

2022  
**Federal  
Budget Submission**



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## About the Ontario Chamber of Commerce

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Together with our network's diverse 60,000 members, the Ontario Chamber of Commerce is the indispensable partner of business.

For more than a century, the OCC has undertaken important research on Ontario's most pressing policy issues, advocating for solutions that will foster the growth of Ontario businesses and lead to the creation of jobs in the province. Through our focused programs and services, we support businesses of all sizes, encouraging workforce development and inclusive economic growth. This work is based on the belief that strong businesses are the foundation of a prosperous Ontario.

Our mission is to convene, align, and advance the interests of our members through principled policy work, value-added business services, and broad engagement to build prosperity for all Ontarians.

We are the most respected, trusted, and indispensable partner of business, driving government decision-making and leveraging assets across our province-wide membership to support their growth and a competitive business climate in Ontario.

From innovative SMEs to established multinational corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all industries. We represent local chambers of commerce and boards of trade in 157 communities across Ontario, steering public policy conversations provincially and within local communities.

The OCC is the indispensable partner of business.

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## Introduction

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Dear Minister Freeland,

The Ontario Chamber of Commerce (OCC) welcomes the opportunity to provide the Standing Committee on Finance with proposals and recommendations during the federal pre-budget consultation process.

Businesses across Ontario have continued to prove their resilience in the face of the new variants of COVID-19. Leaders across the sector have stepped up during these challenging times and supported their workers and our economy through the distribution of rapid test kits and the introduction of additional health and safety measures to keep their patrons safe. For many, however, their resolve is being tested as they feel the growing financial pressures of lockdowns and capacity limits on their operations.

As vaccination rates increase across the country, we have seen a rise in consumer confidence, labour market participation, and positive signs of economic recovery. At the same time, the pandemic's effects on supply chains, a shortage in skilled labour in key sectors including construction and logistics, and added inflationary pressures remain pronounced for business operations and consumers.

Budget 2022 must lay the foundation for economic recovery with targeted support for the hardest-hit sectors including arts, entertainment, health care, tourism, and agriculture. Additional attention must be placed on addressing the disproportionate impacts felt by small businesses, organizations led by women, and people with disabilities.

The following submission contains 17 recommendations for the upcoming budget prepared in consultation with Ontario's business community and our chamber network. These priorities are economic recovery, resilient communities, modernizing regulation, and fiscal policy.

Now more than ever, partnership between the business community and all levels of government will be crucial to ensuring the needs of the sector are met. We look forward to continuing to work with the Government in developing sound pro-growth policies that will drive our collective post-pandemic recovery.

Sincerely,



Rocco Rossi  
*President and CEO*  
*Ontario Chamber of Commerce*



# Summary of Recommendations

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## 1. ECONOMIC RECOVERY

- a. Enhance support for hard-hit businesses and municipalities.
- b. Expand immigration to support labour market needs.
- c. Tackle Canada's supply chain crisis.
- d. Increase support for digital transformation.
- e. Ensure an inclusive economic recovery.
- f. Reform Employment Insurance to reflect the needs of today's workforce.

## 2. RESILIENT COMMUNITIES

- a. Increase health transfer payments to Ontario.
- b. Address climate change and enable the private sector's transition to net-zero.
- c. Invest in transit solutions.
- d. Continue to strengthen access to high-speed internet.
- e. Prioritize mental health supports.

## 3. REGULATION AND FISCAL POLICY

- a. Remove barriers to interprovincial trade and labour mobility.
- b. Reform the federal tax system.
- c. Prioritize national privacy modernization.
- d. Pursue national licensure strategy for regulated health care professionals.
- e. Develop a strategy to champion the cannabis sector.
- f. Develop a plan for fiscal balance.



## 1. Economic Recovery

COVID-19 continues to impact small businesses and entrepreneurs across Canada and Ontario. Women, racialized Canadians, and Indigenous Peoples have been disproportionately affected by the crisis and the ensuing public health measures. As we enter the third year of the pandemic, the federal government must address the needs of the hardest-hit sectors and build a foundation for a robust and inclusive post-pandemic recovery.

### a. Enhance support for hard-hit businesses and municipalities.

From supply chain disruptions raising prices to skilled labour shortages and the emergence of new variants of COVID-19 and the resulting health and safety restrictions, small businesses and entrepreneurs across Canada continue to feel the impacts of the pandemic. Emergency grants, loans, and tax relief programs have helped many of these businesses keep their doors open. However, a forward-looking strategy and collaboration between the provincial and federal governments will be crucial to ensuring the sector's recovery.

#### Recommendations:

1. Perform cost-benefit analyses for all existing and new small business financing programs to advance evidence-based policy decisions.
2. Provide additional liquidity to asset-based finance lenders by launching a securitization program through the Business Development Bank of Canada.
3. Increase the lifetime capital gains exemption limit on qualified small business corporate shares.
4. Introduce debt-relief options, such as forgiving interest payments or loans, for COVID-related government-backed loans for small and medium-sized enterprises (SMEs) in sectors that have been disproportionately impacted. These programs include the Canada Emergency Business Account (CEBA), the Business Credit Availability Program (BCAP), and the Highly Affected Sectors Credit Availability Program (HASCAP).
5. Work with provincial and territorial governments to provide municipalities with increased financial assistance to address pandemic-related funding shortfalls.
6. Make child care an eligible business tax deduction.



## b. Expand immigration to support labour market needs.

COVID-19 has caused a historic immigration backlog that threatens Canada's post-pandemic recovery. In December 2021, there were over 1.8 million applications, including those for future citizens, permanent residents, and international students. Over the past two years, we have seen firsthand the challenges businesses and healthcare systems faced because of a shortage of skilled labour. Immigration must be front and center for the federal government to resolve labour market constraints and drive economic growth and recovery.

### Recommendations:

1. Increase Ontario's allocation of immigrants under the Ontario Immigrant Nominee Program (OINP) from 9,000 to 18,000.
2. Work with the Ontario government to eliminate the current requirement for Labour Market Impact Assessments (LMIAs) for OINP participants to be hired in communities with populations under 200,000.
3. Expand Immigration, Refugees, and Citizenship Canada's ability to process Express Entry and federal skilled workers applications domestically and abroad as well as international student study permits and visas at Canadian mission offices.
4. Develop a long-term Northern and Rural Ontario Immigration Strategy to ensure communities can attract and retain immigrants.
5. Modernize and address administrative burdens within the Temporary Foreign Workers program by implementing a Trusted Employers program that includes both an appeals process and better alignment with regions and industries facing long-standing labour shortages such as the agricultural sector.
6. Review the National Occupation Classification Codes to create opportunities for permanent residence for labourers and operators.

## c. Tackle Canada's supply chain crisis.

The COVID-19 pandemic and resulting economic crisis, along with ongoing climate-related disasters, have exposed structural weaknesses in both domestic and international supply chains, threatening Canada's economic recovery, national security, and business competitiveness.

### Recommendations:

1. Assess supply chain infrastructure to address bottlenecks along the supply chain, especially at ports.
2. Develop a national manufacturing sector strategy coupled with an evaluation of a potential Crown Corporation steamship line.
3. Ensure Canada is prepared for future pandemics by bolstering domestic biomanufacturing and health innovation.



4. Explore and implement digitization solutions to address the need for more efficiencies and communication throughout the entire supply chain.
5. Set aside funds for the construction of a U.S. Pre-Clearance Facility at Billy Bishop Airport, enabling it to double its contribution to our economy to \$4.8 billion in GDP by 2025.
6. Provide funding through federal infrastructure programs to help ensure the necessary capacity and runway systems at airports exist while also expanding the availability of logistics and warehousing facilities.
7. Increase funding commitments for Canadian airports with large cargo capacity such as Toronto Pearson International Airport through the Federal National Trade Corridor Fund.

#### **d. Increase support for digital transformation.**

Early in the pandemic, many businesses across the province began selling their products online. This digital shift has provided many opportunities to grow and access new markets. Federal and provincial programs to support digitization, such as the Agri-Food Open for E-Business program, were helpful and resulted in significant program uptake. A strong and inclusive recovery must ensure all businesses and sectors have access to the resources to engage in an increasingly digital economy.

##### Recommendations:

1. Introduce permanent funding streams to help businesses pivot online, reach customers, and tap into digital marketplaces.
2. Partner with the provincial government to develop funding streams specific to the agriculture sector to support investments in online infrastructure and support e-commerce sales.
3. Support small technology firms with access to capital, procurement opportunities, and exports to help them scale.

#### **e. Ensure an inclusive economic recovery.**

The economic impacts of the pandemic have been felt disproportionately by certain demographics. According to our [2022 Ontario Economic Report](#), organizations led by women and persons with disabilities are less confident on average in the outlook of their organizations.

While the government has begun taking steps to resolve long-standing barriers to entry including access to capital through the Women Entrepreneurship Strategy, further action must be taken to ensure greater access to employment for new immigrants, Indigenous Peoples, racialized Canadians, people with disabilities, and other diverse communities.



### Recommendations:

1. Set diversity and inclusion targets within government-funded reskilling initiatives.
2. Partner with post-secondary institutions to offer financial support (including loans, scholarships, and childcare subsidies) that enable diverse and underemployed populations' participation in reskilling.
3. Work with financial institutions to support diverse entrepreneurs by removing barriers that limit their access to capital.
4. Implement supplier diversity within federal procurement to improve access for diverse-owned businesses.

Further recommendations and challenges are explored in our reports, [\*The She-covery Project: Confronting the Gendered Economic Impacts of COVID-19 in Ontario\*](#) and [\*Capital is Key: Financing Entrepreneurship in Ontario After COVID-19\*](#).

### f. Reform Employment Insurance (EI) to reflect the needs of today's workforce.

As noted, Canada's economic recovery can only be realized with the engagement of all eligible workers participating in our labour force. As health restrictions ease and the economy reopens, attracting and retaining talent is one of the top issues employers are confronting. We are pleased to see the government working towards improving Employment Insurance (EI) for all Canadians. Employers are committed to reforming EI to help ensure we have a modern, productive, and inclusive workforce for the 21<sup>st</sup> century.

### Recommendations:

1. EI reforms must be tripartite-led, sustainable, affordable, and based on a comprehensive review of the current system to ensure that EI's governance, programs, policies, and operations are viable and sustainable, responsive, and adaptable, non-partisan, inclusive, and relevant for current and future generations of Canadian employers and employees.
2. Reform of the Premium Reduction Program (PRP) is critical and should result in a streamlined process for employers to access this rebate in recognition of providing sick benefits to employees. The government must continue dialogue with a range of stakeholders, including employers and private insurance to ensure reforms to the PRP are meaningful and achieve the objective of greater program uptake.



## 2. Resilient Communities

### a. Increase health transfer payments to Ontario

With the onset of COVID-19, Ontario's health care system faces several immediate challenges. These include an inability to withstand the increased demand caused by the pandemic and a surgical and procedural backlog of services. There is also a projected increase in demand due to an aging population and an expected rise in chronic conditions. To ensure the province's sustained and safe re-opening, the Government of Ontario will need to continue to invest in an array of tools – from an adequate supply of COVID-19 vaccines and rapid antigen tests to COVID-19 therapeutics and improving ventilation.

While the federal government provided a one-time payment of \$7 billion to the provinces/territories in March 2021, federal health transfer payments have not kept pace with the growth in health care spending. According to the Canadian Institute for Health Information, Ontario's per capita health care spending is about eight percent lower than the average of other provinces.

#### Recommendation:

1. Increase the Canada Health Transfer Payment from an average of 22% to 35% of provincial health care spending to meet the current and future pressures facing Ontario's health care system.

### b. Address climate change and enable the private sector's transition to net-zero.

Extreme weather events are inflicting costly damage to infrastructure and communities around the world. Fortunately, Ontario has several competitive advantages that it can leverage globally, including its low-carbon energy, research capabilities, talented workforce, critical minerals, and a competitive cleantech sector. To enable the transition to net-zero, the federal government must work with businesses and regional governments to unlock private capital towards climate innovation and invest in climate adaptation. This work should be undertaken without losing sight of affordability.

#### Recommendations:

1. Recognize nuclear power as a clean energy source and expand federal tax incentives to nuclear technology. This includes the proposed corporate tax rate reduction for zero-emissions technologies, as well as the accelerated capital cost allowance.
2. Support projects that connect clean electricity resources to load centers on an interprovincial level as electricity demand grows and emitting resources come offline.



3. Invest in cleantech research with promising commercial applications, such as hydrogen and biochar.
4. Support the expansion of rail networks and investments in fuel-efficient technologies to reduce emissions from transportation.
5. Consider carbon border adjustments to protect trade-exposed sectors.
6. Make meaningful long-term commitments to support communities with climate adaptation and asset management and prioritize the completion and funding of the National Adaptation Strategy. This should include supporting the transition of Indigenous and remote communities from diesel-fueled power to clean energy.
7. Develop a strategy for zero-emission vehicles (ZEVs) that integrates electric, renewable natural gas, hydrogen, and hybrid technologies for a variety of vehicle types, including heavy-duty utility trucks to support commercial fleet electrification.
8. Support projects that expand clean electricity grids and strategic transportation corridors to build needed infrastructure to support ZEV mass adoption and support commercial fleet electrification with a province-wide EV charging infrastructure network.

For more information, see our recent report, [\*The Climate Catalyst: Ontario's Leadership in the Green Global Economy\*](#).

### c. Invest in transit solutions

Efficient transportation systems benefit Canada's economy by supporting the movement of goods, services, and labour, which in turn drive economic growth and further job creation. Throughout the pandemic transit systems have seen historic low ridership. As we work towards recovery, key investments in transportation infrastructure will be key to supporting the recovery of municipalities, economic growth in rural communities, and the federal government's climate actions goals.

#### Recommendations:

1. Work with provincial and municipal governments to develop additional rail capacity and invest in long-term transit infrastructure projects including VIA Rail, Light-Rail Transit, Bus Rapid Transit, and electrification of fleets.
2. Partner with the private sector to raise capital for high-frequency rail lines that serve more communities in Ontario including rural, Northern, and Southern communities.
3. Provide funding for critical rail projects, such as the replacement of the fleet used for long hauls and regional services in Northern Ontario.
4. Leverage the Canada Infrastructure Bank to provide funding for critical rail projects for both Northern and Southern Ontario.
5. Establish a national autonomous vehicle policy and regulatory framework while taking a lead on establishing norms and harmonizing standards across borders.



#### d. Accelerate investments in digital infrastructure.

As more services and workplaces become digital, infrastructure must be enhanced to ensure people and businesses across Ontario can access the future of jobs, education, and healthcare.

Broadband investments should be coordinated with the private sector to avoid duplication and maximize the impact of public programs. Further, the Internet of Things and smart city technologies should be developed to increase living standards, maximize cost-efficiencies, and reduce emissions.

##### Recommendations:

1. Continue fast-tracking funding commitments and incentivize further private sector investments in broadband.
2. Further improve coordination with stakeholders to ensure public funds are addressing gaps in private sector expansion plans.
3. Expand investments in broadband through the Universal Broadband Fund to allow more access and higher internet speed in rural and remote communities through initiatives such as the Southwestern Integrated Fibre Technology (SWIFT).
4. Support providers by developing an effective federal regulatory framework for carrier access to passive infrastructure.

#### e. Prioritize mental health supports.

As outlined in *Mental Wellness in the Workplace: A Playbook for Employers*, COVID-19 is exacerbating Canada's mental health crisis. Statistics Canada's Survey on COVID-19 and Mental Health indicates that one in four Canadians aged 18 and older screened positive for symptoms of depression, anxiety, or posttraumatic stress disorder (PTSD) in spring 2021, up from one in five in fall 2020.<sup>1</sup> Further, poor mental health hurts productivity and economic growth. Half a million Canadians miss work each week due to mental health reasons, and absenteeism and presenteeism result in \$6.3 billion in lost productivity costs.<sup>2</sup> Results from the OCC's annual Business Confidence Survey showed that investments in physical and mental health programs are a key policy priority for small businesses.<sup>3</sup> Since the psychological impacts of a crisis can last three years after the crisis itself, policymakers should continue to invest in mental health supports for Canadians.

- 1 Statistics Canada. 2021. Symptoms of mental health disorders over the course of the COVID-19 pandemic. <https://www150.statcan.gc.ca/n1/daily-quotidien/210927/dq210927a-eng.htm>
- 2 Ontario Chamber of Commerce. 2021. Mental Wellness in the Workplace: A Playbook for Employers. <https://occ.ca/mediareleases/playbook-tackles-action-gap-on-mental-health/>
- 3 Ontario Chamber of Commerce. 2022. 2022 Ontario Economic Report. <https://occ.ca/wp-content/uploads/2022-Ontario-Economic-Report.pdf>



#### Recommendations:

1. Leverage the Canada Mental Health Transfer to help provinces and territories increase access to and expand the delivery of free mental health services. Ensure funding supports frontline and health care workers who have experienced heightened stress and heavier workload during COVID-19.
2. Develop incentives for businesses to evaluate and strengthen mental health benefits.
3. Work in collaboration with the provinces and territories to improve access to mental health services in communities with little to no access to online resources.

#### Recommendations

### 3. Regulation and Fiscal Policy

#### a. Remove barriers to interprovincial trade and labour mobility.

Economic activity in Canada is hampered by inconsistent rules around transportation, the environment, securities, professional certification, agri-food marketing, food safety, and more. Estimates have shown that liberalizing trade across Canada could result in an initial 3.8% rise in Canada's GDP, representing an increase of \$2130 per person.<sup>4</sup> As we charter our road to recovery, the Government of Canada must develop a strategy to boost long-term economic growth by further accelerating efforts to remove interprovincial trade barriers.

#### Recommendations:

1. Create a public repository of information about trade barriers in Canada to help policymakers prioritize their efforts and strengthen their case for reform.
2. Collaborate with the private sector, subject matter experts, and the provinces and territories to fully implement the existing Canada Free Trade Agreement and develop solutions to longstanding problems and inefficiencies.
3. Work in partnership with the provinces and territories to accelerate the further removal of trade barriers through the Regulatory Reconciliation and Cooperation Table (RCT).



4 Deloitte. 2021. The case for liberalizing interprovincial trade in Canada. <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/finance/ca-en-the-case-for-liberalizing-interprovincial-trade-in-canada-aoda.pdf>

## b. Reform the federal tax system.

The federal tax system has not kept up with the dramatic changes that have taken place across domestic and international economies and the tax policies introduced by our trading partners or being discussed at the Organization for Economic Co-operation and Development (OECD). As a result, Canada continues to lag in its ability to attract foreign direct investment, drive domestic business growth and innovation.

### Recommendations:

1. Conduct a comprehensive and independent review of Canada's tax system, rooted in the principles of competitiveness, simplicity, fairness, and neutrality. Reforms should focus on streamlining the system and incentivizing increased business investments, consider the acute challenges small businesses are confronting, and refrain from introducing new regulations and restrictions that limit growth and increase the regulatory burden for businesses.
2. Update Canada's marginal effective tax rate (METR) to reflect recent tax changes that have been made that could impact the competitiveness of Canada's tax environment.

## c. Prioritize national privacy modernization.

Now more than ever, Canadians look towards accessing digital services to support their work, connect with friends and family, engage in e-commerce, and access government services. Businesses of all sizes use data to operate, innovate and serve their customers. With cybersecurity risks at an all-time high, we understand the importance of ensuring consumers and businesses are adequately protected. Clear and effective legal frameworks are necessary to support business operation, innovation, and economic growth.

### Recommendations:

1. Prioritize the modernization of Canada's privacy framework to set a single standard for privacy, preventing a costly and confusing patchwork of rules across provinces.
2. Ensure Canada's privacy framework retains adequacy status under the European Union General Data Protection Regulation (GDPR) to ensure Canadian businesses remain competitive and able to expand globally.

Further recommendations pertaining to privacy are discussed in the OCC's 2020 report - [\*In Data We Trust: Unlocking the Value of Data in Ontario.\*](#)



#### **d. Pursue national licensure strategy for regulated health care professionals.**

COVID-19 revealed that governments need to be able to leverage health human resources (HHR)— regardless of jurisdiction – during a public health emergency. At present, separate provincial or territorial licenses serve as a barrier when it comes to interprovincial labour mobility for regulated health care professionals.

National licensure would make it easier for physicians and other regulated health care professionals (i.e., nurses, paramedics, etc.) to practice in Ontario and other jurisdictions, either by providing face-to-face care or through virtual care solutions. This could help address regional labour shortages, not only in response to a global pandemic but also in resolving chronic issues to improve access to care for Canadians and provide relief to overburdened health care professionals.

##### **Recommendation:**

1. Pursue a national licensure strategy to allow physicians and other regulated health care professionals (i.e., nurses, paramedics, etc.) to work in Ontario and other jurisdictions.

#### **e. Develop a strategy to champion the cannabis sector.**

In the three years since recreational cannabis has been legalized in Canada, this sector has quickly emerged as one of Canada's fastest-growing, uniquely positioned as a home-grown industry with an entirely domestic supply chain from seed to sale.

During that time, and against the backdrop of a pandemic, the cannabis sector contributed \$43.5 billion to Canada's GDP, \$15.1 billion in government tax revenue, and sustained 151,000 jobs. Yet major hurdles persist including an overly restrictive regulatory regime inhibiting economic growth, deterring investment, and squeezing margins for producers and retailers alike.

##### **Recommendations:**

1. Develop a single, common excise stamp that can be adhered to cannabis products regardless of province or territory to reduce the administrative burden of requiring producers to manually apply an excise stamp when the product enters a new jurisdiction.
2. Reduce the 60-day listing process to 30-days to bring new products to market and require Health Canada to provide comments/issues to the producer during that time frame.
3. Implement legislative timelines to provide defined service standards as it relates to:
  - a. The license application process, including security clearances;
  - b. Licence transfers and other transactions that require Health Canada approval; and
  - c. Approval process for importing and exporting cannabis products.



4. Consult with stakeholders on amending restrictions relating to marketing, packaging, and THC limits to ensure regulations strike the appropriate balance between safeguarding public health and ensuring cannabis companies can develop distinct brand and product offerings that can effectively compete with illegal actors.

**f. Develop a plan for fiscal balance.**

The ongoing economic uncertainty resulting from supply chain disruptions, inflation, and labour shortages continue to affect business recovery. Throughout the COVID-19 pandemic, fiscal supports including the Canada Emergency Response Benefit (CERB) and Canada Emergency Wage Subsidy (CEWS) have been crucial for businesses and their workers. While further support may be necessary for sectors that have been disproportionately affected by the pandemic, the federal government must carefully weigh any future measures and their ability to drive employment, entrepreneurship, and post-pandemic economic growth against the threat of inflationary pressures.

**Recommendation:**

1. Develop a sustainable path to reduce the federal debt-to-GDP ratio and wind down other pandemic-related supports to ensure long-term fiscal balance and the capacity to address future economic shocks.

## Conclusion

Further partnerships with business and the private sector will be crucial to guarantee Canada's rapid post-pandemic recovery. This submission prioritizes three areas through which further action by the government will drive Ontario's and Canada's long-term economic growth and prosperity. The Ontario Chamber Network stands ready to collaborate with the government and key stakeholders in the development of policies that will drive investment and job creation now and in the post-pandemic economy.

