Ontario

The Ministry of Economic Development and Growth
The Minister Responsible for Small Business

Small Business Strategy

Major Projects
September 7, 2017

Context for Action

- The Ontario government is committed to promoting ***fairness and opportunity for all Ontarians***. This includes ***facilitating a dynamic business environment where Ontario businesses can succeed and grow – small, medium and large.***
- ***Small businesses are a key cornerstone to the Ontario economy.***
- In an increasingly competitive economy where change is the norm, ***small businesses face increasing costs and regulatory pressures affecting their bottom-line***.
- While there are a range of programs supporting all small businesses, ***many of the programs focus on the start-up and technological innovation segment*** of the small business community.
- As such, there is an ***opportunity for government to enhance its small business supports*** to ensure the ***continued vitality and inclusive growth of more established main street small business in the Ontario economy.***

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Definition of Small Business

- For communications purposes as well as for key items in the small business strategy such as Small Business Connect*, **MEDG is recommending that small business be defined as those with fewer than 100 employees and/or with revenue of between $30,000 and $5 million.***

- This is aligned with definitions in use by key federal government programs, and is more easily measurable as a result.

- Currently, ***different Ontario government programs use different definitions of small business due to variations in program objectives*** that create challenges in having one universal definition.

- For example, the Accessibility for Ontarians with Disabilities Act, 2005 defines a small organization as one with 1-50 employees while the Ontario Small Business Deduction, applies to the first $500,000 in revenue.

The Importance of Small Businesses

- ***The vast majority of businesses in Ontario are small businesses.**** In December 2016, there were 405,274 small businesses with employees in Ontario, which made up 98% of the total businesses with employees in Ontario.
- ***Small businesses also account for a significant portion of overall employment*** (66%).
- Importantly, much of this employment is focused on youth. SMEs in Ontario employ 94% of youth (between 15 and 24 years old) compared to only 6% by large companies.
- ***Ontario's small businesses** are key economic drivers, accounting for about 30% of Ontario's GDP.***

*Small business is defined as business with fewer than 100 employees. There were an additional 6,344 medium-sized businesses with 100 – 499 employees.
**For GDP, data is available only for businesses with fewer than 50 employees plus the self-employed. 2014 is the most recently available data but it is not anticipated that the share accounted for by small business has changed significantly.

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Existing Government Supports

- While there are a range of programs supporting all small businesses, ***many of the programs focus on the start-up and technological innovation segment*** of the small business community.

- There is an ***opportunity to enhance support for more established and main street small businesses***.

- The government currently provides a range of supports to support small businesses, for example:

  - The small business deduction, provides a reduction in corporate tax rates for Canadian controlled private corporations;

  - The Fair Hydro Act, 2017 reduces electricity bills for all residential consumers and as many as half a million small businesses and farms;

  - The small business innovation challenge to help small and medium-sized businesses develop and implement innovative technology solutions to challenges faced by the public sector;

  - Support for small business start-ups, through programs such as the starter company plus;

  - The Ontario Network of Entrepreneurs, which connects “Main Street” entrepreneurs and companies with business acceleration expertise in their communities; and

  - The MaRS business acceleration program, which provides specialized mentorship, educational services and competitive market intelligence to technology-based start-ups.

Small Businesses’ Challenges

- Generally, ***small businesses indicate they are faced with rising input costs.***
  - According to the Ontario Chamber of Commerce (OCC), the cap and trade system is expected to raise gasoline prices by 4.3 cents a liter and increase home heating costs by $5 a month.
  - An OCC survey finds that 33% of small business in the province believe that increasing energy prices will have a large impact on their organization, causing them 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.
- In addition, ***small businesses have lower levels of productivity and small business owners have identified a lack of skilled labour as a constraint.***
  - 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 because they could not find someone with the right qualifications.
- ***Government regulation has also been identified as a barrier to business.***
  - Small business owners often lack the capacity and resources required to navigate government effectively.

Principles for a Small Business Strategy

- ***Fairness*****:** Initiatives should meet the needs of all types of small businesses including main street businesses with sensitivity to cost structure competitiveness as well as innovation competiveness
- ***Opportunity:*** Initiatives should provide opportunities for small business to enhance their competiveness by investing in productivity, and where appropriate help small business scale-up into firms that are internationally competitive and can expand into global markets
- ***Targeted and Transitional:*** Initiatives should provide time-limited transitional relief to support small businesses in specific industries with precarious work which will be most affected by upcoming legislative changes in the workplace
- ***Balanced:*** Initiatives should offer balanced and broad supports to other industries which may also benefit from transitional supports especially industries where there are less incidences of precarious work
- ***Administrative Ease:*** Initiatives should be measureable and implemented quickly, have an appropriate cost relative to return, and have reasonable administrative requirements
- ***Sound Incentives:*** Initiatives should not foster incentives for continued dependency on government support nor should initiatives should not provide incentives for businesses to remain small

Overview of Small Business Strategy Initiatives

Initiative	New?	Projected Cost	Impact on Sectors (High, Medium, Low)*	Scope
Lower Costs				
Fee Reduction / Voucher (see pages 13-20)	√	$60M per year for two years	L-M	• Industries: Agriculture, Retail, Accommodation and manufacturing • SMEs only • 2-year time limit
Tax measures (p. 21-22)	√	$100M-150M per year for two years (MOF)	M	• All industries • All small businesses • Offset payroll and training costs
WSIB Premiums		To be determined by WSIB	L	• All industries • All businesses
Electronic lottery ticket commission		To be determined	L	• Stores that sell lottery tickets only
Alcohol Pricing	√	To be determined	L	• Licensed restaurants only

*Note: MEDG/Small Business staff assessments of sector impact – to be confirmed with lead ministries

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Overview of Small Business Strategy Initiatives

Initiative	New?	Projected Cost	Impact on Sectors (High, Medium, Low)*	Scope
Create Opportunities				
Main Street Improvement Fund (p. 25-29)	√ (some elements are expansions of existing programs)	~$20M per year	L	• Mainstreet businesses across Ontario • Retail trade, other services, health care and social assistance, professional services, accommodation and food
Canada-Ontario Job Grant (p. 30-31)		To be determined	L	• All businesses • All industries
Pooled Apprenticeship (p. 32-33)		To be determined	L (TBD)	• Mainly for small businesses that would hire apprentices
Wage Subsidy		To be determined	L	• To be determined
Graduated Apprenticeship Grant for Employers (p. 34-35)	Conversion of existing initiatives into improved program	To be determined	L (TBD)	• To be determined

*Note: MEDG/Small Business staff assessments of sector impact – to be confirmed with lead ministries

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Overview of Small Business Strategy Initiatives

Initiative	New?	Projected Cost	Impact on Sectors (High, Medium Low)*	Scope
Create Opportunities				
Procurement Opportunities (p. 36-37)		To be determined	L	• SMEs Only • Construction and maintenance, IT and professional services expected to benefit most
Global Trade Strategy (p. 38-39)		To be determined	L	• SMEs in all sectors
Exporter Marketing (p. 40-41)		$2M	L	• Marketing campaign using advertising and social media • Targeted at priority sectors
Magnet Pilot (p. 42-43)		Almost $1M over three years	L	• All businesses • All industries
Labour Saving Technology (p. 44-46)	√	$50M in each of two years	M	• Agriculture (horticulture subsector)
Access to Capital (p. 47-50)	√	To be determined	L	• Small business
Training for Age-Restricted Products (p. 51)		To be determined	L	• Stores that sell tobacco products only

*Note: MEDG/Small Business staff assessments of sector impact – to be confirmed with lead ministries

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Overview of Small Business Strategy Initiatives

Initiative	New?	Projected Cost	Impact on Sectors (High, Medium, Low)*	Comments
Modernize Government				
Small Business Connect (p. 53-57)	√	To be determined	L	• Website • Small business focus
Coordinated Inspections (p. 58-59)	√	To be determined	L	• Pilot focused on one sector (restaurants and bars)
Risk-based by Default (p. 60-61)	√	To be determined	L	• All industries
Equivalency (p. 62-63)	√	To be determined	L	• All industries

*Note: MEDG/Small Business staff assessments of sector impact – to be confirmed with lead ministries

LOWER COSTS

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.***

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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.

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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.

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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 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

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Fee Reduction | Risks of a Voucher

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.

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Tax Measures | General Considerations

- The tax system is optimal for broad-based measures and can make use of existing CRA administration. Tax initiatives could provide support for payroll and training costs.

- In order to target support to particular sectors, tax credits would require an application and certification process similar to that for film and media credits. Grants would provide greater responsiveness and accountability.

- The sectoral distribution of the small business deduction does not match the impacts of the minimum wage increases (i.e., accommodation and food services, retail, and agriculture). In particular, professional corporations owned by physicians, dentists,etc. use tax planning to receive a disproportionate share of the small business deduction.

Tax Measures | Current and potential new tax measures supporting small business

Current

- HST and other business tax reforms are saving businesses, including small firms, more than $10 billion per year;

- Small businesses in Ontario benefit from a preferential CIT rate of 4.5 per cent on the first $500,000 of income through the Ontario small business deduction (SBD)

- Small businesses also benefit from other tax measures, including an Employer Health Tax exemption on the first $450,000 in payroll and enhanced tax credits for R&D and apprenticeship training.

- The 2017 Ontario Budget announced that starting in 2018 municipalities will have new authority to apply a reduced property tax rate to encourage small-scale value-added or commercial activities on farms.

Potential New Measures

- Time-limited relief to help small businesses manage payroll pressures, such as CPP. CPP costs are projected to increase as a result of expansion, retirements, etc.

- Time-limited enhancements to the apprenticeship and training tax credits to provide greater training support for small business, in combination with other training-related measures under the Canada-Ontario Jobs Grant and apprenticeship modernization.

- (TBD) An investment tax credit to incent clean technology investments by business, potentially funded from carbon allowance proceeds.

WSIB Premiums

PLACEHOLDER FOR MATERIAL FROM MOL

CREATE OPPORTUNITIES

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

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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.

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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.

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Canada-Ontario Job Grant

Overview

- The Ministry of Advanced Education and Skills Development (MAESD) is currently designing a potential new program to replace the Canada-Ontario Job Grant (COJG), which could provide funding to reduce financial barriers to employers' investment in workforce training.
- The new program may focus on employers who face greater barriers to investing in training (i.e., small businesses), and workers who are typically under-represented in employer-directed training investments (e.g., in low- and medium-skill occupations, or in jobs at risk of displacement due to changing job requirements).
- While businesses of all sizes may be eligible to apply for funding based on a cost-sharing or contribution matching agreement with government, small businesses with ≤50 employees may not be required to make a financial contribution to qualify for funding.

Logistics

- The new program may be delivered through a subset of MAESD's network of third party Employment Ontario service providers (tbc), which also provide other services to employers, such as job matching / recruitment and placement.

Risks and Other Considerations

- The new program is still being designed, and implementation timelines are still to be determined. Policy approval is required for proposed changes to the COJG and other skills training programs.
- While service providers are aware of federal-provincial negotiations impacting the COJG, they and their clients have not been informed of any near-term changes to the program.

Canada-Ontario Job Grant

Costs

- TBD – further analysis is required.

Outcomes and Metrics

- Employers receive positive return on investment through, e.g., reduced turnover and associated recruitment/training costs and improved workforce performance (tbc)
- TBD – program design, including development of performance indicators, is currently underway

Next Steps

- Design of the new program to replace the COJG is currently underway, concurrent with the design and redesign of other skills training programs.
- MAESD will seek policy approval on the new suite of skills training programs in fall 2017.

Industries Expected to Benefit

- The proposed design will recommend targeting funding to businesses that face greatest barriers to training (i.e. small/medium employers), and for those workers who are typically under-represented in private sector training investments. COJG would target occupation types / skills levels and job status. COJG would not target specific industries.

Pooled Apprenticeship

Overview

- The Ministry of Advanced Education and Skills Development (MAESD) is considering options to expand the group sponsorship model as part of the apprenticeship modernization strategy underway. Additional support for apprenticeship group sponsor consortia may help small businesses to attract, support and train apprentices while reducing administrative burden.

- Group sponsors are groups of two or more employers that form an organization whose sole purpose is to sponsor apprenticeship training. Apprentices' training agreements would be signed by the sponsor, but they would be employed by an individual organization that is part of the group sponsor consortium.

- This allows employers to participate in the training of apprentices, without the administrative burden or risks of sponsoring an apprentice on their own.

Logistics

- TBD – Further analysis and development of options is required

Risks and Other Considerations

- The Ontario Centre for Workforce Innovation is conducting pilot projects funded by MAESD to explore promising practices in group sponsorship of apprentices. The findings from this initiative will not be received until March, but early evidence can be used to inform the development of a new policy.

- The Ontario College of Trades plays a large role in Ontario's apprenticeship system and would need to be consulted in any decision around changing group sponsorship policies.

- Further analysis is required to develop options and considerations for expanding group sponsorship.

Pooled Apprenticeship

Costs

- TBD – further analysis is required

Outcomes and Metrics

- A larger number of small employers are able to participate in apprenticeship training, because of the availability of group sponsor consortia in their region.

Next Steps

- MAESD is developing options to expand the group sponsorship model as part of the apprenticeship modernization strategy and will be presenting to the Minister's Table on Highly Skilled Workforce on October 3, 2017.

Industries Expected to Benefit

- TBD - further analysis is required

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Graduated Apprenticeship Grant for Employers

Overview

- MAESD is considering options for converting the Apprenticeship Training Tax Credit (ATTC) into a graduate grant to support apprentice completions.
- The new graduated grant program would to better align with apprenticeship policy objectives of improving apprenticeship completion rates and improving access to underrepresented groups.
- The grant program would support small businesses by expanding eligibility for financial incentives to all service sector trades, where many small employers are concentrated (most of which are currently excluded from the ATTC).
- The grant program would also feature an automated application process designed for ease of use by small businesses. This would simplify the process for claiming incentives, compared to the ATTC.

Logistics

- TBD – Further analysis of options is required.

Risks and Other Considerations

- Through the 2015 PRRT process, MAESD was minuted to achieve savings through reductions to the ATTC. If savings are to be achieved, this could limit the feasible options for program transformation.
- Further analysis is required to determine specific stakeholder impacts in each sector, and by business size.

Graduated Apprenticeship Grant for Employers

Costs

- TBD – various options currently under consideration, which would have different costing implications.

Outcomes and Metrics

- Small employers are able to participate in apprenticeship training in greater numbers, because they can easily access financial support
- Small employers are able to train their apprentices through to completion, because of increasing grant payouts over the course of their apprentices' journey.

Next Steps

- Because this proposal would require changes to an Ontario tax credit, it would need to be introduced through legislative change.
- MAESD is exploring launching the graduated grant program through the Fall Economic Statement, which would achieve this requirement.

Industries Expected to Benefit

- Service sector trades that are currently excluded from the ATTC, but would be eligible for the graduated grant program.

Procurement Opportunities

Overview

- Develop, announce and implement a framework to set-aside 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 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

Industries Expected to Benefit

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

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Global Trade Strategy

- In July 2017 the Ministry of International Trade (MIT) received policy approvals for Ontario's Global Trade Strategy to expand and advance trade in Ontario.

- While the Strategy focuses on Ontario's priority sectors, it also addresses trade priorities across the economy.

- ***The Strategy builds upon the existing core supports that MIT offers SMEs***

  - The ministry provides a continuum of programs and services targeted to small and medium-sized enterprises (SMEs), with exportable products and services and an export mandate.

  - SMEs receive customized assistance ranging from exporter education and skills development programs to sector specific outbound and inbound missions, participation at key trade exhibitions, and business partnering and advocacy services.

- ***Given their small size, SMEs often lack the resources or capacity to overcome barriers to participate in trade.***

  - The other most common reasons were logistical obstacles, financial risks, and administrative obstacles outside of Canada.

- ***MIT's export programs and services aim to meet these challenges, enabling Ontario SMEs to scale up and export to one or multiple markets.***

Global Trade Strategy

Overview

- In July 2017 the Ministry received Cabinet approval for Ontario's Global Trade Strategy, which includes the following initiatives:

Renewal of the Global Growth Fund
Establish ongoing, consistent funding for the Global Growth Fund (currently $3.5M) with the objective of increasing exports sales of Ontario's goods and services by sharing the costs of export initiatives, thereby reducing risks involved in entering foreign markets, expanding businesses and creating jobs. The fund provides support to smaller companies to develop and grow export markets and generate new sources of revenue, or provides assistance for hiring an export manager.

Launch of Magnet Portal (Additional details in following section)
- Provide SMEs with a smart technology platform that provides comprehensive access to content from various service providers in the export ecosystem based on their preferences.
- Integrates all exporting programs and services on a single website platform, thereby eliminating the need to search through multiple websites and portals for information.

Building Stronger Networks and Infrastructure. This pillar is about modernizing to reflect the current trade landscape through the following objectives
- capitalize on technologies to increase opportunities for SME trade diversification;
- strengthen government-to-government relations to drive economic benefit for Ontario; and,
- leverage talent to capitalize on global trade networks.

Exporter Marketing

Overview

- Execute an integrated marketing campaign to raise awareness of the benefits of exporting as a way to grow business and increase participation in the relevant programs and services for exporters
- Employ a variety of tactics including:
  - advertising
  - direct mail
  - email
  - social media
  - events
  - earned media

Logistics

- The Ministry of International Trade will amplify current marketing efforts (email and social media) with a digital advertising campaign

Risks and Other Considerations

- There is a risk that the proposed paid advertising campaign will not be approved
- Current tactics of email, direct mail, search marketing and social media will continue irrespective of the ad campaign

Exporter Marketing

Costs

- $2M earmarked for the integrated marketing campaign (subject to change based on implementation timelines)

Next Steps

- Secure approval to proceed with advertising campaign
- Campaign creative and media plan approval

Outcomes and Metrics

- Success will be measured in terms of website page views, subscriptions for on-going communications, registrations for exporter education workshops, inquires to the Ontario Export Services contact centre and new companies expressing interest in trade missions

Industries Expected to Benefit

- Life sciences, ICT, Clean-tech, Agri-food, Construction, Automotive, Aerospace, Mining, Security, Automation

Magnet Pilot

Overview

- Magnet is a not-for-profit social innovation organization founded by Ryerson University in partnership with the Ontario Chamber of Commerce
- MIT has partnered with Ryerson University to develop an export growth business portal using the Magnet technology platform. The portal will provide Ontario SMEs with targeted information about exporting programs and services from a number of partners.
- Magnet will help SMEs navigate a complex ecosystem of programs and services by providing a unique technology platform that has the capability to match Ontario SME profiles with appropriate information about programs and services relevant to their needs
- The key strength of the Magnet Portal for SMEs is that it brings all exporting programs and services on a single platform, thereby eliminating the need to search through multiple websites and portals for information that may or may not be relevant to them

Logistics

- MIT partnered with Ryerson to develop a prototype that was completed in January 2017
- At this stage, MIT will be moving to full development and roll out of the export business growth portal anticipated for August/September 2017
- MIT has also been actively recruiting ministry and federal partners to participate, including:
    - Global Affairs Canada,
    - Export Development Canada,
    - Business Development Canada.
    - Ministry of Advanced Education and Skills Development,
    - Ministry of Government and Consumer Services,
    - Ministry of Economic Development and Growth,
    - OPS Digital Office

Magnet Pilot

Costs

- Total, maximum three year commitment - $955,225

2017-18	2018-19	2019-20
$434,225	$421,000*	$100,000*

**During years two and three, Magnet will pursue other sources of funding partners / revenue streams to offset project costs. The projected cost to MIT is up to a maximum of the values in each column above.*

Outcomes and Metrics

- Targeted messaging analytics – eg. Number of messages uploaded into the system, number of emails opened, click-thru rate etc.
- Number of exporter and potential exporter sign-ups
- Number of business organization sign-ups

Next Steps

- Upon final approval of the Transfer Payment Agreement, Ryerson will commence uploading export content into the platform and performing quality assurance testing
- The platform will be open to users 4 weeks later with the official, public launch scheduled for mid-October 2017

Industries Expected to Benefit

- The Magnet platform will be available to businesses across all industries.
- MIT intends to conduct targeted outreach to businesses within Ontario's priority sectors (eg. Life Sciences, ICT, Cleantech, Agrifood, Construction, Auto and Aerospace)

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

Training for Age-Restricted Products

[Note: revised slide to be provided by MOHLTC]

- MOHLTC provides funding to local public health units 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

- Ministry inspection data to date show a very high compliance rate among tobacco retailers. As such, it is the ministry's opinion that the current supports in place as described effectively target the educational and training needs of tobacco retailers.

- MOHLTC also indicates that there may be legal challenges to provide training for age-restricted products as it contravenes Framework Convention on Tobacco Control to which Canada is a signatory.

MODERNIZE GOVERNMENT

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)

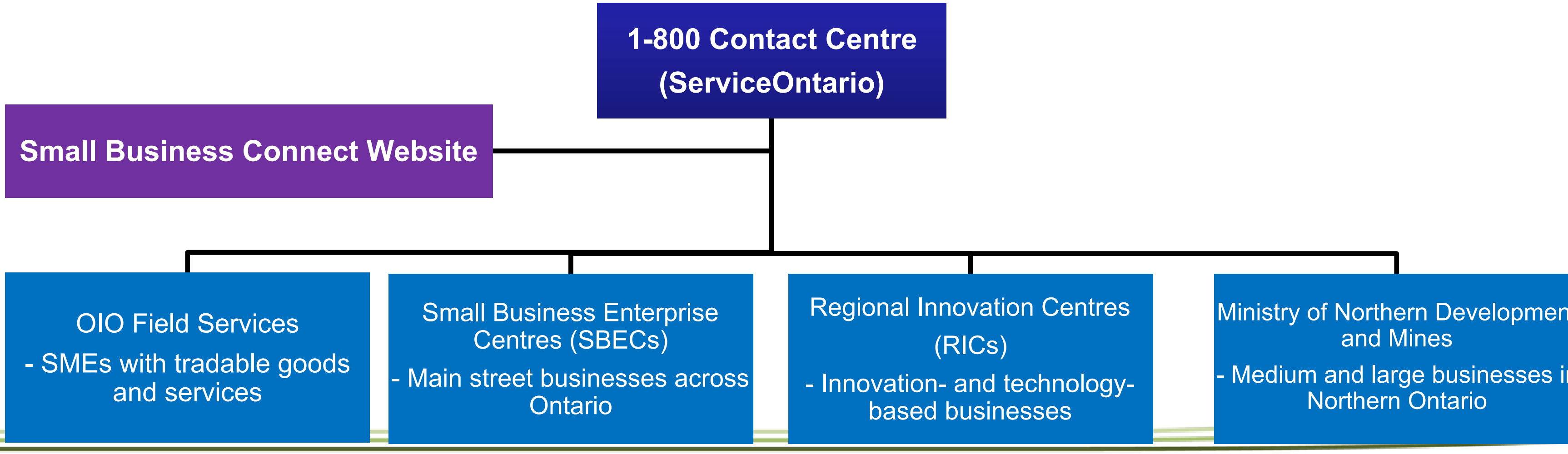
Ontario

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.



Ontario

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.

Ontario

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.

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

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.

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.

Ontario

Risk-Based Inspections By Default

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

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

Next Steps

- There are currently gaps on the small business strategy which need to be addressed
  - WSIB premiums
  - Training for age-restricted products
  - Alcohol costs
  - Electronic lottery commission
  - New wage subsidy
- There will likely be resource implications for the entire strategy.
- Elements of the strategy are expected to proceed to Treasury Board and Cabinet on September 26 and 27 respectively.

APPENDIX – VOUCHER

Fee Reduction | Context

- Of the ***1,076 fees*** government administers each year, about 350 fees are charged to business.
  - MEDG surveyed other ministries for additional details about 342 of these fees.
    - Out of the responses received, ***about 56%* require legislative and/or regulatory approval*** to eliminate or reduce the fees.
    - Out of the responses received, ***about 94%* would require IT and/or administrative changes*** to change the fee or offer a fee waiver at time of transaction.
    - About ***56 fees* require both*** legislative and/or regulatory approval and IT and/or administrative changes.
  - The ministry has identified ***56 fees*** that are more specific to the target industries.
    - Out of the responses received, ***about 51%* would require legislative and / or regulatory approval*** to change the fee.
    - Out of the responses received, ***all* would require IT or administrative changes*** to reduce or eliminate the fee or offer a fee waiver at the time of transaction.

* Only based on fees where additional details were provided. Detail is unknown for some fees and those fees are excluded.

Fee Reduction | Detailed Options

Options	Description and Rationale	Fiscal Impact	Other Considerations
1. Fee reduction for all fee payers	• Cuts of 25% - 75% on fees paid by all businesses • Cuts would available to all sizes of business, plus some individuals	• $613M*	• In many cases, fee reductions would require legislative/regulatory changes
2. Fee reduction for specific industries	• Some fees are specific to industries – cuts 75% for those fees	• $22.5M*	• Cannot target small- and medium-sized business • Legislative/regulatory changes would be required for a few fees
3. Voucher for all small businesses	• A voucher of up to $1,500 for use by all SMEs (about 405,000 small and 6,000 medium sized enterprises) to offset the cost of fees	• $617 M	• Not targeted to any sector • Could be provided on a time -limited basis
4. Voucher for small businesses in targeted sectors (including manufacturing)	• About 110,000 SMEs in target sectors, plus manufacturing would receive $660 voucher to offset cost of fees.	• $58.6M*	• Targeted only as small- and medium-sized business • No legislative changes required
5. Voucher for small businesses in specific industries	• Approximately 70,300 SMEs (86,500 small and 2,200 medium enterprises) in targeted sectors (excluding manufacturing) would receive a $800 voucher to offset the cost of fees.	• $56.2M*	• Targeted to only SMEs in sectors most affected by Bill 148 • No legislative changes required

* Based on forecasts of 2017-18 revenue provided to TBS by ministries. Forecasts not available for all fees and some were estimated, total estimates may not be as shown. Figures will be revised for the Treasury Board submission.

Description of Targeted Sectors

11 – Agriculture, forestry, fishing and hunting

- Includes the production of crops, animals, timber, fish and supporting activities needed

31-33 – Manufacturing

- Includes establishments primarily engages in the transformation of materials or substances into new products
- Ex: motor vehicles and parts, food processing, chemicals and plastics

44-45 – Retail Trade

- Includes the resale or distribution of merchandise that is **not** transformed or sold in large quantities, and all services needed for the sale of the merchandise
- Ex: Gas stations, car dealers, furniture stores, grocery stores, etc.

72 - Accommodation and Food Services

- Includes sectors where lodging or services are performed and where meal or beverages are consumed immediately
- Ex: Hotels, motels, resorts, restaurants, etc.

Fee Reduction | Fee Reduction Option

Fee / Responsible Ministry	Fee Amount	Number of Transactions 2017-18	Forecasted Revenue 2017-18	Considerations
Fee charged for a renewal application for a liquor sales licences (MAG)	$450 every 3 years	5,367	$2.4153M	• Would benefit the restaurant industry
Annual registration fees for dealers and manufacturing companies that sell farm machinery and equipment (MAG)	$250 as needed	509	$0.0351M	• Would require OMAFRA Minister's approval
Fee to transfer a liquor license (eg. change of ownership) (MAG)	$1,000 as needed	1,425	$1.4246	• Includes two fees, one for manufacturers and one for others
Farm Vehicle (<3K kg) Validation (MTO)	$157-$1,245.50 per year	75,475	$15.2630M	• Would require legislative amendments
Blue Box Steward program – levy on firms who put paper and packaging into the marketplace	TBC	TBC	TBC	• Operated by Stewardship Ontario

Note: the above are examples of fees – further discussions with the ministries will be needed to determine if these fees can be reduced are eliminated.

Ontario

Fee Reduction | Time-Limited Voucher

- A time-limited voucher (or reduction to selected fees) allows the government to provide immediate relief, while not committing indefinitely to changes before a more thorough review can be undertaken.
- At the same time, the government could undertake a comprehensive review of fees to determine to identify business fees that can be reduced permanently.
- Issues that could be addressed in a longer term fee reduction initiative:
  - Opportunities for administrative cost savings so that government's current direction for fees as a cost recovery tool can be maintained even as fees are reduced
  - Ensuring that Ontario businesses are not paying disproportionately high fees compared to other jurisdictions
  - Working with other levels of government (e.g., municipalities) to ensure government are not working at cross -purposes in their respective approaches to fees that business pay.

Fee Reduction | Agency Fees

- The Ontario government has over 540 agencies, Not all agencies collect fees, but some do charge fees to business:
  - Some fees are collected to operate a public service, such as landing and terminal fees charged by airport authorities to fund airport operations.
  - Some fees are charged to individuals or business for a service – such as an application fee from the Assessment Review Board.
  - Some agencies are occupational regulating organizations that may or may not charge fees to businesses.
  - Some agencies, such as the Delegated Administrative Authorities, use the fees to fund their operations and/or provide consumer compensation funds.
- Agencies such as the Workplace and Insurance Board collected premiums from business to fund a government-mandated insurance program.
- Some of the agency fees (eg. those from the Alcohol and Gaming Commission) have been included in the analysis in this deck. For example, the Ontario Association of Architects collects an annual Certificate of Practice renewal fee from companies.
- Further review is required to determine if agency fees can be eliminated or reduced.

Ontario

Examples of Fees by Sector

Fee (Responsible Ministry)	2017-18 Fee Amount	2017-18 Estimated Transactions	2017-18 Forecasted Revenue
Retail Trade			
Farm Implement Dealer/Distributor Registration Fees (OMAFRA)	$250 annually	509	$0.0351M
Fees to grocers to sell beer and wine, small grocers (MAG) (*fee reduction already announced)	$1,000* annually	41	$0.1230M
Fees to grocers to sell beer and wine, large grocers (MAG)	$7,000 annually	124	$0.8645M
Dealer Permit – Motor Vehicle or Trailer Validation (MTO)	$175 as needed	22,730	N/A
Dealer Permit – Motorcycle – Moped Validation (MTO)	$98 as needed	2,935	N/A

Subject to verification with specific ministries.

Ontario

Examples of Fees by Sector

Fee (Responsible Ministry)	2017-18 Fee Amount	2017-18 Estimated Transactions	2017-18 Forecasted Revenue
Accommodation and Food Services			
New liquor sales license application (license valid for two years) (MAG)	$1,055 as needed	533	$0.5622M
Fee for new liquor license application that is exempt from public notice (license valid for two years) (MAG)	$925 as needed	531	$0.4914M
Fee for reinstating an expired liquor license (MAG)	$925 as needed	149	$0.1378M
Fee for changes or additions to existing licensed areas (MAG)	$815 as needed	235	$0.1918M
Fee for additions to existing licensed areas (MAG)	$685 as needed	136	$0.0932M
Transfer of liquor sales license (eg. ownership change) (MAG)	$1,000 as needed	1,410	$1.4099M
Corporate rollover application for liquor sales license (MAG)	$100 as needed	147	$0.0147M
Temporary one year transfer of a liquor sales license (MAG)	$105 as needed	195	$0.0205M
Change of name of liquor sales license (MAG)	$80 as needed	125	$0.0100M
Renewal of liquor sales license (MAG)	$450 every three years	5,367	$2.4153M
New mini bar license application (MAG)	$345 as needed	1	$0.003M

Subject to verification with specific ministries.

Ontario

Examples of Fees by Sector

Fee (Responsible Ministry)	2017-18 Fee Amount	2017-18 Estimated Transactions	2017-18 Forecasted Revenue
Agriculture, Forestry, Fishing and Hunting			
Beef Cattle Financial Protection – Livestock Dealer (OMAFRA)	$25 annually	198	$0.0345M
Tile Licenses for persons or equipment for the installation of drainage works (OMAFRA)	$50-$250 as needed	298	$0.0579M
Dairy Inspection Milk and Cream Grader course (OMAFRA)	$50 annually	90	$0.0195M
Commercial Fish License (under 15k lbs quota) (MNRF)	$56.72 annually	N/A	N/A
Commercial Fish License (under 15k lbs quota) (MNRF)	$226.90 annually	N/A	N/A
Commercial Fish – Aquaculture License (MNRF)	$250 every 5 years	N/A	N/A
Baitfish Harvester's License - Tourist (MNRF)	$29.72 plus $32.20 BHA annually	N/A	N/A
Baitfish Harvester's License - Regular (MNRF)	$297.20 plus $32.20 per BHA annually	N/A	N/A
Baitfish Harvest Area Fee – for access to crown resources (MNRF)	$32.20 per BHA annually	N/A	N/A

Subject to verification with specific ministries.

Examples of Fees by Sector

Fee (Responsible Ministry)	2017-18 Fee Amount	2017-18 Estimated Transactions	2017-18 Forecasted Revenue
Agriculture, Forestry, Fishing and Hunting (continued)			
Baitfish Dealer's License (MNRF)	$148.60 annually	N/A	N/A
Baitfish Tourist Operators Dealer's License (MNRF)	$29.72 Annually	N/A	N/A
License to keep game birds in captivity (MNRF)	$20.80 annually	N/A	N/A
Fur Dealer's License (MNRF)	$39.63 annually	N/A	N/A
License to own and operate a game bird hunting preserve (MNRF)	$142.58 annually	N/A	N/A
Trapper's License (MNRF)	$16.95-$39.56 annually	N/A	N/A
Falconry License (MNRF)	$198.13 annually	N/A	N/A
License to Provide Bear Hunting Services (MNRF)	$35.00 annually	N/A	N/A
Crown Land Usage for Bear Hunting Services (MNRF)	$2.00 / km^3 annually	N/A	N/A
Timber Export Administration Fee (MNRF)	$1.00 / m^3 exported	N/A	N/A
Farm Vehicle Validation (>3k kg) (MTO)	$157 - $1245.50	75,475	$15.2620M

Subject to verification with specific ministries.

Ontario

Examples of Fees by Sector

Fee (Responsible Ministry)	2017-18 Fee Amount	2017-18 Estimated Transactions	2017-18 Forecasted Revenue
Manufacturing			
License to distribute dairy products from processer to retail (OMAFRA)	$150 as required	230	$0.0045M
Meat Plant License (OMAFRA)	$300 as required	193	$0.0050M
Dairy Processing Plant License (OMAFRA)	$150 as required	130	$0.0156M
Beer manufacturer license (MAG)	$1,575 annually	206	$0.3250M
Wine manufacturer license (MAG)	$1,260 every two years	119	$0.1500M
individual store manufacturing wine license (MAG)	$265 every two years	385	$0.1020M
Spirts manufacturing license (MAG)	$2,520 every two years	26	$0.0655M
Transfer of manufacturers license (MAG)	$1,000 as needed	15	$0.0147M
Transfer of a corporate rollover manufacturer license (MAG)	$100 as needed	15	$0.0015M
Manufacturer's Limited Liquor Sales License – Wine (MAG)	$450 every two years	22	$0.0099M
Manufacturer's Limited Liquor Sales License – Beer (MAG)	$225 every two years	36	$0.0081M

Ontario

Examples of Fees by Sector

Fee (Responsible Ministry)	2017-18 Fee Amount	2017-18 Estimated Transactions	2017-18 Forecasted Revenue
Manufacturing			
Licence to Represent a Manufacturer (MAG)	$30 every two years	514	$0.0154M
New Application to Ferment on Premises (MAG)	$1,000 as needed	27	$0.0273M
Temporary Transfer of Ferment on Premises Licence (MAG)	$105 as needed	28	$0.0029M
Renewal License to Ferment on Premises (MAG)	$450 every three years	301	$0.1353M
Fee for manufacturing commercial gaming related equipment (MAG)	$15,000 annually	32	$0.4800M
Fee for manufacturer of charitable gaming equipment (MAG)	$15,000 annually	11	$0.1716M
Building Materials Evaluation Commission Application – for innovated construction materials (MMA)	$9,000 per transaction	6	$0.0540M
Application for Minister's Ruling to permit new products (MMA)	$595 per transaction	35	$0.0208M
Forest Resource Processing Facility Licence (MNRF)	N/A	N/a	N/A

Ontario

Fee Reduction | Metrics for a Voucher

- The program will contribute to the government's stated objective of providing support for small business generally and the commitment to provide fee relief to small- and medium-sized businesses more generally.

- The program measures will be based on:
  - the number of businesses supported
  - amount of fee savings provided to small- and medium-sized businesses.

Fee Reduction | Jurisdictions

Jurisdiction	Initiative	Description
United States, Environmental Protection Agency	Pesticide Registration Improvement Extension Act, Small Business Waiver	• An applicant that qualifies as a small business is eligible for a partial waiver of 50%, or in some cases 75% , of the pesticide registration service fees. • Firms with fewer than 500 employees and an average annual revenue from pesticides of not greater than $60 million is eligible for a 50% waiver and firms with fewer than 500 employees and an average annual revenue from pesticides of not greater than $10 million is eligible for a 75% waiver.
United States, Food and Drug Administration	Prescription and Drug User Fees	• Application fee will be waived for the first human drug application that a small business or its affiliate submits for review. • A small business is defined as having fewer than 500 employees, including employees of affiliates. • To be granted a waiver, a small business must submit a written request for the waiver.
United States, Pennsylvania	Veterans Business Fee Exemption	• Waiver of filing fees for certain documents, such as articles of incorporation, for businesses started by veterans. • The business must be independently owned and employ 100 or fewer employees.
New South Wales (NSW), Australia, Department of Industry, Innovation and Science	Small Business Safety Rebate	• Rebate of up to $500 on eligible safety items to address safety risks identified by Safework NSW Compliance. • Businesses must purchase your safety items and apply for the rebate within six months of attending the advisory visit, safety workshop, program or event.
New South Wales, Australia, NSW Environmental Protection Agency	Bin Trim Rebates Program	• SMEs with up to 200 employees can receive rebates of $1000-$50,000 to cover up to 50% of the cost of purchasing small scale, onsite recycling equipment. • Onsite recycling equipment reduces cost burden of waste management for the business as well as the government.
City of Boulder, Colorado	Flexible Rebate Program	• Companies receive a rebate for certain taxes and fees after submitting receipts. • Eligible companies are businesses that receive 50% or more of their revenues from outside Boulder County, excluding hotels, motels, retailers and food service facilities, who are looking to grow and expand within Boulder.

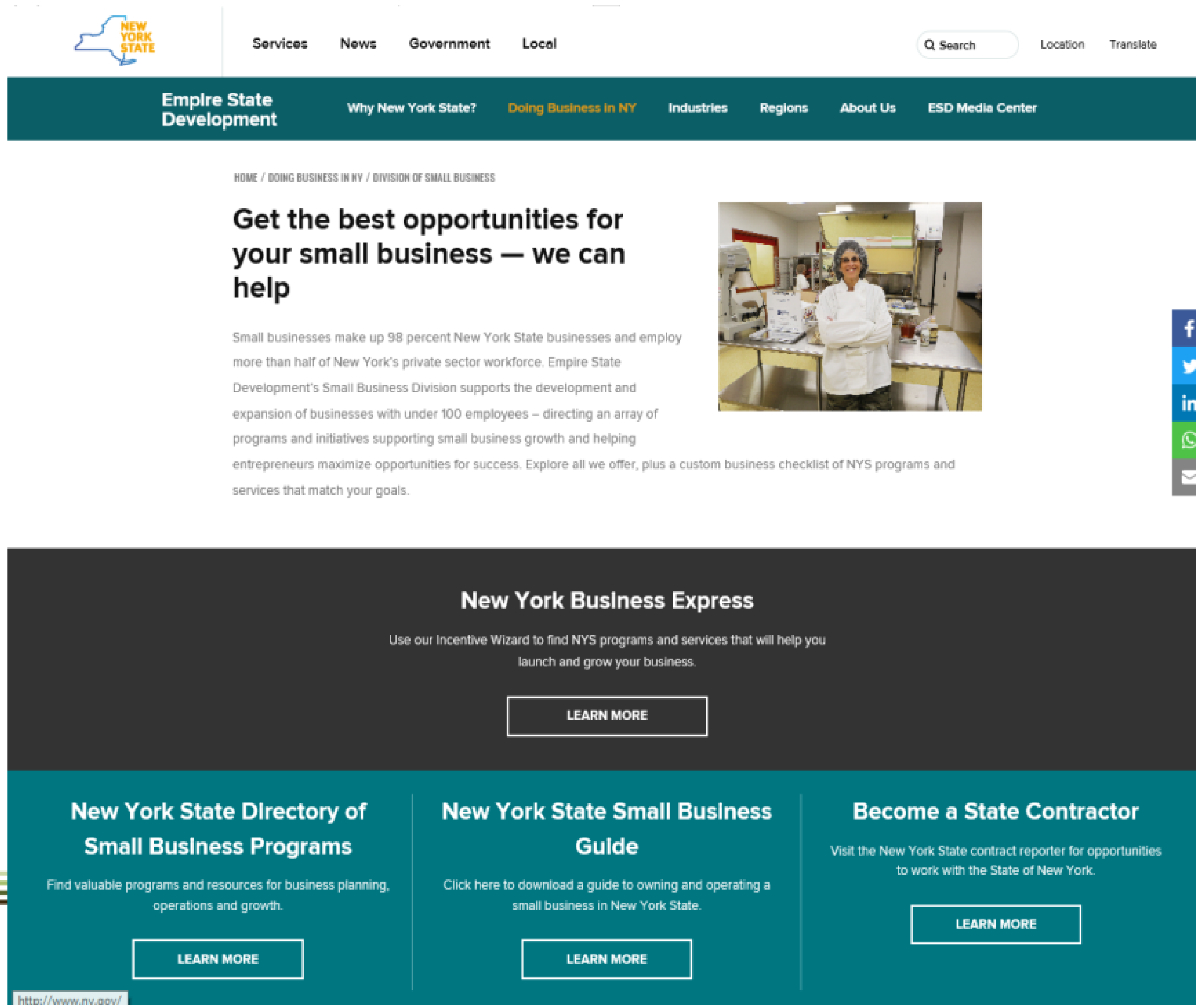
APPENDIX – RESOURCE REQUIREMENTS

Small Business Initiatives				
	Resources			Lead ministry
Initiative	FTES	S/W DOE	Program Funding	
Vouchers / Fee reduction	√	√	√	MEDG
Procurement	TBC	√	√	MGCS, TB/MBC
Ontario Small Business Connect	√	√	√	MEDG
Co-ordinated inspections pilot	TBC	TBC	TBC	MEDG
Risk based inspections			TBC	MEDG

APPENDIX – SMALL BUSINESS COMPARATOR WEBSITES

Small Business Comparator Websites

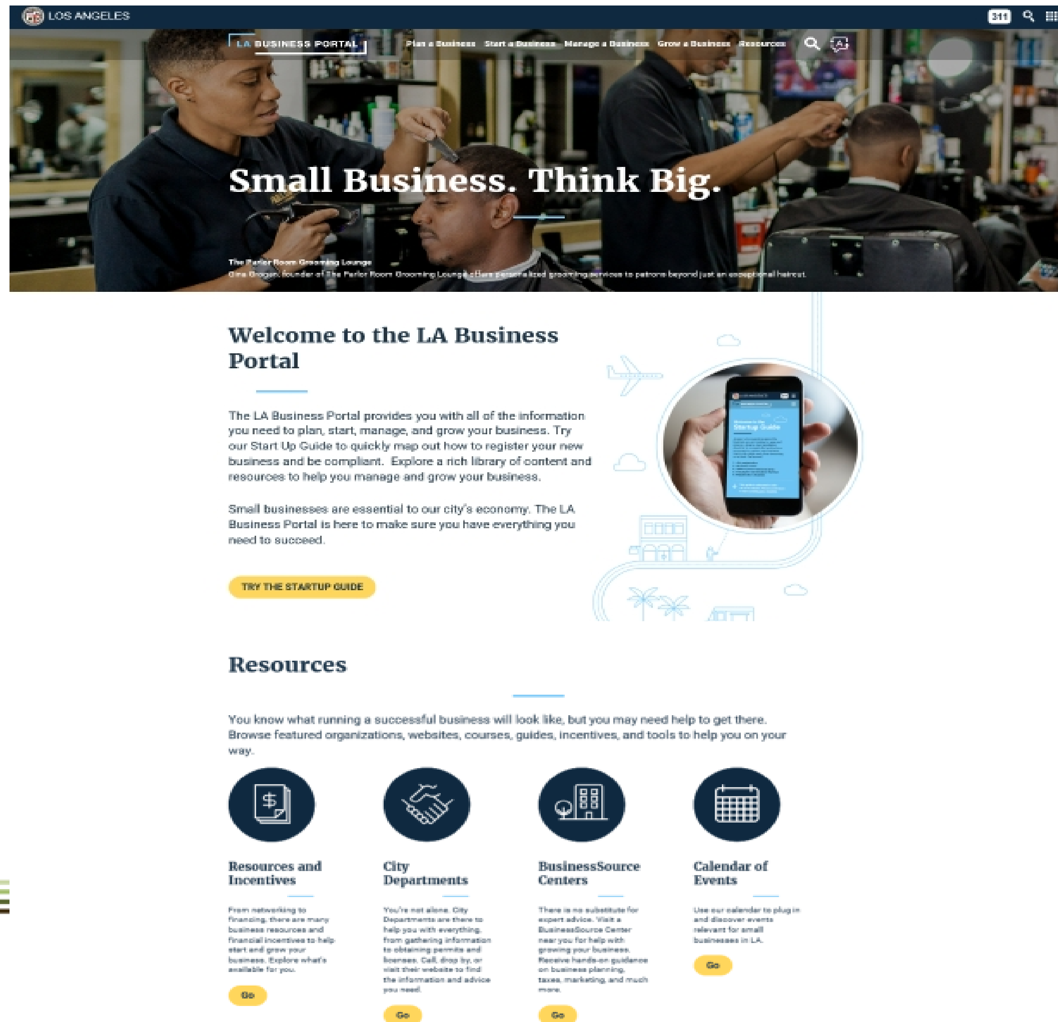
New York State (https://esd.ny.gov/doing-business-ny/small-business-hub)



Ontario

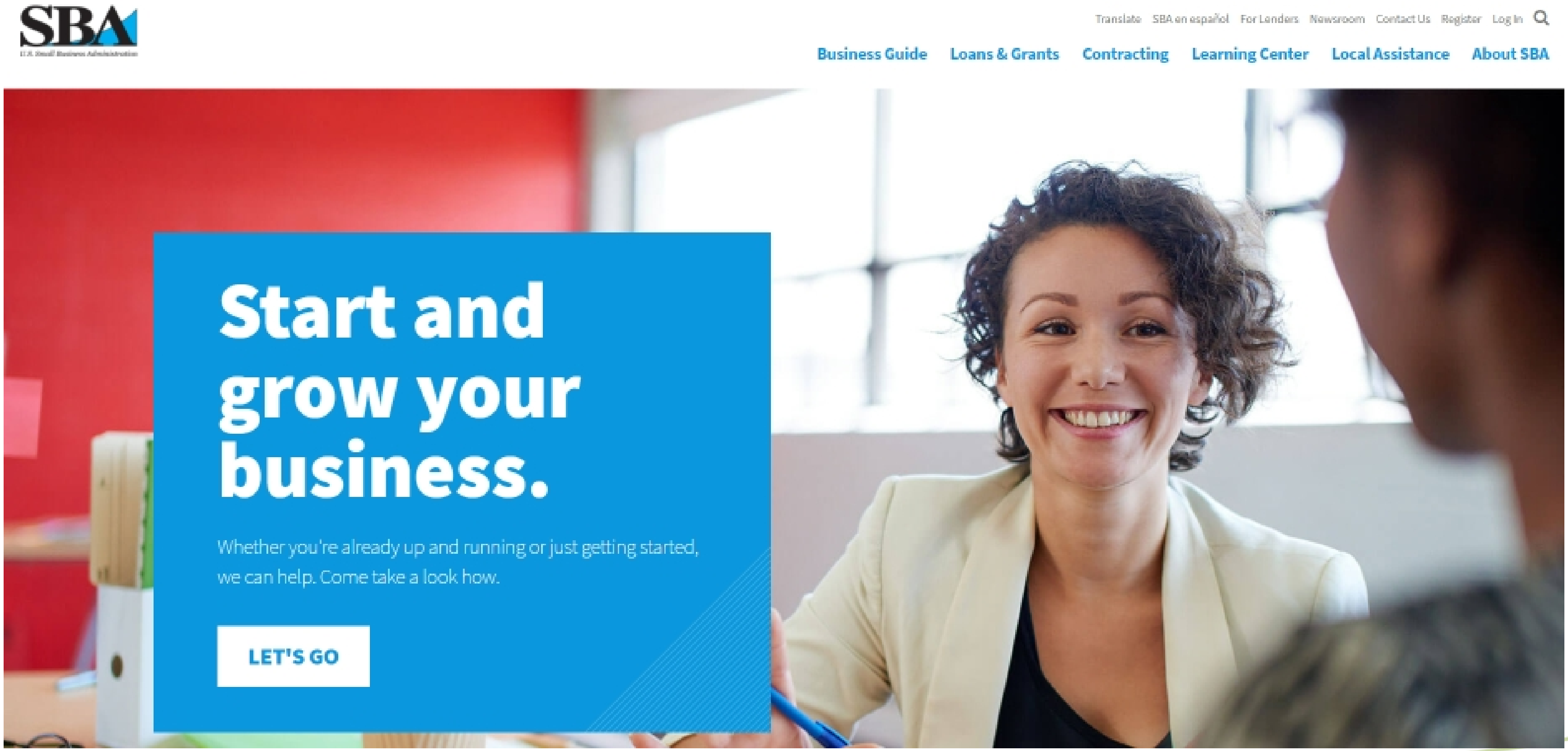
Small Business Comparator Websites

Los Angeles Business Portal (http://business.lacity.org/)



Small Business Comparator Websites

US Small Business Administration (https://www.sba.gov/)



APPENDIX – COMMUNITY IMPROVEMENT PROGRAMS

Previous/Existing Main Street Programs

OMAFRA's Previous Main Street Ontario Program

- $2 million in annual funding
- Approximately 13* communities were supported through this program in one year, with $150,000 each

OMAFRA's Current Downtown Revitalization (DR) Program

- DR has no budget, projects can apply to the Regional Economic Development (RED) program for funding.
- Although RED has a $5 million budget, there is no fixed allocation for Downtown Revitalization.
- Only 1 Main Street / Downtown Revitalization project was funded in the last intake

Impact of Downtown Revitalization Program

- Select impacts for communities that have undertaken or been supported through OMAFRA's downtown revitalization program:
  - Since 2009, the Town of Minto has identified approximately 135 new jobs in their three downtown areas
  - During a 2010 to 2013 downtown revitalization project, Tilbury (Chatham-Kent) identified 47 new jobs in their downtown area
  - From 2013 to 2015, the commercial vacancy rate in downtown Gravenhurst fell by 4.1 percentage points

Community Improvement Plans (CIPs)

- Planning Act (s. 28) allows municipalities to designate community improvement projects areas and adopt a Community Improvement Plan (CIP)
- Community improvement plans provide municipalities with means of planning and financing development activities that effectively use, reuse and restore lands, buildings and infrastructure.
- Generally speaking, municipalities are not permitted to “bonus” or provide financial incentives to business. A community improvement plan provides an exception to the bonusing prohibition as a general public good is being delivered.
- Through community improvement plans, municipalities can:
    - focus public attention on local priorities and municipal initiatives
    - target areas in transition or in need of repair, rehabilitation and redevelopment
    - facilitate and encourage community change in a co-ordinated manner
    - stimulate private sector investment through municipal incentive-based programs

CIPs – Examples of Programs

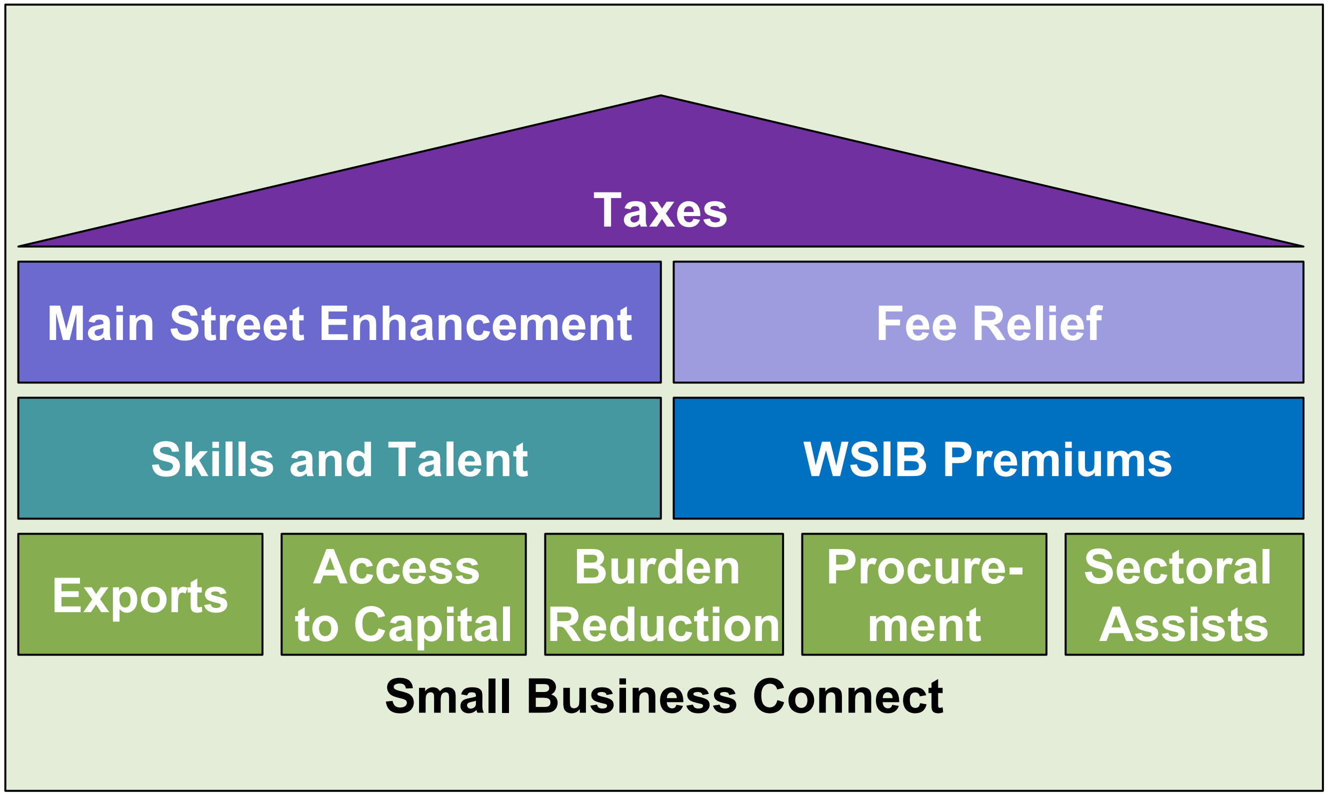
Municipally-Driven Programs

- infrastructure works
- municipal property acquisition, land assembly and sale of lands
- municipal facilities construction and rehabilitation
- public space, parks and recreation works
- signage, streetscape and landscaping improvements.

Incentive-Based Programs (grant, loan and property tax assistance)

- brownfields environmental assessment, remediation and redevelopment
- commercial building façade improvements
- downtown/core area and waterfront revitalization
- preservation and adaptive reuse of heritage and industrial buildings
- provision of affordable housing
- property tax assistance for remediation purposes
- project feasibility studies
- space conversion for residential and commercial uses
- structural improvements to buildings (e.g., Building Code upgrades)
- improvement of community energy efficiency
- accessibility enhancements

Small Business Communications Framework



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

Ontario