Legislative Assembly of Ontario

Assemblée législative de l'Ontario

AUDI ALTERAM PARTEM

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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2nd Session, 39th Parliament
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Assemblée législative de l'Ontario

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 2010 and commends it to the House.

Pat Hoy

Pat Hoy, MPP
Chair

Queen's Park
March 2010

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS
COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES
Toronto, Ontario M7A 1A2

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2nd Session, 39th Parliament

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LIST OF CHANGES TO COMMITTEE MEMBERSHIP

PETER SHURMAN was replaced by NORM MILLER on February 16, 2010.

MICHAEL PRUE was replaced by PETER TABUNS on February 16, 2010.

LIST OF TEMPORARY SUBSTITUTIONS

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INTRODUCTION

The Standing Committee on Finance and Economic Affairs conducted its 2010 pre-Budget hearings in January and February 2010 at Queen's Park and in Niagara Falls, London, North Bay, and Kingston. Inclement weather kept the Committee from its hearings in Dryden, but witnesses scheduled to appear in that community were heard by the Committee via teleconference.

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.

In total, the Committee heard 158 witnesses and received about 80 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

Amid signs that the economy has begun to recover from the worst recession in half a century, an awareness that Ontarians continue to live in "tough economic times" accompanied many of the messages brought to the 2010 pre-Budget hearings. Predicting a protracted period of slow growth, one expert outlined reasons why Ontario's economic growth may be below the national average for the next five years. These include a recovery dependent on commodity demand from the emerging world, a failure of auto sales to return to pre-recession levels *and* a future decline in the Canadian share of the U.S. auto market, and a strong Canadian dollar moving to a level near or above parity with the U.S. dollar. While interest rates will remain low, viewed historically, they are predicted to rise by as much as two full points in the coming months.

At the end of the third quarter of 2009, Ontario's real GDP stood at approximately $512.2 billion, compared with $533.9 billion at the end of the third quarter 2008 (nominal GDP was $566.2 billion, compared with $590.2 billion a year earlier).[1] In his statement to the Legislative Assembly accompanying the release of the 2009 *Economic Outlook and Fiscal Review* (*Outlook*), the Minister of Finance forecast a decline of 3.5% in Ontario's real GDP in 2009, with increases of 2.0% in 2010 and 3.0% in 2011. The 0.5% increase in real GDP in the third quarter of 2009 followed four consecutive quarters of decline.

The contracting economy brought diminishing government revenues, projected (in the 2009 *Outlook*) to total $90.2 billion in 2009-10, $5.8 billion less than the 2009 Budget forecast. Government expenditures were projected to total $113.7 billion, an increase of $4.8 billion from the 2009 Budget forecast. Contributing to this increase were supports to the automotive sector, investments in skills training, and increases in spending in health care and social assistance.[2] The deficit projected for 2009-10 was $24.7 billion, up from the 2009 Budget forecast of $14.1 billion.

In December 2009, Ontario's unemployment rate stood at 9.2%, compared with 8.0% in December 2008. Although the rate remained unchanged, 30,000 more Ontarians were at work in January 2010, continuing an

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[1] Ontario Ministry of Finance, *Ontario Economic Accounts: Third Quarter of 2009* (The Ministry: January 2010), pp. 42 and 51.

[2] Ontario Ministry of Finance, *2009 Ontario Economic Outlook and Fiscal Review* (The Ministry: October 2009), p. 37.

upward trend (+51,000 jobs) since July 2009. Ontario's annual rate of inflation in December 2009 was 1.2%, compared with a December 2008 rate of 1.5%.

Fiscal Situation

The 2009 *Outlook* forecast a 2009-10 deficit of $24.7 billion (as noted above), to be followed by deficits of $21.1 billion in 2010-11 and $19.4 billion in 2011-12.[3] According to the projections, these reductions in the deficit will be achieved principally through increasing revenues as the economy improves, despite the projected $10.6 billion in personal tax relief and $4.5 billion in business tax relief over three years as a result of measures announced in the 2009 Budget.

The accumulated deficit (the difference between liabilities and total assets) is projected to increase to $138.0 billion as at March 31, 2010, from $113.2 billion as at March 31, 2009. The accumulated deficit-to-GDP ratio would rise from 19.3% to 24.4%.

Net provincial debt (the difference between liabilities and financial assets) is projected to increase to $184.1 billion as at March 31, 2010, from $153.3 billion as at March 31, 2009. 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 32.6% in 2009-10, an increase of 6.5% from 2008-09.

Total provincial debt (all borrowing by the Province, excluding offsetting financial assets) is projected to be $213.2 billion as at March 31, 2010, compared to $176.9 billion as at March 31, 2009.

MINISTRIES OF FINANCE/REVENUE

Fiscal Strategies

A range of fiscal priorities was presented to the Committee, from proposals to continue economic stimulus policies, or to improve business competitiveness, to opinions on the sale of Crown assets (mostly opposed). Shaping the advice in many cases was the priority or urgency that stakeholders attached to eliminating Ontario's deficit.

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[3] Included in each year's forecast is provision for a reserve of $1.2 billion.

Consistent with the projections that a slow growth economy may be the post-recession norm for some time to come, few of the witnesses identifying deficit-reduction as a priority suggested it could be accomplished quickly. One expert witness proposed a plan to balance the budget within five to six years, another suggested that elimination of the deficit within five to seven years would be an extraordinary achievement, and yet another argued that the deficit requires no drastic action.

The latter witness spoke for several others in suggesting that a successful focus on job creation would eliminate the deficit by increasing government revenues. By contrast, stakeholders most concerned about the deficit also tended to support the tax reductions that were legislated in 2009. Accordingly, the Committee received much advice about government expenditures.

Many suggested the government bring in expenditure controls, engage in program review and rationalization, adopt zero-based budgeting, or cap all ministry budgets except for health care and/or education. On the other hand, one expert identified gaining control over health care spending as the primary challenge the government faces in the coming years.

Recognizing the constraints the government faces, many recommendations were made for strategic investments or targeted expenditures, either to assist those most in need, or to generate the greatest return by facilitating economic activity that might otherwise not occur. The Committee was told several times that government should not attempt to pick winners and losers in the economy; but the government was also invited to support investment in a number of specific areas, including health technology, biosciences, financial services, tourism, the magazine industry, and others.

Public sector unions urged the government to continue to invest in public services and representatives of organized labour more broadly called for a "Good Jobs" budget. The stabilizing influence of the public sector in the economy in times of private sector contraction was noted. On the other hand, several witnesses advocated smaller government, reducing the Ontario public service through attrition, and reducing the pay of MPPs.

Tax Issues

Tax measures announced in the 2009 Budget and legislated in recent months were generally well received by representatives of business and industry, who urged the government to stay the course. Others expressed concern about the long-term consequences of reducing the government's revenue capacity, and about the ability of across-the-board tax cuts to achieve specific objectives such as job creation, leveraging investment in technology, or mitigating the negative effects of sales tax harmonization.

Several new tax credits, mostly refundable, were proposed to achieve a variety of purposes, from increasing donations to food banks to enhancing manufacturing investment to encouraging physical activity and fitness. Various property tax issues were highlighted, in particular concerns about the farm lands assessment classification. Proposals for better enforcement of the *Tobacco Tax Act* in order to fight contraband cigarettes were offered.

The largest number of tax recommendations concerned the Harmonized Sales Tax (HST) and, apart from a solitary call for its abolition, fell into four categories: advice on its administration, suggestions for improvement through redesign of one or more of its elements, requests for mitigation of its effects on particular segments of society and/or industry, and petitions to be exempted from the provincial portion of the tax.

Other Matters

The considerable regulatory scope of the Ministry of Finance brings a range of stakeholders before the Committee, from the insurance industry seeking regulatory changes, to the credit union community proposing unlimited deposit insurance for all deposits, from the concerns of financial planners about regulatory reform, to the bankers' advice on increasing the amount of tax-assisted savings, and from many witnesses interested in pension reform and concerned about pension security in the post-recession economy.

ADVICE CONCERNING OTHER MINISTRIES

Witnesses bring requests to the Committee concerning programs administered by the various Ministries. Requests for funding and program or policy proposals usually have obvious budgetary significance, but concerns about regulatory compliance or program rules may also have fiscal implications. The Committee received an unusually diverse set of recommendations in 2010, but the following themes were common:

- In anticipation of possible expenditure restraints, spending proposals often took the defensive approach of asking that existing allocations be maintained, or seeking an increase sufficient to keep pace with inflation.
- Many witnesses, expressing gratitude for earlier initiatives, urged the government to follow through with previously announced commitments.

- Some stakeholders, acknowledging one-time increases or allocations outside the regular funding formula, often made in recognition of changed circumstances, requested that this spending be annualized and made permanent.
- Transfer payment agencies and partners asked the government to cover the costs associated with satisfying new requirements mandated by legislation or directives.
- Requests for new grants and/or programs were often accompanied by an explanation of the long-term fiscal advantage(s) of making such an investment.

AGRICULTURE, FOOD AND RURAL AFFAIRS

Representatives of the agriculture sector reminded the Committee that investment in agriculture provides positive dividends for the general population. Continuation of the business risk management program piloted for the grain and oilseeds sector was sought, and the extension of similar programs to other commodities. Pending new risk management programs, modifications to existing programs were recommended. Services and programs for young farmers and entrants to the industry were also clear priorities.

Environmental issues raised included funding research on farm energy production, sustainable transition programs for farmers investigating crops for bio-fuels, and compensation for crop, livestock and property losses attributable to wildlife predators.

ATTORNEY GENERAL

Ontario lawyers suggested that justice programs should receive the same priority as health care and education; increasing funding for Legal Aid and justice system modernization projects, and agreeing to amend the *Business Corporations Act* with respect to non-voting shares for immediate family members would reflect such a decision. Other witnesses recommended hiring more Crown attorneys, supporting and expanding the Justice on Target strategy, and establishing an Equity and Anti-Racism Directorate. Real estate salespeople continue to seek the ability to incorporate, and municipalities requested proportionate liability reform to reduce their legal and insurance costs.

Children and Youth Services

Social service workers told the Committee that investing in child welfare, children's mental health services, and full day learning is a deficit and poverty fighting measure requiring adequate funding and staffing levels.

In addition to seeking more resources for quality, affordable, accessible early childhood education and care, child care advocates expressed concern about the loss of subsidized spaces caused by the withdrawal of federal funding, and about the impacts of the Full Day Learning (FDL) program on the system. One suggestion was to allocate the child care savings generated by FDL to expand child care options for younger children.

Child welfare agencies brought several specific funding requests, including allocations for prior year child welfare costs, a volume-sensitive model for all statutory service, and equitable access to capital funding. The agencies reported being burdened with reporting requirements, and urged a full roll-out of the Single Information System across Ontario. They also recommended extending services and benefits to youth up to the age of 25, and funding to enable the agencies to deliver services in both official languages.

Children's mental health agencies sought financial assistance for managing their wait lists and inflationary increases to help them to retain staff. Not-for-profit residential care providers asked the government to recognize and reward the efficiency of the per diem model of care that they provide to Ontario's neediest children. Parents of children with autism requested a direct funding model that would allow them to access the services they judge to be appropriate, and greater access to the ABA (Applied Behavioural Analysis) program.

Several versions of an accelerated timetable for increasing the Ontario Child Benefit were presented to the Committee. More support was sought for the program delivery costs of community justice programs for young offenders.

Citizenship and Immigration

Collaboration with municipalities was recommended in order to develop policies and programs to support the effective integration of newcomers into the workforce, including the fast-tracking of foreign credentials assessments.

COMMUNITY AND SOCIAL SERVICES

Within the context of difficult economic times, the Committee received much advice that the government should sustain, if not measurably improve, its commitment to this Ministry's programs, which serve those Ontarians most in need of support. Whether the program area was community services, developmental services, or social assistance, witnesses asked for effective employment services for job seekers who are not always successfully served by mainstream providers.

Community living providers emphasized the need for a multi-year commitment to agencies that work to ensure individuals with an intellectual disability have the opportunity to live, work and play as contributing members of their community. The ability to use resources more flexibly was requested and attention to the historically low wages paid to workers in this sector. One witness proposed funding for a separate allocation to permit self-directed, individualized programs for persons with a disability. The government was also asked to fund fully any decision to move forward with the transformation agenda prescribed in the *Services and Supports to Promote the Social Inclusion of Persons with Disabilities Act, 2008.*

Many presenting to the Committee were concerned with poverty issues, and called for sustained and enhanced commitments to income support programs, to the oral health program, for increases in the Ontario Child Benefit that are not offset by reductions in social assistance, and for a new monthly healthy food amount. At the very least, the Committee was advised, programs should cover the real cost of living, including shelter costs, or reach the low income cutoffs (LICOs) defined by Statistics Canada. Social assistance rules were described as punitive, counter-productive, Byzantine, and contradictory, particularly rules determining asset levels, the definition of income, and the retention of earned income—in each case, alternatives were proposed.

The government was urged to treat the Poverty Reduction Strategy (PRS) as an integral part of all its priorities, rather than as one among the many competing for its attention. Detailed targets for a second phase of the PRS were tabled, accompanied by encouragement to apply inter-ministerial and inter-sectoral approaches and initiatives.

Community Safety and Correctional Services

Concern for sustainable long term funding for law enforcement and a call for enforcement of the law in Caledonia were joined by proposals for capacity building for programs provided at the interface between the corrections system and society; examples of these included programming for remanded prisoners, community-based solutions for reducing recidivism, and adequately financed community justice programs..

Consumer Services

Ontario's restaurants and bars asked for implementation of the recommendations of the Beverage Alcohol System Review Panel, and the introduction of a wholesale pricing regime. The spirits industry recommended adjusting alcohol prices annually in step with the three year moving average of the Consumer Price Index (CPI). Witnesses concerned with contraband tobacco products urged licensing the manufacture of tobacco products.

Economic Development and Trade

Various stakeholders from the private sector recommended an economic strategy that fosters an entrepreneurial spirit and assists Ontario businesses in the international marketplace. Complementary advice was to work to reduce reliance on the U.S. market and seek stronger relationships with emerging economies, particularly in this hemisphere.

Among the specific industries and/or services nominated for support (including, in some cases, grants and incentives) were health technology, clean energy, financial services, digital media, and industries making the transition to greener processes and products. Establishing a Ministry of Manufacturing was proposed. Several associations urged acceleration of the Open for Business initiative, the consideration of existing and proposed regulations through a "business lens", and a commitment to meaningful benchmarks for the reduction of red tape.

Education

Input from the education sector was relatively light in the 2010 hearings, with concerns focusing on the Full Day Learning (FDL) program, student achievement, and funding.

School boards and teachers shared reservations about the costs and administrative challenges of implementing FDL. Other commentators urged the government to implement *all* of the recommendations of the Premier's advisor on early learning (Dr. Pascal), such as providing programs before and after school and throughout the year.

Teachers suggested that restraint measures in the education sector should focus on spending not directly related to classroom programs, such as EQAO testing, student achievement officer positions, and various initiatives of the Literacy and Numeracy Secretariat that are directed at improving EQAO test scores.

School boards brought concerns about reductions in the funding formula and continued to call for annual revision of the formula's benchmarks to reflect cost pressures such as insurance premiums, litigation, the HST, benefits, and the price of utilities. Among the specific components of the GSNs (Grants for Student Needs) funding model, changes to the Declining Enrolment Grant and the ongoing challenge of finding a Student Transportation policy that is satisfactory to the Ministry and school boards received the greatest attention. The government was urged to carry out the promised review of the funding formula in 2010.

Requests for funding outside the model included support for measures required of school boards to be compliant with the *Accessibility for Ontarians with Disability Act, 2005* and its regulations, covering copyright license costs, and implementing the School Food and Beverage policy. Employees of TVOntario requested a one-time allocation to produce in-house a new television series.

Other policy proposals put before the Committee included the establishment of a framework for schools to serve as community service hubs offering integrated services to all ages, and an invitation to re-examine the cost of operating four separate sets of publicly funded school boards.

ENERGY AND INFRASTRUCTURE

Representatives from industry and manufacturing underlined the importance of reliable electricity, competitively priced, and northern Ontario forestry producers requested the implementation of an industrial electricity price. Municipalities requested the authority to provide loans to homeowners for energy retrofits, and public sector employees recommended retrofitting provincial and MUSH sector buildings. Specific energy infrastructure requests were made, including infrastructure to support advanced electric vehicle technologies and new transmission capacity.

Municipalities, homebuilders and others sought a continued focus on infrastructure investment, with northern municipalities asking that the deadline for Infrastructure Stimulus Funding projects be extended in order to ensure that all funding announced in 2009 is actually expensed. Several stakeholders recommended providing predictable sustainable infrastructure funding on a permanent basis, regardless of the economic climate.

Many witnesses urged that infrastructure funds be directed strategically so as to maximize their value for all Ontarians. While some recommended focusing on "core" infrastructure (identified as roads, bridges and waterworks), others championed green infrastructure, accompanied by a proactive procurement policy, and others still, affordable housing rehabilitation and new construction on surplus provincial lands. Municipalities, it was suggested, should be required to maintain asset management planning to ensure funding is spent on the most appropriate assets.

Financing advice offered by the construction sector included continuing to consider alternative financing models, such as private-public partnerships (P3s), and expanding the gasoline tax for municipal transportation infrastructure initiatives.

ENVIRONMENT

Municipal social service managers called for continued leadership under the *Green Energy and Green Economy Act, 2009*, and Ontario municipalities for implementation of a plan to move from the current Blue Box program to a full extended producer responsibility model. Other witnesses suggested slowing the pace on green initiatives, with one manufacturer urging caution on shifting the costs of a product's end-of-life to the producer, and the restaurant and foodservice industry asking that the Blue Box program be grandfathered. The hospitality industry also requested an end to the environmental levy charged to liquor licensees now that Ontario has a deposit-return program. Retailers would like to be able to display environmental levies separately at the point-of-sale.

The trucking industry offered to partner with the government in environmental measures, including a cost-sharing program of incentives to accelerate investment in new fuel saving and related technologies. A leading auto manufacturer called for an expansion of the green licensing initiatives to include gasoline-hybrid vehicles. One municipality recommended the adoption of a common provincial approach to anti-idling by-laws and their enforcement.

Ontario farmers asked to participate in the development of a Permit-to-Take-Water application specific to the agriculture sector, and for the opportunity to offer public policy advice on a compensation mechanism for owners of rural land that provides a public good by serving as a water recharge area, a wildlife habitat, and/or a source of carbon sequestration. Nurses and cancer-prevention advocates applauded the passage of the *Toxics Reduction Act* and recommended setting aggressive targets, creating a toxics use reduction institute, and including a number of elements (such as a strong community right-to-know component and guidelines for enforcement) in a second set of regulations.

GOVERNMENT SERVICES

Private sector groups requested a competitive bidding process throughout the government and broader public sector that includes the private sector for the delivery of all public services, and a requirement that the renewal of government contracts reflect proper market conditions.

An independent audit of the function, efficiency and remuneration policies of the Ontario public service (OPS) and agencies, boards and commissions (ABCs) was proposed, as well as a policy of making salaries of executives and staff within ABCs commensurate with that of comparable positions in the OPS.

HEALTH AND LONG-TERM CARE

Economic Benefits

Family physicians told the Committee that health care spending results in a productive workforce, confers a competitive edge on Ontario businesses, and provides opportunities to export knowledge to other countries. Health care workers noted that smart spending in health care can also create jobs, and many voices joined in calling for accountability rules to ensure that increased funding is allocated to improve patient/client care.

Cost Containment Advice

Stakeholders from the private sector asked for a larger role—including privately-run specialized hospitals and clinics—within a publicly funded system, in order to encourage efficiencies, enhance productivity and foster innovation. Various strategies were proposed in order to contain costs, from identifying and limiting tests, practices and procedures that have little impact on patient outcomes or satisfaction, to timely evaluation of any new or revised program funding or policy change, to expanding the provincial preventative health care strategy, to streamlining administrative processes and duplication in services delivery. A comprehensive set of recommendations was received on addressing the adverse impacts of health disparities through equity-driven consumer health services, evaluation follow-up, and knowledge transfer programs.

Nursing

Nurses encouraged the government to meet its net new nursing position target by 2011, provide permanent funding to cost-effective programs (such as RN First Assists), invest in a culture of safety for nurses and allied health workers, and ensure all nurse practitioner-led clinics are open in the coming fiscal year. Health workers recommended allowing registered practical nurses in hospitals to work to a fuller scope of practice.

Community and Home Care

A prominent theme was a need to increase investment in community-based health services and community care access centres in order to relieve ALC (alternative level of care) pressures on hospitals. In particular, home care services were identified by many witnesses as vital to the health system transformation that is required to deal with Ontario's demographic challenges going forward. More incentive funding for the Aging at Home Strategy to fund innovative community-based support was identified as a must by several care providers, as well as a range of supports for Community Health Centres (CHCs) and Aboriginal Health Access Centres (AHACs).

The Committee was told that the shortage of home and community support workers requires bringing salaries and benefits to levels comparable with those of institutional support workers; that home and community care service providers require funding to meet new labour obligations arising out of changes to the *Employment Standards Act*, and that a system of education, training and certification for personal support workers (PSWs) is overdue. A number of recommendations were made on recognizing and supporting the contribution of family caregivers, including exempting home care services from the HST, and providing access to respite.

The Committee also learned that no dedicated funding exists to support the operation of residential hospice care in Ontario, care which is much more cost-effective and sensitive to the needs of patients and families than palliative care in hospital beds. Hospice care representatives suggested funding a percentage of operating funding with flexibility for the LHINs to adjust for regional differences and the general availability of private donations.

Hospital Funding

Hospitals brought a consistent message to the Committee: provide a 2% increase in 2010-11 to help hospitals manage inflationary costs, minimize negative impacts to patient services, and maintain public confidence in the health system; and confirm hospital base funding as soon as possible. In addition, hospitals asked for a return to multi-year funding and to a model that provides hospitals with incentives to be efficient, and for assistance in addressing the issue of hospitals' working capital deficits. Other witnesses expressed concerns about the loss of hospital services through restructuring, and called for a moratorium on closing hospitals in small and rural communities. Unions and health councils urged elimination of the use of an alternative procurement financing model for hospital construction.

Mental Health and Addictions

The government was asked to protect funds for mental health and addiction treatment, rehabilitation and housing from any expenditure restraint measures, to invest in mental health services for youth and mental health centres for all ages, and implement the vision of *Every Door is the Right Door* (the discussion document on mental health and addictions) in concert with the commitment to poverty reduction. Related requests included developing a comprehensive strategy for dementia and Alzheimer's Disease, and sustaining and expanding the First Link program across the province. Agency managers requested a reduction in the administrative burden of the paperwork required by the Ministry, as well as greater flexibility within and between budget lines.

Insured Health Services

Ontario's family doctors asked for investment in research, education/continuing professional development, infrastructure, and an integration strategy to support a strong family medicine/primary care sector. This was echoed in requests to strengthen investment in Family

Health Teams, and to allow communities (outside Ottawa and the GTA) to recruit physicians with return-of-service agreements.

A broad range of recommendations was received concerning the coverage or non-coverage of particular services or treatments under the Ontario Health Insurance Plan (OHIP). These included supporting visual alarms and notification systems under the Assistive Devices Program, increasing the supports for dialysis patients to receive treatment at home, integrating optometric services as part of a comprehensive Diabetes Strategy, funding a Lyme disease awareness program, investing in preventative oral health care for all citizens, and implementing recommendations of the Expert Panel on Infertility and Adoption on funding in-vitro fertilization.

Better alignment of clinical guidelines and funding approvals for cancer drug treatments, development of a mechanism to fund chiropractic services for the most vulnerable who have no private insurance, a provincial strategy for the treatment of chronic pain, and an improved, expanded community-based respiratory support program were proposed. Witnesses also requested full funding for mandated-public health programs and accountability measures for Boards of Health.

Long-Term Care

Many stakeholders in this sector outlined a need for increasing and funding a minimum staffing level of personal care for residents in long-term care (LTC), subject to effective compliance and enforcement mechanisms. A common theme was the need to ensure that funding is adequate to address the quality of care that residents deserve.

Strategic investments were sought in implementation of the common assessment instrument, for oral health, for staff education and time for effective infection control, for the wages and benefits of workers in community agencies, and for critical infrastructure projects. Operators sought annualization of one-time increases made in 2009, the introduction of an inflationary factor, and more flexibility in applying funding under different envelopes. The LTC associations offered to work with the Ministry to determine the cost impacts of new regulations, and along with the many individual operators appearing before the Committee, requested funding for the cost on the sector of any new government initiatives, including the HST.

The Committee's attention was drawn to the needs of specific populations within the LTC sector, such as age-appropriate care for those persons requiring long-term care who are not seniors, and for sensitivity to the staffing levels necessary to care properly and safely to residents with mental health and/or behavioural issues, including those in domiciliary hostels and homes for special needs.

Health Promotion

Expanding the budget and programs of this Ministry was viewed by a number of witnesses as the most effective way to control the Province's total health care expenditures. For example, resources for health promotion and the prevention of chronic disease could help stem the tide of dementia; reallocated EatRight program dollars could meet the needs of low income diabetic persons and those at risk of developing diabetes; investing in sport and recreation infrastructure can increase the opportunities for all age groups to maintain an active healthy lifestyle; and stricter regulation of the use of indoor tanning equipment can help reduce the incidence of skin cancers. Enhancing the focus on active transportation, aligning resources under the Healthy Living program to target health inequalities, and restoring funding of the Smoke-free Ontario Strategy were also recommended to the Committee.

Intergovernmental Affairs

Many groups brought concerns that require action on the part of the Government of Canada, in co-operation with Ontario, or within its own fields of jurisdiction. In the latter case, stakeholders asked that the Province lobby the federal government to change its policies or adopt new measures. Requests of this type included an overhaul of the Employment Insurance program, the implementation of a national transit strategy, negotiating liberalized air service agreements with other countries, and the introduction of an Arrivals Duty Free program in Ontario. Requests inviting the province to work with the federal government included resolving all outstanding First Nations' land claims, participation in a national child care plan, and dialogue about income security for seniors.

The government was also urged to lobby other provinces to support the creation of a single securities regulator, to work with the federal government and other provincial governments that have a harmonized sales tax to review the application of the HST to financial products and services, and to oppose interprovincial and international trade agreements that might limit Ontario's ability to require or encourage local sourcing and/or implement fair wage policies. The most extensive request was to work with the federal government to persuade the U.S. government to shut down illegal tobacco manufacturing facilities on the U.S. side of the Akwasasne reserve.

LABOUR

A number of recommendations designed to increase protection for Ontarians in the workplace were presented concerning the *Employment Standards Act* and its administration. These included extending the definition of employee under the Act and the legal responsibility of employers for employment standards for direct and indirect work, allocating the remaining portion of funding previously committed for improving enforcement of the Act, and using this funding to hire additional employment standards officers.

Organized labour in Ontario recommended re-establishing card-based certification for all workers and successor rights for workers whose employers are contractors, and increasing penalties for unfair labour practices. The community living sector requested a policy to prohibit picketing at any home of a person receiving support through developmental services. Municipalities requested a more balanced approach to arbitrated settlements that recognizes limits to municipalities' ability to pay by enforcing "ability to pay" criteria and requiring settlements to reflect individual municipalities' situations. Related proposals were to proscribe the treatment of police and fire services as comparable, and to require that comparator groups be municipalities of a similar size.

Recommendations on the minimum wage were numerous and ranged from not raising it, to an annual increase of 25 cents for three years with a third party review to determine future adjustments, to an immediate increase to $11/hour with annual indexation to the CPI, to a twice-yearly increase of 50 cents until it reaches the LICO levels (to which it would then be indexed). The restaurant, bar and food service industry requested holding the student and liquor server differential rates at their 2009 levels in 2010.

With the exception of one request to extend protection for vulnerable workers, recommendations concerning the WSIB were to reconsider its role (by means of a Royal Commission established for that purpose) and limit its scope (by freezing premiums for two years and evaluating all non-core programs). Amendment of the governing Act to allow the choice of private insurance coverage in the construction industry was a further request from the independent business sector. Municipalities raised concerns about retroactive administrative fees for presumptive firefighter occupational diseases.

Municipal Affairs and Housing

Seventeen municipalities from Ontario's largest to one of its smallest appeared before the Committee, as well as two provincial municipal associations. Most of these witnesses brought concerns and recommendations regarding provincial-municipal finance. Common themes included the desire for long term predictable and sustainable transfer payments that allow municipalities to budget in a timely and responsible fashion, and continuation—if not acceleration—of the scheduled upload of social services costs.

Municipalities raised concerns about the design of the Ontario Municipal Partnership Fund (OMPF), many presenting the case that their municipality has unique circumstances that are not covered by a formula intended to apply to all. Several municipalities asked for a long term commitment to the OMPF, and failing that, sufficient notice of changes in advance of the municipal budgeting process and a multi-year transition period in the event of funding reductions. More specific requests were made to maintain mitigation funding at 2009 levels, provide a solution for small cities that have a large regional draw on municipal services, and address the failure of funding for social and community services to keep pace with population growth.

Northern Ontario municipalities requested that enhanced OMPF support for northern and rural municipalities continue, and continue to match inflation. Their association recommended increasing the Northern Communities Grant under the OMPF, and one city asked that the Special Assistance Grant be continued for municipalities that have experienced a massive assessment loss.

Municipalities also asked that the province accelerate the uploading of land ambulance costs in their entirety, and adequately fund, in the interim, escalating costs for program delivery. Related requests were to permit municipalities to set user fees for ambulance services and share in the proceeds, and, particularly in the North, to develop an infrastructure so that non-emergency patient transfers do not compromise the emergency ambulance system.

A number of regulatory concerns were identified, including increased costs for water and waste water, standards requirements under the *Accessibility* *for Ontarians with Disabilities Act, 2005*, and cost increases associated with the *Ontario Municipal Employees Retirement System Act, 2006*. Municipalities requested review of the *Development Charges Act*, and removal of some of the barriers to the inclusion of full growth-related costs. On the other hand, Ontario home builders expressed concern about development charge increases in certain high growth regions.

Individually, municipalities also invited the provincial government to consider a partnership on matters of specific local concern, including planning and zoning issues.

Housing

Affordable housing (AH) was one of the issues most frequently raised during the 2010 hearings. Overarching recommendations included creating a stand-alone ministry for housing, articulating a clear provincial structure for housing, reversing operating cuts to the Ministry of Municipal Affairs and Housing and to its AH program, cost-matching and spending federal funds available for AH, and recognizing AH as a core program that requires funding every year.

The Committee also heard that while the provincial Affordable Housing Strategy (AHS) should be fast-tracked, action should not be delayed in the meantime. A number of groups detailed a financial commitment or a number of housing units that would serve as an appropriate "down-payment" towards the complete AHS. One group estimated the need to provide 750,000 new and renovated units of affordable, accessible, appropriate housing over a ten-year period; another called for annual reporting to the Legislature on progress made in reaching targets. Municipalities, social housing sector organizations, non-profit groups, co-ops, and even LHINs were identified or presented themselves as potential partners with the Province in the implementation of the AHS.

Many recommendations were about delivering AH in an appropriate way to identifiable client groups, such as victims of domestic violence, or persons who are homeless. The Committee heard about the need for transitional housing in different parts of the province, and the importance of an equity-based framework requiring all social housing to include accessibility plans, designated units for low income Ontarians, child friendly housing that is secure and safe for women and children, and AH close to schools, transportation, and necessary community services. Several witnesses recommended enacting inclusionary zoning policies that would make AH a normal part of any new development.

Witnesses suggested investing in a Housing First model, particularly for those living with the dual struggles of precarious—or non-existent—housing and mental health and addictions issues. Continued and increased support for the Hostels to Homes (H2H) program was specifically requested, and implementation of the national action plan of the Federation of Canadian Municipalities (*Sustaining the Momentum*).

Several proposals concerned making strategic and significant investments in the maintenance and renovation of existing social housing stock. Supports were identified to assist those low income tenants with housing affordability problems, including a long term portable housing allowance, market rent subsidies that ensure low income tenants spend no more than 30% of their net income on housing, and mortgage subsidy programs.

Suggested amendments to the *Residential Tenancies Act, 2006* included placing rent controls on vacant units, applying rent increase regulations to new buildings, and establishing accreditation and licensing standards for the management of rental properties.

NORTHERN DEVELOPMENT, MINES AND FORESTRY

Northern Ontario municipalities requested the government to follow through on its commitment for increases in funding for the Northern Ontario Heritage Fund Corporation in each of the next two years. The government was also asked to suspend proceeding with the *Far North Act, 2009* (Bill 191) until responses to the Growth Plan for Northern Ontario have been reviewed, in order to provide the mining industry with a predictable policy environment.

The greatest economic challenges in Northern Ontario have been experienced by the forestry industry, and a coalition of stakeholders brought a coordinated set of policy proposals for reviving their sector. The primary elements of this plan include guaranteeing a supply of wood fibre at affordable prices, bringing delivered industrial electricity prices to a competitive level, maintaining all existing competitiveness measures and initiatives put in place since 2005, and a green energy credit for energy produced from biomass sources.

RESEARCH AND INNOVATION

The government was encouraged to continue to support knowledge-based, innovative industries with education policies and programs, research and development tax credits, job funds and loans. In addition, it was asked to follow through on measures supporting a green economy strategy with vehicles such as the Ontario Emerging Technologies Fund (OETF), the Innovations Demonstration Fund, and the Green Jobs Skills Strategy. Witnesses told the Committee that there is a venture capital shortfall in the province, and proposed various remedies, such as allowing corporations to treat their investments in venture capital funds on the same basis as they are allowed to treat research and development expenditures. The biosciences industry requested an increase in the rate of the Ontario Innovation Tax Credit, and changes to the eligibility requirements for the Biopharmaceutical Investment Progam (BIP) and for the OETF.

Tourism and Culture

Ontario's magazine industry requested direct support to build its future competitiveness by expanding the Ontario Media Development Corporation Magazine Fund, and by establishing a multi-year public/private partnership supporting collaborative approaches to multiple digital platforms with guidance from the Ministry. The transfer payment agency responsible for library services in southern Ontario asked for increases to its operating allocations.

Tourism industry representatives recommended the development of a Tourism Investment Strategy, as well as capacity development within Ontario's economic development ministries to attract tourism investment and link investment attraction to broader economic development activities. Other requests included expediting the selection of the Regional Tourism Organizations, providing money to attract major festivals to the province, redeveloping Ontario Place as a four seasons attraction, supporting the roll-out of the Border Remedial Action Plan, and giving assistance to the Santa Claus Parade.

Training, Colleges and Universities

The Committee heard advice to designate postsecondary education (PSE) as a priority in order to provide the highly skilled workers who increase productivity and competitiveness, and to increase investment in PSE until it reaches or surpasses the national average and in postsecondary research to keep Ontario competitive in the global knowledge economy. These messages from a chamber of commerce and a board of trade, were complemented by the suggestion from Ontario's university students that investments in PSE be regarded as important stimulus measures for communities across the province, and by Ontario's colleges, who urged remaining focused on investing in the education and skills of people as the long term solution to many of the challenges Ontario faces.

Ontario's colleges also brought specific funding requests for the expansion of e-learning programs, for additional ongoing operating funding to address enrolment pressures and provide quality programs, and for the development of a robust credit transfer system. Ontario's university faculty associations recommended a more cautious approach to any credit transfer system, suggesting a need for consultation, and better funding of college libraries, labs and faculty.

Universities also sought additional base funding to reflect increasing costs and for the ongoing renewal of physical plant, to improve computing and communications resources, and for university libraries. It was proposed that each institution negotiate a Multi-Year Accountability Agreement (MYAA) with the province to ensure that plans for growth, research and innovation are aligned with provincial objectives and the institution's strengths. The MYAA would also provide an agreed upon direction for program change, and contain initiatives to improve student experience and outcomes. Funding was requested for a five-year plan to hire 5,000 full-time faculty, and the government was asked to work with universities to address the impact of regulated pension solvency requirements.

Several PSE student associations appeared before the Committee with extensive advice on tuition policy and the design of the student assistance system. Proposals included shifting the Ontario Student Assistance Program (OSAP) from a debt-based program to a grant-based system, increasing the maximum OSAP loan amount, maintaining the Ontario Student Opportunities Grant debt cap at its current level, doubling the number of Ontario Graduate Scholarships, and following through on the election promise to establish a one-year interest-free grace period before students must begin repaying their OSAP loans.

Student associations called for tuition fees to be capped or reduced and for reinstatement of reduced tuition fees during the research and writing stages of graduate degrees. University faculty associations also supported a tuition freeze, with compensatory funding to be provided to the universities. University students also requested funding for improving the student-faculty ratio, for early warning pilot projects dedicated to enhancing persistence for students in early years of their programs, for hiring "teaching chairs" to enhance the quality of teaching, and for pilot projects to enhance the training of graduate student teachers.

Witnesses recommended the Ministry increase its funding of training and retraining programs to bring new entrants into the workforce and assist displaced workers in acquiring the skills necessary to re-enter the job market. The government was urged to sustain its investment in adult literacy, to cancel cuts to private not-for-profit employment services, to support professional mentoring programs, and (by the restaurant and food services industry) to extend the existing Apprenticeship Training Tax Credit to the positions of Red Seal Chef and Red Seal Baker.

TRANSPORTATION

Ontario's private sector recommended the development of a long-term transportation plan, integrated with regional growth plans and the work of regional transportation agencies, with short, medium, and long term objectives for the movement of goods and people without gridlock. Similarly, home builders suggested that a balanced approach to investment means ensuring the efficient movement of goods on the provincial roads network.

Specific recommendations were brought for highway projects in the GTA, the Niagara peninsula, and in Northern Ontario; for maintaining adequate funds for Connecting Link work, and for considering a "user pay" system for highways. Legislation to promote bicycle-friendly transportation routes and the development of a Bicycle Policy were proposed. The province was also invited to consult with interested municipalities on the Quebec-Windsor high speed rail corridor once the results of feasibility studies become known.

Various stakeholders, principally municipalities, brought requests for transit funding. Maintaining the dedicated provincial gas tax allocation was recommended by one municipality, its review and modification to add elements for smaller municipalities by another. Other proposals included maintenance of the Ontario Bus Replacement Program (OBRP), sustainable and predictable funding for inter-municipal or regional transit, and project-specific requests for the Niagara and Waterloo Regions and for Metrolinx.

RECOMMENDATIONS

The Committee recommends that:

1. The government support and reinforce the Legislative Assembly of Ontario's call on the federal government to invest in the 2010 Budget in the future success of Ontarians and recognize that Canada's success depends on a strong and competitive Ontario [*by*
   - *ensuring current and future transfer payments that support services Ontarians rely on are protected, even as the federal deficit is addressed;*
   - *committing to the renewal of health care funding agreements before they expire and to the growth of health transfers at the real rate of health care expenditure;*
   - *positioning Canada as a global leader on the environment by supporting Ontario's burgeoning green economy through such things as a cap and trade program that will support jobs and investment in Ontario, and investing a fair share in Ontario's clean energy initiatives;*
   - *investing in our people and positioning them for good jobs by living up to the Canada-Ontario Immigration Agreement and ending the current short-changing of new Canadians who come to Ontario;*
   - *continuing to partner with Ontarians by strengthening investments in postsecondary education and training programs that build workers' skills and knowledge for today and tomorrow; and*
   - *providing stability to the thousands of Ontario families who rely on child care spaces created with federal funding by continuing to fund those quality child care spaces for Ontario children*].

2. The Social Assistance Review Advisory Council develop a strategy to encourage further employment for persons receiving Ontario Disability Support Program (ODSP) benefits, to enable ODSP recipients to keep more of what they earn, and to foster asset building strategies for those on ODSP.

3. The government provide the requested $500,000 investment in Windfall, a charitable organization that provides brand-new clothing to low-income Ontarians.

4. The government continue to allocate increased resources to home care, the Province's hospitals, and related community services.

5. The government provide sufficient notice to municipalities, in advance of the annual municipal budgeting process, of the ongoing annual impact of any Ontario Municipal Partnership Fund allocation reductions so that plans are appropriately adjusted and advance rate payer communication is possible.

6. The government acknowledge that northern Ontario has been particularly hard hit by the global recession and other outside factors and provide additional support to northern Ontario and the forestry sector.

7. The government continue, as Ontario emerges from the global economic recession and understanding that there is often a lag in job creation, to invest in skills training programs for both unemployed workers and those seeking new careers in the new economy.

8. The government establish a small number of Teaching chairs to increase the focus on and quality of teaching, and fund pilot projects to give formal instruction in teaching methods and practices to PhD students.

Appendix A

Witnesses and Submissions

LIST OF WITNESSES AND WRITTEN SUBMISSIONS

Organization / Individual	Date of Appearance
25 and 5 Network for Poverty Reduction	February 1, 2010
AbitibiBowater	January 28, 2010
Action Ontario	Written Submission
Advocacy Centre for Tenants – Ontario	February 3, 2010
Advocis – The Financial Advisors Association of Canada	Written Submission
Affordable Housing Flagship	January 25, 2010
Alliance to End Homelessness	Written Submission
Alma Mater Society, Queen's University	January 29, 2010
Alzheimer Society of Ontario	February 1, 2010
Alzheimer Society of Ontario – Northern Ontario	January 28, 2010
Association Coeur Africain	Written Submission
Association of Municipalities of Ontario	February 2, 2010
Association of Ontario Health Centres	Written Submission
Autism Resolution Ontario	February 2, 2010
Baxter Corporation	Written Submission
Slav Berezin	Written Submission
Binational Tourism Alliance	January 25, 2010
Brock University Students' Union	January 25, 2010
Campaign for Adequate Welfare and Disability Benefits	Written Submission
Canadian Association of Retired Persons	February 1, 2010
Canadian Auto Workers Union Local 27	January 26, 2010
Canadian Bankers Association	Written Submission
Canadian Business Press	Written Submission
Canadian Cancer Society, Ontario Division	February 3, 2010
Canadian Federation of Independent Business	February 1, 2010
Canadian Federation of Sisters of St. Joseph	January 26, 2010
Canadian Federation of Students – Ontario	Written Submission
Canadian Hearing Society	February 1, 2010
Canadian Manufacturers & Exporters	January 25, 2010
Canadian Paraplegic Association – Ontario	February 3, 2010
Canadian Restaurant and Foodservices Association	Written Submission
Canadian Union of Public Employees – Ontario	February 2, 2010
Canadian Union of Public Employees, Social Service Workers Coordinating Committee.	January 28, 2010
Canadian Venture Capital and Private Equity Association	February 1, 2010
Canadore College	January 28, 2010

Care Watch Toronto	Written Submission
Central 1 Credit Union	Written Submission
Centre for Spatial Economics	February 1, 2010
Certified General Accountants of Ontario	Written Submission
Certified Management Accountants of Ontario	February 3, 2010
Aline Chan	Written Submission
Chemistry Industry Association of Canada	January 29, 2010
Children's Mental Health Ontario	Written Submission
Christian Farmers Federation of Ontario	January 26, 2010
Clarington Board of Trade	Written Submission
Coalition of Community Health and Resource Centres in Ottawa	January 29, 2010
Coalition of Ontario Psychiatrists	January 26, 2010
College Student Alliance	Written Submission
Colleges Ontario	February 3, 2010
Common Voice Northwest	January 28, 2010
Community Living Essex and Community Living Windsor	January 26, 2010
Community Living London	January 26, 2010
Community Living Ontario	January 25, 2010
Community Living Tillsonburg	January 26, 2010
Community Living Toronto	February 3, 2010
Community Residential Hospices in Ontario / Hospice Niagara	January 25, 2010
Conceivable Dreams – the OHIP for IVF Coalition	February 3, 2010
Co-operative Housing Federation of Canada – Ontario Region	February 2, 2010
Sheila Cornell	Written Submission
Council of Ontario Construction Associations	Written Submission
Ron Dancey	Written Submission
Dieticians of Canada	Written Submission
Diocese of Toronto	Written Submission
Domtar	January 28, 2010
Dryden, City of	January 28, 2010
Eastholme Home for the Aged	January 28, 2010
Elementary Teachers' Federation of Ontario	February 1, 2010
Employees of TVO/TFO	Written Submission
ErinoakKids Centre for Treatment and Development	February 3, 2010
Extendicare Kingston	January 29, 2010
Family Alliance Ontario	Written Submission
Fanshawe College of Applied Arts and Technology	January 26, 2010
Fort Frances, Town of	Written Submission
Frontenac-Kingston Council on Aging	January 29, 2010
Gilbert Gagnon	January 28, 2010

Gennum Corporation	February 3, 2010
Greater Kitchener Waterloo Chamber of Commerce	January 26, 2010
Greater Toronto Airport Authority	February 2, 2010
Greater Toronto Hotel Association	February 2, 2010
John Greenhough	Written Submission
GS1 Canada	February 2, 2010
Health and Strength Action Group	Written Submission
Home Ownership Alternatives	February 2, 2010
Imperial Tobacco Canada Ltd	January 29, 2010
Income Security Advocacy Centre	February 3, 2010
Insurance Bureau of Canada	Written Submission
Interfaith Social Assistance Reform Coalition	January 26, 2010
John Howard Society of Ontario	Written Submission
Kenora Rainy River District Hospitals	January 28, 2010
Kenora, City of	January 28, 2010
Kinark Child and Family Services	February 2, 2010
Kingston Community Roundtable on Poverty Reduction	January 29, 2010
Kingston Economic Development Corporation	January 29, 2010
Lanark County	January 29, 2010
Lanark Highlands, Township of	January 29, 2010
Leisureworld Caregiving Centre, North Bay	January 28, 2010
LifeLabs Medical Laboratory Services	Written Submission
Lincoln, Town of	January 25, 2010
London Chamber of Commerce	January 26, 2010
London Health Sciences Centre/St. Joseph's Health Care	January 26, 2010
London Home Builders' Association	January 26, 2010
London, City of	January 26, 2010
Lyme Action Group	Written Submission
Magazines Ontario	Written Submission
Markham, Town of	Written Submission
MEDEC – Canada's Medical Health Technology Companies	Written Submission
MultiFaith Alliance to End Homelessness	Written Submission
Multiple Sclerosis Society of Canada – Ontario Division	January 25, 2010
National Citizens Coalition	February 3, 2010
New Conservatory of Music Ltd.	Written Submission
New Starts for Women	January 28, 2010
Niagara Child and Youth Services	January 25, 2010
Niagara College	January 25, 2010
Niagara Falls, City of	January 25, 2010
Niagara Health Coalition	January 25, 2010

Niagara Health System	January 25, 2010
Niagara Home Builders' Association	January 25, 2010
Niagara, Regional Municipality of	January 25, 2010
Nipissing Parry Sound Catholic District School Board	January 28, 2010
Nortel Retirees and Former Employees Protection Canada	February 3, 2010
North Bay, City of	January 28, 2010
North Lambton Community Health Centre	January 26, 2010
Northwest Catholic District School Board	Written Submission
Northwestern Ontario Municipal Association	January 28, 2010
ODSP Action Coalition	January 29, 2010
One Kids Place	January 28, 2010
One School System Network	January 25, 2010
Ontario Association of Children's Aid Societies	February 1, 2010
Ontario Association of Children's Rehabilitation Services	Written Submission
Ontario Association of Non-Profit Homes and Services for Seniors	February 2, 2010
Ontario Association of Optometrists	January 26, 2010
Ontario Association of Residences Treating Youth	January 29, 2010
Ontario Bar Association	February 2, 2010
Ontario Bioscience Industry Organization	Written Submission
Ontario Campaign 2000	February 2, 2010
Ontario Catholic School Trustees' Association	Written Submission
Ontario Cattlemen's Association	Written Submission
Ontario Chamber of Commerce	February 2, 2010
Ontario Chiropractic Association	February 2, 2010
Ontario Coalition for Better Child Care	February 3, 2010
Ontario Coalition of Independent LIF Holders	Written Submission
Ontario Collaborative Group on Healthy Eating and Physical Activity Advocacy Subcommittee	Written Submission
Ontario College of Family Physicians	February 2, 2010
Ontario Community Support Association	February 1, 2010
Ontario Community Support Association – Cassellholme East Nipissing District Home for the Aged	January 28, 2010
Ontario Community Support Association – Grace Haven	January 28, 2010
Ontario Community Support Association – Grafton Gage	January 25, 2010
Ontario Community Support Association/Victorian Order of Nurses	January 29, 2010
Ontario Confederation of University Faculty Associations	February 1, 2010
Ontario Convenience Stores Association	February 3, 2010
Ontario Council of Hospital Unions	January 29, 2010
Ontario Dental Hygienists' Association	Written Submission

Ontario English Catholic Teachers Association	Written Submission
Ontario Federation of Agriculture	January 26, 2010
Ontario Federation of Labour	February 2, 2010
Ontario Forest Industries Association	January 28, 2010
Ontario Fruit and Vegetable Growers' Association	Written Submission
Ontario Grains and Oilseeds	January 26, 2010
Ontario Health Coalition	February 1, 2010
Ontario Home Builders' Association	February 1, 2010
Ontario Home Care Association	Written Submission
Ontario Homes for Special Needs Association	Written Submission
Ontario Hospital Association	February 2, 2010
Ontario Literacy Coalition	January 28, 2010
Ontario Long Term Care Association	February 2, 2010
Ontario Municipal Social Services Association	Written Submission
Ontario Nurses' Association	Written Submission
Ontario Public Sector Employees Union	February 1, 2010
Ontario Real Estate Association	Written Submission
Ontario Restaurant, Hotel and Motel Association	February 2, 2010
Ontario Road Builders' Association	February 3, 2010
Ontario Trucking Association	February 3, 2010
Ontario Undergraduate Student Alliance	February 1, 2010
Ontario Undergraduate Students' Association/University Students Council University of Western Ontario	January 26, 2010
OnTrace Agri-Food Traceability	Written Submission
Ottawa Poverty Reduction Network	January 29, 2010
Owen Sound, City of	February 3, 2010
Parents for Children's Mental Health	January 25, 2010
Peel Poverty Action Group	February 2, 2010
Peel, Regon of	February 2, 2010
People First Tillsonburg	January 26, 2010
People for Education	February 2, 2010
Perth and Smiths Falls District Hospital/Brockville General Hospital	January 29, 2010
Police Association of Ontario	Written Submission
Joseph Polito	Written Submission
Providence Care	January 29, 2010
Registered Nurses' Association of Ontario	February 2, 2010
Registered Practical Nurses' Association of Ontario	Written Submission
Retail Council of Canada	January 25, 2010
Santa Claus Parade	February 2, 2010

Sarnia Lambton Health Coalition	January 26, 2010
Scotiabank Group	February 1, 2010
Seneca College	February 3, 2010
Service Employees International Union	February 1, 2010
Louis B. Shalako	Written Submission
Share the Road Cycling Coalition	February 3, 2010
Sherbourne Health Centre	Written Submission
Alan M. Slater	Written Submission
Smiths Falls	January 29, 2010
Social Assistance Reform Network Niagara	January 25, 2010
Social Planning Toronto	February 3, 2010
South Coast Grow Me Green Energy Association	January 26, 2010
South East LHIN Community Health Centres	January 29, 2010
Southern Ontario Library Systems	January 29, 2010
Spirits Canada	February 3, 2010
Sport Matters Group	January 29, 2010
Sports 4 Ontario	Written Submission
St. Lawrence College	January 29, 2010
St. Stephen Community House	Written Submission
Temagami Stewardship Council	Written Submission
Donna Thomas	Written Submission
Tillsonburg, Town of	January 26, 2010
Toronto Board of Trade	February 3, 2010
Toronto Windfall Clothing Support Service	January 25, 2010
Toronto, City of	Written Submission
Toyota Canada	Written Submission
United Steelworkers Union – National Office	February 1, 2010
University of Western Ontario	January 26, 2010
Terry Ussher	Written Submission
Erin Weir, United Steelworkers Union	February 1, 2010
Wellesley Institute	February 1, 2010
Wellesley, Township of	January 26, 2010
Steve White	Written Submission
Wilfrid Laurier University	February 3, 2010
Edith J. Woodbridge	Written Submission
Working Forest Newspaper	January 28, 2010
Yellow Shirt Brigade of Niagara	January 25, 2010
YWCA Toronto	Written Submission

Appendix B

Dissenting Opinion of the Progressive Conservative Members of the Committee

Standing Committee on Finance and Economic Affairs

Back of the Pack:
The Burden of Dalton McGuinty's Debt, Taxes, and Red Tape Revealed

2010 Pre-Budget Consultation
Progressive Conservative Caucus, Official Opposition
Dissenting Report

Participating Official Opposition Members:

Norm Miller (Parry Sound-Muskoka, P.C.)
Toby Barrett (Haldimand-Norfolk, P.C.)
Peter Shurman (Thornhill, P.C.)

Introduction

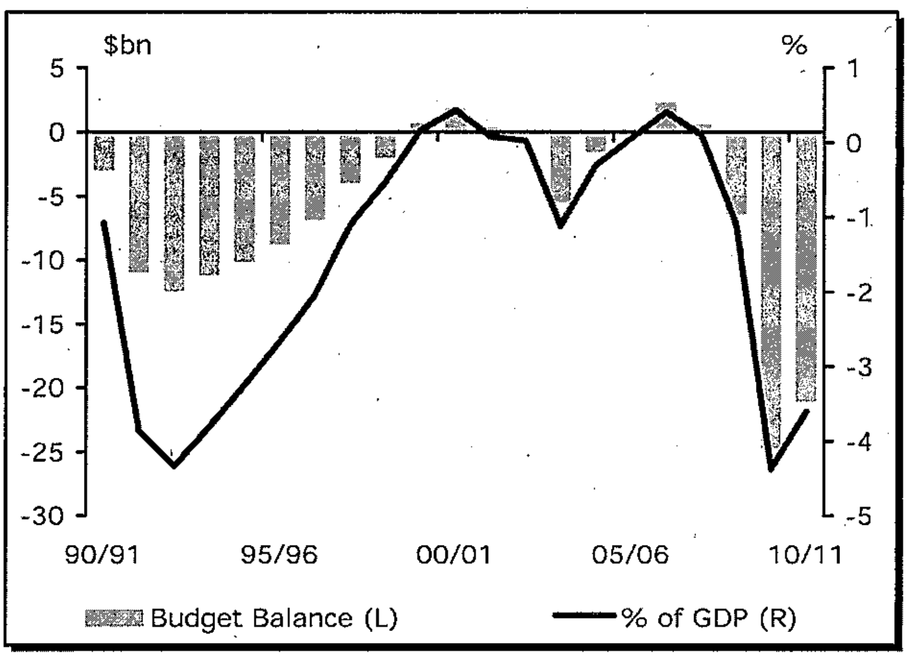
The Canadian economy faired better than most during the recent recession. However, within our borders, Ontario continues to lag far behind other provinces, solidifying its position as a have-not province and confirming the McGuinty Government's position as "Canada's Worst Government".[1] Worse still, economists across the country predict that Ontario will continue to trail the nation in economic recovery.[2]

> **"For Ontario, 2009 was a year to forget."**
> ~ CIBC World Markets Inc., *Economic Insights*, January 28, 2010

On October 22, 2009, the McGuinty Government announced its record-shattering $24.7-billion deficit, larger than the deficits of every other provincial and territorial government combined. Every hour, twenty-four hours a day, the McGuinty Government spends $2.8 million more than it receives in revenue. At this current rate of spending, Dalton McGuinty is on course to double Ontario's debt by 2012-13.

Since Dalton McGuinty came to office, Ontario's debt has grown by $65 billion or 45%, while government spending has increased 65%. Yet, over the same period, Ontario's economy has only grown by 5.7%. On a per household basis, Dalton McGuinty has increased Ontario's debt by $13,500 for every family in Ontario.

The McGuinty Government's astonishing $24.7-billion deficit is a record by any measure



[3]

When it comes to private-sector jobs, Dalton McGuinty has the second worst record in Canada. Despite spending more than $32 billion on stimulus and promising to create more than 1 million new jobs, the

[1] Terence Corcoran, "Canada's Worst Government," *Financial Post* (October 17, 2009)
[2] Warren Jestin, Scotiabank, expert testimony, 2010 Pre-budget consultations (February 1, 2010)
[3] CIBC Economics, "Provincial Budget Briefs" (October 22, 2009)

McGuinty Government presided over a net loss of 141,600 net jobs in 2009. Today Ontario's unemployment rate remains stuck above the national average.

While Dalton McGuinty has presided over a staggering expansion of the public sector, expanding eight times as fast as private-sector jobs, Ontario's manufacturing job losses topped the nation, lopping more than 1.5% off total employment.[4] To date, 279,000 net manufacturing jobs have been lost under McGuinty's watch – more than one out of every four manufacturing workers left unemployed.

> **"Our members remain concerned about the regulatory burden that exists in Ontario. In fact, more than half believe their burden remains the same as it was four years ago and the other half believe it's worse. So it's either worse or it hasn't improved."**
> ~ Merv Hillier, President and CEO, Certified Management Accountants of Ontario, February 3, 2010

Private-sector growth has also lagged, in large part, due to Dalton McGuinty's excessive red tape and regulatory burden. Red tape costs money and kills jobs. The Canadian Federation of Independent Businesses' "Regulatory Accountability Progress Report" gives 3 thumbs down for Ontario for no publicly reported measure for red tape, no current measurement of red tape, and no permanent (legislated) commitment to report on red tape. The CFIB estimates that the red-tape burden in Ontario is costing businesses $11 billion per year, the most of any province in Canada.

For Ontario to resume its place as the economic engine of Confederation, the Progressive Conservative Caucus presents the following recommendations focused on three priority areas: deficit reduction, tax relief targeted at job creation, and an aggressive red-tape reduction strategy.

Deficit Reduction

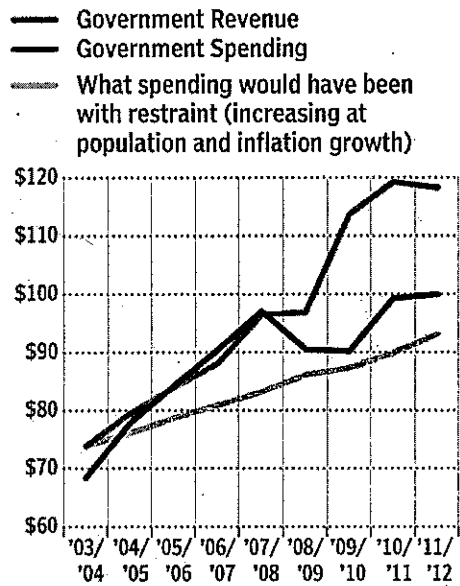
> **"Our members were chiefly concerned about the size of the debt, the size of the deficit, and the lack of an articulated plan to eliminate that deficit."**
> ~ Gerry Macartney, CEO, London Chamber of Commerce, Pre-Budget Consultation, January 26, 2010

The issue of deficit and debt reduction was a common theme among presenters at the pre-budget consultations this year. These groups included the Certified Management Accountants of Ontario, Ontario Chamber of Commerce, Warren Jestin of Scotiabank, Canadian Independent Federation of Business, National Citizens Coalition, and London Chamber of Commerce, among others.

Ontario is facing an enormous structural deficit. By 2011-12, the Ministry of Finance projects that the province will be raising $100 billion in revenue, topping the previous record set in 2007-08 of $97 billion, but the McGuinty Government still expects to post a $19.4-billion deficit. In other words, revenue will have increased 46% since the year Dalton McGuinty took office -- with the Ministry of Finance expecting rebounded economic growth – and yet expenses will still exceed revenue by nearly $20 billion, indicating that the McGuinty 2011-12 deficit is not caused by a revenue problem.

[4] CIBC Economic Insights, January 28, 2010

ONTARIO'S SPENDING PROBLEM



NOTE: 2009/10 to 2011/12 are forecasts

SOURCE: 2009 ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW; THE FRASER INSTITUTE

ANDREW BARR / NATIONAL POST[5]

Deputants before the committee clearly and repeatedly articulated the need for prioritizing provincial spending. A strategic approach to spending that focuses on clear priorities is essential if the Liberal Government is to achieve program spending restraint.[6]

Increasingly Dalton McGuinty has abandoned his responsibility to Ontarians to ensure that taxpayers' dollars are used prudently. Local Health Integration Networks are perhaps the most glaring example of McGuinty's attempt to deflect responsibility for health-care decision making.

Health care comprises 42% of the Ontario government's total program spending and is projected to rise to 50% as Ontario's population ages. Despite the addition of a massive new so-called health tax that has raised $15 billion in revenue to date, Ontario hospitals still report huge deficits and additional stranded debt while access to health care has failed to improve for patients. As a result, the administration of health care funding must be subject to an actuarial analysis, as suggested by the Ontario Chamber of Commerce, to provide transparency and accountability and ensure prudent long-term planning.

Other suggestions from stakeholders include a competitive bidding process for government services that would permit bids from both the public and private sector, and working with private and public sectors to develop a longer-term growth plan that will ensure Ontario's future success. In order to ensure that public funds reach their intended purpose, the Progressive Conservative Caucus also recommends a halt on new program spending until a review of all programs has been undertaken to address efficiencies and

[5] Niels Veldhuis, "Dalton McSpendy," *Financial Times* (October 26, 2009)

[6] Merv Hiller, President & CEO, Certified Management Accounts of Ontario, Pre-Budget Consultations (February 3, 2010)

accountability. Stakeholders and families are looking for value-for-money in government programs, a reduction in discretionary spending, and an overall audit of efficiency.[7]

The Ontario PC Caucus has also called for Dalton McGuinty to restore some sanity to government spending by capping program spending at the 2010-11 estimate provided in the 2009 budget. For example, the $5 billion in one-time spending on auto bailouts and H1N1 in this year's budget should not be rolled into baseline spending for future budgets.

Table 3
2009–10 Summary of In-Year Expense Changes Since Budget
($ Millions)

Program Expense Changes		
Non-Core Program Expense Changes		
One-Time Expense		
Automotive Sector Support	4,000.0	
Ministry of Health and Long-Term Care — Province's response to the H1N1 Flu Virus	650.0	
Total One-Time Expense		4,650.0
Additional Funding Related to the Economic Downturn		
Ministry of Training, Colleges and Universities — Labour Market and Training Programs	294.7	
Ministry of Community and Social Services — Social Assistance	254.2	
Ministry of Education: School Boards — Lower-than-Forecast Education Property Tax Revenues	30.0	
Total Additional Funding Related to the Economic Downturn		578.9
Total Non-Core Program Expense Changes		5,228.9
Core Program Expense Changes		
Ministry of Health and Long-Term Care — OHIP Increase	700.0	
Ministry of Training, Colleges and Universities — OSAP and Enrolment Pressures	95.0	
All Other Core Program Expense	16.9	
Total Core Program Expense Changes		811.9
Net Changes to Contingency Funds		(1,330.0)
Total Program Expense Changes		4,710.9
Interest on Debt		105.0
Total In-Year Expense Changes Since Budget		4,815.9

Medium-Term Fiscal Projections ($ Billions)

	Actual 2008–09	Projected Outlook 2009–10	2010–11	2011–12
Revenue	90.5	90.2	99.3	100.0
Expense				
Programs	88.3	104.3	108.6	106.3
Interest on Debt	8.6	9.4	10.6	11.9
Total Expense	96.9	113.7	119.2	118.2
Reserve	–	1.2	1.2	1.2
Surplus/(Deficit)	(6.4)	(24.7)	(21.1)	(19.4)

As the chart above illustrates, the projected outlook for 2010-11 program spending has grown to $108.6 billion.[8]

Targeted Tax Relief

> **"On the short term side, our members believe there's a need to have a continued focus by the government on tax competitiveness..."**
> ~ Merv Hiller, President and CEO, Certified Management Accounts of Ontario, February 3, 2010

[7] Ibid.
[8] Ministry of Finance, "Ontario Economic Outlook and Fiscal Review" (October 2009)

Since 2003, a host of new taxes, fees, permits, and licenses have been introduced under Dalton McGuinty, raising the cost of living and making the province uncompetitive with comparable jurisdictions. The health tax, corporate income taxes, small business taxes, driver's license renewal fees, taxes on beer, wine and spirits, new land transfer taxes and vehicle registration fees in Toronto, OHIP de-listings like chiropractic services, eye exams, physiotherapy services, electronics taxes, tire taxes, and commercial vehicle operators registration license fees are but a few of these new burdens. The implementation of the $3 billion HST tax grab alone amounts to the largest single tax increase in the history of Ontario.

Despite Dalton McGuinty's claim that the HST will not punish middle-class families, his government's own estimates reveal that Ontario families and seniors will pay approximately $100 more for electricity and $125 for natural gas each year. These figures will be much higher for rural and northern consumers, where usage and distribution costs are higher. Moreover, according to figures in Budget 2009, the HST will raise the McGuinty Government $2.6 billion in the first year of implementation alone, growing to $9.6 billion in 2012. TD Economics predicts the HST will lead to inflation and "$2.5-3 billion in additional costs that households will be paying."[9]

In order to stimulate the economy and create jobs, targeted tax relief is essential. The government should suspend all payroll taxes like the EHT and WSIB premiums on new hires for one year, making it more affordable for small businesses to hire new staff. The Ontario PC Caucus also proposes a one-year suspension of the land-transfer tax on residential houses that will make home ownership more affordable for young families – and help create new construction jobs.

> **"I think it's also critical that we don't try and pick winners and losers on a specific basis. We've got to establish a globally competitive tax environment, and the winners will rise to that particular reality."**
> ~ Warren Jestin, Chief Economist, Scotiabank, February 1, 2010

The McGuinty Government must also put an end to its practice of picking winners and losers in the private-sector economy. In the last year alone, Dalton McGuinty has proposed or handed out more than $8.5 billion in corporate subsidies and welfare. Most recently, the sole-sourced McGuinty-Samsung deal granted the international industrial giant preferential treatment within Ontario's energy sector. The Association of Power Producers of Ontario, Canadian Wind Energy Association, and Canadian Solar Industries Association all condemned this blatant preferential treatment given to a multinational corporation with little experience in renewable energy generation and development in Ontario.

> **"Venture-capital-backed companies are high value-added to our economy as they are export- and R&D-intensive and, most importantly, they are fast growers. A venture-backed company grows five times faster than the economy as a whole, and that has a significant impact on job creation. Throughout Ontario, however, we are in crisis. Investment in these industries is down dramatically over the last several years."**
> ~ Mark McQueen, President and CEO of Wellington Financial, Canada's Venture Capital and Private Equity Association, February 1, 2010

[9] TD Economics, "The Impact of Sales Tax Harmonization in Ontario and B.C. on Canadian Inflation," *Special Report* (September 18, 2009)

Complementing targeted tax relief is improved access to venture capital. Venture-capital-backed companies in Canada represent close to 150,000 jobs or 1.3% of all private sector employees. In 2007, Canadian venture-capital-backed companies injected $14.5 billion into the Canadian economy.

Unfortunately, venture capital financing in Ontario has plunged from $1.5 billion in 2000 to $236 million in 2007. In 2008, it was down to $88 million. As of the 3rd quarter of 2009, only $24 million was invested in Ontario venture-capital-backed companies – a multi-decade low for the province.

The McGuinty Government's Ontario Venture Capital Fund has proven an utter failure, with only 3 committed projects for 2009 and none of the monies deployed. The only conclusion to draw is that the fund guidelines should be revisited and completely overhauled to ensure greater job creation.

Red Tape

> **"Businesses across Ontario continue to cite regulatory costs as their greatest impediment, and a dollar spent managing red tape is a dollar less for investment or hiring new people."**
> ~ Stuart Johnson, VP, Policy and Government Relations, Ontario Chambers of Commerce, February 2, 2010

Budget 2008 claimed that modernizing regulation would be a priority and included a goal to eliminate regulations for every new piece of red tape enacted. Failing to deliver on this commitment, the McGuinty Government reiterated its desire to tackle the provincial regulatory and red-tape burden in Budget 2009, with a commitment "to expand Open For Business, [the government's] plan to make government faster and friendlier..."[10] Dalton McGuinty promised to reduce red tape and regulation by 25% in two years, an ambitious target the McGuinty Government has not even approached accomplishing.

According to the Canadian Federation of Independent Business, red tape and regulation in Ontario present a cost to business totalling $11 billion,[11] and virtually every sector that presented to the Standing Committee on Finance and Economic Affairs spoke to the challenges created by red tape, regulation, and well-intended but poorly implemented legislation.

For example, municipalities in the Niagara region are effectively shut down as a result of the unintended consequences of the greenbelt initiative where growth is forced to develop away from existing infrastructure and from where families want to live. Additionally, these municipalities explained that the province's new Places to Grow policy dictates densities that may be unachievable.
The Chemistry Industry Association of Canada explained that the overall policy environment for manufacturing isn't friendly and investor perception has soured.

The Ontario Forest Industries Association pointed out that under Ontario's Endangered Species Act, wood turtle habitat regulation will threaten up to 40% of the total available fibre in some forest management units.

Long-term care homes highlighted the additional direct and indirect costs of draft regulations under the new Long-Term Care Homes Act which are expected to be about $34 million, which could have the effect of reducing care and services elsewhere in homes.

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[10] Ontario Ministry of Finance, "Budget 2009" (March 2009)
[11] CFIB, "Prosperity Restricted by Red Tape," 2nd Edition (November 2009)

Challenges to business from a red tape and regulatory perspective are near epidemic and no doubt a significant contributor to abysmal corporate tax revenues posted in 2009, which the McGuinty Government predicted at $12.3 billion and in reality came in at $6.7 billion.

Only an aggressive approach to controlling unnecessary regulation and red tape will improve Ontario's economic environment and create a business friendly climate. This culture change must emanate from the Premier's Office and flow through Cabinet and the civil service to truly be effective. Specifically, the culture of government must change so that its role is to assist the private sector in finding cost effective ways to comply with government legislation, as opposed to doling out punishments for lack of compliance.

The Progressive Conservative Caucus proposes that the McGuinty Government undertake the following:

- A member of Cabinet should be made specifically accountable for the reduction of red tape across government

- Re-instate the Red Tape Commission led by this member of Cabinet, which would have the responsibility to:

    - Help to inform business of regulation and assist in achieving compliance
    - Consider principles and outcomes-based approaches before proceeding to impose prescriptive rules-based regulation
    - Undertake an assessment of any proposed legislation or regulation and determine its economic and administrative impact. The assessment should include a review of the additional burden on business as well as the cost on government to implement said legislation
    - Review all existing legislation, regulations, and forms and undertake to remove those which are outdated and streamline others wherever possible
    - Establish hard targets like counting the number regulations for each Ministry, decrease and streamline these figures, and report to Cabinet at regular intervals on progress made

- A moratorium on new regulations should be in place until the commission is in place

Conclusions

In November 2009, the Auditor General of Ontario reported his findings on the McGuinty Government. Fiscal mismanagement, questionable contracting practices, and wasteful spending were found to be rampant throughout the Liberal Government. At the same time, the economy turned, the private sector shed tens of thousands of jobs, and Ontario tumbled into have-not status for the first time in its history. Government spending under Dalton McGuinty has reached epic proportions and is projected to be $119.2 billion in 2010-11, a year the McGuinty Government expects to post a $21.1 billion deficit. During his expert testimony at the 2010 pre-budget consultations, Warren Jestin, Chief Economist for Scotiabank, remarked that as the economy recovers, Ontario will need to rely much more on the private sector. He added that government deficits have gone up to levels that are going to be very difficult to turn around because of the cumulative impact on the debt. Ontario must cut down the growth in spending and ensure sustainable revenue generation. Similarly, an Ontario Fiscal Update report by TD Economics calculates that "total program spending growth in Ontario" must be reduced to 1% per year in order to balance the provincial budget by 2016-17.[12]

[12] TD Economics, "Ontario Fiscal Update" (October 22, 2009)

For 7 days, nearly 140 groups made presentations to the Standing Committee on Finance and Economic Affairs, dozens more made written submissions. Deputants made over 1,000 recommendations to the McGuinty Government.

Of these, a significant number commented on the broad themes of deficit reduction through strategic spending, job creation and economic growth via sound tax policies, and thwarting excessive red tape and regulation.

The time has come for Dalton McGuinty to heed this advice and take action to implement meaningful policy changes that will propel Ontario from worst to first.

Appendix A

The Ontario PC Small Business Jobs Plan will get government out of the way of job creators and help re-start the economic engine of Ontario.

This plan includes:

- Repealing the McGuinty Government's job-killing Bill 119, which forces independent operators and sole proprietors into the WSIB system and requires WSIB coverage for office and secretarial staff who will never set foot on a construction site
- Ensuring permanent small business representation on the WSIB
- Calling for a one year payroll tax holiday that will make it more affordable for small businesses to hire new staff; and a one year suspension of the land-transfer tax that will make home ownership more affordable for young families – and help create new construction jobs
- Re-instating a Red Tape Commission that will eliminate the many unnecessary regulations that punish small businesses
- Implementing a moratorium on new regulations that will impact small business jobs until the Red Tape Commission is in place to reduce the overall regulatory burden
- Turning Ontario's 3:1 journeyman-to-apprentice ratio into a 1:1 ratio. This will help more young tradespeople into the market, and make it more affordable for small businesses to hire new workers
- Suspending the McGuinty Government's decision to place 100% of the cost burden for the blue box program on small businesses and maintain the existing 50-50 split
- Continuing to use every tool available to stop Dalton McGuinty's plan to merge the GST and PST into a super 'Dalton's Sales Tax' that will take $3 billion out of the pockets of consumers and kill jobs

Appendix B

In December 2009, Tim Hudak and the PC Caucus called for immediate and urgent action to provide a new direction for the Northern Ontario Economy.

These ideas include:

- Opposing the McGuinty Government's Bill 191 which bars development in half the territory north of the 51st parallel. This restrictive legislation seeks to appease Southern Ontario special interest groups at the cost of denying Northern residents of one of their last remaining sources of economic leverage – their land
- Making significant investments in Northern infrastructure to facilitate business growth through ensuring accessible and reliable transportation channels to move goods to and from market
- Investing in high-speed broadband so small businesses can prosper and take full advantage of a global marketplace
- Reducing and eliminating unnecessary legal and regulatory hurdles to resource development and reinvest revenues from developments in Northern projects that support economic growth
- Empowering Northern municipalities and First Nations by providing local leaders with a real say on where revenues from resource developments should be directed
- Strengthening and building new partnerships between Northern businesses and post-secondary institutions. NORCAT is a strong example of how businesses and educators can work together to fuel innovation and strengthen the skills base of local workers

APPENDIX C

DISSENTING OPINION OF THE NEW DEMOCRATIC PARTY MEMBERS OF THE COMMITTEE

THE DISSENTING OPINION OF THE NDP PRE-BUDGET FINANCE COMMITTEE

Recommendations and

SUPPORTING ARGUMENTS

For the Finance Minister
On Pre-Budget Consultations

2010

Submitted to the
Standing Committee on
Finance and Economic Affairs

March 1, 2010

2010 Dissenting Report

The deficit

Ontario is not standing at a fiscal abyss and that we are not experiencing a structural deficit. On relatively conservative assumptions concerning the pace of economic recovery, Ontarians can reasonably expect their provincial budget to move back into balance within six years (by 2016-17) without any government action beyond normal revenue and expenditure management.

Even if instead of taking six years to get back to a balanced budget situation, it takes eight years, the budget would still be balanced by 2018-19. And that is based on a very, very, conservative long-term growth rate assumptions of 2%/yr. which is well below the post-recession historical norm.

History suggests that when Ontario has had recessions before, fiscal balances have recovered more quickly than estimates suggested at the time. Following the two major recessions of 1981 and 1991, and the more limited slow down in 2001, Ontario's economy bounced back within four to eight years.

Following the '80-'82 recession, Ontario's economy had bounced back to its long-term growth path by 1985. Following the 1991 recession, the economy was well on the road to recovery after the bottom of the cycle in 1992-3 when disastrous fiscal and monetary policies produced a so-called "double dip". Three years into the recovery, spending cuts both in Ottawa and Queen's Park acted as a fiscal drag on the economy. And ill-advised Bank of Canada monetary policies pushed interest rates and exchange rates up, choking off the recovery just as it was gaining traction. Even with that interruption, Ontario's economy had pushed above its trend line by 1999.

The government's fall economic statement projects that between 2008-09, the last fiscal year, and 2010-11, the next fiscal year, the provincial debt will rise by 40%. However, it projects that over this same period, debt-servicing costs will increase by 23%. In other words, borrowing will increase interest costs by little more than half as much as the overall debt.

Even after this increase in debt-servicing costs, the Ontario government will still be paying less to service the debt next year than it did as recently as the 2000-01 fiscal year – a full eight years into the recovery from the recession of the early nineties. This yet another reason not to over-react to the headline deficit number of $25 billion.

What we should not do

The government and some outside commentators have floated the ideas of reducing the deficit in the short term by cutting provincial expenditures and selling provincial Crown corporations. Both policies should be rejected. If implemented, they would risk increasing deficits in the long term.

The projected annual deficits in the next couple of fiscal years are approximately $20 billion. Cutting that amount of money out of the provincial budget would involve completely closing down the Ministry of Health or eliminating the entire public school system as well as all social services. Whether it is the Chretien/Martin cuts of the mid-nineties or the Harris cuts at roughly the same time, history shows that this is simply not the responsible way of dealing with cyclical deficits.

According to the government's fall economic statement, Ontario has the second-lowest program expenditures per capita of any Canadian province. If the public sector were cut dramatically, it could compound the contraction that has already occurred in the private sector, prolonging Ontario's recession and jeopardizing the economic recovery that will increase provincial revenues and balance the budget in the medium to long term.

Another proposal that has been floated by the McGuinty government has been to raise money by selling provincial assets. If taken to the extreme, this proposal would worsen future deficits by removing the more than $4 billion of annual revenues that Crown corporations currently contribute to the provincial treasury. In exchange, as privatized enterprises, they would pay about $400 million in provincial corporate income tax. They would pay a further $600 million in federal corporate income tax, leaving about $3 billion of after-tax profits for the private owners.

The net loss to Ontario's treasury from privatizing all Crown corporations would be $3.6 billion per year. If we assume that provincial bonds pay approximately 5% interest, to save $3.6 billion in annual interest charges, the Ontario government would need to reduce its borrowing by $72 billion. In other words, just to break even on privatizing Crown corporations, the Government of Ontario would need to sell them for $72 billion. This is simply not going to happen nor should it happen.

What the government should do

Having discussed what the Government of Ontario should not do in response to the deficit, the question arises as to how best to balance the budget over the business cycle.

First, the government should continue to help the economy recover by investing in infrastructure, especially the green infrastructure that will be needed to reduce Ontario's carbon emissions going forward.

These investments should be combined with proactive domestic procurement policies to maximize the amount of investment and jobs that they generate in the province's private sector. Using domestic procurement in a strategic manner to kick-start the high-growth industries of the future makes good sense. In that regard, we are very concerned that the recent Canada - U.S. "Buy America" agreement will tie the hands of both provincial and municipal governments to use domestic procurement to bring scale to promising businesses in high growth sectors. If domestic procurement targets are effective in bringing scale to transit and Green Energy manufacturers, why not use similar mechanisms to bring scale to Ontario-based medical device manufacturers, companies involved in Low Emission Vehicle production, etc.

Second, the Government of Ontario must maintain appropriate tax rates so that provincial revenues will rebound as the economy recovers. In particular, we would advocate maintaining the provincial corporate income tax rate at 14%, rather than cutting it to 10%.

Table 2 in the government document entitled Tax Plan for Jobs and Growth indicates that the corporate income tax cut will reduce revenues by $2.4 billion per year when fully implemented. The implication is that maintaining a 14% corporate income tax rate would increase future revenues by at least this amount. It would eventually increase provincial revenues by more than that amount after corporate profits begin growing again.

Corporate tax cuts are a very ineffective form of economic stimulus. In Finance Canada's last Budget Plan it estimated that each dollar of corporate income tax cuts adds only 10 cents to Gross Domestic Product this year and 20 next year. By comparison, each dollar of additional infrastructure spending adds a dollar to Gross Domestic Product this year and $1.50 next year.

These numbers do not come from the NDP. They come from a Conservative federal government that is cutting its own corporate income tax rate to 15%.

So, if Ontario were to keep its provincial corporate income tax rate at 14%, the combined federal-provincial rate in Ontario would be only 29%. By comparison, the U.S. federal corporate tax rate is 35% and American state corporate income taxes typically bring the combined total up to about 40%. So, Ontario does not need provincial corporate income tax cuts to be competitive with the United States.

When American-based corporations repatriate profits from Ontario to the United States, they pay the American federal corporate tax rate minus taxes already paid in Canada. The effect of reducing Canadian corporate taxes further below the 35% American federal rate is not to give more money to the Ontario operations of American corporations, but rather to redirect their tax payments from the Government of Ontario to the U.S. Government. Maintaining the 14% provincial corporate income tax rate would retain more of these revenues in Ontario.

Finally, we would suggest that Ontario should maintain a capital tax for financial institutions. Table 2 in the Tax Plan for Jobs and Growth indicates that removing the capital tax from banks will cost about half a billion dollars per year. That is more than one-third of the total cost of eliminating Ontario's corporate capital tax on all Ontario businesses.

Most Canadian provinces have also eliminated their corporate capital taxes, but several have retained corporate capital taxes for banks. South of the border, President Obama is introducing a new tax on bank liabilities. A capital tax on banks (which is mostly a tax on legislated reserves) has a very different impact on job creation than a capital tax on manufacturers. Taxing paid-up bank capital is a good way of taxing banks and a good way of raising revenue.

Jobs

The NDP believes that by far the most important problem the budget must address is jobs – particularly in the manufacturing and resource sectors

Since the financial crisis hit the labour market in October 2008, Ontario has lost 116,000 manufacturing jobs. Since manufacturing employment peaked in November 2002, Ontario has lost a grand total of 327,000 manufacturing jobs.

The appropriate policy response is to enact measures that are directly targeted toward creating jobs. In this context, the government's Harmonized Sales Tax inputs costing the Treasury $4.5 billion annually and its corporate income tax rate reduction costing the Treasury $2.4 billion annually, dramatically fail the test.

The NDP simply doesn't believe that these tax cuts are the best possible use of nearly $7 billion per year. A more targeted use of nearly $7 billion - in fact far less money - could create many more jobs. In particular, the creative and timely use of tax credits for new investment and new hiring in Ontario, as is done in Quebec, Manitoba and other provinces, is a far more effective way of creating jobs. This is worth discussing further.

Ontario's Tax Plan for Jobs and Growth provides tax breaks for the use of inputs and for the generation of corporate profits. However, the NDP most emphatically believes that the goal of public policy is not to encourage the use of more inputs or to increase profits as goals in themselves. Quite the opposite, we believe that the goal is to increase investment and employment in Ontario. So, why not instead institute tax credits that are directly related to investment and/or employment in the province?

A second aspect of targeting is concentrating on **new** economic activity rather than on activity that would have taken place anyway. Most of the $4.5 billion of input tax credits provided through harmonization will reduce the cost of inputs that Ontario businesses would have purchased in any case. Similarly, most of the $2.4 billion of corporate income tax reduction will be on profits that would have been generated in Ontario anyway. Very little of this funding will go to inputs for, or profits from, new investments.

A final aspect of targeting is focusing on those industries that are most vulnerable to international competition and most able to move to other jurisdictions. Some industries, like manufacturing, are completely exposed to foreign competition and very mobile between different parts of the world. For example, it is possible for a factory to close down in Ontario, reopen in China, and continue selling its output into the North American market.

Other industries, like construction, are much more sheltered from international competition and are inherently based in the local economy. For example, it is impossible to construct a building in China, put it on a barge, and move it to Ontario.

Economic policy should be more concerned about the first type of industry. If Ontario can retain a good share of internationally mobile industries like manufacturing, then the provincial economy will prosper and locally-oriented industries will do well as a consequence.

From this perspective, Ontario's HST is quite poorly targeted. In fact most of the Harmonized Sales Tax's input credits will go to the construction industry.

Specifically, construction will get $2.3 billion out of $4.5 billion. Most of harmonization's input tax credits are targeted at an industry that is not very exposed to international competition and has very little capacity to relocate to other jurisdictions.

Much has been made of these input tax credits being a boon to manufacturers, who often use inputs multiple times throughout the production process. But the government's own documents shows that manufacturing will get $510 million of input tax credits. That is only about 11% of the total being spent on input tax credits. By contrast, the most recent available Statistics Canada figures indicate that manufacturing accounts for 17% of Ontario's Gross Domestic Product.

So, the input tax credits delivered through the Harmonized Sales Tax will provide disproportionately little support to manufacturing, an industry which we would argue is disproportionately in need of support. In fact, manufacturing would have been better served had the provincial government simply distributed the $4.5 billion according to shares of Gross Domestic Product.

As discussed above, the corporate income tax reduction in this same tax plan is also very poorly targeted. The single biggest beneficiary will be the financial services industry, excluding insurance. In other words, banks will gain the most from the corporate tax cut.

Examples of what the government should be doing can be found in both Quebec and Manitoba – provinces which have done far better during the recent recession than Ontario.

Quebec's Manufacturing and Processing Tax Credit is a particularly good example of this sort of policy. The credit works as follows:

- Corporations that make eligible investments during an eligible taxation year can receive an investment tax credit in any given year of up to 40% of the amount of an eligible investment.
- Eligible investments are defined as manufacturing and processing equipment and assets must be acquired after March 13, 2008 and before January 1, 2016.
- The exact rate (up to 40%) varies depending upon where the eligible investment is made. Companies located in more remote regions and in high priority sectors receive a higher tax credit rate.

Quebec's Manufacturing and Processing Tax Credit has been a very effective way of the creating jobs in Quebec. Total estimated cost in the 2009-10 fiscal year? Less than $100 million.

In addition to more targeted job creation tax credits and an expanded approach to using local tax dollars to create local jobs, we proposed the following job creation measures at Finance Committee:

- An energy retrofit program in the MUSH sector and expanded green jobs strategy that would not only make Ontario a leader in green energy but also in cutting edge environmental technology and low and zero emission vehicles.

- A cultural jobs strategy that would include tax credits for the performing arts as well as individual artists.

The NDP is disappointed that all of our job creation measures were defeated by the Liberal members of the Committee.

Pensions

With only 35% of Ontarians covered by an occupational pension plan, there is a clear need for expanded pension coverage for Ontarians.

Ideally, the way this would be done would be to increase in the benefit levels of the Canada Pension Plan. This would draw on existing economies of scale, risk-sharing, and administrative efficiencies of the plan.

So the Ontario NDP joins with the federal NDP and the Canadian Labour Congress in the campaign for an expanded national, universal, pension plan in the form of an enhanced CPP.

That said, the issue of expanding pension coverage is an urgent one. We in the Ontario NDP do not believe that the Harper government is going to move to expand coverage and therefore we believe there is an important role to be played at the provincial level in greatly expanding workplace pension coverage.

Ontario Retirement Plan

Therefore, the NDP believes that Ontario should move ahead with other provinces and develop an employment-based pension plan for all working Ontarians who presently lack occupational coverage. The NDP has proposed just such a plan - we are calling our plan the Ontario Retirement Plan (ORP). The ORP would achieve the following policy objectives.

Firstly and most obviously, the Ontario Retirement Plan would deal with the roughly 65% of Ontarians who presently have no workplace-based pension coverage.

Secondly, in an Ontario Retirement Plan, the "band of income" that the contribution rate would be assessed against would be different from that of the current CPP. A broader band of income would allow for a higher benefit for plan members earning over $47,200 (in 2010 dollars). This responds to exactly the kind of replacement rate issues that pension expert Bob Baldwin identified in his report to the Minister of Finance that was tabled in Whitehorse in December.

Thirdly, an Ontario Retirement plan could be used to further the consolidation of a fragmented workplace-based pension system. For example, Ontario has over 6,500 workplace plans, many of them very small. Many might elect to integrate into a large Ontario plan which has as its base two-thirds of the workforce.

Fourthly, an Ontario Retirement Plan could allow for the transfer of an RRSP which could be used to purchase "past service" credits for the basic benefit. This would allow older workers - who would not ordinarily be able to earn the full benefit, to receive more that they would otherwise.

So here is how an ORP it would work:

- It would be a a publicly run, "targeted" benefit plan much like the Ontario Teacher's Pension Plan, the Hospitals of Ontario Pension Plan and the Colleges of Applied Arts and Technology Pension Plan

- In order to maximize participation, every employee not enrolled in a workplace pension plan would be automatically enrolled in the ORP.

- The plan is not mandatory. If you have a better way to plan for your retirement you don't have to take part in the Ontario Retirement Plan.

- Employees and employers would be expected to contribute equally to the new plan.

- Contribution rates for employees should be phased in over a 5 year period.

- Depending upon economic circumstances, a somewhat longer phase-in might be considered for employers.

- Unlike a defined contribution plan or a group RRSP, the assets of the plan would be invested for the plan as a whole – they would be pooled - and not on an individual basis.

- The maximum benefit of the plan would be between $600-$700/month in 2010 dollars.

- And because many current members of the workforce would not have sufficient years in the Plan to receive the maximum benefit, plan members would be able to increase their normal benefit through a retroactive purchase of "past service" credits.

Harry Arthurs' pension commission also came up with a number of good suggestions regarding strengthening the existing pension system.

Firstly, the NDP supports the Arthurs recommendation for establishing an **Ontario Pension Agency**. We believe that pooling, administering, investing and dispersing stranded pensions would be an important role for the Agency.

In our opinion, an Ontario Pension Agency would pretty much solve the problem that Nortel pensioners face. Nortel, Abitibi-Bowater, CanWest Global Communications....all could benefit from an Ontario Pension Agency.

Secondly, at only $1,000, the level of monthly pension benefits eligible for protection by the Pension Benefits Guarantee Fund is completely inadequate. We believe that over time the monthly guarantee covered by the PBGF should be increased to a maximum of $2,500 to reflect the effect of inflation on the original maximum of $1,000 which has been in place since 1980.

While the NDP agrees that the basis on which the levy will be paid by plan sponsors is a complex matter and that a phase-in period may be necessary, we are extremely disappointed that this key Arthurs recommendation is nowhere to be seen in this first package of pension reform legislation.

The NDP moved all of the above in our pension resolution at Budget Committee – we were disappointed that the motion was defeated.

Protecting Health Care

The NDP moved the following motion in committee.

Be it resolved that the Standing Committee on Finance and Economic Affairs committee, strongly recommends to the Minister of Finance that, in its 2010-11 budget, the government ensure that front-line health services are not put in jeopardy and that the government make responsible upstream investments to control costs including investments in long-term care and home care to relieve pressures on hospitals, funding for Community Health Centres (CHC's) and Aboriginal Health Centres (AHACs) for oral health care, ending the three-month wait period for OHIP coverage required of newly-arrived immigrants, expanding the provincial network of CHCs and AHACs with a goal of ensuring every Ontarian who needs access to CHC/AHAC primary health care can access these services.

The motion was defeated by Liberal members of the committee. Quality health care must not be sacrificed in this time of budget restraint. A careful and strategic approach to allocating scarce health dollars – with priority given to prevention and cost-effective front line care - can result in preserving high levels of patient care while at the same time keeping spending increases to an affordable level.

Real action on the environment

The NDP moved the following motion in committee.

- Be it resolved that the Standing Committee on Finance and Economic Affairs strongly recommends to the Minister of Finance that the government, in its 2010-11 budget,
    - allocate funding for the development and implementation of an Ontario Climate Change Plan in order that Ontario can reduce its greenhouse gas emissions by at least the governments own targets by 2014 and by the IPCC recommended target by 2020.
    - the government introduce the funding of 50% of operating expenses of public transit in its FY 2010-11 budget;
    - the government table the time-table for the funding of all Transit City LRT lines and commit sufficient funds for the 2010-11 fiscal year to begin construction on the priority lines.

The motion was defeated by the Liberal members of the committee.

The NDP remains concerned about the lack of a well-thought out, coherent, climate change plan. We also believe that without the phase-in of 50% provincial funding for transit operational funding, the capital investment in Transit City and other transit investments will simply be unaffordable for municipalities.