

Address Ontario-Quebec economic mobility

Submitted by the Timmins Chamber of Commerce

Co-sponsored by the Thunder Bay Chamber of Commerce, Greater Sudbury Chamber of Commerce, and the Sault Ste. Marie Chamber of Commerce

Adopted by the Ontario Chamber of Commerce – April 2018

Issue:

Overly broad efforts to address general regulatory barriers have proven insufficient to address long-standing significant challenges for the flow of commerce between Ontario and Quebec.

Background:

Ontario and Quebec share a uniquely important economic relationship within Canada's business landscape: with a combined GDP of more than \$1 trillion, the Ontario-Quebec region is the fourth largest in North America, after California, Texas and New York.¹ Trade of goods and services between Ontario and Quebec has grown by nearly 11 percent over the last 10 years, from \$75.8 billion to \$84 billion². The two provinces account for nearly two thirds of Canada's population, almost 60 percent of its GDP, and 53 percent of its interprovincial trade.³

However, despite the importance of their integrated economies, there remain many unique regulatory and cultural barriers between the two that pose considerable challenges to a truly equitable flow of commerce. This has perhaps been most visibly evident within the construction sector, with Ontario associations having pointed to Quebec's construction market as one of the most heavily regulated in North America.⁴ This led to retaliatory legislation by the Ontario government in the form of the restrictive Fairness is a Two-Way Street Act, which was passed in 1999, and repealed in 2006 in favor of a more collaborative approach, though ongoing concerns resulted in a failed effort to revive it via private member's bill in 2013.⁵

Although they're often far less visible, similar sectoral challenges exist for Ontario businesses in other areas, including forestry, environmental testing, transportation, and countless additional sectors; the lack of documentation around the extent and sectoral breadth of this problem forces many individual industries to lobby Quebec for piecemeal solutions, if they have the resources to pursue them at all. In some cases, the lack of communication or knowledge about these issues can lead to Ontario businesses unknowingly incurring significant fines.

The economic harm posed by these unique challenges has been recognized by the two provinces in the form of the Ontario-Quebec Trade and Cooperation Agreement (OQTC), which also effectively serves to recognize their special trade relationship.⁶ Last updated in 2015, it is designed to simplify the flow of commerce between the two provinces, and while it offers a framework for discussion, its overly broad nature fails to effectively address much of this ongoing regulatory concern.

¹ Government of Ontario, Ontario and Quebec Strengthen Interprovincial Trade, May 2015

<https://news.ontario.ca/opo/en/2015/05/ontario-and-quebec-strengthen-interprovincial-trade.htm>

² Quebec and Ontario Working Together to Fuel Innovation and Growth, Services Quebec, Sept. 22 2017,

<http://www.fil-information.gouv.qc.ca/Pages/Article.aspx?aiguillage=ajd&type=1&lang=en&idArticle=2509223140>

³ Ibid.

⁴ Ottawa Construction Association, Resources: Working in Quebec <http://www.o.ca.ca/resources/quebec.php>

⁵ CBC News, Bill to restrict Quebec construction workers in Ontario defeated, Sept. 2013

<http://www.cbc.ca/news/canada/ottawa/bill-to-restrict-quebec-construction-workers-in-ontario-defeated-1.1703959>

⁶ Government of Ontario, Trade and Cooperation Agreement Between Ontario and Quebec

<https://www.ontario.ca/document/trade-and-cooperation-agreement-between-ontario-and-quebec-0>

The federal government attempted to rectify these and other such regulatory misalignments through the Canadian Free Trade Agreement (CFTA) in April 2017.⁷ While it provides some progressive relief measures on specific areas such as procurement, roughly one-third of the 300-page document is dedicated to provincial exemptions, creating opt-out measures on many key files for the Ontario-Quebec relationship.⁸ Moreover, there exist many regulatory concerns that exist within Quebec that fall outside of the CFTA's intended purview.

These gaps mean that these issues must be addressed on a province-by-province basis; this approach that is mirrored by the Canadian Chamber of Commerce's *10 Ways to Build a Canada That Wins 2018*, which states that despite the CFTA's advances, "progress will depend on the adoption of best practices in regulatory management by governments across Canada".⁹ As such, identifying and addressing these unique barriers will be best achieved by direct cooperation between Ontario and Quebec.

Barriers to business also exist at the cultural level: according to the 2016 census, 44 percent of Quebec residents are able to speak Ontario's dominant language, whereas only 11 percent of Ontario residents are able to speak Quebec's.¹⁰ As a result, Ontario businesses have a generally higher barrier to entry to Quebec markets than the reverse, though some neighboring border communities – such as the City of Temiskaming Shores, the City of Ville-Marie, their associated Chambers of Commerce, and the Temiskaming First Nation – are finding success by working collaboratively to build relationships, find common ground, and advance shared economic goals.

Recommendations:

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Work with Ontario businesses to identify and remove barriers to the movement of services, labour, and goods between Ontario and Quebec, with a focus on industry-specific regulations, standards, and certifications.
2. Create and promote programs designed to foster relationship-building between Ontario and Quebec business communities, including measures to improve business support for bilingual access.
3. Work with business organizations and associations to better communicate industry-specific challenges and opportunities of doing business in Quebec, as well as the measures required to meet regulatory compliance.

⁷ Canadian Free Trade Agreement, Canadian Free Trade Agreement Finalized, April 2017 <https://www.cfta-alec.ca/wp-content/uploads/2017/06/CFTA-news-release-1.pdf>

⁸ Global News, Forget that out-of-province beer: On booze and most other things, new interprovincial trade deal falls short, April 2017 <https://globalnews.ca/news/3364019/forget-that-out-of-province-beer-on-booze-and-most-other-things-new-interprovincial-trade-deal-falls-short/>

⁹ Canadian Chamber of Commerce, 10 Ways to Build a Canada That Wins, Feb. 5, 2018 <http://www.chamber.ca/advocacy/10-ways-2018/>

¹⁰ Statistics Canada, English-French bilingualism reaches new heights, August 2017 <http://www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016009/98-200-x2016009-eng.cfm>

Protect tourism industry competitiveness within the Municipal Accommodation Tax

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Issue:

As communities across Ontario consider implementing the new Municipal Accommodation Tax, measures must be taken to ensure that the tourism industry is appropriately protected against uncompetitive increases, and that affected businesses have a say in how those tourism dollars are used.

Background:

Ontario's tourism industry plays a vital role in the provincial economy¹, supporting nearly 180,000 related businesses and 372,000 jobs while generating over \$28 billion in provincial GDP.²

However, in addition to being disproportionately impacted by rapid changes to Ontario's minimum wage,³ this industry faces another obstacle: on Dec. 1, 2017, Ontario municipalities were accorded the ability to impose a Municipal Accommodation Tax on facilities that provide stays under 30 days. This is of concern to industry groups, who fear it may reduce their competitiveness, and directly impact the provincial economy.⁴⁵ One such group includes the Ontario Chamber of Commerce, which had expressed in the lead-up to the 2017 provincial budget that it opposed providing the City of Toronto the ability to levy this particular tax, in part because of its potentially detrimental impact, but also because of its potential to be applied to other municipalities – something which has since come to pass.⁶

This concern has arisen because the new “hotel tax” differs greatly from the Destination Marketing Program (DMP), which it will effectively replace. Whereas the DMP is a voluntary model that allows participating businesses to help oversee how its tourism dollars are spent, the new tax can be applied unilaterally by municipal governments.

Additionally, the new tax is being touted as having been “developed as a revenue tool for municipalities”⁷: as little as 50 percent of its revenues – or, in municipalities with an existing DMP, an amount that matches the total revenue it generated – must be provided to a non-profit tourism organization, with the remainder flowing to City coffers. This, along with its non-voluntary

¹ Ontario Chamber of Commerce, “Closing the Tourism Gap: Creating a Long-Term Advantage for Ontario”, Nov. 17, 2016

² Ontario Tourism Marketing Partnership Corporation, “About Destination Ontario,”

³ Financial Accountability Office of Ontario, “Assessing the Economic Impact of Ontario’s Proposed Minimum Wage Increase”, Sept. 12, 2017 http://www.fao-on.org/en/Blog/Publications/minimum_wage

⁴ Financial Post, “Ontario municipalities are getting new powers to tax hotels and hoteliers are furious”, April 28, 2017

⁵ Ontario Restaurant Hotel & Motel Association, “RE: City of Toronto Act (COTA) – Hotel/Lodging Room Tax”, January 17, 2017

<http://www.orhma.com/Portals/0/Insider/2017/ORHMA%20LETTERTO%20PREMIER%20HOTEL%20TAX%20COTA%20JAN%202017.pdf>

⁶ <http://www.occ.ca/wp-content/uploads/OCC-Letter-Toronto-Hotel-Tax-1.pdf>

⁷ Niagara Falls Review, “Diodati calls for clarity on hotel tax, DMF”, Nov. 8, 2017

<http://www.niagarafallsreview.ca/2017/11/08/tourism-sector-calls-for-clarity-on-hotel-tax-dmf>

approach, removes much of the spending oversight by those businesses who are directly impacted.

As such, the lack of a cap on this tax is a significant industry concern. At a time where municipalities are faced with increased costs and shrinking revenues, the ability to levy a simple and potentially limitless tax against non-residents may prove all too attractive. Competitiveness may be further harmed should municipalities seek to exceed rates seen in other provinces and regions; to date, every Ontario municipality who has passed the hotel tax has done so at 4 percent.

Various groups have spoken out about the potential impact of the legislation and its lack of potential restrictions, suggesting that such measures may create “noticeable losses”, and that “the impact on the convention business might be significant.”⁸ Similarly, industry groups indicate that “the imposition of this tax with no defined amount and no cap has the potential to bring the total sales tax on a hotel room to an unprecedented high.”⁹

Recommendations:

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Cap the Municipal Accommodation Tax at 4 percent, except in municipalities where existing Destination Marketing Program fees exceed 4 percent, in which case the cap should match that total and all funds be directed to the appropriate non-profit tourism organization.
2. Ensure businesses who pay a Municipal Accommodation Tax can participate in the oversight and distribution of the tourism-focused portion of revenues.

⁸ Institute on Municipal Finance & Governance, Munk School of Global Affairs, “New Tax Sources for Canada’s Largest Cities: What are the Options?”, November 2016

https://munkschool.utoronto.ca/imfg/uploads/368/imfgperspectives_no15_kitchenandslack_nov_23_2016.pdf

⁹ Greater Toronto Hotel Association, “GHTA Responds to New Tax on Hotels in 2017/18 Provincial Budget,” April 27, 2017

Maintain Ontario Mining Tax rates

Submitted by the Timmins Chamber of Commerce

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Adopted by the Ontario Chamber of Commerce – April 2018

Issue:

In the lead-up to the 2018 provincial election, the Ontario government continues to face pressure to review the provincial mining tax system in order to increase tax rates for operating mines. This would threaten the viability of Ontario's mining sector and discourage further investment in resource development.

Background:

The Ontario mining industry is a significant contributor to the provincial economy, producing approximately \$10.6 billion in non-fuel minerals, accounting for more than a quarter of Canada's total value of mineral production. Roughly \$371 million is also spent on exploration projects in Ontario every year, ranging from prospecting to advanced exploration. Moreover, mining is the largest private-sector employer of Aboriginal Canadians, who account for 11% of all mining jobs in Ontario.¹

Despite these contributions, the Ontario government has continued to see pressure to increase the mining sector's tax burden as a means of addressing the provincial debt. This would mean revisiting Ontario's Mining Tax Act, which dictates a 5% tax rate on profits from remote mines, and a 10% tax rate on profits from non-remote mines.² The province's sole diamond mine – the De Beers Victor Mine, set to close in 2019 – is subject to a separate 13% rate through the Ontario Diamonds Royalty, which is contained within the Ontario Mining Act.

Although the Ontario government has opted to maintain rates in recent years, it continues to be pressured by various entities, both internal and external, to change the status quo. A December 2015 report by Ontario's auditor general criticized the province's Ministry of Northern Development and Mines for its lack of effective encouragement of timely mining development in Ontario³, inferring the need for higher rates. This has fueled discussion from special interest groups such as MiningWatch Canada that the government needs to raise tax rates for Ontario's remote, non-remote and diamond mines.

With much rhetoric about "business paying its fair share" dominating discussions in the lead-up to the 2018 provincial election, it is imperative that Ontario's existing conditions remain unchanged, as outlined in Ontario's Mining Act. A heavier tax burden would only threaten the vitality of Ontario's mining sector -- which routinely identifies rising costs as a major challenge -- and exacerbate the industry's existing regional challenges.

¹ Mining Association of Canada, "Facts and Figures of the Canadian Mining Industry 2016", <http://mining.ca/sites/default/files/documents/Facts-and-Figures-2016.pdf>

² Ontario Ministry of Finance, "Ontario Mining Tax", <https://www.fin.gov.on.ca/en/tax/mining/index.html>

³ Office of the Auditor General of Ontario, 2015 Annual Report, <http://www.auditor.on.ca/en/content/annualreports/arbyyear/ar2015.html>

This kind of regulatory uncertainty, combined with soaring energy rates, has already damaged Ontario's competitiveness: Ontario has slipped out of the top 15 mining jurisdictions in the world within the Fraser Institute's Annual Survey of Mining Companies, slipping to 18th in 2016.⁴

Recommendations:

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Maintain the current mining tax rates for remote, non-remote, and diamond mining operations.

⁴ Fraser Institute, "Fraser Institute Annual Survey of Mining Companies, 2016", Feb. 28 2017