eligible for full or partial reimbursements*** of the fees paid after the point of sale interaction.

Fee Reduction | Fee Reduction Issues

- A broad fee reduction for small businesses would be complicated by a number of factors:

1. *The government has directed ministries to move to full cost recovery models for all fees – a fee reduction would be counter to that direction*
2. *In many cases, fee amounts charged are established by legislation – making implementation for January 1, 2018 challenging if not unfeasible*
3. *In most cases, fee reductions would involve technological point of sale changes and would likely require longer timeframes than January 1, 2018 to administer*
4. *Ministries do not distinguish between fee payers with different fees – making fee reductions for small businesses alone very difficult to administer*
5. *Time-limited fee reductions are not very practical – therefore a fee reduction would likely be longer-term and involve ongoing fiscal implications*

Fee Reduction | The Case for a Voucher

- A voucher would be characterized by a number of factors:

1. *Being an expenditure program, a voucher would not be in conflict with the general direction towards full cost recovery for fees*
2. *Vouchers would not require any legislative changes to implement*
3. *Vouchers would not require any point of sale technological changes to the current fee administration systems*
4. *A voucher can be designed to target any intended group such as small businesses generally or even small businesses in specific industries*
5. *Vouchers can be designed to be time-limited in order to support small businesses with transition costs such as the costs associated with Bill 148*

Fee Reduction | Scope of a Voucher

- The voucher expected to cover the following sectors: ***1) Accommodation/Food Services; 2) Retail; 3) Agriculture/Forestry/Fishing/Hunting; and 4) Manufacturing.***
- Analysis from the Ministry of Finance finds that the following sectors will see the largest percentage increase in wage bills from the proposed minimum wage increase:
  - Accommodation and Food Services
  - Retail Trade
  - Agriculture, forestry, fishing and hunting
- In addition, MEDG analysis illustrates that retail trade and accommodation and food services have the highest percentage of employees making less than $15 per hour (28.6% and 21.6% respectively).
- Beyond these industries, ***stakeholders have raised concerns about impacts to the manufacturing industry.*** For instance, independent analysis conducted for the Ontario Chamber of Commerce also indicates that the manufacturing sector may be negatively affected through lost employment.
- Some manufacturing sub-sectors, such as food and beverage manufacturing, have stated that other proposed provisions in Bill 148, such as scheduling requirements, may negatively impact their business.

Fee Reduction | The Case for Manufacturing

- ***Manufacturing is a high-value tradable industry, provides a lot of good jobs and helps support local economies across the province***.
- Tradable industries (unlike local ones like retail) are export oriented and therefore have the option of operating from any location in the world if location conditions are uncompetitive. Manufacturing accounts for 86% of Ontario domestic merchandise exports to other countries.
- Moreover, MEDG analysis indicates that the ***manufacturing industry does not have a high concentration of precarious workers*** as indicated by lower-wage workers or part-time workers:
  - The share of workers earning less than $15 an hour is 7.1% in manufacturing compared to 28.6% in retail trade and 21.6% in accommodation and food services.
  - Ratio of part-time workers in manufacturing is 4.7% vs 19% for total sectors.
- Other provisions in CWR such as scheduling, paid vacation, part-time pay etc. are expected to have significant impact on manufacturers.
- ***Stakeholders express concern that the provisions combined with minimum wage increases will result in either closing down of manufacturing business in Ontario***, hiring less workers among, reducing benefits or downward pressures on general wage increases.
  - For example, scheduling provisions will make it more difficult and costly for energy-intensive manufacturers to plan their production around Ontario's time-of-use electricity rates.

Fee Reduction | Voucher Option

- The ***voucher*** could be used by SMEs to offset the costs of any government fee resulting in estimated SMEs' ***cost savings of about $60M***.

	Highlights	Details
Eligibility	**SMEs in targeted sectors**	• Firms with under 500 employees in manufacturing, retail trade, accommodation and food services and agriculture, forestry, fishing and hunting. (There are about 88,720 SMEs in Ontario* in these sectors)
Amount	**$660**	• This is the average of the largest fees, based on number of transactions, to firms in these industries.
Logistics	**Reimbursement**	• Implemented for a 2-year limit to support transition to Bill 148 by the industries most impacted. • Businesses apply through an online process for automated reimbursements after demonstrating eligibility
Delivery Agents	**Grants Ontario**	• The transfer payment system, Grants Ontario, could be utilized to flow back monies to small businesses • Will require FTEs
Compliance	**Random Audits**	• Random audits could be used to ensure only eligible firms are accessing voucher

* Costs are estimated and will be further refined for the Treasury Board submission.
**Source: Statistics Canada, December 2016 Business Counts, Number of Enterprises

Fee Reduction | Risks of a Voucher

Ontario

Risk	Likelihood	Impact	Risk Rating	Mitigation Strategy
Some firms in a sector may not pay fees but still receive voucher	Low	Medium	Medium-Low	• Program design and audits
Some firms will receive more through the voucher than they pay in fees as many fees specific to sub-sectors or activities	High	Low	Medium	• Communications strategy that voucher is to ease financial burden
Some businesses may not view the voucher amount as significant enough	High	Medium	Medium-High	• Introduce voucher in conjunction with other initiatives
Negative reaction from large businesses or individuals that do not receive the voucher	Medium	Medium	Medium	• Communications strategy
Limited uptake because the voucher is perceived as social assistance	Low	Low	Low	• Communications strategy that voucher is to ease financial burden
Lack of awareness about voucher	Low	High	Medium	• A communications strategy and marketing through Small Business Connect or industry association.

Labour-Saving Technology

Context

- The Ontario agri-food sector faces labour shortages, is more reliant on low wage and seasonal workers than other sectors
- Horticulture sub-sector is labour intensive, hiring over 20,000 Seasonal Agriculture Workers (under federal SAWP program) for up to 8 months each year
- Countries with very low wages are highly competitive with higher wage countries even with the use of minimum wage foreign workers
- Technologies for horticulture production are being developed to replace human labour (e.g. robotic strawberry pickers)
- There is significant domestic/export demand for Ontario fruit and vegetables but competitive prices are critical
- A labour saving technology investment could complement but not replace direct assistance for the sector

Stakeholder Views

- Increases in minimum wage and energy costs will reduce the competiveness of some agriculture and food processing sub-sectors; horticulture producers are likely to be particularly impacted
- Ontario horticulture businesses are increasingly integrated with Mexico and US production sites and will move production

Other Jurisdictions

- The US industry currently has lower minimum wages than Ontario and significant numbers of undocumented workers
- The EU has similar issues to Ontario and is developing technologies for their horticulture sector; the EU is the primary source for dairy cattle robotics that is increasingly used by Ontario dairy farms

Labour-Saving Technology

Option 1

- Development of a new program for cost-share with most impacted agriculture and food sub-sectors, starting with horticulture producers, to install robotics and other technologies that can increase efficiencies and reduce labour costs
- Pros – increase competitiveness, productivity and efficiencies; Cons – technologies are new, still developing and costly; early adopters face risks; research is needed for more/faster technology development

Option 2

- Provide targeted funding for research into new robotics and other technologies for the horticulture sector only *(no cost-share funding for adoption of technologies)*
- Pros – technologies are developed for the Ontario industry & potentially manufactured in Ontario
  Cons – without cost share, slower adoption of technology and a sector that is increasingly less competitive

Labour-Saving Technology

Option 3 – Combination of Options 1 and 2

- Funding for horticulture technology research and a cost-share program (analysis underway, preliminary estimate $50M-$100M for combined option) for agri-food sub-sectors to demonstrate and install technologies, beginning with the horticulture sub-sector
- Pros – increase competitiveness/efficiencies faster than options 1 or 2; adoption of technologies that are developed and manufactured elsewhere; development of new technologies specifically for the Ontario industry and potentially manufactured in Ontario
- Cons – technologies are new, still developing and costly; early adopters face risks; time to develop new technologies

Industries Expected to Benefit

- Agriculture (Horticulture sub-sector)

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)

- Engage in rigorous screening of proposed partners in lending program and their lending rules.

- 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 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 Opportunities

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 Opportunities

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
- Investment in community-based organizations (e.g. BIAs) less risky than direct investment in businesses
- Targeting main street areas potentially limits access to other businesses that could benefit from programs (e.g. Digital Main Street).
- Implementation funding directly supporting 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 on provincial funding per capital implementation 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

- **~$20m** (excluding Energy Audits and Digital Main Street)
  - $5-8 million (Main Street Revitalization Fund)
  - $10-15 million (Large Scale Revitalization Fund) *
  - To be Estimated (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.

Age-Restricted Products

- MOHLTC provides funding to local public health units (PHUs) to enforce the Smoke-Free Ontario Act (SFOA) and the Electronic Cigarettes Act (ECA). With this funding, the public health units have developed two province-wide vendor education resources to ensure that retailers and clerks have access to training and are aware of their legal responsibilities under the SFOA and ECA:

  1) the Not To Kids website and binder and

  2) SFOA-training.com and ECA-training.com
- PHUs work with retailers to obtain voluntary compliance through education and awareness.
- PHUs also employ a progressive enforcement approach, and the use of more stringent charging options to reflect frequency and severity of the level of non-compliance (e.g., education, warning, re-inspections, Part I charge, Part III charge).
- As a result of the current supports in place and progressive enforcement, Ministry inspection data demonstrates very high compliance with age-restricted products among tobacco retailers. This proposal could enhance and align with the inspection program regime and supports already in place to support continued compliance with the SFOA and ECA.

Small Business Connect

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 Connect would function as a coordinated venue to promote and enhance small business service offerings.

Small Business Connect

The proposal/options being developed

1. Website

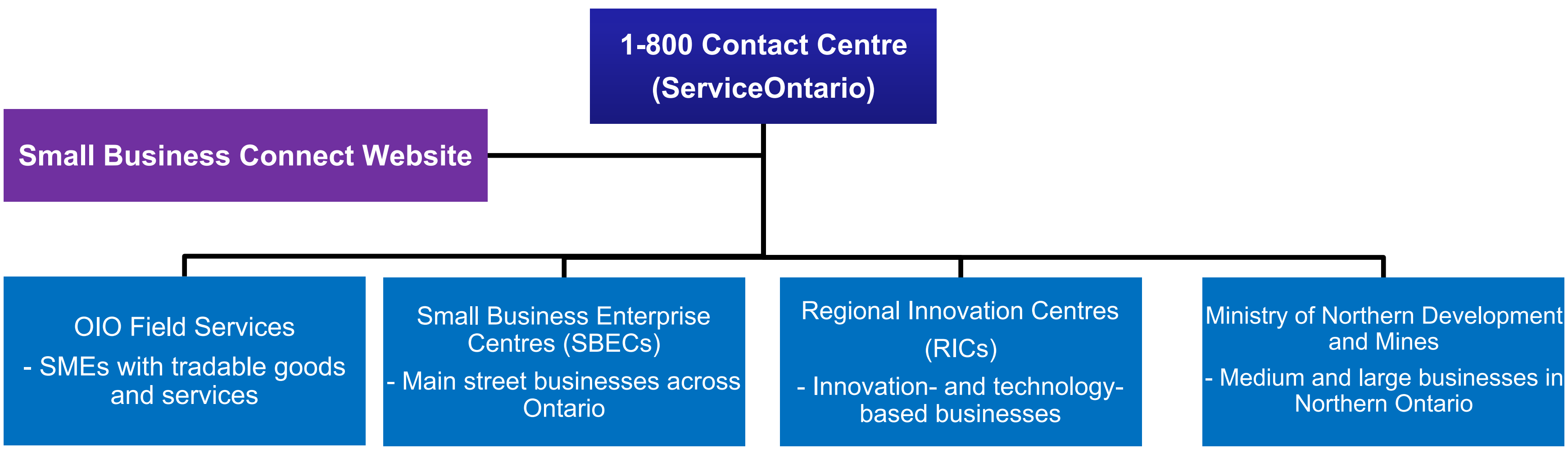
The Small Business Connect website will support Ontario small businesses by providing information to assist them with getting started, their growth plans and day to day operations.

- 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 ServiceOntario (see next slide)

Small Business Connect

2. 1-800 Contact Centre
A 1-800 phone number operated by ServiceOntario will answer questions and connect callers with the government services they need to start, run or grow their small business in Ontario, including Ontario Investment Office (OIO) Field Services, Small Business Enterprise Centres (SBECs), Regional Innovation Centres (RICs), and Ministry of Northern Development and Mines (MNDM).

- MEDG is considering partnering with the existing Business Information Line (BIL), a collaboration between ServiceOntario and Industry Canada related to the Open for Business initiative.



Small Business Connect

3. Awareness and Education
- By leveraging a third party's existing relationships with small businesses to deliver information and services, Small Business Connect (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.
- Initial discussions with Chartered Professional Accountants – Ontario are underway.

4. One-on-One Counselling for More Small Businesses
- Small Business Enterprise Centres (SBECs) currently provide information, expertise and resources to help new businesses (less than 5 years) start and grow.
- An expanded SBEC mandate would provide small businesses with access to one-on-one counselling, advisory services, training sessions, referrals to professional services, and other supports.
    - It would also reach "main street" businesses not traditionally covered by the Ontario Investment Office's work.
- By providing SBECs with resources to serve and reach out to the small business community, Small Business Connect will be supported with a clear referral pathway for small businesses seeking support with growth plans or operational hurdles.

Small Business Connect - Timeline

Current Status:

- The Ontario Investment Office is working towards the following being ready to launch in January 2018:
  - New Ontario Small Business Connect website for small businesses including 1-800 contact centre triaging;
  - A third party vendor to deliver education and information on Bill 148 to small businesses across the province;
  - Enhanced services for small businesses across Ontario through Small Business Enterprise Centres;
  - Domestic marketing campaign to increase traffic to website and program uptake.

Next Steps:

- Liaise with OIO Marketing and Cabinet Office on necessary web approvals.
- Gather analytic data and establish cross-ministerial web content working group.
- Determine service level required for 1-800 contact centre triaging with MGCS.
- Develop recommendation for stakeholder engagement through small business focus group or targeted consultations.
- Continue discussions with transitional third party provider (Chartered Professional Accountants – Ontario).
- 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

Ontario

Costs

- n/a

Next Steps

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

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.

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

Coordinated 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.

Coordinated Inspections Pilot

Ontario

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