

2021 Provincial Pre-Budget Submission

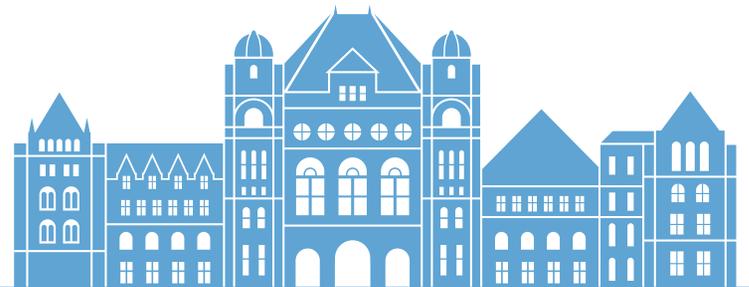


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About the Ontario Chamber of Commerce

Together with almost 140 member chambers of commerce and boards of trade and 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 almost 140 communities across Ontario, steering public policy conversations provincially and within local communities.

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Introduction

Dear Minister Bethlenfalvy,

It has been nearly one full year since the COVID-19 emergency was declared in Ontario. Since then, we have seen governments, civil society, and the private sector work together to mitigate the economic fallout of the crisis and begin to chart a path towards economic recovery.

Between February and September, 25,614 businesses closed in Ontario, and many businesses continue to struggle with the economic hardships brought on by COVID-19.¹ Accordingly, businesses across the province continue to express concern about the future of the province and their own organizations. Our own surveys show that nearly half (46 percent) of Ontario businesses lack confidence in Ontario's economic outlook.²

Looking ahead, Ontario needs to lay the groundwork for a strong rebound by channeling limited resources to where they will have the greatest impact. In particular, it is incumbent on policymakers and businesses alike to support the sectors and demographics that have been hardest hit by the pandemic, build the infrastructure and workforce of the future, and modernize government. We will need to both invest in the key determinants of growth and address unnecessary obstacles to it, including costly interprovincial trade barriers.

The following submission contains 17 recommendations for the upcoming budget prepared by Ontario's business community. We look forward to working with the Government of Ontario on the successful implementation of its 2021 Budget and ongoing efforts to strengthen economic well-being across the province.

Sincerely,
Rocco Rossi
President and CEO



Ontario Chamber of Commerce

1 Statistics Canada. 2020. "Monthly estimates of business openings and closures, September 2020." <https://www150.statcan.gc.ca/n1/daily-quotidien/201224/dq201224c-eng.htm>.

2 Daniel Safayeni, Claudia Dessanti, and Ester Gerassime. 2021. *2021 Ontario Economic Report*. Ontario Chamber of Commerce. <https://occ.ca/oer2021/>.

Summary of Recommendations

1. RECOVERY

- a. Minimize the impact of business closures.
- b. Target funding towards the hardest-hit sectors.
- c. Strengthen municipalities' fiscal sustainability.
- d. Enhance access to capital for small businesses and entrepreneurs.

2. GROWTH

- a. Develop demand-driven skills programming.
- b. Strengthen labour market information.
- c. Accelerate broadband expansion.
- d. Encourage and support regional collaboration.
- e. Decarbonize Ontario's transportation systems.
- f. Give energy customers more payment flexibility.
- g. Support farmers and local producers with the transition to online sales.

3. MODERNIZATION

- a. Be bold on interprovincial trade.
- b. Use regulatory modernization to support economic recovery.
- c. Realize the full potential of virtual care in Ontario.
- d. Make Ontario a leader in 'smart government'.
- e. Improve procurement outcomes.
- f. Take a measured approach to centralized procurement.



1. Recovery

In 2021, Ontario's economy is expected to enter a period of recovery as vaccines are rolled out and businesses begin to reopen. Economic recovery will require policymakers to target support towards the sectors and communities that have been hit hardest by the COVID-19 pandemic, including businesses in industries requiring face-to-face contact, small businesses, municipal governments, women, lower-income, racialized, new immigrant, and younger Ontarians.

a. Minimize the impact of business closures.

Until Ontario's economy is ready to reopen, government must seek to minimize the economic impacts of business closures. Specifically, we encourage the Province to **ensure future restrictions are data-driven and equitable**. If the objective is to minimize transmission of the virus, closures should not be mandated for the types of businesses that have the capacity to establish physical distancing and appropriate sanitation measures. To that end, Ontario should **prioritize rapid testing and contact tracing**, both of which can facilitate more targeted decisions around business restrictions. Finally, government should **continue providing employers with information and financial support** to help them comply with pandemic-related regulations.

b. Target funding towards the hardest-hit sectors.

All available data suggests the ongoing crisis has been most severe for workers and businesses in certain industries, including those in the accommodation and food service; arts, entertainment, and recreation; and retail sectors.³ As decision-makers consider next steps, we encourage them to **focus additional support measures on the hardest-hit businesses, with targeted support that will stem their losses and accelerate Ontario's recovery**.

The service and hospitality sectors are the heart of our communities. When they thrive, Ontario becomes a better place to live, work, and play in.

Additionally, COVID-19 has led to unprecedented challenges and uncertainty for Ontario's nonprofits. In the first three months of the pandemic, the sector's losses resulted in an estimated provincial GDP loss of \$1.8 billion.⁴ Finding themselves ineligible for government support programs and faced with an increase in demand, many nonprofits across Ontario are on the verge of closing in the coming months.⁵ The OCC encourages the Province

³ Safayeni et al. 2021.

⁴ Ontario Nonprofit Network (ONN). 2020a. *Stabilizing Ontario's nonprofit sector to rebuild the economy and communities post COVID-19*. <https://theonnc.ca/wp-content/uploads/2020/05/ONN-Stabilization-Fund-April-30-2020.pdf>.

⁵ ONN. 2020b. *Risk, resilience, and rebuilding communities: The state of Ontario nonprofits three months into the pandemic*. https://theonnc.ca/wp-content/uploads/2020/08/Final_-_English_-Three-months-into-COVID-1.pdf.



to **establish a stabilization fund to mitigate the short-term upheaval and ensure these organizations are able to support economic recovery.**⁶ Nonprofits deliver critical services alongside government and the private sector, and stabilizing the sector would help lessen the downstream effects of the economic downturn and reduce the need for more costly interventions in the future.

c. **Strengthen municipalities' fiscal sustainability.**

In Ontario, municipalities' limited capacity to generate revenue has had tangible impacts on individuals, businesses, and their communities. The pandemic has placed tremendous strain on local government finances, as most municipalities are seeing a decline in revenue as well as an increase in expenditures. The OCC's upcoming report on municipalities' fiscal sustainability will outline a series of policy solutions to bring immediate and long-term relief to communities across Ontario.

Our recommendations to government include:

- **Review and reform the property tax system.**
- **Commission an independent review of all municipal responsibilities** to assess whether residents and taxpayers are better served by these responsibilities residing with the federal, provincial, or municipal governments.
- **Increase the 'heads and beds' levy** and tie future yearly increases to the Consumer Price Index.
- **Reform the interest arbitration system for police services** to reflect municipalities' capacity to pay for increased service costs, shorten timelines, and require written decisions.
- **Introduce new transfers directed towards non-residential tax base relief funds.**

d. **Enhance access to capital for small businesses and entrepreneurs.**

Ontario's small business owners have adapted to ongoing public health restrictions throughout the COVID-19 pandemic with resilience and creativity. However, the ongoing crisis has forced many small businesses to close and others to restructure. The Ontario government – along with its federal and municipal counterparts – have intervened to help small business owners deal specifically with liquidity shortages stemming from the pandemic, but these measures are temporary. *The 2021 Ontario Economic Report* revealed that access to capital was the top recovery priority for across industries and regions. As we enter a period of economic recovery, access to capital will be fundamental to the rebound of small businesses and entrepreneurship.

In 2021, the OCC will release a policy brief with recommendations aimed at ensuring small businesses and entrepreneurs have access to the right forms of capital for economic recovery. In the interim, we encourage the Province to **consult with the private sector on evidence-based solutions to enhance small business financing, including but not limited to loan guarantees and tax incentives.**



2. Growth

To foster economic growth, governments should focus on strengthening the key determinants of growth, including workforce development programs, broadband and transportation networks, and efficient regulatory systems.

a. Develop demand-driven skills programming.

Reskilling will be essential to the rapid re-employment of workers that have been displaced during the COVID-19 crisis, particularly given the long-term restructuring expected in sectors such as accommodation and food services, arts and entertainment, and retail.

In its 2020 Budget, the Government of Ontario reaffirmed its commitment to modernize Ontario's skilled trades and apprenticeship system through a Skilled Trades Strategy and committed \$59.5 million over three years to support Ontario's micro-credentials strategy to provide rapid training opportunities for interested applicants to acquire in-demand skills. In February, the government also opened applications for its new Skills Development Fund, developed to address challenges brought on by COVID-19, reduce obstacles to hiring, training, and retaining, and prepare workers for the province's economic recovery. The OCC's Workforce Development Council looks forward to working with the government on implementation the design and implementation of these strategies.

Enhanced experiential learning programs – including, but not limited to, work-integrated learning, co-operative education, and internships – can help to align skills development with the labour market. The Province should **explore options to incentivize greater participation in experiential learning programs from employers, especially small businesses and employers in remote regions.** This could involve expanding the Co-operative Education Tax Credit and/or offering a tax credit to employers who hire graduates of co-operative education, or equivalent programs, that allows employers to claim a percentage of salaries for the first year of graduates' full-time employment.

Further, Ontario should **give colleges and universities more flexibility to adapt their programming to reflect demand in a timely matter.** Specifically, the government should enable accredited institutions to experiment with new credentialing and education models, allow for in-program changes without prior consent, and focus on taking a risk-based approach to evaluate quality according to predetermined frameworks.⁷



⁷ Mitchell Davidson and Shiv Ruparell. 2020. The Future of Ontario's Workers. StrategyCorp. <https://strategycorp.com/wp-content/uploads/2020/06/Colleges-Ontario-The-Future-of-Ontarios-Workers-White-Paper-June-2020.pdf>.

Finally, we know COVID-19 has had a disproportionate economic impact on women, lower-income workers, visible minorities, Indigenous peoples, people with disabilities, and other underrepresented segments of our labour market. Going forward, it is imperative that Ontario **adopt a diversity lens to every workforce development initiative to ensure marginalized groups are not left further behind during recovery.** It is important to ensure Ontarians in rural and remote regions are also aware of available opportunities and able to access them in person and/or virtually.

b. Strengthen labour market information.

One of the barriers to workforce development in Ontario is the lack of comprehensive local- and occupational-level labour market information (LMI). Existing data is not granular enough to demonstrate precisely where labour is needed within regions or which specific skills are in demand, and survey results are often aggregated into a small number of industries, which masks dissimilarities between individual occupations. Further, information is not always coordinated or shared in an easily accessible manner among employers, job seekers, and policymakers.

In Budget 2019, the Province announced a plan to launch an enhanced LMI website; however, we caution against initiatives that are duplicative of private and public sector initiatives that aim to better connect job seekers with employers and provide meaningful LMI insight such as Magnet, LinkedIn, and the Labour Market Information Council.

Additionally, the OCC encourages the Government of Ontario to:

- Work with the federal government, businesses, and the education sector on an intergovernmental strategy **to establish a new governance framework to address deficiencies in the quality and sharing of LMI** and one that aims to create a set of common performance measures for program evaluation.
- **Enhance interprovincial collaboration on LMI** and consider the establishment of a cross-ministry committee to improve coordination on LMI efforts.
- **Enhance the timeliness of LMI** by extracting it from the wealth of data already collected from Canadians for other purposes, such as income taxes and social assistance programs, while ensuring the protection of private information.
- **Advocate for the collection of more granular LMI** and localized data in all future federal surveys on labour vacancies.
- **Promote existing LMI** more actively and enhance public awareness of what is available.

c. Accelerate broadband expansion.

Broadband is a basic infrastructure requirement in today's economy, and the pandemic has made it even more essential to health care delivery, education, and access to government services. The Government of Ontario has recognized the need and committed a total of nearly \$1 billion over six years to improve and expand broadband and cellular access across the province, complementary to the federal government's \$1.75 billion Universal Broadband Fund.



To accelerate broadband expansion, the OCC urges the Province to:

- **Continue fast-track funding commitments.**
- **Remove regulatory barriers** at the provincial and municipal levels that deter private sector investments in broadband.
- **Coordinate investments** more strategically to ensure public funds are addressing gaps in private sector expansion plans, rather than competing with private investments.
- **Streamline the application and reporting process** for participants to ensure requirements are proportional to the scope of each project and encourage smaller providers with limited resources to apply for small contracts. Funders should provide as much clarity as possible to local businesses regarding how their funds will be disbursed in advance.

d. Encourage and support regional collaboration.

Collaboration across regional boundaries has big potential for Ontario's economic development. There is a formal approach the Government of Ontario could enable known as voluntary co-operation, in which two communities enter into a contractual agreement to share resources. In such a model, individual municipalities maintain their autonomy and can govern as their constituency demands. Communities can renegotiate, assemble, and disband as their needs and demographics evolve over time. The need for municipalities to exploit economies of scale will be increasingly important given the fiscal constraints created by the pandemic.

Additionally, municipalities within the Greater Golden Horseshoe are currently required to prepare official plans, land needs assessments, and zoning bylaws that detail how they will achieve predetermined milestones of jobs and residents per hectare. The challenge is that outcomes can only be reported by the municipality in which the tangible asset is located, which ignores the reality in which economic development increasingly crosses geographic lines. One example is the City of Peterborough, which has contributed considerable infrastructure funding to the regional airport that lies just outside of its geographical boundary.

Going forward, the Government of Ontario should:

- **Amend reporting rules to allow municipalities to account for the jobs and other outcomes they have helped generate through regional projects**, proportional to their financial contribution.
- **Support voluntary co-operation** between municipalities by identifying potential areas of alignment, championing partnerships that have worked well, and informing municipal governments of how they might better advantage collaboration.
- **Encourage coordination of municipal asset management plans and infrastructure spending.** As an example, expanding the Community Transportation Grant Program could support this kind of municipal collaboration in the area of public transit.



e. Decarbonize Ontario's transportation systems.

Transportation is a major opportunity for Ontario to advance both economic and environmental objectives. In 2021, Ontario should make it a priority to **expand the use of electricity, green and blue hydrogen, and renewable natural gas in transportation systems**. Decarbonizing transportation will require a combination of these technologies within personal vehicles, freight transportation, and public transit systems.

Electrified transportation has the added benefit of load growth, which reduces electricity costs by distributing fixed costs of existing generation capacity over a larger number of users. Ontario already has the necessary ingredients to become a global leader in electric vehicles (EVs): rich deposits of battery input commodities such as lithium and cobalt, a highly skilled workforce, and a world-renowned auto manufacturing sector. The Province should **encourage and enable local distribution companies to invest in EV and transit-oriented charging infrastructure**. For example, it could allow them to rate-base investments charging stations, where the business case balances customers' needs, government policy objectives, and supports the Province's robust electricity systems.⁸

Meanwhile, natural gas vehicles (NGVs) can be implemented where EV use is not feasible. NGVs are fueled with renewable natural gas (RNG). They match the range, power, and performance of diesel counterparts while reducing emissions by up to 200 percent. The Ontario government should **work with industry to develop and deliver a scalable, turnkey RNG transportation program** for municipalities to cost-effectively reduce emissions using market-ready and proven technologies.

Finally, hydrogen is increasingly being recognized around the world as a solution to decarbonize transportation in areas less well-served by batteries (i.e. long-haul, heavy-duty, mass transit, freight/passenger trains, and commercial transportation). Ontario should **strive to become an early adopter by developing a framework to de-risk adoption of hydrogen in fleets and support pilots involving hydrogen compression and dispensing facilities**.

f. Give energy customers more payment flexibility.

Access to a reliable and affordable supply of energy is fundamental to Ontario's business competitiveness and economic recovery. Currently, businesses looking to connect to natural gas infrastructure are required to pay the entire costs of connection upfront. Instead, the Government of Ontario should **enable natural gas utilities to offer flexible payment arrangements**, such as spreading the costs over multiple years.



⁸ Electricity Distributors Association. 2020. *Charging Ahead: Electricity Distributors Association Position Paper on Electrified Transportation*. <https://www.eda-on.ca/Charging-Ahead-Report-Download-Form>.

Further, when it comes to the electricity system, business in rural Ontario that require connection to the grid must bear the construction costs of expanding transmission lines, even when such an expansion has long-term benefits for other residential and industrial consumers. The Government of Ontario should direct the Ontario Energy Board to **consider restructuring the Transmission System Code to enable transmitters to distribute infrastructure costs across more ratepayers over time.**

Both of these measures would make it more affordable for businesses to invest in Ontario, paving the way for new job creation and regional economic development.

g. Support farmers and local producers with the transition to online sales.

Despite COVID-19, interest in local food and local food initiatives in Ontario has grown since the onset of the pandemic. Many consumers are attracted to local food for its lighter environmental impact, freshness, and to support local producers and regional economies. In light of physical distancing requirements, some farmers' markets decided to move online, offer delivery or curbside pick-up. Virtual farmers' markets can serve as a year-round – as opposed to seasonal – sales outlet for local producers. Given the demand for local food and increased popularity of online grocery shopping, the government could **develop an online portal that identifies all the virtual farmers' markets in Ontario.** This would help consumers more easily source and purchase local food, as well as support farmers and producers.

Further, the province should **continue to invest in programs that support the agri-food industry's transition to e-commerce.** One such program is the Agri-Food Open for Business program funded by the federal and provincial governments through the Canadian Agricultural Partnership. The program provided \$3.5 million in funding to help farmers' markets, food producers, retailers, greenhouses, garden centres, nurseries, and agricultural associations expand online. Shortly after its launch, intake for the Agri-Food Open for E-Business program was closed because it was oversubscribed. Given its popularity and the importance of helping agri-food businesses transition to e-commerce, the province should work with the federal government to open another intake and increase funding for this program.

The OCC's forthcoming report on the impact of the pandemic on our food supply chain will provide the Province with additional recommendations to support rural and agri-businesses in Ontario.



3. Modernization

The Province of Ontario has recognized modernization of government services as a priority. For businesses and residents alike, modernization leads to improved outcomes and better value for taxpayer dollars, making Ontario a more attractive place to work and live.

a. Be bold on interprovincial trade.

First, **Ontario should act immediately to eliminate major interprovincial barriers to trade and labour mobility.** Currently, businesses are limited by a patchwork of rules around transportation, the environment, securities, professional certification, agri-food marketing, food safety, and more. In 2017, Statistics Canada estimated that the amount of economic activity restricted by non-tariff trade barriers was tantamount to having a seven percent tariff on interprovincial trade.⁹ Moreover, the pandemic – and trends that preceded it – have limited access to some international markets, such that companies within Canada will need to make the most of internal trade.

The Government of Ontario should **continue supporting the work of the Regulatory Reconciliation and Cooperation Table** established under the Canadian Free Trade Agreement. However, Ontario should pursue a bolder approach in parallel and **consider unilaterally declaring it will recognize the adequacy of standards used elsewhere in Canada or pursue mutual recognition agreements** with Alberta and/or other provinces and territories that are similarly prepared to act swiftly. In the 1990s, Australia and New Zealand took this approach when the two governments agreed to mutually recognize compliance with each other's laws for the sale of goods and the registration of occupations, subject to limited exceptions.

As a specific example, Ontario should **address barriers for meat and meat products.** Currently, a dual system exists when it comes to meat inspection in Canada. Federally inspected meat processing facilities follow national standards and are overseen by the Canadian Food Inspection Agency (CFIA). Meat and meat products produced in these facilities can be exported to other countries and inter-provincially across Canada. In contrast, provincially licensed meat processing facilities are governed by provincial meat inspection systems, and products produced or processed in these facilities are sold within provincial borders.

The federal government has introduced a temporary measure through the CFIA to help preserve food security in the event of a meat or poultry shortage during the pandemic. Meanwhile, given that Ontario and Quebec employ strict and similar provincial meat inspection requirements, the Ontario government should **consider entering into a bilateral trade agreement with the Government of Quebec that would allow each province to recognize the other's provincial**



⁹ Statistics Canada. 2017. "Study: Estimating the effect of provincial borders on trade." <https://www150.statcan.gc.ca/n1/daily-quotidien/170914/dq170914d-eng.htm>

meat inspection system as equivalent. Accordingly, those processing or producing beef, veal, pork, lamb, and other meat products in Ontario could market and sell items in Ontario and Quebec, enabling producers and processors in both provinces to reach more consumers, while maintaining high food safety standards.

b. Use regulatory modernization to support economic recovery.

Further, **many temporary regulatory improvements that were introduced during the pandemic should be made permanent to support economic growth.** For example, Ontario began allowing restaurants to deliver alcohol online and eventually made this permanent. Amidst the second wave, legal cannabis retailers have also been allowed to engage in e-commerce and offer delivery and curbside pickup options helping them serve their customers safely, stay competitive, and combat the illegal market. Retailers have leveraged themselves by investing in the necessary time and money to build out the web platforms and necessary infrastructure to successfully facilitate e-commerce. **We ask the Government of Ontario support the growth of this emerging sector by making online delivery and curbside pick-up options permanent for privately-owned legal cannabis retailers.**

With both new and old regulations, it is important to move away from overly prescriptive rules and instead **take a more outcomes-oriented approach that allows for more flexibility in how outcomes are achieved.** During a period of economic recovery, the private sector's tendency to innovate will be at its peak, and an agile approach to regulation will ensure that government avoids erecting unnecessary barriers to economic growth.

Finally, beyond simply cutting red tape, the Government of Ontario should **think outside the box and embrace regulatory innovation.** Other countries, including the United Kingdom and France, are using technology to better manage compliance and adopt risk-based models that make regulation more efficient from the beginning. The OCC will be further exploring the potential for regulatory modernization in 2021.

c. Realize the full potential of virtual care in Ontario.

The COVID-19 pandemic has accelerated certain trends that were already underway, such as virtual care. As in-person medical appointments became less feasible, virtual visits have enabled Ontarians to continue accessing quality care while not exposing themselves to the virus. Pandemic restrictions, coupled with the Province's implementation of temporary billing codes, have accelerated the formal adoption of virtual care in Ontario. Given the demand for timely care, the many benefits associated with virtual care, general satisfaction with virtual visits, and continued government investment in digital health, virtual care is here to stay. To integrate virtual care appropriately and permanently within the health care system, the OCC recommends the Government of Ontario consider urgent policy reforms that allow for the effective delivery of virtual care in Ontario.



Specifically, we recommend that the Province:

- **Develop a comprehensive framework for virtual care in Ontario.**
- **Modify the existing fee code system** to allow for the permanent delivery of virtual care and **provide physicians with training and knowledge supports** to allow care to be delivered virtually.
- **Focus on equity** to improve access to virtual care.
- **Support employers' continued investment in virtual care** for their employees that expand beyond care delivered virtually through the health system.

For more information, see our recent report, [*Realizing the Full Potential of Virtual Care in Ontario*](#).

d. Make Ontario a leader in 'smart government'.

A 'smart government' uses technology and data to improve efficiencies, reduce costs, and improve the delivery of public services. Similarly, a 'smart city' uses technology to enhance urban life, economy, mobility, and governance.

One of the most striking examples of the benefits of smart government is Estonia, whose digital government and centralized data system is estimated to have saved 820 years of working time for the government and its employees annually.¹⁰

In the fall of 2019, the Government of Ontario introduced its Building Smarter Government Initiative, with a series of projects that will modernize government and improve value for taxpayer dollars.

To build on this work, the OCC urges the Province to:

- **Develop and promote province-wide standards, goals, benchmarks, and best practices** on the use of smart government polices and technologies to lead departments, agencies, and municipalities. This should include information-sharing about the successes, experiences, and projects undertaken by various levels of governments.
- **Commit to providing stable funding and/or tax incentives** for smart government initiatives both at a provincial and municipal level. Such funding should, when possible, be reasonably tied to outcome-based measurements to promote the adoption of those initiatives and technologies proven to further the goals of the initiative. Emphasis should be placed on initiatives involving public-private partnerships.
- Leverage these initiatives to **attract new business and investment by marketing Ontario globally as Canada's first 'smart province.'**



¹⁰ E-Estonia. 2017. "How do Estonians save annually 820 years of work without much effort?" <https://e-estonia.com/how-save-annually-820-years-of-work/>.

e. Improve procurement outcomes.

The key to improving public sector productivity is better management of the public sector economy – the mix of public, private, and not-for-profit providers that deliver public services. The size of Ontario’s public service economy is approximately \$120 billion. The bulk of provincial public services are funded through government transfers and delivered through complex value chains of third-party providers.

In many cases, the Ontario government’s approach to managing those value chains is resulting in suboptimal value for taxpayer dollars. In particular, the public sector tends to view its commercial relationships as strictly purchasing, typically through the commodification of both goods and services, with pricing being the key determining factor in what to buy. However, recent history demonstrates that traditional models of procurement are anathema to achieving value in complex service delivery (such as health care and human service delivery), where they have produced a race to the bottom in pricing, mispriced risk, poor quality, and financial instability in the vendor market. An emphasis on lowest cost also makes the market unattractive for newer and smaller firms, further reducing competition, choice, and innovation.

Instead, government should **use commissioning to improve the design of service delivery value chains.**

Commissioning begins with an articulation of a change hypothesis, desired outcomes, and user needs. Then, it engages users and providers in the design of solutions. Commissioning is agnostic to delivery models or who does what. It prompts consideration of the full range of responses through a focus on outcomes, rather than existing structures.

Additionally, the Province should **leverage procurement to support women, people with disabilities, LGBTQ2+, BIPOC (black, indigenous, people of colour), and other diverse entrepreneurs** that have been hit hardest by the pandemic. Supplier diversity has many economic benefits in addition to social ones.¹¹ The Government of Ontario should adjust its request for proposal processes to improve access for diverse, innovative firms. Other jurisdictions provide a helpful template; Toronto was one of the first municipalities in Canada to implement supplier diversity, and the practice is common in the United States. Further, certifying bodies such as Women Business Enterprises Canada can make it easier by confirming when businesses are majority owned and managed by women. For more information, see our 2020 report, [*The She-Covery Project: Confronting the Gendered Economic Impacts of COVID-19 in Ontario.*](#)

f. Take a measured approach to centralized procurement.

The Government of Ontario has announced its intention to centralize all public procurement. The OCC supports efforts to improve the efficiency of procurement and believes centralization will allow for the control that is necessary



¹¹ Government of Canada. “The Business Case for Supplier Diversity in Canada.” https://cfc-swc.gc.ca/abu-ans/wwad-cqnf/sdr-rdf/supplier_diversity-diversification_fournisseurs-en.html.

to make welcome transformative changes. Specifically, we encourage the Province to **focus on centralizing certain specialized capabilities in a shared service function**. Complex commercial capabilities, market engagement design, market intelligence, and legal supports are all highly specialized functions that are difficult to staff and could be scaled in a centre of excellence for contracting. Other functions should remain at the ministry level, supported by robust communities of practice and learning programs. However, in pursuit of centralization, we would like to offer our recommendations to avoid potential unintended consequences.

First, a procurement model centralized within the Greater Toronto Area (GTA) puts businesses in Northern Ontario at a disadvantage and limits their ability to bid for procurement opportunities. Any efforts at centralization must protect the competitiveness of businesses outside the GTA, especially smaller firms. One option is to **consider a more regionalized model**, which can deliver similar cost savings while retaining public spending within Ontario's regions.

Second, **avoid the pitfalls of centralization when it comes to complex goods and services**. In some cases, centralization can reinforce the 'race-to-the-bottom' mandate of lowest-price-wins and the one-size-fits-all approach to purchasing. Ontario would do well to heed a warning from the United Kingdom, which attempted to centralize procurement services with poor results earlier this decade. Although they achieved some savings with 'basic' goods and services, the reforms had a negative impact on the delivery of complex public services and the sustainability of the market, resulting in poor purchase outcomes, frustration among vendors, and an intrusion of political considerations in procurement decisions.¹²



12 Sturgess, Gary L. 2017. *Just Another Paperclip? Rethinking the Market for Complex Public Services*. Business Services Association. <https://www.bsa-org.com/wp-content/uploads/2017/04/Just-Another-Paperclip-FINAL.pdf>

Conclusion

In 2021, Ontario will continue to grapple with the COVID-19 pandemic and its economic fallout. The situation has created new problems and exacerbated pre-existing ones. The impact on people and business has been catastrophic overall, but disproportionate for small businesses as well as certain sectors and demographics.

Our 2021 pre-Budget submission is focused on mitigating the immediate impacts of the crisis and laying the groundwork for a robust and inclusive recovery. The recommendations outlined above were developed together with businesses, chambers of commerce, and boards of trade across the province, with the shared interest of channeling limited resources to where they will have the greatest impact.

Chambers of commerce and boards of trade in every corner of the province have continued to provide critical services and resources to businesses during the COVID-19 pandemic, and will work closely together with government on the path to economic recovery.

