

Help Wanted

2020 Pre-Budget Submission

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On behalf of our 42,000 small- and medium-sized business members across Ontario, we welcome the opportunity to comment on the provincial government's upcoming budget.

Ontario's small- and medium-sized businesses are a key contributor to the strength and success of the provincial economy, employing 88.3 per cent of Ontarians in the private sector, and acting as an important cornerstone in local communities.

Last year was a strong one for Ontario's small business owners. The government moved closer to achieving a balanced budget and continued to focus on eliminating red tape, producing tangible results for business owners. The second consecutive year of significant Workplace Safety and Insurance Board (WSIB) average premium rate reductions is providing much-needed cost relief, and many business owners will benefit from the lower provincial small business tax rate.

As we enter the next decade, small business owners across Ontario face new challenges. Many report difficulties finding qualified employees. This labour shortage spans both rural communities and large urban centres. A renewed government focus on much-needed transit expansion and infrastructure upgrades threatens to turn Main Street into a construction zone, causing major business disruptions. Cost pressures like rising payroll taxes, property tax bills and hydro rates are roadblocks for job creators seeking to invest and grow their businesses.

Going forward, we strongly urge the government to take the time to identify and address the root causes of these issues to ensure sustainable growth in the small business sector.

Summary of Recommendations

SHORTAGE OF SKILLED LABOUR

- **Work with the federal government to increase immigration pathways for lower-skilled workers.**

- Equip youth with job readiness skills and workplace literacy in high school to better prepare them for the workplace.
- Improve access to post-secondary Work Integrated Learning (WIL) programs, with a focus on creating small business positions and expanding programs to more sectors and beyond urban centres.
- Introduce a flexible training tax credit for small businesses.
- Introduce a mandatory, full-semester financial literacy course at the high school level.

DEBT AND DEFICIT

- Continue down the path to returning Ontario's budget to balance within the current mandate.
- Introduce a long-term debt reduction plan with key timelines and benchmarks that starts after balancing the budget.

TAXES

- Increase the Employer Health Tax (EHT) exemption threshold to \$1 million and index it to inflation annually.
- Develop a plan to gradually reduce the provincial small business income tax rate to 0 per cent.
- Increase the small business income tax rate threshold from \$500,000 to \$750,000 and index it to inflation thereafter.
- Review the province's Business Education Tax (BET) to make the system fairer by reducing the discrepancy between industrial and commercial rates, and between business and residential rates.
- Complete a full review of the Municipal Property Assessment Corporation (MPAC) and ensure that Ontario's property assessment system is designed to tax commercial properties for current use, rather than potential use under municipal zoning allowances.
- Continue to pressure the federal government to abandon the upcoming Canada Pension Plan (CPP) premium increases.

CONSTRUCTION MITIGATION

- Include a comprehensive construction mitigation package as part of all major provincial construction projects that cause major disruptions, for extended periods of time, to the regular operations of local business owners. The package should have the following components:
 - A direct compensation program that is easy to access and involves fair and timely monetary compensation.
 - An improved contracting process that includes a bonus/penalty system for the early/late completion of the project.
 - A comprehensive planning process that uses the "sign once" principle and spells out the phasing/timing of a project.
 - A "no surprise" rule that includes meaningful consultation with the affected communities on expected timelines and disruptions to ensure no business is caught off guard during the construction period.

- **A designated business liaison officer with managerial authority for the project to ensure the local business community is regularly canvassed and updated on the project's progress.**

ENERGY COSTS

- **Eliminate Time-of-Use pricing for small businesses.** The Time-of-Use pricing model should be replaced with a model that addresses usage, instead of the time of day, such as a tiered-rate system where there is a lower cost on the first 3,000 kWh of energy used per month, or a **“pick your peak”** model to provide flexibility and choice around business consumption needs.
- **Keep the campaign commitment to reduce hydro rates for residents, small business owners and farmers by 12 per cent.**
- **Require the Global Adjustment fee to be visible and explained on all bills** to inform Ontarians of exactly what they are paying for in their hydro bills.
- **Better manage the supply and demand of energy.** Given increased conservation, excess supply and rapidly aging infrastructure, find a way to better manage supply and demand so that small businesses and Ontarians more broadly are not paying other jurisdictions to take excess electricity.
- **Consult on and publish a new Long-Term Energy Plan (LTEP) that reflects the government's energy policy changes and their impact on the existing LTEP projections.**

RED TAPE

- **Update the province's 2012 regulatory count in the next annual Burden Reduction Report and keep it updated annually.**
- **Introduce a one-in, one-out rule for new regulations once the 25 per cent red tape reduction target is met by 2022.**
- **Ensure that the system replacing the College of Trades does not create new red tape for small business owners.**

WORKERS' COMPENSATION

- **Monitor the impact of the WSIB's new Rate Framework to ensure it is fair and functions as intended.**
- **Introduce a mandatory premium rebate policy should WSIB funding exceed 110 per cent.**
- **Eliminate mandatory WSIB coverage for owners, directors and independent operators in the construction sector (Bill 119, 2008).** This measure has done nothing to target the underground economy or improve workplace safety.
- **Introduce legislation to eliminate the 72-month lock-in provision.** Amend the *Workplace Safety and Insurance Act* to allow the WSIB to reopen cases after the 72-month deadline where there is noted improvement in work-related injuries. This would reduce the financial pressure on the WSIB, while ensuring that those who really need the help, get it.

LCBO AND ONTARIO CANNABIS STORE

- **Conduct a red tape review/audit of the Liquor Control Board of Ontario (LCBO) and Alcohol and Gaming Commission of Ontario (AGCO).**

- **Broaden access by Ontario's craft distillers to LCBO stores**, so they may compete fairly for shelf space with other larger distillers. Let the consumer decide which distilled products they prefer, not the LCBO.
- **Eliminate the 6.1 per cent Basic Wine Tax for Ontario wineries selling their product on-site, and eliminate the "import tax" imposed on Ontario wines at the LCBO that treats them as though they were produced out of province.**
- **Make good on the province's commitment to expand retail options for beer to convenience stores.**
- **Ensure that the post-lottery system cannabis retail rollout is done in a timely fashion, and work with municipal governments to ensure cannabis-related regulations are fairly and consistently designed and enforced across the province.**

ARBITRATION

- **Amend the existing arbitration system.** Require arbitrators to abide by legislated, defined criteria when resolving public sector labour disputes.

ENVIRONMENT

- **Continue to fight the federal carbon tax.**
- **Conduct a red tape audit of Ontario's recycling programs.**
- **Review the new tires program – the only program to have transitioned so far to Ontario's new Individual Producer Responsibility model – to make sure the same mistakes aren't repeated in the remaining programs under transition.**
- **Review the framework introduced in Bill 151 (*Waste-Free Ontario Act*) to ensure an affordable, fair and accountable system.**

AGRI-BUSINESS

- **Take further action to eliminate stray voltage on Ontario farms.** Many of the province's farmers and their livestock are adversely affected by stray voltage, and the provincial government has yet to acknowledge the severity of this issue and adequately address it.
- **Assist Ontario agri-business owners with succession planning.** Address the competitive challenges in the agricultural sector by introducing policies and initiatives that encourage farmers to plan for succession and attract youth to the sector.

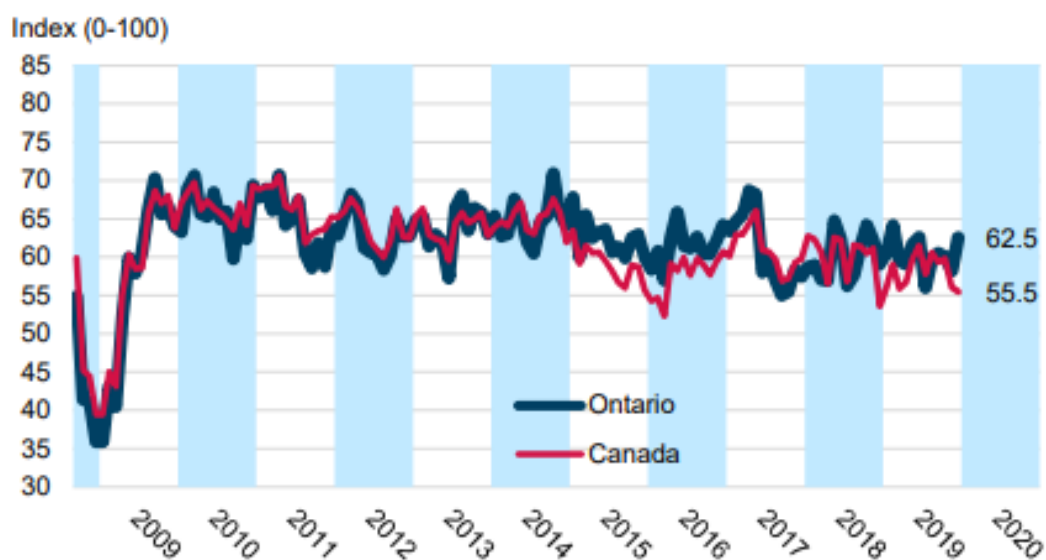
Current State of Ontario SMEs: CFIB's Business Barometer®

CFIB has been tracking business confidence on a monthly basis for a number of years. Our Business Barometer® index has proven to be a very accurate predictor of SME business performance. Tracked against GDP, the Business Barometer® index closely reflects the state of the economy. Measured on a scale between 0 and 100, an index level above 50 means that owners expecting their business performance to be stronger over the next year outnumber those expecting weaker performance. According to past results, index levels normally range between 65 and 75 when the economy is growing.

In 2019, Ontario's index ranged from a high of 64.1 in February, to a low of 56.0 in July. While Ontario's small business confidence was at or above the national average for most of 2019 –

finishing a full seven points above the rest of the country in December – it remained below the expected range for a healthy, growing economy for the second straight year.

Figure 1: CFIB Business Barometer[®]: Ontario/Canada comparisons



Source: CFIB, Business Barometer[®]

As was the trend in 2018, small business concern around the shortage of skilled labour persisted throughout 2019, remaining the top limitation on sales or production growth in all 12 months, finishing the year at 45 per cent. (Figure 2).

Figure 2: CFIB Business Barometer[®]: Limitations on Sales or Production Growth – December 2019

4. Limitations on sales or production growth*



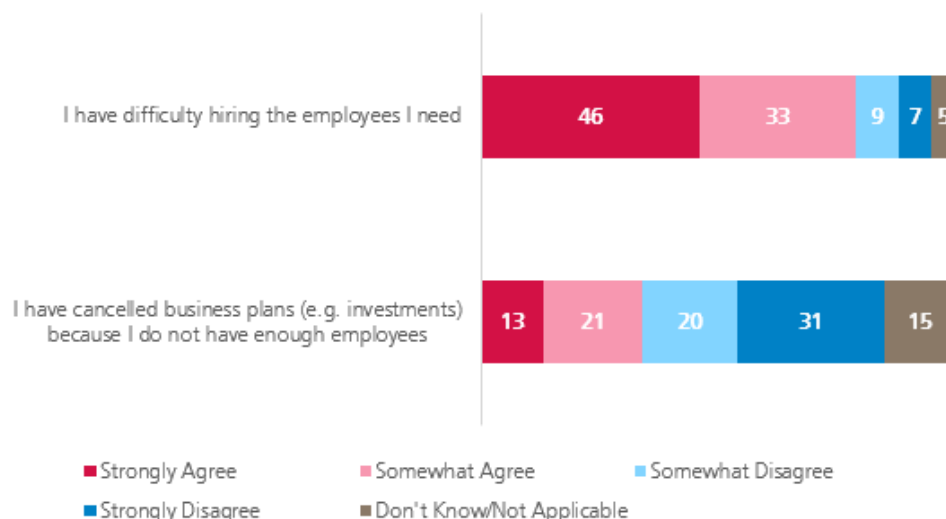
* 12-month moving averages.

Source: CFIB, Business Barometer[®], December 2019

Shortage of Labour

Many of Ontario's small business owners are looking to hire; however, the overwhelming majority of them (79 per cent) are having difficulty hiring the employees they need, resulting in a third of small business owners cancelling business plans (Figure 3).

Figure 3: Thinking about your business during the past 12 months, to what extent do you agree with the following statements?



Source: CFIB, Your Views on Employment Survey, Aug. 24-Oct. 30, 2018, based on 2,942 Ontario responses

Furthermore, business owners are reporting that there simply aren't enough candidates in their area, let alone qualified ones (Figure 4).

Figure 4: Which of the following challenges does your business face in terms of recruitment? (Select as many as apply)



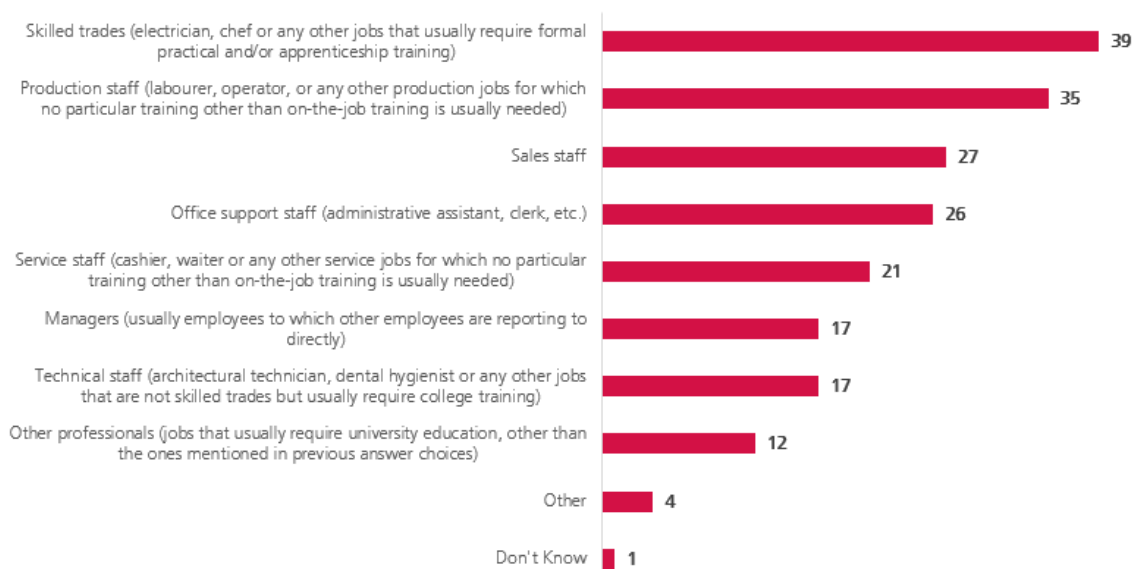
Source: CFIB, Your Views on Employment Survey, Aug. 24-Oct. 30, 2018, based on 2,300 Ontario responses

According to CFIB's latest *Help Wanted* report, Ontario's job vacancy rate is 3.2 per cent – a tenth of a point off the province's all-time high, trailing only Quebec and British Columbia across the country. The rate represents approximately 168,000 unfilled positions. As

mentioned earlier, small business owners are feeling the impact of this labour shortage, reporting it as the number one barrier to sales or production growth.

While the labour shortage is generally widespread, there are certain sectors and positions that are more acutely impacted, such as construction and transportation. There is a particularly high demand for employees with training in the skilled trades (Figure 5).

Figure 5: If you are planning to hire over the next 12 months, what type of positions will you be looking for?
(Select as many as apply)



Source: CFIB, Your Views on Employment Survey, Aug. 24-Oct. 30, 2018, based on 1,041 Ontario responses

IMMIGRATION

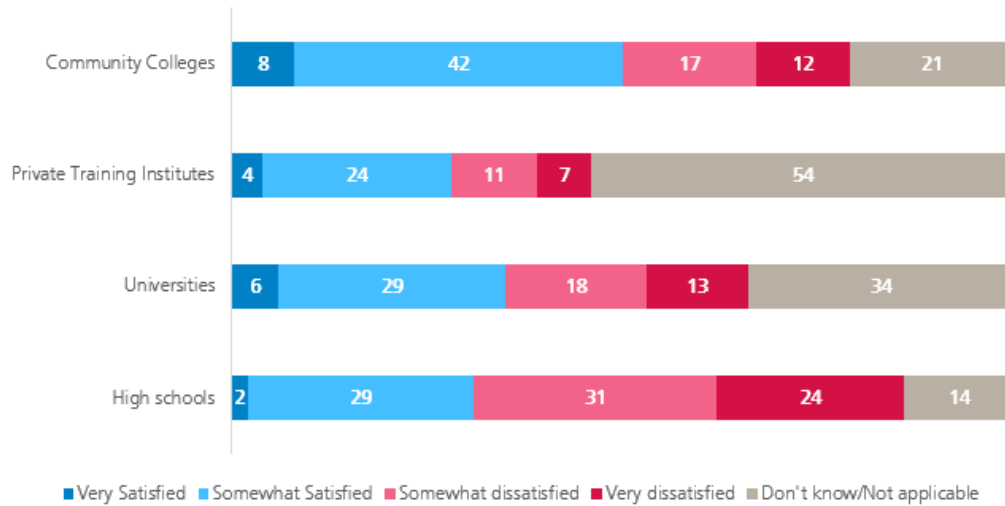
One part of the solution to Ontario's labour shortage problem is immigration. We are encouraged to see the province taking an active role in engaging with their federal counterparts to expand the Ontario Immigrant Nominee Program (OINP). We also eagerly await data from the two-year OINP Regional Immigration Pilot to determine if the pilot should be expanded to help even more communities tackle their labour needs.

We encourage the Ontario government to continue to work with their federal partners to increase pathways for lower-skilled workers and to consider Ontario's economic immigration needs.

EDUCATION

Ontario's education system has a crucial role to play in preparing young people for the workplace, as well as exposing them to potential career opportunities. Small business owners are not satisfied with the job educational institutions are doing to prepare young people for the workplace (Figure 6 on next page). **Greater emphasis on workplace skills and preparedness at all levels of the education system is required.**

Figure 6: How satisfied are you with the job of the following educational institutions in preparing youth for employment (Select one for each line)?



Source: CFIB, Youth Employment Survey, May 22-June 25, 2018, based on 1,553 Ontario responses

It's important for the government to consider multiple angles and take a long view in addressing the labour shortage. The government is taking significant steps towards tackling the "trades taboo" amongst students and parents through advertising and education efforts. In addition to continuing these efforts, a greater emphasis on how classroom-learned skills transfer to the workplace would help bring some perspective to students as they begin to make career decisions.

Small business owners want to hire young people; however, youth hiring comes with a significant training cost. In fact, the cost for a small business owner to train a new hire with no experience is significantly more than the cost of hiring someone with experience (Figure 7).

Figure 7: Average training cost per employee, by type of employee, 2014



Source: CFIB, Training in Your Business Survey, Sept.-Oct. 2015, based on 6,705 responses

The government should ensure that business owners can focus on training new employees for the work they have been hired to do, rather than on how to be an employee in general in any workplace. This could be achieved with shifts in the curriculums of Ontario's educational

institutions to place more focus on basic job readiness (e.g. professionalism) and workplace literacy and communication.

In order to help mitigate the costs of training, we strongly encourage the government to develop a flexible training tax credit that recognizes the informal (outside of the classroom) training that goes on in small businesses.

FINANCIAL LITERACY

Small business owners also feel that the high school system could be doing more to teach financial literacy to students. In a recent CFIB mandate question, 88 per cent of small business owners supported the introduction of a mandatory, full-semester financial literacy course at the high school level. Placing a greater emphasis on practical financial literacy will help better equip young people for financial realities and expectations as they enter the workforce.

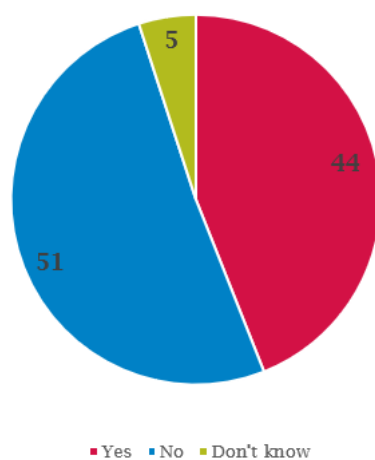
RECOMMENDATIONS:

- **Work with the federal government to increase immigration pathways for lower-skilled workers.**
- **Equip youth with job readiness skills and workplace literacy in high school to better prepare them for the workplace.**
- **Improve access to post-secondary Work Integrated Learning (WIL) programs, with a focus on creating small business positions and expanding programs to more sectors and beyond urban centres.**
- **Introduce a flexible training tax credit for small businesses.**
- **Introduce a mandatory, full-semester financial literacy course at the high school level.**

Construction Mitigation

Small business owners support infrastructure and transit upgrades; however, while the benefits of completed projects are widely touted during the planning process, the impacts on local businesses during the actual construction phase are often forgotten. Almost half of Ontario businesses have been disrupted by construction projects over the past five years (Figure 8 on next page).

Figure 8: Has your business been disrupted by local construction projects (e.g. road work, public transit upgrades, etc.) during the last five years?
(select one answer only)



Source: CFIB national survey on municipal issues, July 6-26, 2017, based on 2,334 Ontario responses

With the government prepared to invest in major infrastructure projects such as the Ontario Line subway in Toronto, we strongly urge the province to adopt comprehensive construction mitigation programs for all major projects to help the businesses disrupted by construction survive to see and benefit from the project's completion.

RECOMMENDATIONS:

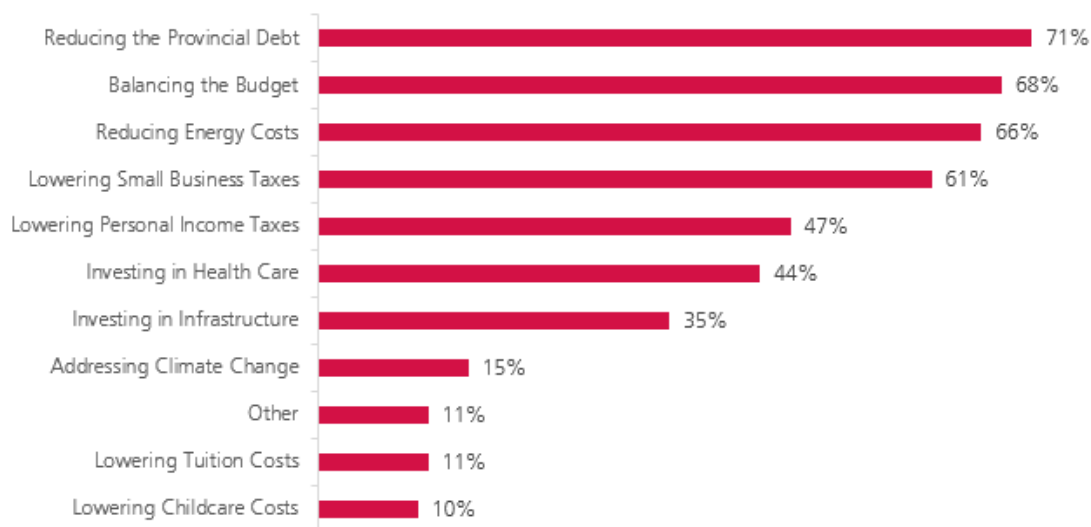
- **Include a comprehensive construction mitigation package as part of all major provincial construction projects that cause major disruptions, for extended periods of time, to the regular operations of local business owners. The package should have the following components:**
 - A direct compensation program that is easy to access and involves fair and timely monetary compensation.
 - An improved contracting process that includes a bonus/penalty system for the early/late completion of the project.
 - A comprehensive planning process that uses the “sign once” principle and spells out the phasing/timing of a project.
 - A “no surprise” rule that includes significant consultation with the affected communities on expected timelines and disruptions to ensure no business is caught off guard during the construction period.
 - A designated business liaison officer with managerial authority for the project to ensure the local business community is regularly canvassed and updated on the project's progress.

Government Debt and Deficit

Government debt and deficit were the top priorities identified by small business owners during the 2018 provincial election campaign (Figure 9 on next page).

Figure 9: 2018 Campaign Priorities

What are the top priorities that the newly-elected Premier should first address? (select as many as apply) (% response)



Source: CFIB, Ontario Pre-Election Survey, April 11-26, 2018, based on 3,390 responses

At a time when Canadian household debt is among the highest in the world, it is imperative that the government lead by example and take swift and concrete steps towards reducing the deficit and debt load.

To date, the government's progress on this file has been encouraging, and we urge them to continue down the path to a balanced budget by the end of their current mandate.

As the government moves to eliminate Ontario's deficit, there should also be a longer-term plan in place to address Ontario's significant debt and ballooning annual interest payments.

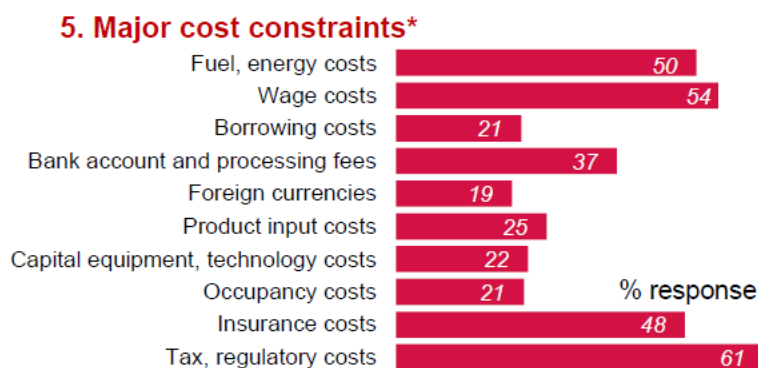
RECOMMENDATIONS:

- **Continue down the path to returning Ontario's budget to balance within the current mandate.**
- **Introduce a long-term debt reduction plan with key timelines and benchmarks that starts after balancing the budget.**

Taxes

Tax and regulatory costs remain the top cost constraint for Ontario's small business owners (Figure 10 on next page).

Figure 10: CFIB Business Barometer®: Major Cost Constraints – December 2019



* 12-month moving averages.

CFIB, Business Barometer®, December 2019

CFIB is pleased that the government made good on its 2018 campaign commitment to reduce the small business tax rate from 3.5 to 3.2 per cent. We urge the government to stay the course on deficit reduction and to also gradually reduce the small business tax rate to 0 per cent, as was done in Manitoba.

The minimum wage saw a 21 per cent increase on January 1, 2018. After being frozen at \$14/hour, the minimum wage will resume inflationary increases beginning on October 1, 2020. The Employer Health Tax (EHT) threshold has not increased by the same amount, resulting in some businesses that had previously been under the threshold and not paying the tax, being pushed over it, despite not making any new hires or voluntary increases to their payroll. Small business owners should not have been penalized with higher payroll taxes as a result of a government-imposed wage increase.

While the inflationary increase to the EHT threshold announced in the 2018 fall economic update is welcome, it does not go far enough. We recommend that the government gradually increase the EHT threshold to \$1 million and then index it to inflation annually to ensure small businesses are not unfairly penalized on their payroll taxes for any future government wage increase decisions.

Furthermore, we encourage the government to consider increasing the provincial small business deduction threshold, which has remained at \$500,000 for a decade, to \$750,000 and indexing it to inflation moving forward.

Finally, the previous government had committed to reducing Business Education Tax (BET) rates upon achieving a balanced budget. While the previous government claimed balance in their final budget, no move to reduce the BET was made. We encourage the current government to review BET rates across the province with a goal of reducing the discrepancy between industrial and commercial rates, and between business and residential rates.

RECOMMENDATIONS:

- **Increase the Employer Health Tax (EHT) threshold to \$1 million and index it to inflation annually.**
- **Develop a plan to gradually reduce the provincial small business tax rate to 0 per cent.**
- **Increase the small business corporate income tax rate threshold from \$500,000 to \$750,000 and index it to inflation thereafter.**
- **Review the province's Business Education Tax (BET) to make the system fairer by reducing the discrepancy between industrial and commercial rates, and between business and residential rates.**
- **Complete a full review of the Municipal Property Assessment Corporation (MPAC) and ensure that Ontario's property assessment system is designed to tax commercial properties for current use, rather than potential use under municipal zoning allowances.**
- **Continue to pressure the federal government to abandon the upcoming Canada Pension Plan (CPP) premium increases.**

Energy Costs

Electricity and fuel costs remain a top concern and constraint for small business owners. Competitive electricity rates are a key component of small business success in a global economy. While the issue had died down in the wake of the previous government's minimum wage increases, we are seeing it rapidly return as a major concern for our members.

Furthermore, businesses that were too big to qualify for the average 25 per cent reduction under the *Fair Hydro Plan*, and too small to qualify for the Industrial Conservation Initiative (ICI) – many of them mid-sized manufacturers – continue to find themselves in limbo, and will now have to deal with the federal carbon tax's impact on top of their electricity costs.

It should be the priority of the provincial government to provide relief from rising energy costs that go beyond electoral timelines.

The Time-of-Use (TOU) pricing structure remains one of the most detrimental energy policies to small businesses. Eighty-six per cent of small businesses have been unable to change their consumption patterns from on-peak to either mid- or off-peak hours to manage their electricity costs. They have to keep the lights on when customers demand, which is during business hours – the most expensive time of day. Small business owners view TOU pricing as a penalty for being open for business.

Ontarians have paid a steep price for bad planning and poor political decision-making in the energy sector. During the previous government's Long-Term Energy Plan (LTEP) consultations, stakeholders overwhelmingly called for taking politics out of the equation and removing political decision-makers from the energy process. Such a move would help to ensure that energy decisions, including supply mix, are based on facts and made by industry experts, instead of elected officials.

In the near-term, we also recommend that the government re-open consultations for a new LTEP, given their shifting energy priorities and the impact on the existing LTEP of recent

decisions, including the cancellation of certain energy contracts and a shift in thinking on electric vehicles.

Small businesses continue to report difficulty in understanding the charges on their hydro bills. Transparency in billing is still lacking, especially when it comes to “hidden” fees like the Global Adjustment. We continue to encourage government to mandate that all charges be included and explained on all hydro bills.

The previous government had halted most planned new energy generation and indicated they were moving towards a competitive market for future generation. This was a positive step towards a “consumer first” approach. We are hopeful that the new government will maintain this direction to better manage supply and demand issues and prevent the practice of paying other jurisdictions to take on our excess power, or selling our excess power at a loss.

Electric Vehicles

Ontario’s existing LTEP forecasts little change in the energy supply, thanks largely to the belief that the electrification of the economy will increase. The LTEP outlook projects 2.4 million electric vehicles (EVs) on the road by 2035 – up from 7,000 as of June 2016 – representing less than one per cent of all vehicles in the province.

While there is continuing debate about the reality of meeting such an ambitious target, of more immediate concern to the small business community is that the current LTEP supply projections account for 2.4 million EVs on the road, while its cost projections do not account for the cost to residents or businesses for charging those vehicles. This likely means that the LTEP cost projections are misleadingly low.

It is highly likely that a shift towards EV usage would also come with a behavioural shift in transportation and driving as a whole. While many government and industry officials are focused on creating a “gas station style” network for EV charging, it is possible that EV drivers will regard charging their cars the same way they charge their cell phones – at home overnight and at the workplace. Because of this, it’s likely that as EV usage grows, the demand for access to electricity for charging EVs at the workplace will also increase (both for employees and customers), rapidly driving business electricity costs.

We remain concerned that these costs have not been taken into account when forecasting provincial energy plans.

Furthermore, a substantial amount of money is transferred from the province to municipalities through gas tax revenue; government should study and plan for this revenue shortfall now to garner a better understanding of the impact of electrification on the existing funding arrangement.

RECOMMENDATIONS:

- **Eliminate Time-of-Use pricing for small businesses.** The Time-of-Use pricing model should be abandoned in favour of a model that addresses usage, instead of the time of day, such as a tiered-rate system where there is a lower cost on the first 3,000 kWh of energy used per

month, or a “**pick your peak**” model to provide flexibility and choice around business consumption needs.

- **Keep the campaign commitment to reduce hydro rates for residents, small business owners and farmers by 12 per cent.**
- **Require the Global Adjustment fee to be visible and explained on all bills** to inform Ontarians of exactly what they are paying for in their hydro bills.
- **Better manage the supply and demand of energy.** Given increased conservation, excess supply and rapidly aging infrastructure, find a way to better manage supply and demand so that small businesses and Ontarians more broadly are not paying other jurisdictions to take excess electricity.
- **Consult on and publish a new Long-Term Energy Plan (LTEP) that reflects the government’s energy policy changes and their impact on the existing LTEP projections.**

Red Tape

Government regulation/paper burden continues to be a major concern for small businesses. As noted during our recent 11th annual Red Tape Awareness Week™, CFIB has commended the government for its political will and action on reducing unnecessary, excessive and duplicative rules.

In two years of governing, the provincial government has received two consecutive A- grades – the highest grade in the province’s history – based on three stringent criteria in CFIB’s annual Red Tape Report Card: strong political leadership, a comprehensive public measure of the province’s regulatory burden, and a clear cap on government rules. The government is making progress on putting in place the regulatory framework needed to publicly measure progress on their good work and keep future rules in check, including the establishment of a baseline: an updated count of rules required by legislation, regulations, policies, and forms. We look forward to seeing the updated regulatory count in the next annual Burden Reduction Report.

We commend the government for following through on the long-standing CFIB recommendation to set a cross-government red tape reduction target (25 per cent by 2022). To maintain regulatory health, we continue to encourage government to set a one-in, one-out regulatory rule once this target is met.

Even with all its progress, the government must remain vigilant on the red tape file. For example, the government should keep red tape top of mind as it continues to develop the new model to regulate skilled trades that will replace the Ontario College of Trades.

Close to 40 per cent of small business owners might not have gone into business if they had known about the burden of government regulation. This “hidden” tax is estimated to cost Ontario businesses billions annually. Every minute devoted to filling out excessive paperwork is a minute not spent on growing the economy and creating employment opportunities for Ontarians.

Furthermore, regulation disproportionately impacts smaller businesses, both in time and in money. On average, Ontario businesses with fewer than five employees spend \$6,776 per

employee in regulatory costs, taking an average of 177 hours per employee. In contrast, Ontario businesses with more than 100 employees spend only \$1,552 and 25 hours per employee.

RECOMMENDATIONS:

- **Update the province's 2012 regulatory count in the next annual Burden Reduction Report and keep it updated annually.**
- **Introduce a one-in, one-out rule for new regulations once the 25 per cent red tape reduction target is met.**
- **Ensure that the system replacing the College of Trades does not create new red tape for small business owners.**

Workers' Compensation

The Workplace Safety and Insurance Board (WSIB) eliminated its unfunded liability nearly 10 years ahead of the legislated schedule and reduced premium rates for 2020 by an average of 17 per cent across all sectors. CFIB has been monitoring the impact of the WSIB's new Rate Framework that took effect January 1, 2020.

As the WSIB has reached full funding, we recommend that it institutes a policy to keep funding at 100-110 per cent, and that rebates be issued to employers for overpayment if funding exceeds the 110 per cent level in the same year.

News from last year's WSIB Annual General Meeting was positive for CFIB and many industries, including construction. However, independent operators, owners and directors of construction firms are still required to carry mandatory WSIB coverage not just on their employees, but also on their own earnings. Contrary to its objectives, Bill 119 (2008) has not increased workplace safety or curbed the underground economy. Furthermore, business owners and independent operators in the sector already carry superior private insurance at a fraction of the cost – another good reason to eliminate this ill-advised tax increase.

Another measure to reduce WSIB system costs would be for the Ministry of Labour, Training and Skills Development to eliminate the 72-month lock-in provision under the *Workplace Safety and Insurance Act* (WSIA). Currently, the WSIA guarantees the level of benefits paid to injured workers 72 months post-injury until the worker turns 65. If the injured worker's condition deteriorates after the 72-month mark, the WSIB can reopen the case to assess the adequacy of benefits. The same cannot be said in the case of an improvement in the worker's condition. This results in additional financial pressure on the WSIB system. Reforms to this provision were announced in 2012, but no further action has yet been taken.

RECOMMENDATIONS:

- **Monitor the impact of the WSIB's new Rate Framework to ensure it is fair and functions as intended.**
- **Introduce a mandatory rebate policy should WSIB funding exceed 110 per cent.**
- **Eliminate mandatory WSIB coverage for owners, directors and independent operators in the construction sector (Bill 119, 2008).** This measure has done nothing to target the underground economy or improve workplace safety. Bill 119 needs to be repealed to exclude businesses that already have 24/7 private insurance coverage.

- **Introduce legislation to eliminate the 72-month lock-in provision.** Amend the *Workplace Safety and Insurance Act* to allow the WSIB to reopen cases after the 72-month deadline where there is noted improvement in work-related injuries. This would reduce the financial pressure on the WSIB, while ensuring that those who really need the help, get it.

LCBO and Ontario Cannabis Store

A number of business owners, in both alcohol production and alcohol purchasing, have continued to raise concerns with CFIB about the restrictive nature of the Liquor Control Board of Ontario's (LCBO's) rules. As the government looks to reduce red tape, we recommend that the Ministry of Finance review the LCBO with the goal of eliminating red tape and administrative barriers to ensure that Ontario's craft brewers, distillers and vintners are not unfairly restricted from the marketplace.

The LCBO's current system clearly favours the big brands. For example, the LCBO's Small Distiller Program limits the products of Ontario craft distilleries to the shelves of only 25 stores, and puts the onus on the distiller to market, sell and deliver to each store manager independently. In its "Spirits Brand Domination 2017 Package", the LCBO offered craft distilleries an opportunity to "make a splash" for only one month in 100 LCBO stores, provided that they generate \$20 million in annual sales and pay a \$250,000 fee.

We recommend looking at British Columbia's distillery industry as a blueprint for reducing red tape and increasing opportunities for existing and would-be craft distillers.

We have heard several concerns from small vineyards about the tax treatment of provincially produced wines. Not only are Ontario vineyards forced to charge a 6.1 per cent Basic Wine Tax on bottles sold at the vineyard, bottles sold through the LCBO are subject to a tax structure that treats them as though they were imported from another country. We urge the government to eliminate these two measures immediately.

We also encourage the government to explore a Beer Store alternative for Ontario's craft brewers to increase their market visibility and consumer selection. We were encouraged when the government announced that beer retail would be expanded to convenience stores and look forward to more details on that transition in 2020.

CFIB applauded the government's decision to include private businesses in the province's cannabis retail model. We were pleased to see the government do away with its temporary "lottery system" as promised. We will be watching the cannabis retail market rules and processes closely throughout 2020 to ensure that no red tape creeps into the system and that retailers are treated fairly under the provincial rules.

RECOMMENDATIONS:

- **Conduct a red tape review/audit of the Liquor Control Board of Ontario (LCBO) and Alcohol and Gaming Commission of Ontario (AGCO).**

- **Broaden access by Ontario's craft distillers to LCBO stores**, so they may compete fairly for shelf space with other larger distillers. Let the consumer decide which distilled products they prefer, not the LCBO.
- **Eliminate the 6.1 per cent Basic Wine Tax for Ontario wineries selling their product on-site, and eliminate the "import tax" imposed on Ontario wines at the LCBO that treats them as though they were produced out of province.**
- **Make good on the province's commitment to expand retail options for beer to convenience stores.**
- **Ensure that the post-lottery system cannabis retail rollout is done in a timely fashion and work with municipal governments to ensure cannabis-related regulations are fairly and consistently designed and enforced across the province.**

Arbitration

CFIB was supportive of the Drummond Commission's recommendation to transform the arbitration system to be "in favour of more objective analysis, based on objective criteria, and supported by systemic data and research". Unfortunately, no such move or similar reform has taken place since the recommendation was made.

CFIB recommends that arbitrators be required through legislation to consider specific criteria when determining arbitral awards. The criteria should include the employer's ability to pay, the province's economic position, and the compensation levels between like occupations in the public and private sectors. These moves would increase fairness for the taxpayers who ultimately foot the bill.

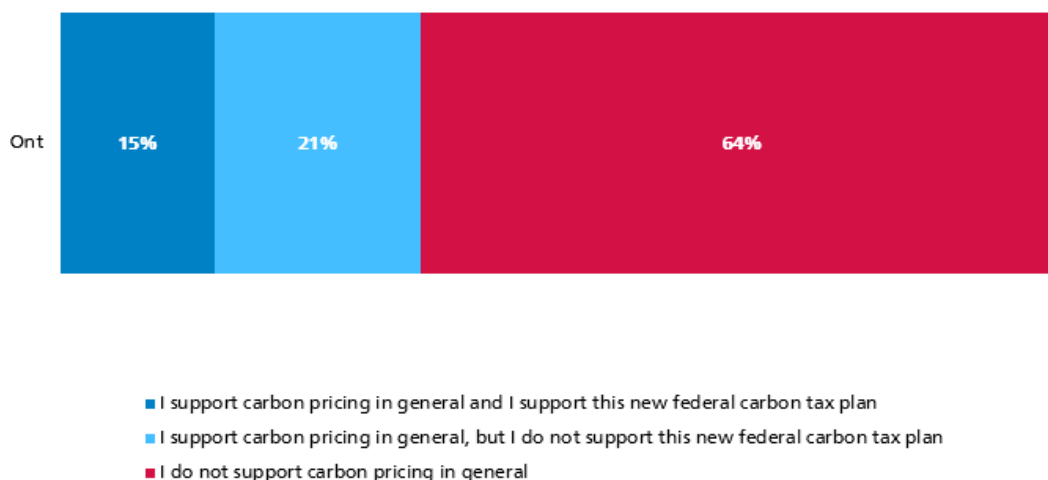
RECOMMENDATION:

- **Amend the existing arbitration system.** Require arbitrators to abide by legislated, defined criteria when resolving public sector labour disputes.

Environment

Ontario's small business owners remain opposed to the federal carbon tax plan (Figure 11 on next page).

Figure 11. Which of the following best captures your view on carbon taxes?
(Select one answer only)



Source: CFIB Carbon Tax Survey, Nov 9-Nov. 27, 2018, based on 2,580 Ontario responses

While small business owners are supportive of the fight against climate change, the carbon tax will unfairly burden them. With large emitters getting special treatment and households receiving rebate cheques, small- and medium-sized businesses are being unfairly squeezed in the middle. Small businesses support the provincial government’s court challenge, and we encourage the province to maintain their course on opposing the federal carbon tax.

RECYCLING

Under the previous model overseen by Waste Diversion Ontario (WDO), businesses have been paying fees to an “Industry Funding Organization” or “Industry Stewardship Organization” for the safe and responsible end-of-life management of used tires, electronic waste, municipal hazardous waste, and Blue Box materials.

Recycling programs for these materials are being transitioned to the new Individual Producer Responsibility (IPR) model overseen by the Resource Productivity and Recovery Authority (RPRA).

RPRA is basically WDO but with expanded responsibilities, including operating and managing a registry, and carrying out compliance and enforcement activities. Like WDO, RPRA is self-funded (i.e., no government funding), so it has to cover all its costs through the fees it charges to the “obligated parties” that must register with it.

Uncertainties still exist around which small businesses will be required to register with RPRA in the new electronic registry. It is also unclear for which responsibilities they will need to register (e.g., registering only, promotion and education, and/or reporting/auditing/record keeping?), and how much red tape will be involved. CFIB continues to be on the lookout for any excessive

paper and regulatory burden that comes with registering with RPRA and that results from the transition of Ontario's recycling programs to the new model.

The definition of 'producer' is being determined for each transitioning program by regulation, and the same definition appears to be migrating to all new IPR programs.

Although only one program has fully transitioned to the new model to date (used tires), we've been hearing from business owners that the definition of producer under the new tires program is much too broad, including everybody that has anything remotely to do with a tire. Other issues with the new tires program include:

- Punitive, inflexible collection targets, leaving businesses on the hook for thousands of dollars for tires they won't even collect.
- Onerous tracking/record-keeping requirements.
- RPRA's fee is almost four times higher than the previous fee paid to Ontario Tire Stewardship.
- "Double-dipping" (business is a "producer" and customer is a "producer", and both pay fees to RPRA).
- Increased tire recycling cost (from \$4/tire to an average of \$6.13/tire) because every single tire – regardless of size – is being treated like it weighs 12.5 kilograms.
- Annual audits (for which businesses will have to pay, since RPRA is a Delegated Administrative Authority) will cost \$3,000-\$5,000 every year.
- New "Transparency Tax": Any tire business that chooses to visibly pass down recycling costs to consumers at point-of-sale will be punished with requirements to implement a "promotion and education program" and conduct an annual independent audit for RPRA related to the costs being passed down.

We appreciate that the government is taking steps in Bill 159 (*Rebuilding Consumer Confidence Act*) to improve RPRA's accountability, but much more needs to be done to make sure the framework and oversight of Ontario's recycling programs operate in the best interest of all Ontarians. This is especially important now, since responsibility for Ontario's iconic Blue Box program is in the process of moving from municipalities to producers. That's why we've been calling for a review of the current framework.

RECOMMENDATIONS:

- **Continue to fight the federal carbon tax.**
- **Conduct a red tape audit of Ontario's recycling programs.**
- **Review the new tires program – the only program to have transitioned so far to Ontario's new Individual Producer Responsibility model – to make sure the same mistakes aren't repeated in the remaining programs under transition.**
- **Review the framework introduced in Bill 151 (*Waste-Free Ontario Act*) to ensure an affordable, fair and accountable system.**

Agri-business

Stray voltage

Ontario farmers continue to report incidents of their livestock developing a variety of health problems and even dying due to prolonged exposure to the electrical current in the ground, also known as stray voltage. The province recognized the problem in 2009 by making changes that required local distribution companies to conduct an investigation, but no other significant measures have since been taken by the government to address this issue. Given that other jurisdictions like California have put measures in place to mitigate the effects of stray voltage (General Order 95, Rule 33.2), Ontario should follow suit in addressing this serious, but preventable problem.

Succession planning

The provincial government has an opportunity to provide leadership in helping agri-business owners with succession planning, especially by encouraging farmers to plan early for retirement and by focusing on attracting youth to the sector. Ag-education in the high school curriculum would help younger generations better understand the employment and business ownership opportunities available to them.

RECOMMENDATIONS:

- **Take further action to eliminate stray voltage on Ontario farms.** Many of the province's farmers and their livestock are adversely affected by stray voltage, and the provincial government has yet to acknowledge the severity of this issue and adequately address it.
- **Assist Ontario agri-business owners with succession planning.** Address the competitive challenges in the agricultural sector by introducing policies and initiatives that encourage farmers to plan for succession and attract youth to the sector.