

Legislative
Assembly
of Ontario



Assemblée
législative
de l'Ontario

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The Honourable Steve Peters, MPP
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Finance and Economic Affairs has the honour to present its Report on its Pre-budget Consultation 2009 and commends it to the House.

Pat Hoy, MPP
Chair

Queen's Park
March 2009

**MEMBERSHIP OF THE
STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS***

1st Session, 39th Parliament

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INTRODUCTION

The Standing Committee on Finance and Economic Affairs conducted its 2009 pre-Budget hearings in November and December 2008 at Queen's Park and in Niagara Falls, Windsor, Thunder Bay, Sudbury and Ottawa. Witnesses included experts invited by the Committee to present economic forecasts and budgetary advice, representatives from associations, organizations, and community groups, and interested individuals. The Committee also heard presentations from municipalities and their associations, as well as other local administrative bodies and service agencies exercising delegated authority and/or receiving transfer payments. The Committee heard 120 witnesses and received about 50 written submissions from interested individuals and groups who did not appear before the Committee.

The pre-Budget consultation provides an important forum for citizens, stakeholders, and local government partners to discuss their social, economic, and program-related concerns with elected representatives. The submissions to the Committee constitute a vital part of the political process by which governments are held accountable for their decision-making and administration by the electorate.

This Report is an overview of the main issues raised by presenters during the pre-Budget consultation. Details of submissions by witnesses and their responses to questions by Committee Members can be found in the Committee Proceedings in *Hansard*. A list of witnesses, as well as the organizations and individuals from whom written briefs were received, appears at the end of the Report. An electronic copy of this document will appear on the Committee Reports web site (http://www.ontla.on.ca/web/committee-proceedings/committee_reports.do?ParlCommID=8858&locale=en).

THE ECONOMY

Economic Outlook

The emerging awareness that Ontario has entered a serious recession formed the backdrop to the Committee's pre-Budget hearings and informed many of the presentations made to the Committee. Describing the downturn as a "very synchronized economic retrenchment globally," one expert witness predicted continued contraction in the first half of 2009, a slow period of recovery that will not begin until the second half of 2009, and very slow growth in 2010. The Committee heard that the current recession is not a typical cyclical event characterized by high inventories and high interest rates, but a structural transformation "that, both in intensity, but also duration . . . may be unprecedented in the lifetime of anybody in this room."¹

At the end of the third quarter of 2008, Ontario's real GDP stood at approximately \$537.6 billion. In the fall *Economic Outlook and Fiscal Review*, the Ministry of Finance forecast GDP growth of 0.1% for 2008, down from the estimate of 1.1% in the March 2008 Budget. The *Economic Outlook* noted growth projections for 2009 of 0.7%. At the time of the Minister's Fall Economic Statement, a deficit of \$500 million was forecast. Four months later it is expected the deficit could be several times that figure.

The provincial economy is now in the "difficult period" anticipated in the 2008 pre-Budget Report. The Committee heard that Ontario will be the province most affected by the slump in U.S. consumer demand, tight credit conditions, the collapse of commodity prices, and a declining real estate market. The strong Canadian dollar and high oil prices of a year ago have been replaced with a weaker currency and much lower oil prices. Concerns voiced about inflation only months ago have been replaced by speculation about deflation. The Bank of Canada's overnight rate target has been lowered from 4.0% to 1.0% in the past year. At this level, the ability to provide stimulus through interest rate cuts is obviously limited.

In January 2009, Ontario's unemployment rate climbed to 8.0%, from 7.2% in December (and 6.3% a year ago). The drop of 71,000 jobs in Ontario in January is the largest in three decades, and included 36,000 manufacturing jobs, led by the automobile manufacturing industry.

Fiscal Situation

The *Economic Outlook* forecast a deficit of \$500 million for 2008-09 (as noted), on projected revenues of \$96.0 billion and expenses of \$96.5 billion (including a \$200 million reserve). The accumulated deficit (the difference between total liabilities and total assets) is projected to increase (by the

¹ Committee *Hansard*, December 11, 2008, p. F-593.

amount of the deficit) to \$106.1 billion as at March 31, 2009. The accumulated deficit-to-GDP ratio is forecast to improve from 25.2% in 2003-04 to 17.8% in 2008-09.

Total provincial debt (all borrowing by the Province, excluding offsetting financial assets) as of September 30, 2008 was \$172.3 billion. Net debt-to-GDP (an indication of an economy's ability to pay back its debt) peaked at 32.9% in 1999-2000. The current forecast is for a ratio of 24.5% in 2008-09, an increase of 0.1% from 2007-08.

MINISTRY OF FINANCE

Fiscal Strategies

Considerable consensus exists that the government should engage in counter-cyclical measures; from there, opinions diverge regarding by what means and to what extent. Many witnesses counselled increasing expenditures, with infrastructure investments, enhancements to social programs, or a combination of both. These recommendations were often accompanied by an acknowledgement that a deficit would result (or be augmented) and a caution not to create a structural deficit. Views were also divided on whether the aim of the stimulus should be to increase immediate consumer spending or invest in projects with longer-term productivity benefits.

Many witnesses emphasized restraint, with measures such as freezing expenditures at 2008-09 levels, realigning public priorities, and running a deficit only to protect priority programs and services. These stakeholders were more likely to seek stimulus in the form of tax cuts and the review of policies and/or regulations that impede economic activity. Advice to balance the budget was offered only once, and no case was presented for making significant reductions in government expenditures.

Tax Issues

As in previous years, those who spoke to taxes matters sought – with very few exceptions – their reduction. Some advised maintaining or accelerating scheduled rate reductions (e.g., corporate tax, business education tax) or eliminations (e.g., capital tax); others identified measures for reform (e.g., employer health tax, land transfer tax) or extinction (e.g., Ontario Health Premium, tax for fuel conservation).

Several stakeholders from the business community recommended harmonizing the PST and GST (or their bases); others urged no action in this regard. More commonly, exemptions from the PST were proposed – by farmers, small business, manufacturers, municipalities, truckers, and the hospitality industry. Limits on property tax growth were requested and property tax relief for low-

income seniors and small business, as well as clarity on a number of assessment rules and rulings.

Tax credits remain a favoured vehicle for assisting specific stakeholders. The Committee heard requests from business to expand credits for apprenticeship training and cooperative education, from students regarding education and tuition credits, and from animators concerning rules for the computer animation and special effects refundable credit. Expanding the caregiver tax credit was urged, as was the creation of refundable investment credits for the manufacturing sector.

Other Matters

The Committee heard much about financial services regulation, and mostly from industry players. Bankers asked that the government strongly support a national securities regulator, mortgage dealers called for better enforcement of compliance with new regulations, and financial advisors brought advice on regulations for financial services regulators. Credit union representatives asked to consult with the government on the transition to a new regulatory regime.

Encouraging, protecting and enhancing pension plan coverage was the object of suggestions from those representing workers and retirees. Under current economic conditions, the status of the Pension Benefits Guarantee Fund was of special interest. Small business expressed its concerns about the benefits gap between private and public sector workers and the sustainability of (and responsibility for) defined benefit plans. Retirees' representatives also proposed an increase in the level of guaranteed annual income system payments and an allowance for grandparents caring for grandchildren.

ADVICE CONCERNING OTHER MINISTRIES / OFFICES

Witnesses' advice or requests to the Committee were presented in four ways:

- spending requests;
- program or policy proposals (which may also entail expenditures);
- regulatory concerns; and
- suggestions for infrastructure investment.

SPENDING REQUESTS

The pre-Budget consultation is an opportunity for stakeholders to bring their requests for new or continued government funding or propose efforts to achieve efficiency. In the context of an economic downturn, many witnesses asked that the government continue with scheduled increases contained in multi-year commitments, while others warned about the impact in this

economic climate of reducing transfers. Anti-poverty activists and representatives of agencies serving low-income Ontarians praised the government for its poverty reduction strategy but often urged that its focus be broader. Those with an interest in the province's social safety net argued for strengthening it in anticipation of much greater demands being placed in the coming months.

The spending requests arranged below by relevant Ministry or Office are representative of the recommendations presented to the Committee.

Aboriginal Affairs

- Contribute to First Nations schooling.

Agriculture, Food and Rural Affairs

- Fund research on farm energy production and support processing biomass crops to substitute for coal as fuel in generating stations.

Attorney General

- Support legal clinics that address the needs of racialized communities, and increase the tariff and overall funding for legal aid services.

Children and Youth Services

Child Welfare

- Cover prior year child welfare costs, kinship service cases, and community collaboration and/or family group conferencing.
- Increase funding and address inequities in the residential agency system.

Early Childhood Education and Care

- Expand the public childcare sector, reduce costs for parents, and enhance wages and working conditions for early childhood educators.
- Assume 80% of the provincial/municipal cost-share.

Citizenship and Immigration

- Deliver core funding for charitable foundations and community organizations supporting people in need.
- Provide funding assistance for the certification, licensing, and accreditation of internationally-trained professionals and tradespeople.

Community and Social Services

Community Living/Developmental Services

- Keep commitments made in the 2007 Budget and exempt developmental services from future across-the-board funding reductions.
- Fund the backlog of individuals and families seeking residential services, day programming, and other supports.
- Redirect funding from agency services to programs that enable persons with disabilities to be supported at home.
- Support programs that address social justice issues, dismantle systemic barriers, and combat prejudice against persons with disabilities.
- Assist the hospitality industry's program to recruit persons with disabilities.

Poverty Reduction

- Devote as much money to the poverty reduction plan as to aid for companies in the manufacturing sector.

Social Assistance

- Provide a \$100/month food supplement and immediate and significant increases to the Ontario Child Benefit, bring social assistance rates to levels that reflect average costs of rent, food and other necessities of living, and permanently index benefits to the CPI (Consumer Price Index).

Community Safety and Correctional Services

- Deliver long-term, sustainable funding for policing and community safety.

Culture

- Agree to start-up funding and annual operating costs for a Children and Youth Arts Engagement Fund to support arts activities engaging children and youth in urban, rural, remote, and First Nations communities.

Economic Development

- Provide repayable loans and other assistance to the Ontario auto industry, including the auto parts sector, ensuring that aid confers no competitive or market share advantage on the recipient(s).

Education

- Fully fund local collective agreements and pay equity, support adult education, increase allocations for special education and transportation,

close the gap between elementary and secondary funding, and proceed with planned full-day junior and senior kindergarten, supported by before and after school child care.

- Achieve savings in education spending, given declining enrolments.

Environment

- Budget for public education about cosmetic pesticides and for adequate monitoring and enforcement, and support proposals to enhance the Toxic Use Reduction Strategy.
- Consult with farm groups on climate change policies and fund research to verify the efficacy of such policies and their impact on farm sustainability.

Health

Health Policy and Research

- Invest in the OntarioBuys initiative, the development of an Ontario Brain Strategy, the operation and promotion of the EatRight Ontario Dietitian Advisory Service, and proceed with – and include optometrists and community health laboratories in – the provincial diabetes strategy.
- Provide equitable compensation for registered dietitians and more dietetic internship placements.
- Support the late career (i.e., nursing) initiative for 2009, and equitable remuneration and working conditions for nurses working in acute care, primary care/family practice, home care, and long-term care.
- Fund pharmacists' professional services, pharmacy professional programs, an annual staged increase in the dispensing fee over four years, and annual increases thereafter that closely match the true cost of dispensing drugs.

LHINs and Related Health Service Providers

- Increase the base budgets of Children's Treatment Centres and make a one-time investment in necessary technology improvements.
- Boost Community Care Access Centres' allocations for personal support workers allowances, aging-in-place programs, and other support services to seniors at home.
- Provide a stabilization fund increase for Community Health Centres (CHCs) and Aboriginal Health Access Centres (AHACs), new and immediate annualized funding to the AHACs (to put their clients on a par with CHC clients), and fund pension benefits for staff in all community health and support agencies and mental health and addictions organizations.

- Support community health laboratory services and make available the resources necessary to sustain newly approved testing programs.
- Confirm the base funding allocation for hospitals, and provide special assistance to small and remote hospitals operating as comprehensive community health centres.
- Increase global funding for hospitals to enhance access to appropriate services and innovative technologies, and find additional monies for those hospitals with large anticipated deficits that are unrelated to operational inefficiencies.
- Adjust annually the long-term care (LTC) home full per diem so that basic care and service levels can be maintained, meeting the national standard of three hours of resident care per day.
- Fund a minimum LTC staffing level of 3.5 hours on average per resident per day, or an evidence-based study to determine appropriate LTC staffing levels.
- Increase personal needs allowances for recipients in care homes, indexed to the cost of living.
- Provide an effective whistle-blower protection system, an adjudicative body to hear appeals concerning compliance with service agreements, and an equitable approach to pay equity for all LTC homes.
- Support ongoing dementia and related training, and more time for nutrition management.
- Build the capacity of the community mental health and addictions sector, by funding drug treatment programs and affordable supportive housing, mental health services for children and youth, employment programs and a peer support system to assist persons with a mental health disability to return to independent living.

Ontario Health Insurance Plan

- Enhance funding to the CNIB, to Ontario's Assistive Devices Program, and to individuals with disabilities directly to purchase the programs, services, and supports they require to achieve independence.

Public Health

- Commit to an annual allocation for oral health, to be flowed to Public Health Units for implementation by CHCs.

Health Promotion

- Keep the commitment to address childhood obesity, and provide from the allocation for diabetes prevention a surveillance program for children and youth.
- Provide community-based groups with a subsidy toward inclusive games and equipment and remove provincial tax from any recreational equipment related to a disability.
- Sustain or increase funding levels for the Smoke-free Ontario Strategy.

Municipal Affairs and Housing

Affordable Housing

- Commit funding of at least \$ [various amounts proposed] for the building of at least [various numbers proposed] units per year.
- Focus on supportive housing, including housing for persons living with HIV/AIDS and developmental disabilities, and provide provincially-funded rent supplements for at least half of the new units.

Provincial Funding and Regulations

- Fund income redistribution programs by income taxes rather than property taxes, clarify employer/employee obligations to pay the Ontario Health Premium, and ensure that new policies or funding strategies take into consideration the needs of both rural and urban communities.
- Increase the grant per household under the Northern Communities grant program under the Ontario Municipal Partnership Fund.
- Accelerate the uploading of Ontario Works and court security costs, of municipal costs for social assistance, or the costs of provincial social and health programs, including the remaining portion of land ambulance services.

Natural Resources

- Sustain the work of the Oak Ridges Moraine Foundation, and compensate farmers for wildlife damage to crops.

Research and Innovation

- Highlight dementia within Ontario's research portfolio and direct funds from the Next Generation of Jobs Fund to companies developing technological innovations to support independent living.
- Fund Northern Ontario Resources Development for the 21st Century, a research initiative at Lakehead University.

Small Business and Consumer Services

- Increase the financing available to small- and medium-sized enterprises (SMEs) with a program similar to the Canada Small Business Financing Program.
- Renew the funding commitment to the Canadian Youth Business Foundation.
- Support the development and implementation of global supply chain standards and their application to support Ontario business.

Tourism

- Reintroduce the Tourism Redevelopment Incentive Program (TRIP) to provide loan guarantees to support new or expanded tourism assets.

Training, Colleges and Universities

- Increase investment in postsecondary education to (or above) the national average with core funding that allows public institutions to determine their own educational and research priorities.
- Provide equitable per-student funding for all of Ontario's public colleges and universities.
- Help institutions hire new academics to prepare young people for a new economy and retrain older workers.
- Allocate dedicated funds for northern post-secondary education institutions to redress funding inequities of the past and provide enhanced access and educational opportunities for students from Northern Ontario.

Portability

- Assist the development of a province-wide credit evaluation and transfer facilitation system.

Colleges

- Spend more on colleges, including funding for operations, capital, and applied research.

Training

- Invest in Northern labour market development programs and improve access to training in skilled trades with marketing campaigns and the establishment of the College of Trades.

- Provide training programs to support the move from social assistance and layoff to work, and new training incentives to assist employees transitioning from traditional industries to new enterprises.

Universities

- Make significant enhancements to the operating and capital budgets of Ontario's universities in the form of base funding that provides a stable, predictable financial footing and one-time funding to meet the costs of increased enrolment beyond government projections.
- Cover costs associated with increases in graduate-level enrolment, including additional faculty to teach and supervise graduate students.

Transportation

- Make multi-year investments in public transit, including Go Transit.
- Distribute one-time monies to all Ontario public transit systems by means of a ridership/population formula.
- Enable municipalities to provide accessible public transit on par with their conventional public transit and ensure that persons with disabilities have meaningful input into the design and delivery of these services.

POLICY/PROGRAM PROPOSALS

Policy or program proposals are recommendations that involve doing something differently, or creating a program which – in the view of the proponent – is currently lacking. Many of the proposals, if adopted, would also have a fiscal impact. Economic conditions seem to have shaped the distribution of recommendations among the ministries and offices, with greater interest in economic development, tertiary education, and in all the programs that form part of the social safety net, but particularly affordable housing and social services. By contrast, the Committee received much less advice concerning elementary and secondary education than is typical. The volume of proposals concerning health and long-term care remains consistent with the proportion of public dollars expended in this ministry's programs.

The program/policy proposals arranged below by relevant Ministry or Office are representative of the suggestions made to the Committee.

Aboriginal Affairs

- Settle outstanding land claims and strengthen First Nations governments.

Agriculture, Food and Rural Affairs

- Promote on-farm conservation initiatives and develop a farm program information awareness system.
- Give assistance to beginning farmers and livestock producers, and expand Risk Management programs.
- Harmonize food safety programs.
- Support a transition program for tobacco growers exiting the industry.

Attorney General

- Address racial profiling in the criminal justice system and elsewhere, strengthen human rights law to deal with race-based discrimination, develop equity frameworks within the education and health systems, and make legal aid more accessible to the racialized working poor.

Cabinet Office

- Require cabinet ministers, their staff, and senior public servants to post their expenses online, including details of ministerial plane travel.
- Provide a monthly update of spending and revenues.

Children and Youth Services

Child Welfare

- Grandfather existing adoption, legal custody and kinship service subsidy agreements.
- Extend traditional residential placement services to youth 18 years of age and over and extend medical and dental benefits and employment assistance services to youth 21 to 25 years of age.
- Develop strategies for the recruitment and retention of foster parents.
- Consider creating a single per-diem-funded residential care system, funded according to levels of care, with third party accreditation of institutions dealing with children and youth and enhanced criteria for licensing new homes and new operators.

Early Childhood Education and Care

- Implement the Expert Panel recommendation for a streamlined funding model for regulated child care.

Integrated Service Delivery

- Develop a coordinated strategy to provide integrated services to children, families, and youth using surplus space at schools.

Citizenship and Immigration

- Tailor the Provincial Nominee Program to attract immigrants in occupational areas of high demand.

Community and Social Services

Community Services

- Create a community fund (or fund social planning councils) to support the development of multi-service hubs focusing on at-risk youth, families living in poverty, isolated seniors, disabled persons and newcomers.

Community Living/Developmental Services

- Increase the supply of supportive housing units.
- Repatriate First Nations people requiring attendant care closer to their home communities, develop a comprehensive strategy to address ongoing implications of acquired brain injury, and support employment services for persons with disabilities.
- Establish an Advocate Office to support individuals with concerns about their attendant service provider.

Poverty Reduction

- Ensure that all individuals and households have sufficient financial resources to meet basic needs for food, clothing, and shelter.
- Establish clear goals, benchmarks and indicators in order to measure and monitor the progress of the poverty reduction plan.
- Provide dental, drug and vision coverage to low income workers.

Social Assistance

- Establish an independent committee to advise the government on Ontario Disability Support Program (ODSP) rates.
- Close the gap between benefits under Ontario Works (OW) and ODSP.
- Extend benefits equivalent to ODSP income to all OW recipients over 60 years of age and exempt recipients from employment search commitments.
- Reduce the clawback on earnings by individuals on social assistance who work part-time, or until they are truly independent, or until they reach the poverty line.

- Index social assistance housing allowances to average market rents and vacancy rates, or replace the shelter components of OW and ODSP with an indexed Ontario housing benefit, and extend the housing benefit to all lower income families and adults.
- Revisit changes to social assistance rates made in July 2008, reinstate the special diet allowance and other discontinued benefits, remove healthcare administration fees, and exempt RDSPs (Registered Disability Savings Plans) from the income and asset tests used to determine benefits.

Economic Development

- Consult leaders from all sectors on an economic strategy for job retention and creation, provide training to help the unemployed find new opportunities, and ensure that regulations and taxes are competitive to attract new investment.
- Assist single industry and low income communities to transition to the new economy, consider rural-centric sectors such as forestry, farming, and tourism, and improve the economic climate for restaurant and food service businesses.
- Emphasize job creation outside the manufacturing sector, and set aside funds for projects run by and for women, minorities, youth and Aboriginal people.
- Invest in the development of co-operatives and establish a provincial Co-operatives Secretariat.

Assistance to Industry

- Require autoworkers to take a wage reduction as a condition of provincial aid to the auto makers.
- Resist calls to require autoworkers to make concessions as a condition of aid to the auto sector.
- Support industry with policies that improve competitiveness, attaching to any aid strict conditions that are well thought out.
- Avoid undermining growth and confidence by keeping bad assets in play.
- Articulate a plan to retain the productive capacity of the province's manufacturing infrastructure, repurposed for "green" manufacturing, and target investment to develop innovative and emerging companies.
- Assist the manufacturing and forestry industries with reasonable financing measures and improve adjustment assistance for laid-off workers.
- Create a Jobs Protection Commission to protect jobs in the short-term by ensuring that alternatives to the closure of a business are considered, and

recommend options for upgrading machinery and skills for longer-term job creation.

- Diversify Ontario's export base by focusing and building on relationships with emerging markets.
- Eliminate corporate welfare programs, including the Venture Capital Fund, the Next Generation Jobs Fund, the Advanced Manufacturing Investment Strategy, the Advanced Automotive Investment Strategy, and the Forest Products Sector Support.

Education

- Put an equitably inclusive curriculum in place at all levels.
- Abolish the Trillium List (of approved educational materials) and move to a random sample model of student assessment.
- Amend the *Education Act* to outlaw all fees and charges in public schools, expand non-instructional use of schools outside of school time, offer surplus school buildings for use by alternative schools, and allow schools more flexibility with (and accountability for) their budgets.
- Involve stakeholders in a thorough review of the education funding formula and ensure that future initiatives are funded prior to their implementation.
- Address health-related issues in the schools with integrated approaches.

Energy and Infrastructure

Electricity Supply and Distribution

- Accelerate the promise to close all coal-fired electricity plants, pursue energy conservation programs, and generate power from renewable sources instead of expanding nuclear power.
- Proceed with the full conversion of the Atikokan and Nanticoke generating stations to the use of biomass as fuel.
- Keep Ontario's coal-fired generating stations open and clean them up.
- Provide transparency on supply mix choices before making decisions on future sources of energy and promote a diverse mix to ensure a robust supply of energy at affordable prices.
- Direct all distribution companies to make grid connections smooth, timely, and more affordable, and continue the Local Distribution Tax exemption.

Electricity Rates

- Reduce energy rates and provide differential rates for low income families.

- Establish industrial power rates to keep the manufacturing sector competitive, set up a regional power authority to set rates and develop generating capacity specific to the needs of the North, and create a separate regulated price plan for small businesses.
- Ensure that replacement strategies are in place before terminating programs such as the Northern Pulp and Paper Electricity Program and delay the imposition of smart meters on small and medium sized business until an impact assessment has been done.

Green Energy

- Stop subsidizing capital-intensive energy consumption and invest in labour-intensive jobs in the low carbon economies of the future.
- Retrofit all social housing units, starting with those that include heat in the rent, install Ontario-made energy-efficient appliances in all low-income homes, exempt low-income households from fixed charges in their energy rates, and implement time-of-use electricity rates by May 2009 for households and businesses.
- Establish Efficiency Ontario as a province-wide provider of energy efficiency services.

Infrastructure: Crown Assets

- Dispose of interests in the LCBO or open the agency to competition.

Infrastructure: Priorities

- Speed up planned infrastructure investments and the approvals process for large scale energy projects, and remain committed to ReNew Ontario in order to provide jobs while improving and upgrading infrastructure.
- Establish a committee to make recommendations on shared services infrastructure and continue to consult with municipalities on delivering predictable levels of support for infrastructure needs.
- Enhance the gas-tax-for-infrastructure initiative by three cents per litre over three years for municipal transportation projects .
- Permit private sector infrastructure investment in priority areas such as transportation through Infrastructure Ontario.
- Abandon P3s or AFPs for public infrastructure and adopt a buy Canadian policy.

Infrastructure: Projects

In addition to suggestions about specific infrastructure projects that should receive funding (see the final section of this report), the Committee received more strategic advice about the types of projects the Ministry should favour:

- core infrastructure that boosts productivity, such as physical infrastructure and the tertiary education sector, and projects that foster job creation and prepare for the future economic recovery, such as information technology and other emerging high-tech industries;
- shovel-ready projects, not those two or three years away from start-up;
- initiatives to support independence within the aging population, such as home modifications, affordable supportive housing, and accessible transportation; and
- mining, natural resources, and local services such as airports to stimulate private investment.

Environment

- Align provincial and federal programs.
- Focus priorities so that environmental progress complements the forestry industry's prosperity and employment.
- Accelerate plans to meet Kyoto targets on greenhouse gas emissions and price carbon fairly in order to encourage greener solutions.

Waste Diversion

- Maintain a 50-50 cost-sharing formula for the private sector and municipalities in funding waste diversion programs, create a harmonized waste collection and diversion program to be managed by municipalities, and eliminate the environmental levy for every non-refillable retainer.
- Harmonize product stewardship programs with other jurisdictions.
- Continue recent efforts to broaden the responsibility of producers for the cost and management of solid waste and improve provincial incentives for marketable blue box recovered materials.
- Attach responsibility to the retailer for the payment of fees for the proposed tire recycling and diversion program.

Government Services

- Provide liquor-licensed restaurateurs with a true wholesale pricing system, implement a buy Canadian policy, and use public sector procurement to support local employment and industry and launch a "green jobs" strategy.
- Hold annual public meetings for each Crown corporation, end ministerial or departmental involvement in the preparation of annual reports for Crown corporations, and require annual reports to be issued directly to the public and the responsible minister no later than three months after fiscal year-end.

Health and Long-Term Care

- Make strengthening public health care a key priority, ensure that all Ontarians have access to adequate health care benefits, including prescription medication and preventative dental care, and investigate possible violations of the *Canada Health Act*.
- Continue to look for efficiencies in health care.

Health Policy and Research

- Create an arm's-length government agency to drive the health research agenda, and provide health researchers with adequate, stable, long-term funding.
- Proceed with the hiring of 9,000 net new nursing positions, and continue to guarantee full-time jobs for new nursing grads.
- Initiate an extensive review of the Underserviced Area Program in consultation with impacted stakeholders from across Ontario and help Northern Ontario communities address the shortage of physicians and nurses.

LHINs and Related Health Service Providers

- Eliminate competitive bidding within the home care sector.
- Develop a workforce strategy for the community care sector that includes stable full-time jobs and enhanced pay and benefits and implement a policy of wage parity in home care and long-term care to achieve recruitment and retention goals.
- Work with the Ontario Caregiver Coalition to examine options that will provide financial support to family caregivers and establish an expert Panel to make recommendations about meeting the information needs of family caregivers.
- Review the hospital funding formula and distribute allocations for hospitals and other services using a population needs-based funding formula.
- Reconsider the inflexible policy with respect to hospital deficits.
- Open more long-term care beds to assist hospitals to manage alternative level of care patients and address emergency wait times.
- Sustain the work of LTC homes, LHINs, hospitals, and others to enhance local access to health care services.
- Create age-appropriate spaces for younger people who require long-term care and develop placement policies so that younger adults with MS and other disabilities receive care in age-appropriate settings.

- Develop a workforce strategy for the LTC sector that includes stable full-time jobs and enhanced pay and benefits, and give homes greater flexibility to hire personnel.
- Support the development and maintenance of a behavioural support role in LTC homes on a 24/7 basis.
- Establish educational subsidies for medical students specializing in the mental health field and require a larger component of psychiatric training for all medical students.
- Establish the proposed Select Committee to look at a mental health and addictions strategy.

Ontario Health Insurance Plan

- End the three-month OHIP waiting period for all newcomers to the province, reconsider the policy on prior approval of payments to patients for out-of-country medical treatments, and re-list delisted services.
- Meet the 2011-12 target for more Family Health Teams, accelerate the creation of new nurse practitioner-led clinics, and increase the scope of the role of nurse practitioners in the health care system.

Public Health

- Make public health a fully-funded provincial responsibility, aligned with the LHINs and delivering standardized programs.

Health Promotion

- Shift investment from health care to health promotion, recognizing the social determinants of health.
- Eliminate the availability of contraband tobacco, increase tax rates on tobacco (including loose tobacco) to at least the national average, and pursue cost recovery litigation against the tobacco industry for tobacco-related health care costs.

Intergovernmental Affairs

Federal Government

- Request fairness in areas such as Employment Insurance, social housing, transit, and health and social programs.
- Seek improved access to Employment Insurance and increased benefit levels.

- Lobby for a national approach for livestock business risk management, Agri-Recovery funding, and resources to ensure live animal access to the United States continues.
- Obtain cost sharing for First Nations Child Welfare under the 1965 Indian Welfare Agreement.
- Request deferred taxes on capital gains from the transfer of a business to the owner's children, an RRSP borrowing plan, an increase in the maximum age limit for RRSP contributions, and a rule permitting CPP plan members to voluntarily contribute more to their retirement savings.
- Seek protection for consumers and small businesses from credit card transaction fees.
- Recommend termination of the discretion given to Public Works Canada and Crown corporations to withhold payments from municipalities.
- Advocate examining tax policies as they relate to rental development and rent regulation and extending the Canada-Ontario Affordable Housing Program.
- Argue for the development of uniform training and recruitment practices across Canada, using a streamlined certification process.

And/or Other Provinces

- Propose adopting a National Caregiver Strategy and a universal public drug plan.
- Lobby the Quebec government to make changes to its Farm Income Stabilization Insurance program.

Labour

- Restore card certification and support the right to organize, establish a process for conduct during a labour disruption in the community living sector, and enact legislation requiring equitable practices in the hiring, promotion and retention of persons from racialized and other equity-seeking groups.
- Amend the *Employment Standards Amendment Act* to protect and enforce all workers' rights, to improve the entitlement of displaced workers to severance pay, to increase notice requirements in mass terminations, and to require employers to negotiate mass layoff agreements with employees.
- Maintain pay equity programs in the broader public sector and improve workplace protection for older workers.
- Acknowledge concerns from business sectors about the impact of minimum wage increases and freeze the student minimum wage and the

current liquor server minimum wage at \$7.60 until economic conditions improve.

- Continue with or accelerate minimum wage increases (a number of targets being proposed).
- Serve small- and medium-size firms better by repealing WSIB mandatory coverage in construction, implementing a named-insured system, and permitting businesses to choose their own insurance carrier for prescribed disability insurance coverage.
- Launch a comprehensive review of WSIB operations under the auspices of the Auditor General, and make public any plans to retire the unfunded liability.

Municipal Affairs and Housing

Affordable Housing

- Make affordable housing a cornerstone of the province's anti-poverty strategy by accelerating projects, including measures to rehabilitate and expand the existing social housing stock, and consult on a long-term strategy.
- Require every housing development to have a mix of housing, including units for moderate and low income families.
- Address the issues of homelessness as well as the inadequate and substandard housing conditions in which many members of racialized communities live.

Municipal Revenues

- Give municipalities more taxing powers and consider sharing provincial resource revenue with Northern Ontario municipalities.
- Remove from the City of Toronto the powers it used to levy new taxes, require the City to seek public approval of new taxes through a referendum, and refuse to extend new direct taxing powers to other Ontario municipalities unless they are first approved in a municipal referendum.
- Compensate municipalities for the freezing of per capita and capacity-rated payments in lieu of taxes, index the payments, and establish a provincial policy regarding hazardous escheated lands.

Provincial Funding and Regulations

- Continue the stable funding guarantee that has been in place since 2005, place a moratorium on legislation, regulations, and standards that drive up municipal costs, and provide changes to the arbitration process and bargaining structure that would bring greater parity for municipalities.

Natural Resources

- Maintain the competitiveness measures and initiatives for the forestry sector that have been in place since 2005 and maintain the Crown dues rate for poplar and birch for the next three years.
- Implement a management plan to control the bear population and study the elk population with a view to implementing a controlled hunt.

Northern Development and Mines

- Develop environmentally sustainable, value-added industries in the North in consultation with Aboriginal peoples and the peoples of the North, eliminate the age barrier for the Northern Ontario Heritage Fund Corporation Young Entrepreneur Program for a five-year period, consider piloting 1:1 journeyperson-to-apprentice ratios in Northern Ontario, and assist the mining industry by updating the 1940s-era geoscience mapping still in use today.

Research and Innovation

- Support the ability of colleges to conduct applied research and development and quickly commercialize research and development for market use.

Small Business and Consumer Services

- Make the Technical Standards and Safety Authority (TSSA) a fully accountable government agency.
- Amend the *Business Corporations Act* to permit lawyers to issue non-voting shares to immediate family members.
- Expand existing programs/information services targeting small business start-ups to include the buying and selling of existing businesses.

Tourism

- Make permanent the retail sales tax exemption on Destination Marketing Fees and keep this fee mechanism industry-led to ensure that funds are dedicated strictly to the purpose of tourism marketing.

Training, Colleges and Universities

Affordability

- Regulate all tuition fee levels, ensure that any increase does not exceed the current rate of the CPI, and begin consultations on a new tuition framework.

- Freeze tuition fees as a first step towards a future reduction, strengthen prohibitions against the use of ancillary fees to fund operating costs, eliminate differential tuition fees for graduate and professional programs, and reinstate reduced graduate student post-residency fees.
- Study the impact of fee increases on participation rates among racialized and other marginalized peoples.
- Allow tuition fees to increase by an amount greater than inflation but put a portion of the revenue towards bursaries.
- Reject Income Contingent Loan Repayment schemes and any other financial aid measures designed to facilitate tuition fee increases, reduce tuition fees charged to international students, tie Ontario Graduate Scholarship increases to graduate student enrolment growth, and expand scholarship eligibility provisions to include more international students.
- Make the Ontario Student Assistance Program (OSAP) available to part-time students and to those in graduate and professional programmes, and create a task force to review the entire OSAP system.
- Supplement loans with more grants, convert a portion of every student loan into an upfront grant, and provide students from low-income families with upfront access grants from entrance through to degree completion.
- Maintain the Ontario Student Opportunity Grant at its current level, reduce the interest rate on student debt to prime, and implement a 12 month interest-free grace period before students begin repaying their OSAP loans.

Colleges

- Provide greater fairness in funding Ontario colleges and students vis-à-vis the university sector.
- Fund the costs associated with the *Colleges Collective Bargaining Act, 2008*.

Training

- Work with small business to improve access to apprenticeship programs by adopting journey-person-to-apprentice ratios of 1:1, with employers and labour to develop a workplace literacy strategy, and with the hospitality industry on a first time employee training module.

Transportation

- Commence a comprehensive goods and people movement study and develop a long-term transportation plan, integrated with regional growth plans and the work of regional transportation agencies.

- Ensure that Metrolinx has the revenue stream and fiscal tools needed to provide sustainable, reliable funding for implementation of its multi-modal transportation strategy.
- Amend the Canadian content policy for transit funding bought with provincial funding by phasing in an increase to 50% and adding a final assembly requirement.
- Subject any highway expansion to a full assessment of environmental and social costs.

REGULATORY CONCERNS

Some witnesses noted the effect of regulations on activity in their sector, either commenting generally about the regulatory burden they experience, or identifying particular requirements that present problems for them. Other presenters requested that a regulation or regulations be enacted.

The regulatory concerns arranged below by relevant Ministry or Office are representative of the recommendations presented to the Committee.

Agriculture, Food and Rural Affairs

- Reduce paperwork and requirements under the *Dead Animals Disposal Act* and the *Clean Water Act*.
- Compensate for structural increases in farm labour costs, and the financial impacts on farmers of regulations intended to achieve a public benefit such as establishing water recharge areas or protecting wildlife habitat.
- Address the inability of beginning farmers to get a Farm Business Registration number.
- Develop a province-wide standard for food premise inspection and food handler training programs, to ensure food safety compliance.

Children and Youth Services

- Reduce the administrative burden faced by Children's Aid Societies.

Citizenship and Immigration

- Eliminate barriers for foreign-trained workers.

Community and Social Services

- Reduce the administrative burden placed on social service agencies in the non-profit sector.

Community Living/Developmental Services

- Eliminate barriers to full inclusion in the community, such as restrictive zoning by-laws.

Energy and Infrastructure

- Remove regulatory impediments to the implementation of infrastructure projects, and review the ineffectiveness of the *Development Charges Act*.

Environment

- Develop a risk-based approvals system that expedites low risk projects and concentrates on complicated high risk projects.
- Provide a more gradual phase-in of the source protection planning process under the *Clean Water Act*.

Health and Long-Term Care

Health Policy and Research

- Make a regulation under the *Occupational Health and Safety Act* to protect nurses and health care workers from violence in the workplace.
- Allow optometrists to prescribe medications.

LHINs and Related Health Service Providers

- Remove regulatory restrictions on the amount of care seniors can receive in their own homes.
- Provide regulations concerning admission decisions where there are mental health, addiction, dementia and/or behavioural issues that present potential risks to the individual, other residents or staff.

Health Promotion

- Adopt proposals for tighter regulation of the use of artificial tanning equipment, including a ban on use by persons under the age of 18.

Natural Resources

- Ensure that the *Endangered Species Act* does not result in a withdrawal of the land base or a reduction in fibre supply – maintain the commitment to 24 million cubic metres per year of industrial wood fibre.

Small Business and Consumer Services

- Accelerate implementation of the Open for Business initiatives and cease issuing regulations under the current process.
- Require each ministry to report regularly the number of regulations it oversees, introduce other measures to address the time and cost associated with compliance, and work with the Small Business Agency of Ontario to reduce the regulatory burden on small businesses.
- Assess the impact of all new policies, standards and regulations on competitiveness and hold broad-based consultations of at least 60 days with businesses/stakeholders likely to be affected by a regulation prior to its adoption.

Tourism

- Establish a “Success Team for Tourism Investment” to work with all levels of government to remove regulatory barriers and employ incentives for beneficial use.

Training, Colleges and Universities

- Review legislation and regulations that currently restrict the development of polytechnic institutions.
- Eliminate duplication in the reporting processes that universities must satisfy to meet the information demands of the Ministry.
- Provide extended regulatory relief from current pension obligations.

INFRASTRUCTURE PROJECTS

Given a general understanding that infrastructure funding is likely to be a component of any stimulus spending that might be made in response to the economic downturn, witnesses submitted a broad range of possible projects, including what might, in another year, have been identified simply as requests for capital funding.

The specific infrastructure projects arranged below by relevant Ministry or Office are representative of the proposals brought to the Committee.

Agriculture, Food and Rural Affairs

- Rural infrastructure such as electrical distribution networks for newly built renewable projects and the Rural Connections Broadband Program.
- Upgrades to small abattoirs, Agricorp’s computer software.

Children and Youth Services

- Full roll-out of the SIS [single information system] across all CASs.
- Capital funding and the use of public assets to support growth in the not-for-profit early learning and child care sector.

Community and Social Services

- Social infrastructure.
- Capital for CNIB Library Services.

Education

- Schools and community venues and services.

Energy and Infrastructure

- A MUSH sector energy retrofit program.

Environment

- Waste water facilities and climate-change related infrastructure.

Health and Long-Term Care

- Capital funding to CHCs to bring them up to acceptable health, safety, and access standards.
- Businesses run for and by people with mental health problems or who have received mental health services.

Health Promotion

- Ontario's recreation infrastructure.

Municipal Affairs and Housing

- The capital repair and funding deficit in social housing, and a long-term capital planning program for the dedicated supportive housing portfolio.

Research and Innovation

- A network of college-based industry innovation centres.

Tourism

- Tourism infrastructure.

Training, Colleges and Universities

- Capital renewal projects at colleges and universities that can be advanced quickly.

Colleges

- College infrastructure.

Universities

- Quick-start campus renewal projects this year and new construction over the next two years at Ontario's universities as part of a long-term capital and infrastructure plan.
- Capital projects currently on the books, especially for deferred maintenance, accompanied by the increases necessary to operate and maintain the new or retrofitted facilities.

Transportation

- Highways and bridges such as the second bridge at Windsor-Detroit, public transit (including priority Metrolinx projects), and multi-modal infrastructure options such as container ports, rail links and trucking.
- A high speed rail link between Windsor and Quebec City.

RECOMMENDATIONS:

The Committee recommends that:

1. The government undertake stimulus spending that has both short-term benefits such as creating jobs and long-term benefits such as improved competitiveness. A key component of the stimulus spending should go towards infrastructure projects related to, but not limited to the following:
 - (i) Transportation;
 - (ii) Skills Training; and
 - (iii) Municipal Infrastructure.
2. The Minister of Finance present in the 2009-10 Budget a plan to achieve a balanced budget within a specified time frame.
3. The government continue to increase the competitiveness of Ontario businesses in the long-term by undertaking a systematic review and elimination of unnecessary regulations, as well as undertake tax initiatives to further stimulate growth. For example, the government should continue on its current schedule to eliminate the capital tax.
4. The government, in its 2009-10 Budget, allow individuals to designate beneficiaries for their Tax Free Savings Account.
5. The government continue to offer supports and job training to Ontarians affected by the global economic downturn and also undertakes to consider a number of measures that would further assist low income Ontarians.
6. The government renew its contribution to the Canadian Youth Business Foundation to help encourage entrepreneurship and innovation among Ontario youth, which contributes to the growth of the provincial economy.
7. The government, in order to continue to provide further support to the forestry sector in Ontario, maintain for at least one year the current Crown dues rate for poplar and birch.
8. The government, recognizing the global economic crisis, continue in the 2009-10 Budget to provide school boards and hospitals with multi-year funding levels to allow for long-term planning.

APPENDIX A

WITNESSES AND SUBMISSIONS

WITNESSES AND SUBMISSIONS

Organization / Individual	Date of Appearance
Abitibi Bowater	December 17, 2008 December 18, 2008
Addictions Ontario	Written Submission
Advocacy Centre for Tenants Ontario	Written Submission
Advocis (Financial Advisors Association of Canada)	Written Submission
Alliance to End Homelessness in Ottawa	December 19, 2008
Alzheimer Society of Ontario	December 16, 2008
Arts Network for Children and Youth	Written Submission
Association of International Automobile Manufacturers Canada	November 20, 2008
Association of Ontario Health Centres	December 11, 2008
Baxter Corporation	Written Submission
Beginning Farmers	December 15, 2008
Brain Injury Services of Northern Ontario	December 17, 2008
Browne, Angela	December 15, 2008
Brunne, Darwin	Written Submission
Campaign 2000	December 4, 2008
Campaign for Adequate Welfare and Disability Benefits	December 15, 2008
Campbell, William	December 15, 2008
Canada's Association for the Fifty Plus	December 4, 2008
Canadian Association of Accredited Mortgage Professionals	December 4, 2008
Canadian Bankers Association	December 11, 2008
Canadian Cancer Society	Written Submission
Canadian Chemical Producers' Association	November 20, 2008
Canadian Federation of Independent Business	December 11, 2008
Canadian Federation of Students Ontario	December 11, 2008
Canadian Federation of University Women (Ontario)	Written Submission
Canadian Hearing Society	December 4, 2008
Canadian Manufacturers and Exporters	December 15, 2008
Canadian Mental Health Association	Written Submission
Canadian National Institute for the Blind	Written Submission
Canadian Restaurant and Food Service Association	December 11, 2008
Canadian Tax Federation	December 11, 2008
Canadian Union of Public Employees – Local 2204	December 19, 2008
Canadian Union of Public Employees – Ontario Division	December 4, 2008
Canadian Union of Public Employees – Ontario Hospitals	December 19, 2008

Organization / Individual	Date of Appearance
Canadian Union of Public Employees, Health Care Workers Coordinating Committee	December 15, 2008
Canadian Youth Business Foundation	November 20, 2008
Catholic Charities Archdiocese of Toronto	Written Submission
Central 1 Credit Union	Written Submission
Centre for Addiction and Mental Health	Written Submission
Certified Management Accountants of Ontario	December 4, 2008
Church, Grant	December 16, 2008
Citizens With Disabilities – Ontario	December 19, 2008
City of Dryden	December 17, 2008
City of Kenora	Written Submission
City of London	Written Submission
City of Thunder Bay	December 17, 2008
Coalition for Better Child Care and Canadian Union of Public Employees	December 16, 2008
College Student Alliance	Written Submission
Colleges Ontario	November 20, 2008
Communications, Energy and Paper Workers Union of Canada – Ontario Region	December 4, 2008
Communist Party of Canada (Ontario)	Written Submission
Community Living Essex County	Written Submission
Community Living Ontario	December 11, 2008
Community Social Planning Council of Toronto	December 4, 2008
Computer Animation Studios of Ontario	December 15, 2008
Cooperative Housing Federation – Ontario	November 20, 2008
Council of Academic Hospitals of Ontario	December 4, 2008
Council of Ontario Universities	December 19, 2008
Dandy, Cathy	November 20, 2008
Demeester, Kris	Written Submission
Dietitians of Canada	December 16, 2008
Digasbarro, John	Written Submission
Domtar, Inc.	December 18, 2008
Elementary Teachers' Federation of Ontario	Written Submission
Elementary Teachers' Federation of Ontario – Rainbow School Board Local	December 18, 2008
Envirocentre	December 19, 2008
Family Alliance	Written Submission
Federation of Rental Housing Providers of Ontario	December 11, 2008
George Brown College	November 20, 2008
GO Transit	Written Submission

Organization / Individual	Date of Appearance
Grant Forest Products	December 18, 2008
Greater Kitchener—Waterloo Chamber of Commerce	December 16, 2008
Greater Ottawa Home Builders Association	December 19, 2008
Green Link Option	December 16, 2008
GS1	December 11, 2008
Haldimand Federation of Agriculture	December 15, 2008
Hamilton Working Group on the Ontario Poverty Reduction Strategy	December 15, 2008
Hintonburg Community Association	December 19, 2008
Home Ownership Alternatives	Written Submission
Income Security Advocacy Centre	December 11, 2008
Insurance Brokers Association of Ontario	December 11, 2008
Interfaith Social Assistance Reform Coalition	December 11, 2008
Jestin, Warren+	December 11, 2008
Kinark Child and Family Services	December 19, 2008
Kinna-aweya Legal Clinic	December 17, 2008
Lakehead Social Planning Council	December 17, 2008
Legal Assistance of Windsor	December 16, 2008
LifeLabs Medical Laboratory Coalition	December 15, 2008
Mackenzie, Hugh+	December 4, 2008
Meagher, David	Written Submission
Metro Toronto Chinese and Southeast Asian Legal Clinic	December 4, 2008
Mintz, Jack+	December 4, 2008
Multiple Sclerosis Society of Canada	Written Submission
Murphy, John	Written Submission
Niagara Health Coalition	December 15, 2008
Northwestern Ontario Municipal Association	December 17, 2008
Oak Ridges Moraine Foundation	December 15, 2008
ODSP Action Coalition	December 19, 2008
Ontario Association of Children's Aid Societies	December 15, 2008
Ontario Association of Children's Rehabilitation Services	Written Submission
Ontario Association of Non-Profit Homes and Services for Seniors	November 20, 2008
Ontario Association of Optometrists	December 17, 2008
Ontario Association of Patient Councils	Written Submission
Ontario Association of Residences Treating Youth	December 4, 2008
Ontario Association of Social Workers, Eastern Branch	Written Submission
Ontario Bar Association	December 4, 2008
Ontario Caregiver Coalition	Written Submission

Organization / Individual	Date of Appearance
Ontario Cattlemen's Association	December 11, 2008
Ontario Chamber of Commerce	December 15, 2008
Ontario Coalition for Better Child Care	December 11, 2008 December 18, 2008
Ontario Coalition for Social Justice	December 4, 2008
Ontario Collaborative Group on Healthy Eating and Physical Activity (Advocacy Sub-Committee)	Written Submission
Ontario Confederation of University Faculty Associations	December 11, 2008
Ontario Co-operative Association	Written Submission
Ontario Council of Agencies Serving Immigrants	Written Submission
Ontario English Catholic Teachers Association	Written Submission
Ontario Federation of Agriculture	Written Submission
Ontario Federation of Community Mental Health and Addictions Programs	Written Submission
Ontario Federation of Labour	December 11, 2008
Ontario Flue-Cured Tobacco Growers' Marketing Board	December 16, 2008
Ontario Forestry Coalition	December 17, 2008
Ontario Forestry Industry Association	December 18, 2008
Ontario Fruit and Vegetable Growers Association	December 15, 2008
Ontario Health Campaign	December 15, 2008
Ontario Home Builders' Association	December 4, 2008
Ontario Hospital Association	December 4, 2008
Ontario Literacy Coalition	December 15, 2008
Ontario Long Term Care Association	December 4, 2008
Ontario Municipal Association	Written Submission
Ontario Nurses Association	December 11, 2008
Ontario Peer Development Initiative	Written Submission
Ontario Pharmacists' Association (OPA)	Written Submission
Ontario Physical and Health Education Association	Written Submission
Ontario Physiotherapy Association	Written Submission
Ontario Pork	Written Submission
Ontario Poverty Reduction Network	December 19, 2008
Ontario Public Service Employees Union	December 15, 2008
Ontario Restaurant, Hotel and Motel Association	November 20, 2008
Ontario Road Builders' Association	November 20, 2008
Ontario School Bus Association	December 11, 2008
Ontario Secondary School Teachers Federation	December 4, 2008
Ontario Trucking Association	December 11, 2008
Ontario Undergraduate Student Alliance	Written Submission
Ottawa Council of Women, Health Committee	December 19, 2008

Organization / Individual	Date of Appearance
Ottawa Federation of Parents' Day Care Centres	December 19, 2008
People for Education	November 20, 2008
Police Association of Ontario	Written Submission
Poverty Reduction Working Group of Nipissing District	December 18, 2008
Provincial Network on Development Services	December 19, 2008
Registered Nurses Association of Ontario	December 4, 2008
Renfrew County Child Poverty Action Network	December 19, 2008
Retail Council of Canada	December 15, 2008
Ronaldson, Peter	Written Submission
Roundtable on Poverty Reduction	December 19, 2008
Save Our Structures: Everyone Deserves a Decent Home	Written Submission
Seneca College	Written Submission
Social Assistance Reform Committee - Niagara	December 15, 2008
Society for Quality Education	Written Submission
St. Catherines and District Labour Council	December 15, 2008
St. Clair College	December 16, 2008
Stewart, Alex	Written Submission
Student Union of Confederation College Inc.	December 17, 2008
Sudbury East Community Health Centre	December 18, 2008
Summerset West Community Health Centre	December 19, 2008
Thunder Bay Economic Justice Committee	December 17, 2008
Toronto Board of Trade	December 4, 2008
United Steel Workers, District 6	December 11, 2008
Workforce Development Board Windsor Essex	December 16, 2008

APPENDIX B

**DISSENTING OPINION OF THE
PROGRESSIVE CONSERVATIVE MEMBERS OF THE COMMITTEE**

Standing Committee on Finance and Economic Affairs

Ontario on the Dole: **A Have-Not Province with a Have-Not Premier**

2009 Pre-Budget Consultation
Progressive Conservative Caucus, Official Opposition
Dissenting Opinion

Participating Official Opposition Members:

Ted Arnott (Wellington-Halton Hills, P.C.)
Toby Barrett (Haldimand-Norfolk, P.C.)
Tim Hudak (Niagara West-Glanbrook, P.C.)
John Yakabuski (Renfrew-Nipissing-Pembroke, P.C.)

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EXECUTIVE SUMMARY

“Ontario is now one of the poor cousins of Confederation, grabbing a share of the equalization pie for the first time, and it is facing several years of significant budget deficits.”

-- Globe and Mail, 04 February 2009

“Middle-class communities disappearing”

-- Toronto Star, 08 February 2009

In advance of a budget widely expected to post a multi-billion deficit, Premier McGuinty has given a series of sombre interviews, warning Ontario has to restructure its economy or face a lower standard of living. It should be noted that as far back as the 2004 dissenting opinion, the Official Opposition has been on record warning the McGuinty Liberals of the long-term impact their reckless tax and spend fiscal policies would have on the provincial economy and the standard of living for Ontarians.

“The fiscal agenda of this government is one that will eliminate Ontario's competitive advantage, and one that will drive business investment and jobs into neighbouring jurisdictions that offer lower tax rates and a more attractive business environment.”

“The tax system being created by the Liberal government will create a significant barrier to investments, and erode our ability to improve productivity and adopt new technologies. Rather than adopting policies that create a competitive advantage, the Liberal government is pursuing tax policies that create disincentives for investment.”

“The Liberal government will argue that higher taxes help pay for some important public services, but the inevitable loss of jobs and investment will far outweigh any short-term advantage gained through these reckless tax policies.”¹

Last year in their report entitled **“Once the Economic Engine of Canada, Now the Caboose: Are Dalton McGuinty's Harmful Economic Policies Driving Ontario to Have-Not Status?”** the Official Opposition warned that Dalton McGuinty was driving Ontario toward have-not status. Sadly, our fear was realized. On April 1 of this year, Ontario will for the first time in its proud history accept equalization payments from the Federal government. In short: **under Dalton McGuinty's watch, Ontario will be on the welfare roles of Confederation.**

It should be noted that Ontario was once eligible for these handouts in the past. However the then P.C. Premier, Bill Davis, refused to accept them. Dalton McGuinty on the other hand even seemed all too eager to take the dole; to date the McGuinty Government has produced no plan nor voiced any goal to grow Ontario out of have not status.

¹ *‘Maintaining the Ontario Advantage’, 2004 Official Opposition Pre-Budget Dissenting Opinion.*

We are heartened that the Premier finally seems willing to listen to the advice of the Official Opposition. Unfortunately, in the interim, Ontario's economic competitiveness has declined considerably as we will detail below. We will also outline needed policy changes to help bring well paying jobs back to Ontario and restore our Province as Canada's economic leader.

We also remain guarded that the Premier's recent claim to focus on the economy does not signify a substantial shift in fiscal policy. Instead, it may simply be the the latest vacillation by a Premier who lacks an economic vision for our province, always reacting to events rather than motivating positive change.

CONSULTATION PROCESS

Mr. Robert W. Runciman: This is clearly a government adrift. They're not even willing to put the sail up because they don't know which direction they want to go in. They're cramming the finance committee's pre-budget process into one week before Christmas. We're told this is being done to accommodate an once-in-a-lifetime vacation for one of their members. We have a so-called emergency resolution sitting on the order paper dealing with the economy never being called for debate. I have to ask: What planet are you operating on over there?

People need to know you have a real plan of action. Will you commit, Premier, to bringing in a budget no later than February 1 of this coming year that spells out a real economic action plan?²

Normally, pre-budget hearings are held in late January and February each year. However Dalton McGuinty chose to move them up this year under the shadow of the Christmas holidays likely to discourage participation of local municipalities, businesses, associations and other interested parties and to avoid further public criticism of his job-killing economic policies.

Unfortunately, the Premier was successful: several Committee hearings adjourned at noon due to a lack of deputations and the lowest number of presenters appeared before the Finance Committee in recent memory. The Official Opposition regrets that more Ontarians were not given the opportunity to be heard during the pre-budget consultation process. This is not keeping with the spirit of the Liberal promise of a more open and accountable government, and denies access to the very people whom this government promised to bring to the table during the last two elections.

The Official Opposition hoped that by having hearings in December at least the government would bring in a budget early with measures to address the impact of the current economic crisis on Ontario. However, Minister of Finance, Dwight Duncan has indicated that the Budget will be introduced at the usual time, in late March. "I'd be leaning against it being early at this point," Mr. Duncan said.³

*"Can't budge on budget: Grits won't table recession-fighting document early."
-- Toronto Sun, 10 February 2009*

As such, it is the hope of the Official Opposition that this Dissenting Opinion captures many of the concerns of those who were denied access to the consultation process by the Liberals, and will be influence the Government as it drafts the 2009 Budget behind closed doors.

² Ontario Hansard, 25 November 2008

³ The Canadian Press, 11 February 2009.

ECONOMIC STIMULUS

*“Ontario shed 71,000 jobs in January - half in the manufacturing sector.”
-- The Canadian Press, 6 February 2009*

*“Ontario's unemployment rate is now eight per cent, the highest since November 1997.”
-- CTV, 6 February 2009*

While other governments in Canada and around the world are taking serious action to stimulate job creation, investment and consumer spending in response to the deepening recession, the McGuinty Government seems paralyzed by the growing economic crisis. The McGuinty Government's lack of action is in sharp contrast to the severity of the downturn in Ontario buffeting families and businesses. For example:

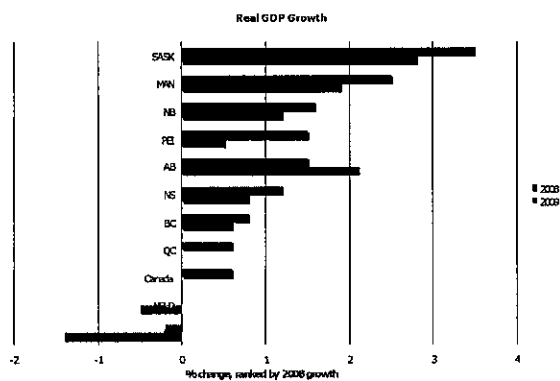
- **February 2008:** U.S. Congress passes a \$168 billion stimulus package consisting primarily of tax rebates
- **October 21, 2008:** Saskatchewan Premier Brad Wall announced the largest single-year income tax reduction in Saskatchewan history.
- **October 2008:** B.C. Premier Gordon Campbell proposes ten point economic plan, accelerating tax reductions and strengthening deposit insurance in B.C. credit unions
- **November 4, 2008:** Quebec Minister of Finance Monique Jerome-Forget announced measures to help Quebecers and businesses deal more effectively with the impact of the financial crisis.
- **November 28, 2008:** P.E.I. announces stimulus package with \$510 million capital budget
- **November 2008:** British officials announce \$30 billion economic stimulus package, temporarily reducing the Value Added Tax (VAT) rate to 15%, among other initiatives
- **December 3, 2008:** New Brunswick Finance Minister Bourdreau releases initial details on balanced fiscal stimulus package, including a comprehensive review of government programs and services to ensure that public resources are invested where most needed, and in a cost-effective and efficient manner
- **December 4, 2008:** Nova Scotia Premier Rodney MacDonald revealed the largest infrastructure program in Nova Scotia's history to see the province through the world-wide economic downturn.
- **December 2008:** Then President-elect Barack Obama proposes stimulus package of nearly one trillion dollars
- **January 8, 2009:** Obama further outlines details of American Recovery and Reinvestment Plan
- **January 27, 2009:** The Harper Government tables its budget
- **January 2009:** Quebec recalls its legislature for emergency session to deal with economy

ECONOMIC INDICATORS

“Hopes of escaping the recession vortex are disappearing fast in Ontario.”
-- RBC Provincial Outlook, December 2008

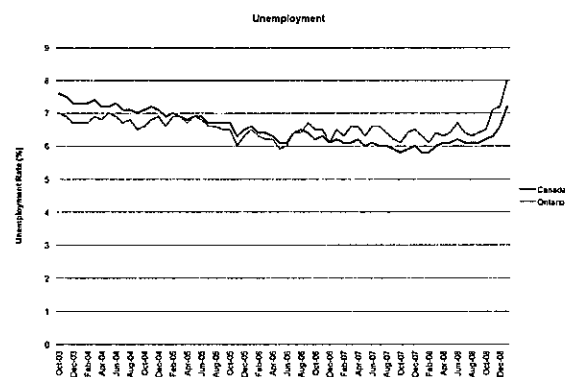
“Ontario’s economy will contract further in 2009.”
-- BMO Provincial Monitor, Winter 2009

Ontario was always the envy of the country—the engine that drove the national economy. On Dalton McGuinty’s watch, Ontario has slipped to the back of the pack and become one of the consistently slowest growing provinces in Canada.



Slow growth: Ontario has reported growth below the national average since 2005—the longest string of underperformance in three decades. In 2007 Ontario’s growth was the slowest in the country, for the first time since the 1991 recession. Ontario’s growth in 2008 was again the slowest in the country. Ontario’s economy is now forecast to contract by 0.2% in 2008 and 1.4% in 2009 (revised lower from zero and 0.4%, respectively), which would represent the worst performance since the early 1990s recession.⁴

Unemployment: In September 2006 the unemployment rate in Ontario surpassed the national average for the first time in over thirty years and has remained at or above the national average ever since. The latest employment data unequivocally show that job prospects in the province are quickly deteriorating. Ontario’s employment drop of 71,000 in January was its largest in over three decades. This decrease pushed the unemployment rate up 0.8 percentage points to 8.0%, the highest since November 1997.⁵ Ontario’s unemployment rate is forecast to climb to an average of 8.3% from 6.5% in 2008.⁶



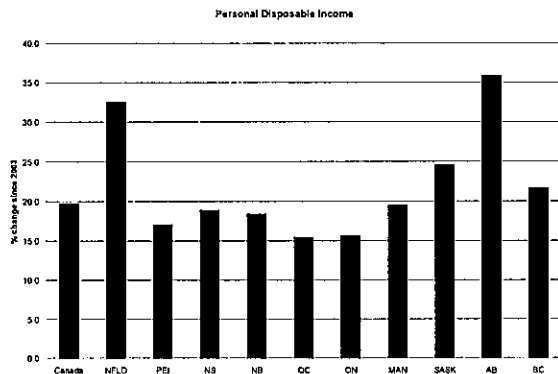
⁴ RBC, *Provincial Outlook*, December 2008.

⁵ Statistics Canada, *Labour Force Survey*, February 6, 2009.

⁶ RBC, *Provincial Outlook*, December 2008.

Retail sales and housing: As concerns about the economy and job prospects mount, households will be more cautious in their spending. This will slow growth in retail sales and cut into demand for housing. Housing starts in 2009 are forecast to drop to their lowest level in 10 years in the province. Housing is faltering, with sales down more than 30% y/y and prices down year-over-year for the first time in about a decade.⁷

Out-migration: Talented workers are leaving Ontario in record numbers. Nearly 100,000 people fled Ontario for other provinces last year - 29,302 people in the third quarter alone. Since 2003 Ontario has lost a net 81,540 people to other provinces and recorded consistently negative net



inter-provincial migration. During the preceding four years of PC government, Ontario gained a net 46,983 people from other provinces.⁸

Personal Disposable Income: Disposable incomes in Ontario are growing among the slowest in the country and trail the national average. Since October 2003 personal disposable income per person in Ontario has increased only \$3,743 or 15.6%.⁹ Only Quebec has witnessed slower gains in personal income.

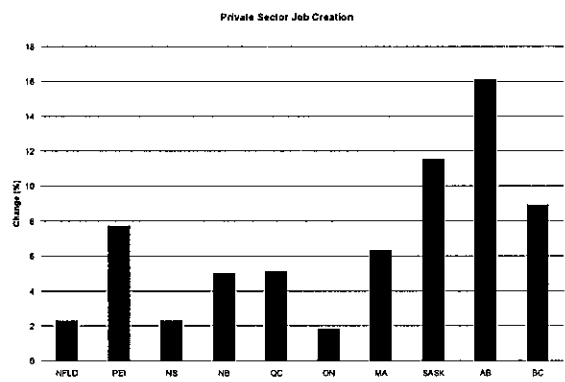
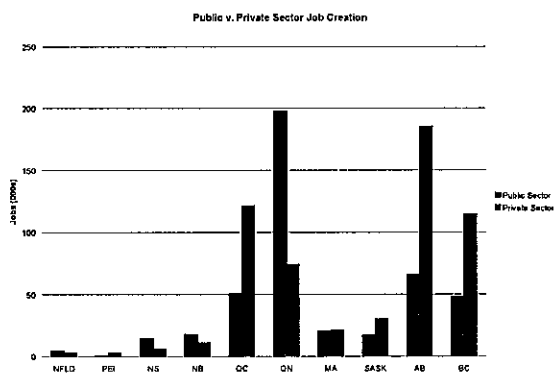
These trends are very disconcerting and further evidence of the need for a shift in the government’s approach to the economy. Unfortunately, the concerns consistently expressed by the Official Opposition since 2004 and supported by many who presented to the Finance Committee have gone unheeded by the McGuinty Government. The McGuinty Government’s punishing tax hikes, erratic energy policy and runaway spending have clearly taken their toll on the Ontario economy.

⁷ TD Economics, *Provincial Outlook*, December 23, 2008.

⁸ Statistics Canada, CANSIM, table 051-0018.

⁹ Statistics Canada CANSIM table 380-0050.

GOOD JOBS DISAPPEARING



Since the last election in October 2007, Ontario has lost a total of 61,400 jobs. Ontario has lost 72,700 full-time jobs, 85,900 private sector jobs and over 100,000 well-paying manufacturing jobs. The sole gains were in part-time and public sector employment. Since October 2007, Ontario gained 11,300 part-time jobs and 3,300 public sector jobs.

Since October 2003 when the McGuinty Government took office, the Ontario economy has gained approximately 361,000 net new jobs. Over half the new jobs created since October however have been in the public sector (197,500 to be precise) and well more than double the mere 74,400 private sector jobs created in the same period.¹⁰

Government jobs themselves do not create wealth. They are simply a redistribution of income by taxing private sector businesses and individuals. **The real test of an economy's performance is private sector job creation**, which has to date been considerably lacking.

Ontario has the slowest rate of private sector job creation in Canada and created almost as many public sector jobs as all other provinces combined. Furthermore, Ontario is one of only four provinces to create more public sector jobs than private sector jobs. Whereas Ontario's public sector has grown by a whopping 19% since October 2003, the private sector has grown a mere 2%. **That means public sector growth has outpaced private sector growth by nearly ten to one. This is simply unsustainable.**¹¹

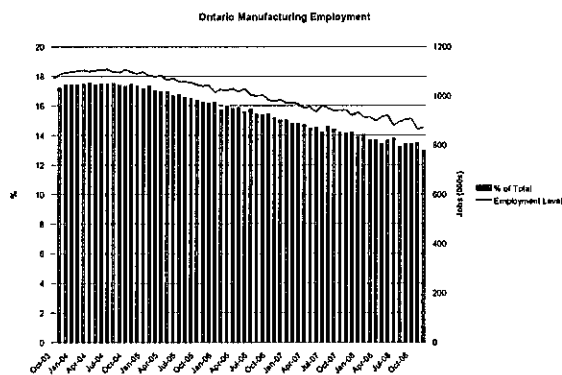
In contrast, across the eight years of PC government from 1996 to 2003, private sector jobs expanded by an average of 109,000 per year, while government jobs grew by an average of 6,000 per year; all this in a much smaller economy.

¹⁰ Statistics Canada, CANSIM table 282-0089.

¹¹ Ibid.

MANUFACTURING SECTOR CRISIS CONTINUED

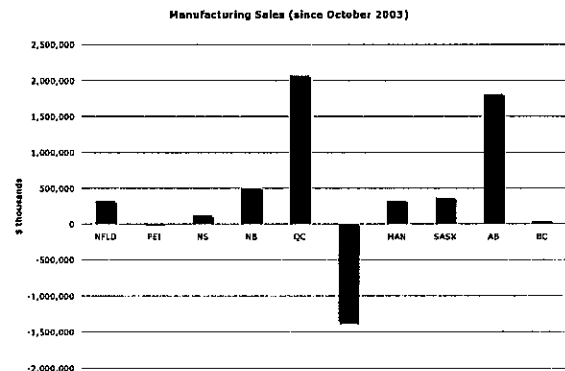
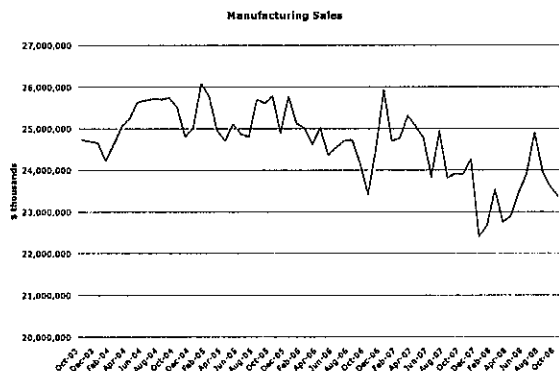
Manufacturing is at the heart of Ontario’s economy representing approximately 18% of total economic output. Manufacturing jobs tend to pay more, and have more generous benefits than jobs in other sectors.



While Premier McGuinty has called Ontario’s manufacturing job losses a “little bit of contraction.”¹² The reality is that Ontario’s manufacturing sector is in crisis. Since July 2004 Ontario has lost more than 270,000 well-paying manufacturing jobs – that is 22% of the jobs once in the manufacturing sector – and over 100,000 in just over a year since the last provincial election in October 2007. Not only has manufacturing employment declined substantially but the percent of total employment has declined too. Manufacturing now accounts for only 12.7%

of total employment when once it was as high as 17.2%.¹³

Compared to other provinces, Ontario has been hardest hit by the manufacturing crisis. Since October 2003, manufacturing sales in Ontario have declined by \$1.4 billion or 6%. Ontario is the only province in Canada to record negative manufacturing sales in that time period.¹⁴



One of our biggest weaknesses is in under-investment in machinery in equipment. According to Statistics Canada, “investment in capital... was the most important factor in the growth in labour productivity in the business sector during the past four decades.”¹⁵ In Ontario,

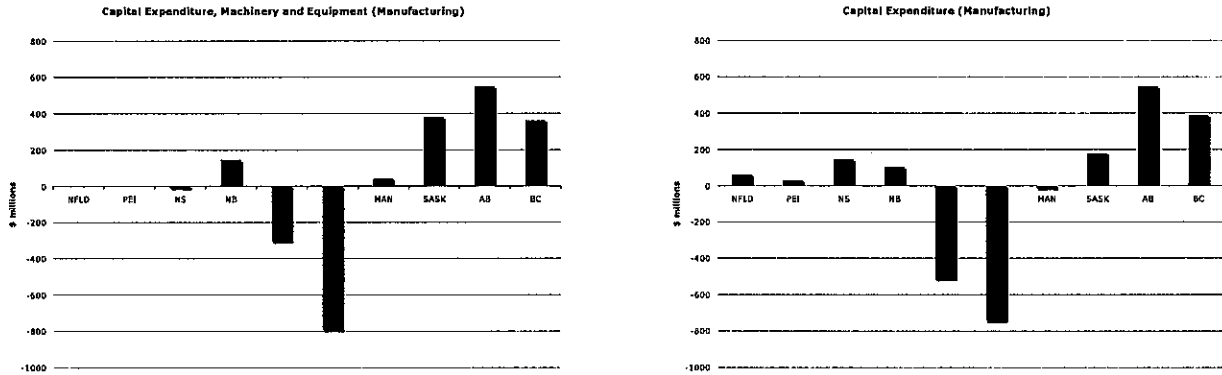
¹² Toronto Star, November 22, 2005.

¹³ Statistics Canada, CANSIM table 282-0088.

¹⁴ Statistics Canada, CANSIM table 304-0015.

¹⁵ Baldwin, J. R. and Gu, W. “Investment and Long-term Productivity Growth in the Canadian Business Sector, 1961 to 2002.” *The Canadian Productivity Review*, Statistics Canada, June 2007.

however, annual capital expenditure in the manufacturing sector generally and on machinery and equipment specifically has decreased steadily since October 2003. The two graphs below show how Ontario capital investment in the manufacturing sector compares to other provinces. It is clear from these pictures that Ontario is falling behind other Canadian jurisdictions.



Capital expenditure in the manufacturing sector has dropped by \$745 million or 8% since 2003. On machinery and equipment, Ontario manufacturers spent \$800 million less in 2008 than they did in 2003. That is a 9% decrease in investment.¹⁶ The following section will explore one of the reasons why Ontario manufacturers are investing less and less than they once did.

¹⁶ Statistics Canada, CANSIM table 029-0005.

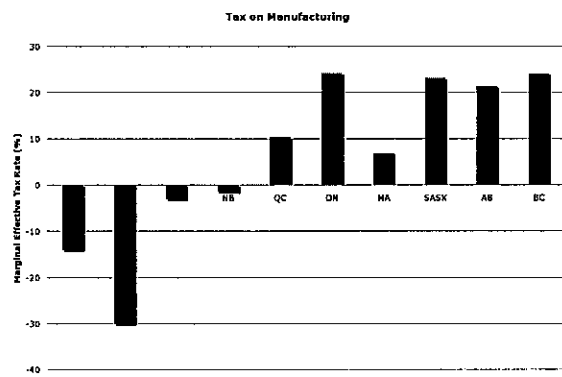
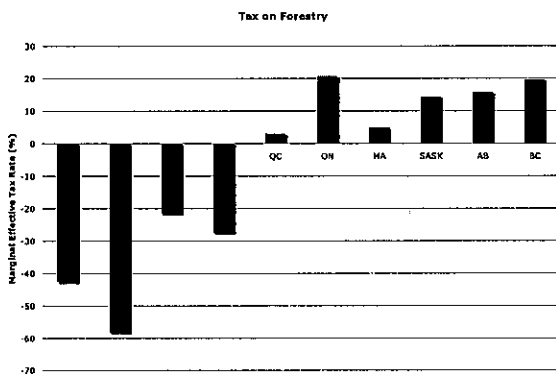
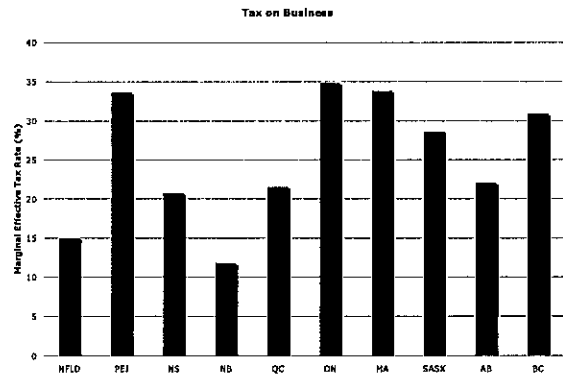
UNCOMPETITIVE TAXES

“In Ontario we have one of the dumbest tax structures on the face of the planet,”
 -- Roger Martin at the P.C. Caucus Roundtable on Jobs and the Economy, September 18, 2008.

A competitive tax environment is one the key factors that will attract the scale and quality of business investment that Ontario requires. Today, as a result of the McGuinty government’s misguided tax hikes, Ontario has the least competitive business tax structure in all of Canada and on of the highest marginal tax burdens on business investment in the world.¹⁷

The Official Opposition warned in the 2004 dissenting opinion that the high business tax regime implemented by the Liberal government would create a significant barrier to investment and erode our ability to improve productivity and adopt new technologies.

Even Premier McGuinty acknowledges the impact of his harmful business tax hikes. In a recent speech to the Canadian Club, Dalton McGuinty said, “Ontario businesses spend 16 per cent less than they do in the U.S. on new productivity enhancing technologies.”¹⁸ A simple look at the marginal effective tax rate in the manufacturing and forestry sectors explains why. In both these sectors Ontario has the highest tax rate in Canada. That is one reason why our manufacturing businesses are investing less than their counterparts across the country in new capital, machinery and equipment.



¹⁷ Task Force on Competitiveness, Productivity and Economic Progress, Seventh Annual Report, “Leaning into the wind.” November, 2008, p. 40.

¹⁸ February 3, 2009.

Taxes have a dramatic impact on where businesses choose to locate. In short, an entrepreneur looking to expand or start a new operation in Ontario will be punished with the highest rate of tax on that investment in North America.

While other provinces are lowering their tax burden and seeking to become more competitive, Ontario is falling further and further behind. In fact, Dalton McGuinty increased the cost of doing business in Ontario.

Dalton McGuinty extended the job-killing capital tax: Ontario was on track to fully eliminate the capital tax by January 1st, 2008 in conjunction with the schedule of the federal government. Therefore, Ontario would not have a capital tax today had the McGuinty Government not reversed the policy and postponed reductions in the capital tax, initially until 2012. The federal government actually eliminated its capital tax in 2006, two years ahead of schedule and proposed incentives in its 2007 Budget to encourage provinces to do the same. After intense pressure from the business community, economists and the Official Opposition, the McGuinty government has finally promised to accelerate its plans to eliminate this job killing tax by 2010.

Dalton McGuinty increased corporate income taxes: Even after the capital tax is finally removed in 2010, Ontario will still continue to have the highest effective tax rate on capital. This unfortunate distinction will be the result of a high provincial corporate income tax (CIT) rate (14 per cent) and high retail sales taxes on capital inputs. In 2001, the P.C. government introduced measures to lower the CIT rate for all business to 8% by 2005. Again, in stark contrast to competing jurisdictions, the McGuinty government reversed this trend and increased the CIT rate and also froze the small business income tax rate at 5.5%, cancelling the scheduled rate reduction to 4%.

Governments reduce taxes on business to attract investment, strengthen our competitive advantage internationally, and help create high-paying jobs. The federal CIT rate will drop by 14% by 2012. This will make Canada's CIT rate the lowest among developed countries and create a significant tax advantage over the U.S. **The Official Opposition calls on this government to heed the call of the federal government and take immediate action to fix Ontario's uncompetitive tax structure.**

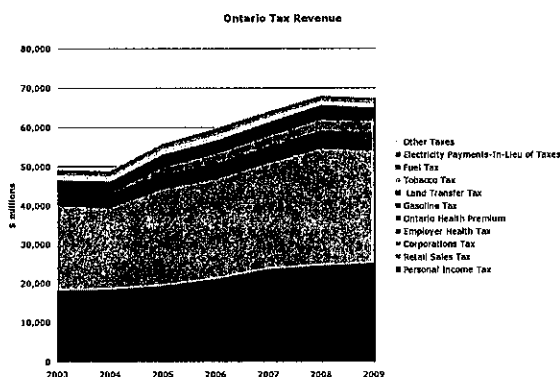
Several groups appearing before the Standing Committee on Finance and Economic Affairs called on the Ontario government to reduce the tax burden on both businesses and individuals. The Official Opposition recommends that the McGuinty government reduce the tax burden in order to make Ontario competitive again.

"Ontario will not be successful in retaining existing businesses and attracting new ones if its taxation system is not on sound competitive footing with other provinces and countries. The reality is that most other jurisdictions are lowering their tax burdens, particularly on business capital."¹⁹

¹⁹ TD Economics, *Time for a vision of Ontario's economy*, September 29, 2008.

TAX AND SPEND

The McGuinty government has raked in unprecedented revenue from taxes – and this has fuelled runaway spending. Total taxation revenue has skyrocketed by over \$18 billion since 2003. That is a 37% increase in tax revenue in just six years. In fact, one of this Liberal government’s very first bills in the Legislature was the biggest tax hike in the history of Ontario. Despite campaign promises to the contrary, Dalton McGuinty hiked taxes on the backs of working families, hiked taxes on the backs of seniors, hiked taxes on the backs of businesses.

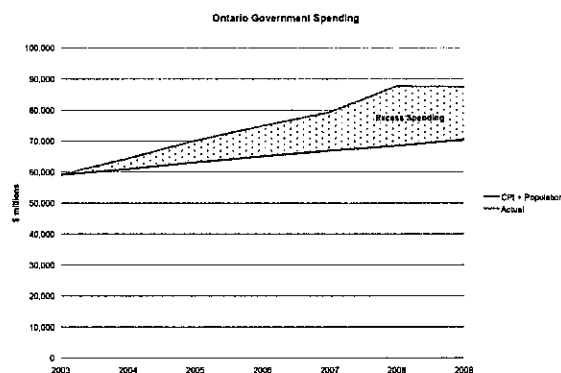


million range.²¹

Personal Income Tax revenues have increased 38%. Revenues from the Employer Health Tax have increased 54%. And revenues from the Land Transfer Tax have increased 43%. Yet revenues from the Tobacco Tax have declined 8%.²⁰ In its annual Canadian Tobacco Use Monitoring Surveys, Health Canada estimated that overall tobacco consumption in Ontario decreased by approximately 27% between 1999 and 2007. Assuming a 27% consumption decrease since 2001, **the potential tobacco tax revenue foregone for 2007 alone could be in the \$500**

The Official Opposition remains extremely concerned with the runaway spending of the McGuinty government. From Confederation to 2003—that’s 136 years—provincial government spending rose to \$68 billion annually. Under the Liberal government total spending has skyrocketed. Government spending has increased by \$27.5 billion since 2003. That is a 40% spending increase in six years. This level of government spending growth is irresponsible. And it is harmful to the economy.

The simple reality is, this government has a serious spending problem. Total program spending has increased by \$28.3 billion or a whopping 48% since 2003. Until this year, program spending grew at an average annual rate of 8%. McGuinty Government **program spending grew at four times the average rate of GDP growth over the same period and over two times the average rate of inflation and population growth combined.** In 2008 for example, program spending grew by 10.5%, nearly five times the combined rate of inflation



²⁰ Ministry of Finance, *2008 Economic Outlook and Fiscal Review*, Table 5, p. 14.

²¹ Auditor General’s Report 2008.

and population growth of 2.2%, and one hundred and five times real GDP growth of 0.1%.²²

One can see from the graph above where spending would have been had the government increased spending at the rate of inflation and population growth combined. The chart below shows excess spending each year since the McGuinty government was first elected.

Government Program Spending							
(\$ millions)							
	2003	2004	2005	2006	2007	2008	2009
Actual	59,080	64,279	70,028	74,908	79,297	87,608	87,411
CPI + Population	59,080	60,971	63,105	64,998	66,883	68,354	70,405
Excess Spending	0	3,308	6,923	9,910	12,414	19,254	17,006

The grand total of the excess spending is a whopping \$68 billion. Somehow the McGuinty government managed to spend nearly \$70 billion yet it did nothing to relieve the incredible tax burden on businesses and individuals or take action to prepare Ontario for the current economic crisis that the Opposition warned was to come. This year Ontario would have a cushion of \$17 billion if the McGuinty government had maintained spending at the rate of inflation plus population growth. Instead the province faces a significant deficit.

Not only has the government increased spending unsustainably and missed great opportunities to address key competitiveness issues but McGuinty also consistently spent above and beyond his budget plan.

Budget versus Actual Revenue and Spending							
(\$ Millions)							
	2003	2004	2005	2006	2007	2008	2009
Revenues							
Budget	66,544	66,544	78,360	81,687	85,730	91,503	96,920
Actual	68,891	68,400	77,841	84,225	90,397	97,122	96,002
	2,347	1,856	-519	2,538	4,667	5,619	-918
Expenses							
Budget	65,533	65,533	79,599	83,483	87,080	91,153	96,170
Actual	68,774	73,883	79,396	83,927	88,128	96,522	96,302
	3,241	8,350	-203	444	1,048	5,369	132

For years the P.C. Party has argued that this kind of spending is unsustainable, that the long-term result would be a level of spending that forces the province into more deficit and debt for years to come. Now we are starting to see the consequences of this irresponsible approach to government. As Ontario struggles against the challenges of unprecedented global economic turmoil it is more important than ever that this government get its fiscal house in order. As expenditures tend to outpace projections after the fact, reining in spending is going to be particularly challenging. Prudent fiscal management and careful spending are imperative. It is time to start spending responsibly.

²² Ministry of Finance, *2008 Economic Outlook and Fiscal Review*, Table 9, pp. 18-19.

FORESTRY CRISIS

"Your electricity is out of whack"

-- Jamie Lim, President Ontario Forest Industry Association, 18 December 2008

"I could drive over to Quebec, 20 kilometres to my nearest competitor, and they pay 40% less for electricity. So it clearly is a boardroom decision with respect to which mill to keep open and who's going to be more competitive than us, and electricity is a major problem for us."

-- Bob Fleet, Vice-President Grant Forest Products, 18 December 2008

As the manufacturing downturn in the auto sector has been dramatically impacted southern Ontario, the forest sector crisis has decimated northern Ontario communities. Since 2002, Ontario's forestry sector has shed 10,000 direct and 40,000 direct and indirect jobs.²³ Dryden for example is a very small community that has seen its employment in pulp and paper decline from 1,200 jobs to 330 jobs.

One reason for the decline of Ontario's forestry sector is the fact that our energy prices are, like our taxes, simply uncompetitive. **According to the Ontario Forest Industry Association, Ontario has the second highest industrial electricity rates among nineteen competing jurisdictions.** High prices have forced forest product companies to curtail production, shut down mills and lay people off.

To make matters worse, the Ontario Energy Board (OEB) recently approved a large increase in the regulated assets, effective December 1, 2008. Base hydro power, which is OPG's hydroelectric dams, will go from \$33 to \$38.78 a megawatt. Base load nuclear is going from \$53 to \$58.38 a megawatt. The OEB also approved an 11% increase to Hydro One transmission rates earlier this year. Hydro One is talking about another 9% or 10% increase next year.²⁴ These types of increases are particularly harmful in today's business climate.

This has had particularly devastating impact on the Northern Ontario where one industry towns depend on the forestry sector for both direct and indirect jobs. Even after the \$10-per-megawatt-hour rebate of the northern pulp and paper electricity transition program, which is scheduled to end in 2009, Ontario's net rates remain 45% higher than Quebec's and 65% higher than BC's industrial rates.²⁵

"Energy prices will most certainly increase."

-- Premier Dalton McGuinty, 3 February 2009

"Prices are generally speaking under pressure to rise and energy prices are no different."

-- George Smitherman, Minister of Energy, 23 January 2009

²³ Ontario Forestry Coalition, <http://www.forestrycoalition.com/closures.html>.

²⁴ Doug Murray, HANSARD, 17 December 2008.

²⁵ Brian Nicks, Domtar's Director of Forestry for Ontario, HANSARD, 18 December 2008.

RED TAPE

"We must, once and for all, dramatically slash the red tape that continues to impede business. Our survey earlier this month reinforced the businesses' belief that streamlined taxation and regulation would help them get through these economic times."

-- Len Crispino, President Ontario Chamber of Commerce, 15 December 2008

"If you want growth in Ontario, then you have to make it easy for business to do business here."

-- Merv Hillier, CEO of Chartered Management Accountants of Ontario, 4 December 2008

Businesses and entrepreneurs in Ontario have become increasingly concerned with growing government regulation and thickening red tape. According to the CFIB, two out of three businesses surveyed find that the overall burden of provincial regulations has increased over the past three years. **Provincial ministries currently have a total of 500,000 regulatory requirements on their books.**²⁶

Red tape is costing businesses billions. The CFIB's 2005 study, *Prosperity Restricted by Red Tape*, pegged the total regulatory cost in Ontario at \$12.8 billion, with smaller businesses shouldering an unfairly large share of the tab.

The Finance Committee heard from several groups about how the regulatory burden was negatively impacting businesses in their sector. Most interesting was the Ontario Road Builders' Association who showed how Ministry of the Environment regulations actually prevented their member businesses from recycling.

*Ms. Karen Renkema: The examples our members have over and over again told us about are, for example, moving and reusing our access construction materials which is just a common sense mechanism. But within the regulatory environment we operate under, with the ministry of the environment, we're finding that we're paying to dump our excess construction materials and landfill at this point because they are not being able to be reused because of the regulatory issues with the ministry of the environment.*²⁷

In addition to the escalating costs of construction materials, businesses in this sector are also encountering increased regulatory burdens which in turn negatively impact the cost of infrastructure. Since the province has committed to match federal funding announced in the 2009 budget, it is imperative that the McGuinty government address the increasing burden of red tape and eliminate regulatory duplication and undue delays.

²⁶ Toronto Star, 04 February 2009.

²⁷ HANSARD, 20 November 2008.

CONCLUSION

Once the economic engine of Canada, Ontario under Dalton McGuinty is the slowest growing province in the country. Since this government was elected over 200,000 manufacturing jobs have disappeared and talented workers are leaving Ontario in record number. What was once a destination for people from across Canada and around the world, is now a point of departure.

The misguided economic policies of this government eliminated Ontario's competitive advantage and drove this great province to have-not status. This year Ontario will for the first time in its proud history be the recipient of equalization payments from the Federal Government.

Sadly, Ontario has been continually falling behind under the stewardship of the McGuinty Liberals. Action must be taken to improve Ontario's competitiveness through smarter and less onerous taxation, reduced red tape and more strategic investments to stimulate economic growth.

The Official Opposition submitted several motions to address these competitiveness issues, however the Liberal-dominated Standing Committee had no enthusiasm for a reduction of North America's heaviest tax burden and voted each of them down.

John Tory and the Official Opposition are extremely concerned about the present state of the Ontario economy. We have consistently encouraged the government to take bold and decisive steps to turn our economy around. Just as we have done in previous Official Opposition Dissenting Opinions, this document calls for an economic stimulus based on private sector job creation. More dithering and delay means more lost jobs, a further decline in the standard of living of Ontario families and more lost talent to other jurisdictions.

In the strongest possible terms, we challenge the McGuinty Liberals to take the following steps to restore Ontario's position as Canada's economic leader:

- eliminate the capital tax for all businesses immediately;
- commit to a schedule to reduce the corporate income tax rate to a competitive level including reductions in the tax burden for small business;
- set and commit to real targets to reduce the regulatory burden on all businesses including a substantive Red Tape Reduction Act to be introduced in this session of the Legislature;
- enhance energy supply to restore competitive electricity rates;
- build the infrastructure to enhance productivity and encourage private sector job creation;
- develop a training program that will actually help Ontarians who have lost their jobs.

Slower growth means fewer economic opportunities for hardworking Ontarians and their families. A slower growing economy also means less tax revenue for government to fund badly needed social services like health care and education. It is imperative that the government take the initiative to reverse the current economic trends in Ontario because remaining a Have-Not Province is not option.

APPENDIX C

**DISSENTING OPINION OF THE
NEW DEMOCRATIC PARTY MEMBER OF THE COMMITTEE**

Standing Committee on Finance and Economic Affairs NDP Dissenting Opinion

Jobs

While hundreds of thousands of manufacturing and resource jobs were being lost in Ontario, the McGuinty government's response was to claim their plan was working. They rejected practical economic proposals to reverse job losses that were having a crippling effect on communities, small and large, instead choosing to debate self-congratulatory resolutions on the economy. For example, days before Statistics Canada reported 45,500 full time job losses in June 2008, Minister Duncan told the Toronto Star, "The plan works. It's working well."

The pain experienced by manufacturing and resource workers and their families caused by job losses is worsening, with almost daily announcements of plant closures and layoffs. Not surprisingly, the recession is now extending across all sectors, like construction and retail.

In early February, Statistics Canada reported that in January 2009 alone, Ontario lost 71,000 jobs. Half of the job losses occurred in the manufacturing sector. The unemployment rate skyrocketed to 8%, the worst since 1997. In proportional terms, the staggering Ontario job loss figures may actually be larger than those in the United States.

When workers were losing jobs in the manufacturing and resource sectors, the Ontario NDP was tabling solid proposals to sustain jobs, to aggressively preempt the threat of a wider recession. But even now, with unemployment soaring, the McGuinty government has suggested sticking with their plan, with only minor modifications.

The Ontario NDP believes that a crisis as significant as this one warrants a bold, aggressive jobs stimulus plan. We've proposed a \$2 billion plan consisting of the following five measures:

Assisting the auto sector

Ontario's auto sector is facing its worst crisis in history and we urgently need a plan that is made-in-Ontario, made-for-Ontario. We support immediate access to credit for the manufacturers, the parts suppliers, the tool-and-die makers, the car dealers, and the leasing companies to prevent a crippling blow to the Ontario economy. Longer term, we would provide a combination of grants and loans to the auto sector so that Ontario builds the high-demand vehicles of the future. Assistance would be tied to job and product guarantees, such as fuel-efficient cars being built in Ontario plants.

The Ontario NDP would insist on the creation of an oversight board or ownership shares in the Canadian subsidiaries of the automakers to ensure accountability for the public's multi-billion dollar investment.

Sustaining jobs in other industrial sectors

We would reduce costs associated with manufacturing and forestry in Ontario by establishing an industrial hydro rate, while at the same time promoting conservation and guaranteeing employment. Manitoba's manufacturing and resource sector pays 3.1 cents per kilowatt hour compared to Hydro One's 7.7 cents. This would cost \$300 million.

We would also introduce a refundable manufacturing investment tax credit to reward employers for investing in machinery and plant expansions. This tool has been used successfully to sustain jobs and encouraging investment in both Manitoba and Quebec. This would cost an estimated \$400 million.

Ontarians need a government that will protect jobs, and act before layoff announcements. Now's the time for a pro-active government to move quickly to "keep the lights on" in plants across the province. When the economy rebounds, this will mean faster and stronger job growth. The Ontario NDP proposes a Jobs Protection Commissioner that would be a strong jobs advocate with a clear mandate to bring workers, employers, creditors, investors and community leaders together to put troubled businesses back on a solid footing and save jobs.

Accelerate transit, housing and other infrastructure projects

Every municipal council has a long list of critical but unfunded projects that are construction ready and ready to go within the next six to 10 months, in time to make a difference fighting the current economic crisis. The Ontario NDP would invest an additional \$500 million in municipal infrastructure.

We would start to address Ontario's affordable housing waiting list by building 7,500 new housing units annually, costing \$275 million.

A \$225 million MUSH (municipalities, universities, schools, and hospitals) sector energy retrofit would reduce the need for more electricity generation and lower long-term costs, not to mention expand opportunities for local manufacturers to develop energy-efficient products with significant market opportunities.

In total, we would invest of an additional \$1-billion in municipal infrastructure, housing, and MUSH sector retrofits. Using the multiplier estimated by Infometrica in a report for the Federation of Canadian Municipalities, this would translate into 11,000 new jobs, including 5,550 jobs in the slowing construction sector.

Expanding “Buy Ontario”

Our “Buy Ontario” policy proposes a minimum requirement of 50 per cent domestic content in all transit vehicle purchases along with domestic final assembly requirements.

We would expand the Buy Ontario concept to municipal infrastructure, green energy projects, and broader public sector procurement (e.g., hospitals) to sustain jobs in Ontario.

Increase the minimum wage immediately to \$10.25 an hour

The simplest way to stimulate the economy is to put money into the hands of those who will spend it.

By immediately increasing the minimum wage to \$10.25, more than one million working Ontarians would have an extra \$1.5-billion pump back into their local economies.

A Significant Investment in an Anti-Poverty Plan

Despite talking about the serious need for an anti-poverty plan and accompanying funding, the McGuinty government has indicated that it will not move ahead with a significant investment in anti-poverty initiatives due to the economic downturn.

The Ontario NDP believes that the economic downturn is the exact time Ontarians need a well-funded anti-poverty plan. The majority of workers do not qualify for employment insurance, forcing many of them to social assistance when they lose their jobs. Other workers must turn towards social assistance when their EI is exhausted and job opportunities have not emerged.

The Ontario NDP proposes a \$1.2 billion anti-poverty program, consisting of the following measures:

- Raise the amount that low-income families receive through social assistance to better allow them to cover basic expenses, by increasing the Ontario Child Benefit to \$1,100 per year, at a cost of about \$340 million;
- Address the housing affordability crisis by increasing the shelter benefit component of Ontario Works and Ontario Disability Support Program to 85% of average market rent, costing approximately \$520 million;
- Make childcare more affordable by investing \$100 million to create new childcare spaces;

- Put more in the pockets of ODSP recipients by ending the 50% clawback on employment earnings of ODSP recipients, costing approximately \$100 million.
- Expand dental coverage to low-income children and uninsured persons, costing approximately \$100 million.
- Increase the minimum wage to \$10.25 per hour, putting more money in the pockets of low-income Ontarians.

In the short-term, while Ontarians are facing this devastating economic downturn, the Ontario NDP would increase the prescribed limit for an Ontario Work's benefit recipient to the same limits prescribed for the Ontario Disability Support Program. This would expand Ontario Works' eligibility to assist low-income workers who have lost their jobs.

Fair Taxes

Deficits will occur during severe economic downturns like the one Ontario is facing. In the long-run, however, deficits are not sustainable. In order to offset a portion of the proposed spending and to ensure Ontario does not fall into a "structural deficit", the Ontario NDP believe two major tax changes are necessary.

The first change creates two new upper income tax brackets: one at 12.16% for those earning above \$150,000, and another at 13.16% for those earning above \$250,000. This represents a 1% increase in the tax bracket for those making between \$150,000 and \$250,000, and a 2% increase in the tax bracket for those earning above \$250,000.

Tax cuts over the past 15 years have largely benefited upper income Ontarians. That means that those most able to pay for critical social services are paying less, placing more of a burden on lower and middle income Ontarians or resulting in lower quality public services. This change helps to reverse that trend, and would raise \$1 billion in revenues.

The second change would restore the capital tax on banks and insurance companies to the original 2005 level. Currently, the McGuinty government is moving to eliminate the capital tax on financial institutions in 2010. There is no evidence that the elimination of the capital tax will create jobs, despite that suggestion by the McGuinty government. The Ontario NDP believes that the tax system should reward new investment and job creation – the scheduled elimination is simply an income transfer from the province to financial institutions, and has nothing to do with job creation. This change would increase revenues by approximately \$600 million.

Municipal Finance

The economic downturn is putting serious strain on municipalities. Joblessness is forcing more and more to social assistance. Municipalities still bear 20% of Ontario Works and ODSP benefits costs, a result of the McGuinty government's 10-year upload. As a result, municipalities must fund these higher social assistance costs on top of other priorities – investing in sewers, collecting garbage, funding police, and so on. This is helping to increase property taxes in many communities. So, while Ontarians are facing unemployment or the prospect of unemployment, they are being asked to pay more.

The province has the fiscal capacity to fund rising social assistance costs and they can do it within the progressive income tax system. The Ontario NDP proposes an acceleration of the planned upload of municipal responsibility of Ontario Works and ODSP, and court security costs to a two-year process rather than a ten-year process.

Maintain and Improve Public Services

The McGuinty government has indicated that it will not be meeting 2009-10 planned social service spending increases outlined in Budget 2008, including transfer payments to the MUSH sector. Ontarians need to be able to rely on quality social services in good economic times and bad.

The Ontario NDP believes that the government must maintain its investment in social services like healthcare and education. Specifically, the Ontario NDP is calling for the following improvements to the healthcare system:

- Reverse the decision to delay the hiring of 3,000 nurses, costing \$50 million
- Implement a guaranteed minimum of 3.5 hours of daily care in Ontario's long term care facilities, costing approximately \$400 million
- Provide basic dental care, including prevention, to children and uninsured persons, costing approximately \$100 million.

