

Legislative  
Assembly  
of Ontario



Assemblée  
législative  
de l'Ontario

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# STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

PRE-BUDGET CONSULTATION 2007

2<sup>nd</sup> Session, 38<sup>th</sup> Parliament  
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The Honourable Michael A. Brown, 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 2007 and commends it to the House.

PattHoy, MPP  
Chair

Queen's Park  
March 2007

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

2<sup>nd</sup> Session, 38<sup>th</sup> Parliament

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Chair

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## INTRODUCTION

The Standing Committee on Finance and Economic Affairs conducted its 2007 pre-Budget hearings in December 2006 at Queen's Park and in January 2007 in Windsor, Kenora, North Bay, Ottawa, Hamilton, Belleville, Barrie, and Toronto (at Queen's Park). Witnesses included the Minister of Finance; experts invited by the Committee to present economic forecasts and budgetary advice; representatives from associations, organizations, and community groups; and individuals. The Committee also heard presentations from 12 municipalities (and two municipal associations), as well as other local and administrative bodies exercising delegated authority, including school boards, social service boards, and humane societies. In total, the Committee heard from 186 witnesses appearing in person, and received 76 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 names of organizations and individuals from whom written briefs were received, appears at the end of the Report. An electronic copy of this Report will appear on the Committee web site at <http://www.ontla.on.ca>.

## I. THE ECONOMY

### ECONOMIC OUTLOOK

In the fall *Economic Outlook and Fiscal Review* the Ministry of Finance reduced its real GDP growth forecast for fiscal 2006-07 to 1.6% from 2.3%. At the end of the third quarter Ontario's real Gross Domestic Product (GDP), the primary measure of economic activity, stood at approximately \$489 billion.

The Province's growth rates are underperforming forecasts and have attracted considerable attention of late. Release of the third quarter results revealed real GDP growth had slipped into negative territory (-0.1%) – in effect, the economy contracted. The Ministry of Finance attributed the decline to a worsening in the net trade balance with exports weakening as imports rebounded. Analysts observed that the Province's dependency on shipping cars and auto parts to the United States was the chief factor. Further contraction in the fourth quarter would technically put the Province in a recession (defined as two consecutive quarters of negative economic growth).

In the fall economic statement, the Minister of Finance described the external factors leading to changing growth expectations including slow growth experienced by Ontario's leading trading partner, the U.S.; a high Canadian dollar dampening exports, particularly in the key auto sector (automotive products made up 44% of merchandise exports last year); and record high oil prices that have spillover effect on the entire economy. On the positive side, the Governor of the Bank of Canada has pointed out that current economic challenges aside, roughly 70% of Ontario's economic activity comes from the service sector, which is performing well.

Economists have observed a dichotomy in provincial growth rates in the 2006 calendar year. Canada as a whole averaged 2.7% GDP growth (Ontario 1.6%), but with significant provincial variation. Factors hampering Ontario did not impact the resource-based western provinces, and Alberta, in particular, recorded rates well above the Canadian average.

On the 2006 employment front 95,000 new jobs were created, an increase of 1.5%, and the fourteenth consecutive year of job gains for the province. The unemployment rate averaged 6.3%, down 0.3% points from 2005. Ontario's manufacturing sector was not a significant beneficiary of these gains, as one expert witness advised the Committee: Ontario's manufacturing employment for the first eleven months of 2006 was down 8% from the same period two years ago.

Based on the fall economic statement, Ontario's consumer price index, a broad measure of inflation, should average 1.9% in 2006. A key factor in the inflationary outlook is oil price movements, the impact of which has been somewhat offset by high exchange rates. The Bank of Canada has set an inflation rate target of 1% - 3%. In its *Monetary Policy Report* at the end of January 2007

the Bank left the key policy rate (the overnight rate through which it influences monetary policy) at 4.25%, noting that inflation risks did not warrant an increase.

## **FISCAL SITUATION**

The government's medium term fiscal plan was to balance the budget by 2008-09; however, oil prices, the high Canadian dollar and a weak outlook for the U.S. have affected GDP growth projections. These changes have a corresponding impact on government revenue (approximately a \$645 million change in revenue for each percentage point change in real GDP growth) and, ultimately, the forecasted surplus or deficit. Consequently, a balanced budget will not be achieved in 2008-09 and the \$1.9 billion deficit projected for 2006-07 is on track.

The fall economic statement contained a revenue forecast of \$87.0 billion with an acknowledgement of possible risks to the forecast that are being monitored. Over the medium term (fiscal 2006-07 to 2008-09), total expenses are forecast to increase by \$4.7 billion, with annual growth expected to average 2.7%, which is less than the 3.5% average annual growth in revenue.

Total provincial debt as of September 30, 2006 was \$156.1 billion (total borrowing by the Province without including offsetting financial assets). Net debt-to-GDP peaked at 32.9% in 1999-00, the year the Province first consolidated the unfunded liability (stranded debt) of the Ontario Electricity Financial Corporation. The current forecast is for a ratio of 26.2% in 2006-07, declining to 25.2% in 2008-09.

## **FISCAL POLICY**

Balanced budgets and debt reduction are firmly rooted in the public lexicon as underscored in witness presentations. The surplus recorded in 2005-06 and efforts to structure fiscal policy on the basis of balanced budgets were applauded. As a complementary objective, debt reduction was also supported (in one case, with a specific debt-to-GDP target of 15%).

Spending controls are considered key and witnesses suggested linking expenditure increases to growth rates in GDP or inflation, program reviews, and to using interest savings generated from debt repayment. On the revenue side, the government was discouraged from initiating tax increases to cover budget shortfalls.

Funding gaps at both the federal-provincial and provincial-municipal levels continue to cause concern. Calculating a \$3 billion gap in provincial funding, municipalities urged that this matter be placed on the agenda of the Provincial-Municipal Fiscal and Service Delivery Review currently underway.

## II. MINISTRY OF FINANCE

### *Tax Issues*

Presenters stated that tax policy should be designed to result in a fair, competitive regime that encourages businesses to develop new products, processes and markets. Arguments were made for reducing the tax burden and avoiding new taxes, with the exception of a tax to redress the environmental footprint caused by transportation.

### Corporate Taxation

The Committee heard that in the interests of international competition and a more conducive investment climate, notably for capital equipment, the corporate tax burden needs to be reduced. Recommendations along these lines favoured the elimination or accelerated phase-out of the Capital Tax, lower rates for the Manufacturing and Processing Tax and the General Corporate Tax, and a more favourable capital recovery regime. Other business friendly measures involved eliminating the Corporate Minimum Tax and raising the exemption threshold for the Employer Health Tax to \$600,000.

### Personal Income Tax (PIT)

The arts community highlighted the low level and sporadic nature of its income in recommending measures such as income averaging, tax exemption for subsistence grants and artists in general, and tax credits for purchase or investment in art. Entrepreneurs sought amendments to the rules for capital gains and RRSPs such as increasing the \$500,000 lifetime capital gains exemption, deferring capital gains on the transfer of a business to the owners' children, borrowing from RRSPs for equity, and increasing the maximum age limit for RRSP contributions. Business groups supported lower PIT to discourage the underground economy, particularly in construction, and to enable employers to compete with low tax jurisdictions for employees.

### Retail Sales Tax (RST)

Arguments were made for and against harmonization of the GST and RST. Construction industry groups were opposed, stating it would reduce housing affordability and dampen residential construction activity. Those in favour observed that it would effectively eliminate the application of RST to manufacturing inputs and municipalities. The manufacturing sector asked for replacement of RST with a Value Added Tax (VAT) to make Ontario competitive with VAT jurisdictions.

A number of tax limiting measures were suggested. Farmers and municipalities asked that RST not be applied to their sectors, and exemptions were requested for destination marketing fees and materials used to construct farm buildings. Incentives or rebates on RST were supported for the purchase of environmentally friendly and light duty natural gas vehicles. Changes to the RST rules on software that have the potential to harm Ontario's e-commerce businesses were

also proposed. Recommendations were made for tax simplification, remedies for the unfair treatment of small businesses by tax collectors, and the extension of RST to all imported non-commercial goods.

### Sector-Specific Tax Issues

Financial groups described their sector as an important driver of economic growth and asked for initiatives to capitalize on this strength, including development of a national securities regulation model.

Several proposals were made for enhanced sector-specific tax credits, including expansion of the Apprenticeship Training and Tax Credit to include the service sector and the small business sector. The publishing industry asked that the Ontario Book Publishing Tax Credit be increased and applied to illustrated books.

Other witnesses wanted elimination, exemption from, or the reduction of taxes, including elimination of the Tax for Fuel Conservation, extension of the exemption on land transfer tax to all family farms in farm corporations and estate trusts, and reductions in insurance premium taxes on automobiles and property. Retailers suggested clearly taxing or exempting natural and herbal products; and cancer prevention advocates lobbied for higher taxes on a carton of tobacco.

### *Non-Tax Issues*

#### Pensions

Many submissions took the position that restrictions on locked-in pensions are outmoded and requested greater access. Changes were also urged to ensure that all pensioners in Ontario are protected in cases of pension fund insolvency.

#### Underground Economy

Discussions on the underground economy centred on the tobacco and construction industries. Restricting tobacco contraband was the goal of recommendations to prevent the supply of raw material to unlicensed manufacturers, increase the minimum bond for a manufacturing licence, implement a tracking and tracing system, enforce quota regulations, restore balance to tax policies, and share taxes on tobacco products sold on reserves with First Nations.

The construction industry proposed an investigation of the underground economy, commencing with its own industry, and offered to partner with the government to encourage the use of legitimate renovators and contractors. Bill 124, the *Building Code Statute Law Amendment Act*, was referenced in a request to investigate provisions that allow homeowners rather than contractors to acquire permits.

### III. RECOMMENDATIONS FOR OTHER MINISTRIES

#### AGRICULTURE, FOOD AND RURAL AFFAIRS

Economic challenges underpinned testimony by agricultural presenters. General recommendations were aimed at investments in the sector to build economic capacity and alleviate the impact of currency fluctuation and foreign political agendas. The government was asked to restore funding for agricultural research, update the compensation list of eligible livestock and predators in cases of predation, and to preserve farm culture by funding rural fairs.

Farmers recommended developing market mechanisms that would give them access to food purchases by Ontario hospitals and schools (cautioning the government against cheaper imports produced with less stringent regulations), and compensate them for public goods and services they provide, such as food safety and environmental stewardship.

A joint federal-provincial program was proposed to buy out tobacco growers and to commit to stabilizing local farm communities. Other presenters argued that smokers should be allowed their own clubs, designated bars, and separately enclosed and ventilated smoking rooms.

#### *Risk Management and the Farm Income Safety Net*

The farm income safety net was the focus of grain and oilseed producers who asked to be considered as a separate sector with different risk management needs. To assist with significant losses in 2005 and 2006, an immediate down payment was requested on long term programs, together with a commitment to viable risk management and income support programs.

Risk sharing between the government and farmers with both parties contributing premiums was proposed. Administered by Agricorp and complementing the Canadian Agricultural Income Stabilization Program (CAIS), the program would include a flexible framework to accommodate regional and commodity-specific diversity, a production insurance model, and realistic measures of yields and prices. Payments under the program would be triggered twice a year, based on average historic yields and planted acreages, and on 100% of the difference between the support price and opportunity price. Equivalent opportunity pricing methodologies would be developed for commodities not clearly traded on centralized pricing markets such as the Chicago Board of Trade.

Discussing shortcomings in the existing system, witnesses noted that CAIS does not direct funds to areas of greatest need, and suggested this be remedied by redirecting support through a more appropriate mechanism. In addition, the government was urged to expedite insurance payments to farmers from Agricorp to facilitate timely and informed decisions about what to grow in future years. An insurance product for livestock production and horticultural crops was also identified as an area of need.

Corn producers want income support programs to protect against falling prices and to avoid a repeat of the crisis precipitated by low prices for grain and oilseed in recent years. Other industrial users of corn wanted assurances that government programs supporting ethanol will not harm them.

## **ATTORNEY GENERAL**

### *Human Rights*

The government was asked to fund an anti-discrimination campaign regarding mental health and addictions that would include public education about mental health law and the rights of individuals with mental illness, and the provision of independent advocacy and rights advice services for such persons. Support was sought to ensure that Ministries' accessibility programs for persons with disabilities fulfil the objects of the Ontario Human Rights Code, and to protect the rights of persons to essential public services regardless of their immigration status.

### *Judicial System Resources / Legal Aid*

The Committee learned of the need for additional judicial system resources, including more justices of the peace and judges. A return to a one-judge case-managed system with specialist family Court judges was proposed.

Legal community stakeholders asked for measures to support legal aid, including enhanced program funding, higher hourly rates for lawyers in the system, and parity between criminal law, civil law and family law. Criminal lawyers identified a need for new financial eligibility guidelines, requested an end to the plan to defer payments to lawyers accepting legal aid certificates, and suggested legislating a regular, systematic review of legal aid tariffs.

## **CHILDREN AND YOUTH SERVICES**

This Ministry was urged to develop future policy and program initiatives for the healthy development of children aged 6 to 15, and to provide resources for successful mentoring programs.

### *Child Welfare*

Children's Aid Societies asked that the Child Welfare allocation include sufficient resources to address northern remoteness, French-language services, and services for aboriginal children; pay for mandatory changes, such as the full rollout of the Single Information system, and programs such as SAFE, PRIDE, and OnLAC; provide salary increases for front line staff; and assist with staff training – an amount that would fund the 2006/07 deficit and meet the 2007/08 increase in net expenditures. Agencies also sought an immediate third party review of all standards (including those created by Bill 210) to determine the cost of meeting them as well as the risks posed by the current inability to do so.

### *Early Learning and Child Care (ELCC)*

Presenters commended the government on progress made in the Best Start plan and welcomed the move from a means test to an income test for child care space subsidy requests. They also requested the commitment of significant new resources, including funding for new spaces and investments in wage enhancements and pay equity. One presenter noted that the highest demand is for infant and toddler care, which is difficult for operators to offer affordably without going into deficit; others pointed to uneven capacity in under-serviced, rural, and remote areas.

Proposed policy directions included replacing the subsidy system/user-pay model with direct funding of ELCC programs, funding expansion in the non-profit sector only, and re-instating capital grant programs. ELCC advocates also asked that the ratio of provincial/municipal funding be restored to 80/20.

## **CITIZENSHIP AND IMMIGRATION**

This Ministry was urged to join with United Way agencies, community information centres, municipalities, and others in expanding the province-wide 211 service, and asked to increase base funding in the voluntary sector, particularly for agencies engaged in the health care of seniors.

### *Foreign-Trained Professionals and Trades People*

The persistence of labour shortages in professions and skilled trades prompted calls to support programs for the certification, licensing, and accreditation of internationally trained professionals and trades people, as well as the promotion of cooperative programs. The Committee was told of the need to attract immigrants in occupational areas of high demand, and to collaborate with the federal government and business partners in making businesses aware of the World Education Service and other credentialing services.

### *Preventing Violence Against Women*

Interval and transition home representatives recommended developing an Action Plan on Sexual Violence that increases funding to women's sexual assault centres; determines policy within an equity-based framework; provides resources to ensure accessibility for women with disabilities using shelters and community supports; and delivers equity in funding to women's shelters in all parts of the province, including Aboriginal women's shelters, by addressing regional factors such as transportation costs. They also urged full implementation of the recommendations of the Hadley, May-Iles, and Vince inquests, the establishment of a fair funding process, and support for the involvement of survivors in the public policy process.

## **COMMUNITY AND SOCIAL SERVICES**

The government was urged to build upon its investments in education and health care by making a long-term plan addressing child and family poverty a core



priority of the upcoming Budget. Five key components identified for this plan were: good jobs at living wages, affordable child care, affordable housing, adequate child income benefits and a renewed social safety net. Developing child poverty measures and targets would ensure public accountability. A complementary suggestion was to provide more support to social service agencies for program implementation and fund effective staffing levels for services targeting the most vulnerable sectors of society.

### *Developmental Services*

The Committee received many presentations from service providers in the developmental services sector commending the government for beginning its “transformation” initiative, including the implementation of Passport, a new individualized funding program. In addition, they consistently called for increased funding to help people who are without services; for service infrastructure and human resources in agencies; for allocations to individuals through programs such as Passport; for inter-Ministry collaboration and service harmonization; and support for new opportunities for innovation. Witnesses stressed the need to dedicate enough resources to complete the transformation project, including establishing a network of community-based independent planners to assist individuals and families in purchasing their supports from an agency or through a broker.

Francophone representatives drew attention to gaps in the level of French language services in this sector, and lobbied for equitable, accessible and high quality services for francophones. They recommended developing inter-provincial strategies for reducing professional barriers that hamper the recruitment of francophone service providers.

Better education programs at the community college level, enhanced training resources within organizations, assistance with pay equity burdens, and higher wages, along with incentives to attract workers to this field, were common suggestions made to the Committee.

### *Income, Employment and Housing Supports*

Proposals for enhancing income and employment supports for persons with developmental disabilities included limiting any clawback of social benefits until the combined level of income from all sources exceeds the poverty line; allowing survivor pensions, as well as proceeds from both RRIFs and RRSPs, to be placed in Henson Trusts; and establishing a Registered Disability Savings Plan. Government and business procurement policies should be adjusted to enhance employment opportunities for people with developmental disabilities. Recommended housing supports included prioritizing the development of new housing for those suffering from mental illness and for victims of violence; exempting housing for people with developmental disabilities from property tax; and striking an advisory committee to review the administration of the supportive housing programs operating under the Ministries of Health and Long-Term Care and Community and Social Services. New funding was sought for the

Consolidated Housing Prevention Program in order to assist households that are homeless or at risk of homelessness.

### *Ontarians with Disabilities*

Stakeholders called for investment in employment supports for persons with disabilities, including skills training programs, support and mentoring services, job retention measures, earnings incentives, and the removal of barriers to hiring, retaining and promoting persons with disabilities. One proposed administrative reform was prompt re-instatement of former ODSP clients who lose their full-time employment; otherwise, the risk of having to return to OW and apply for ODSP adjudication might be a disincentive to clients taking a full-time job.

Specific requests came for sustainable base funding to transfer payment agencies for Interpreter and Intervener services, and increased budgets for the Assistive Devices Program. Retailers asked for consideration of the costs of meeting the accessibility standards under the Act and for incentives to assist them in complying with such standards.

### *Social Assistance*

The government was applauded for allowing Ontario Works (OW) recipients to retain a portion of their extra income and continue to receive benefits for six months, and urged to eliminate OW's mandatory work requirement in favour of appropriate training opportunities more likely to lead to long-term jobs. It was proposed that language training and assistance in the recognition of qualifications earned abroad be made mandatory components of employment planning and supports; so too, were hiring more Ontario Disability Support Program (ODSP) caseworkers to guide applicants through a complex process, and fostering an ethic of care. The Province was urged to promote the concept of national standards for the delivery of social assistance. Expanded access to and coverage under the Trillium Drug Program were sought for low-income Ontarians.

### *Rates*

Many witnesses recommended increasing ODSP and OW benefit rates. The Committee was told repeatedly that for recipients to live with dignity and care adequately for their children, shelter allowances must reflect average local rents (as defined by the CMHC<sup>1</sup>); and the basic allowance must not only meet daily nutritional needs (i.e., meet the cost of the Nutritious Food Basket as determined by local Health Units) but enable recipients to meet other needs such as clothing, personal care items, transportation, etc. Most witnesses called for improved social assistance levels to be indexed to the annual inflation rate.

Related recommendations concerned how best to determine social assistance rates; suggested "objective" criteria included a defined relationship to the poverty line and Social Development Canada's market basket measure.

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<sup>1</sup> Canada Mortgage and Housing Corporation

**National Child Benefit Supplement (NCBS) Clawback / Ontario Child Benefit**

One of the recommendations most frequently put to the Committee was ending the clawback of the National Child Benefit Supplement but maintaining the reinvestment programs to which the Province has been applying these funds. Witnesses also called for the creation of an Ontario Child Benefit (OCB), based on the premise that no family on social assistance experience a reduction in net income, and designed to off-set the NCBS clawback. Others suggested rolling the current Ontario Child Care Supplement for Working Families (OCCS) into the OCB, and using this program to increase the incomes of working poor families. Anti-poverty advocates asked the government to repeal changes made to the special diet allowance and continue to provide it and other medical necessities allowances for ODSP and OW recipients.

## **COMMUNITY SAFETY AND CORRECTIONAL SERVICES**

### *Animal Welfare*

Ontario veterinarians offered to consult with the government on areas of immediate concern in the animal health industry, including emergency preparedness and the safeguarding of human and animal health; proper protection against dangerous animals; and ensuring an adequate supply of food animal veterinarians. The OSPCA and several of its affiliates repeated their call for action on the recommendations of the Grant Thornton Report, particularly the advice for increased and more direct funding to these agencies. Special one-time grants were requested for safety equipment for investigators and for a capital fund to leverage matching support from local communities.

## **CULTURE**

Arts organizations highlighted their economic and social contributions in calling for elevation of the provincial arts funding profile, currently seventh out of ten provinces, with an increase of about 45% over three years in the Ontario Arts Council base budget. Infrastructure was identified as the first priority with 109 planned capital projects awaiting financial support; 45% of arts facilities were constructed over 75 years ago, 28% of which are designated heritage buildings. Providing the matching funding required to leverage federal government grant programs for infrastructure was proposed, in addition to creating a funding program for infrastructure for non-profit arts organizations.

Other specific recommendations included financing for the MacLaren Arts Centre and museums, currently not within the mandate of the Ontario Arts Council, and implementation of the status of the artist legislation so that artists can access the collective bargaining process.

## **DEMOCRATIC RENEWAL SECRETARIAT**

Anti-poverty activists in one community suggested that the adoption of a proportional representation electoral system should be a priority so that key policy decisions reflect the votes of a majority; one citizen requested budgeting

sufficient funds for a formal study of direct democracy (i.e., citizens' initiatives and referenda).

## **ECONOMIC DEVELOPMENT**

Manufacturing interests sought investments in local manufacturing, an articulated manufacturing strategy, and an examination of manufacturing competitiveness as recommended in a motion passed by the House.

Sustained commitment to incentives such as the Ontario Automotive Investment Strategy was endorsed in the interests of attracting potential automotive investments, as was enhancing the local economic development tool kit to enable communities to level the playing field with competing jurisdictions in the global marketplace. Expansion of research central to industrial development was encouraged.

International developments prompted several recommendations including a request to examine increasing economic integration with the United States and global restructuring. Witnesses encouraged the government to regain some control over investment within provincial borders, to encourage value-added processes for resources prior to export and to ensure that resource development is environmentally sustainable. A proposal to modernize regulations and bring them up to global standards was also received.

On the matter of foreign takeovers, proposals were made to assess and ensure that jobs are safeguarded and that the collective bargaining process is respected, and to set out performance requirements to guarantee promised investment benefits are realized.

## **EDUCATION**

### **Funding**

#### *Funding Formula Issues*

Catholic school boards reiterated support for the basic philosophy of the funding model, but indicated the difficulties faced because of insufficient updating of benchmarks. They asked for regular consultation with Ministry in reviewing funding benchmarks and for input into any review of the funding model. School boards also requested the timely release of funding announcements in order to allow for rational planning and responsible program implementation, with the grants regulation out by March 31<sup>st</sup> of the previous year.

### Benchmarks

Boards indicated that shortfalls between education grants and actual costs could be eliminated by increasing benchmarks to meet actual salary and benefits costs and to reflect the real costs of school operations and maintenance, while recognizing regional variations due to climate, cost of living, and the condition of school facilities. Boards were generally grateful for funding for increases to teacher salaries, but urged similar treatment for staff salaries and benefits.

### Foundation Grant

Elementary teachers proposed folding primary class size funding and the per pupil amount for school office supplies and services into the Foundation Grant, as well as adjustments that would make many funding components equal for elementary and secondary students.

### Special Purpose Grants

The Committee received requests about many elements of the funding formula, including Adult Education credit courses, the benefits component of the teacher salary benchmark, English as a Second Language (ESL) programs, the cost of the cap on primary class sizes, the School renewal grant, the funding of actual secondary student credit attempts, and allocations for supply teachers, teacher librarians, and new teachers. A Northern school board expressed concern about changes to the geographic circumstance grant, an urban board asked for an extension of the program accommodating growth-related needs, and teachers recommended expanding the School Foundation grant to support school-based costs that are not driven by enrolment.

### Declining Enrolment Grant

In addition to enhancements to the Declining Enrolment grant, boards asked for recognition that enrolment decline is not immediately accompanied by reductions in fixed costs. One board asked for separate calculation of elementary and secondary amounts, noting that an expenditure burden caused by declining elementary enrolment was compounded by growth pressures at the secondary level. A task force was proposed to examine the province-wide impact of declining enrolment and recommend long-term strategies.

### Local Priorities Grant

School boards noted their disappointment with the loss of flexibility that accompanied the recent elimination of the Local Priorities Grant, and suggested re-establishing the local priorities amount within the Foundation Grant or creating a new Local Priorities Grant. The Ministry was also invited to convene an advisory committee to monitor the issue of spending flexibility within the funding formula generally. A systematic audit was proposed to assess the efficiency, effectiveness, and impact on board operations of provincially-mandated accountability processes.

### Special Education

School boards sought an increase in SEPPA (Special Education Per Pupil Amount) funding to reflect the actual costs of delivering special education services, and continued allocation through a layered process of funding for students with high needs. The Committee heard that while SEPPA amounts decrease as pupils become older, the cost of necessary supports and services does not. Restoring portability of high needs funding for students transferring between boards and reviewing unreasonably high differentials in Special Education funding in coterminous boards were requested.

### Transportation Grant

School boards and stakeholders expressed frustration with the ongoing absence of an equitable and adequate transportation funding formula that meets actual needs for student transportation, including transportation for pupils with special needs; and urged additional funding to bridge the gap between current costs and grants based on a decade-old benchmark. Revisions were sought to enhance transportation for French immersion pupils, as well as changes to the Ministry's recent transportation reform policy that requires all English-language coterminous school boards to operate as consortia for the purposes of pupil transportation.

### *Non-Formula Funding Issues*

Seniors' representatives recommended increasing school board budgets to provide seniors with continuing education programs that are affordable, available, and accessible. The Committee heard that Ministry student data automation initiatives cause significant problems for smaller Boards with limited Information Systems (IS) departments. Other boards called for adequate funding to implement Ministry-mandated initiatives such as Managing Information for Student Achievement (MISA) and the Ontario School Information System (OnSIS). School bus operators asked for an environmental rebate on the purchase of new 2007 standard buses. Finally, attention was drawn to a number of issues concerning the disposal of surplus school properties, particularly in urban centres, where a shortage of suitable school sites could develop; Catholic boards requested a funding mechanism to cover future capital costs associated with purchasing and upgrading leased schools.

### **Non-Funding Issues**

#### *Curriculum*

Citing evidence that music education enhances reasoning, problem-solving skills, and self-esteem, music teachers requested non-discretionary funding for dedicated instruction time at the elementary level by specialist music teachers, as well as for consultant services and investments in instruments and equipment. They also recommended a comprehensive study to identify resource, funding and policy gaps preventing the delivery of music education

Stakeholders from outside the education sector also brought ideas, such as the development of an agricultural education program, expansion of the Pathways to

Education program, and improved access to healthy food and physical activity in schools.

### *Policy*

Suggestions for policy directions included the Ministry taking sole responsibility for the provision and funding of child care, allowing school boards to use education development charges for building schools, encouraging school boards to partner with municipal and provincial governments in building joint-use facilities, making northern school boards smaller, and maintaining the provincial government's control over education taxing powers. Legislative changes were sought to the primary class size regulation to allow boards more flexibility, and to separate class size requirements and funding for primary grades from requirements and funding for grades 4 to 8. The government was urged to seek a constitutional amendment to eliminate public funding of the separate school system and to merge Ontario's public and separate school systems into a single, secular, school system for each language (one English, one French).

## **ENERGY**

Accountability issues were on the mind of witnesses asking the government to address disproportionately large salaries and pensions paid to top executives of crown corporations such as Hydro One, and to task a new provincial electricity auditor to review electricity entities and report to the Legislature.

### *Electricity Market*

Ontario faces challenges in all aspects of its electricity markets – price, supply and demand (conservation). Witnesses agree with the government on the need to address supply issues and improve conservation and price stability, but suggested that current policies limit supply options.

Industrial consumers want balance between economic and environmental objectives in plans being developed by the Ontario Power Authority (OPA), and in regards to the Environmental Leaders Program. They supported a comprehensive approach that includes working with the Council of Energy Ministers and all stakeholders to make energy a priority, and identified a need for research in energy and environmental technology. Assurances were sought that decisions by government electricity entities will not increase electricity prices or decrease the reliability of supply.

Anti-poverty activists suggested ensuring universal access to electricity and heat by developing a plan to address energy poverty and provide low income consumers with rate assistance, emergency assistance, and funding to make conservation programs accessible.

### *Electricity Price*

Elevated electricity prices can be detrimental to industrial competitiveness and various industrial consumers – including greenhouse operators and the chemical

industry highlighted the need for competitive, affordable prices, while labour asked for stability in pricing. Small businesses wanted an increase in the first tier (lowest price) threshold under the Regulated Price Plan for small businesses.

The Committee heard that current electricity rates make Northern communities among the highest cost jurisdictions in North America, and this led to proposals by the forest industry and its workers for more competitive electricity rates. Agricultural representatives favoured standard offer pricing for power equal to the anticipated average market price in five years, a net metering policy that allows farms and other producers to sell power at its monthly average cost, and continuation of the Rural Rate Assistance program.

Witnesses asked that studies be conducted on smart meters prior to requiring their use (and introducing the accompanying peak rates that will be onerous for small businesses), and that smart meters be optional for consumers using less than 50,000 kilowatts per annum.

### *Electricity Supply*

General recommendations included developing adequate new supply capacity, providing a detailed plan outlining future sources of supply, and expanding efforts to streamline and shorten the approval processes at all three levels of government for new electricity generating and transmission projects.

On the rationale that coal-fired plants cause less than 1% of pollution and greenhouse gas emissions, and that closing them would cost ratepayers billions of dollars, many presenters argued in favour of cleaning up coal plants. The abundant supply of coal was also noted.

The potential for alternative fuels such as waste and agricultural crops was discussed. Agricultural representatives support development of on-farm energy production along with the potential use of energy crops in coal plants, and asked the government to help create markets for energy crops. Another presenter wanted consideration for electricity generation from waste.

While access to northern gas through the Western Hub and Liquid Natural Gas (LNG) terminals for offshore gas was requested, so too was maximizing options other than natural gas-based electricity generation such as cleaner coal and nuclear.

### Demand (Conservation)

A request was made to develop a detailed plan for electricity conservation, and adopt measures to assist retailers in enhancing energy conservation.

## **ENVIRONMENT**

A partnered approach to climate change – between industry and the Province and at the federal-provincial level – was promoted with sector-based agreements as



the primary mechanism for achieving greenhouse gas reduction targets. Strictly enforcing industrial emission standards and recognizing environmental excellence by communicating it to the public were also strongly endorsed.

Reducing vehicle emissions was the goal of witnesses recommending expansion of the ethanol refuelling infrastructure and vehicle fleet, as well as a partnership with the Ontario Trucking Association and incentives to accelerate the retirement of older vehicles.

Waste management issues arose in a number of contexts. Suggested changes to the Blue Box Plan were to cap the municipal portion of costs and raise the exemption level to reflect the provincial definition for a small business. Waste disposal proposals favoured an incentive based hazardous waste program over one driven by regulation, and municipal recycling of electronic waste rather than placing it in landfill. Retailers asked the government to develop recycling programs and allow them to list environmental levies on sales receipts.

Clean water and the environment were considered priorities by many. The theme of sustainable water quality was reflected in recommendations to provide a long-term planning framework for the Lake Simcoe Watershed, commit to long-term funding for protective measures under the *Clean Water Act*, and to dedicate funding for water quality on rural land and in the Great Lakes.

## **GOVERNMENT SERVICES**

### *Agency Appointments*

Officers of an Ontario health college seconded recommendations of the Health Professions Regulatory Advisory Committee (HPRAC) concerning agency appointments, including selecting public members to boards on the basis of relevant education and experience, and ensuring that public members have the ability, willingness, and commitment to fulfil their responsibilities. They also suggested providing a better initial screening process, effective orientation programs, higher per diems, and giving public members the ability to participate in all facets of the regulatory process.

### *Ontario Public Service*

The Committee received mixed advice on directions for the public service. One presenter proposed using a broad-based comparison to matched private sector occupations in setting public service compensation, and ensuring public sector pension legislation doesn't expose taxpayers to additional costs. Another witness urged the government, including its arms' length agencies, to lead the way in hiring persons with disabilities and adopt a "living wage" policy for all businesses that do work for it.

### *Red Tape Reduction*

Small business spokespersons proposed a moratorium on new legislation that increases the regulatory burden on small and medium-sized businesses as well as

firm, time-tabled regulatory reduction targets; the government was asked to adopt “principles of regulatory excellence” for new regulations and “standard of efficiency” principles for new public-use business forms – what others described as the implementation of a “small business lens” to institutionalize regard for small businesses in government processes and practices.

The government was also urged to develop a set time-frame for the tum-around of decisions on proposals submitted by agencies, consistent across Ministries and across departments within Ministries, and to require Ministries to build in annualized base budget increases based on realistic cost increases for all funded programs, tied to a benchmark such as the rate of inflation.

## HEALTH AND LONG TERM CARE

As Ontario’s largest expenditure commitment, health care continues to be a primary focus of pre-Budget consultations and the Committee received advice from a broad range of presenters. One stakeholder’s observation that it is vital that all parts of the system work together was a theme of many presentations, as was the goal of moving patients to the most appropriate level of care in the community. Enforcing continued strict adherence to the *Canada Health Act* was a specific recommendation reflecting a wider emphasis on improving the quality of publicly provided health care services.

### Levels of Care

#### Acute Care

Hospitals requested quick attention to their working capital deficits before funding responsibility is devolved to Local Health Integration Networks (LHINs) on April 1, 2007.

#### Chronic Care

The Ministry was advised to develop appropriate chronic care metrics and put system-wide plans, procedures, and funding in place, including sufficient resources to accompany any move of health care delivery from institutions to community health care providers.

#### Primary Care

Recommendations to enhance primary care delivery included more nurse-led clinics, more services provided by non-physician health care professionals such as nurse practitioners, greater consideration of collaborative care models, and appropriate compensation and professional recognition for all interdisciplinary health team members.

Community Health Centres (CHCs) and Aboriginal Health Access Centres (AHACs) presented a case for competitive, fair-market wage levels and operating resources, including monies to fund their nurse practitioner positions at the provincial rate. They also requested capital funds for new CHCs and satellites.

## Procedures/Treatments

Witnesses concerned about specific conditions, diseases, or disabilities brought funding requests for targeted treatments, interventions, or supports. These included a facility offering evidence-based intervention and other services for persons with autism and related disorders; a multidisciplinary bariatric medical/surgical centre; stable funding for complex cardiac ablation and minimally-invasive robotic cardiac surgery procedures; and support for neuromodulation services. The government was asked to fund insulin pumps and supplies for adults who had qualified for coverage as children, and generally to increase access to diabetes medications, devices, and supplies. The Ministry was urged to consult with stakeholders in the development of a provincial hearing loss strategy and invest in hearing health research and educational programs; a similar request was to ensure that children with vision loss have an equal opportunity to attain health developmental benchmarks.

### Cancer Care

Cancer prevention advocates urged the government to expedite a province-wide colorectal cancer screening program. They also sought prohibition of the use of artificial tanning equipment by (and of advertising that targets) persons under 18 years of age, and regulation of the artificial tanning industry, including mandatory training of equipment operators. The Committee was told of the need to accelerate the proposed expansion of the Royal Victoria Hospital (Simcoe-Muskoka Regional) Cancer Centre.

## Regulated Health Professions

Representatives of several regulated health professions explained to the Committee how meeting their members' specific needs would benefit the health care system as a whole. Dietitians asked for an expanded regional internship program to address shortages of registered dietitians. Midwives proposed doubling admission numbers to the midwifery program and including maternity care within the primary care framework.

### Nursing

Nurses recommended retention and recruitment initiatives such as improving working conditions, raising safety standards and reducing workload, and expanding the capacity of first-year nursing programs. Related measures were guaranteed full-time work for new nursing graduates, a less onerous workload for older nurses, and a greater take-up of new and advanced practice nursing roles. In addition to improved workplace health and safety, nurses lobbied for wage parity in home care and long-term care, and in the CCAC realignment.

### Optometry

In addition to reaching a new multi-year funding agreement with the government for OHIP-insured optometric services, optometrists continue to seek an extension of their licensed scope of practice to allow them to prescribe therapeutic

pharmaceutical agents (TPAs). They also proposed integrating optometric services into provincial programs supporting the health of infants and children.

#### Pharmacists' Professional Services

Ontario's pharmacists asked the government to double its initial investment in their professional services, to commit to making this investment an annual expenditure, and to provide a one-time allocation for promotion of and public education about pharmacists' professional services. A series of phased-in increases in the Ontario Drug Benefit dispensing fee was also proposed.

#### Physiotherapy

The Ministry was encouraged to conduct a study of the current supply/demand situation for publicly-funded physiotherapy by Ontarians across all health care delivery streams, and to work with the OPA, LHINs, hospitals, long-term care homes, CCACs and other stakeholders to design and implement funding and delivery models ensuring adequate access to services.

## Sectors

### *Home and Community Care*

The Committee was told that multi-year funding and improved allocation models can promote partnerships between hospitals, primary care and community care, as well as assist in determining the cause of bottlenecks in service delivery and in devising strategies to end them. It was suggested that new funding for this sector should be used to expand collaboration between CCAC case managers and primary care groups, enhance long-term home care services, and give people with chronic diseases the tools and technology to manage better their own care. Ontario's nurses urged the government to revisit the policy of competitive bidding in home care, and in the interim, adopt a policy that puts quality ahead of price and implements successor rights for employees of agencies losing bids.

### *Long-term Care*

Sector representatives praised the government for targeted funding for a number of valuable initiatives (such as lifts and medical equipment), but noted the ongoing need for more staff to provide resident care. Home operators spoke consistently about the need for increases in personal care hours (including more nursing hours and dietitian services), and for increases to the daily raw food allowance and to the accommodation envelope for laundry, housekeeping and other services. An evidence-based study to determine appropriate staffing levels for Ontario homes was urged, and several witnesses expressed concern that Bill 140, if passed, will shift existing resources from resident care to process and documentation. Several requests were made to initiate a process of facility renewal for B and C class long-term care beds that will ultimately eliminate 3 and 4 bed ward accommodation.

### *Mental Health and Addiction*

The government was asked to invest additional monies in community-based mental health programs, services, and support, including “safe beds” to provide an alternative to hospitalization when persons with mental illness require non-medical crisis intervention, support, and a safe environment. These individuals also need continued timely access to a full range of hospital-based supports and services, including the newest medications and treatments. It was proposed that smoking cessation products be covered under the Ontario Drug Benefit Program.

### *Public Health*

Public health, the Committee heard, should be a fully-funded provincial responsibility with standardized programs and aligned with LHINs. Pharmaceutical company representatives brought a proposal for immunization programs for HPV (human papillomavirus) and rotavirus gastroenteritis.

## **Other**

### *E-Health*

The Committee was advised that expanded use of electronic record keeping and off-formulary drug interchangeability could produce efficiencies; witnesses called for a comprehensive e-health strategy with specific measurable goals and prioritized in the ReNew Ontario capital infrastructure plan. Information technology investments could expand connectivity between Family Health Teams, other primary care groups, and Community Care Access Centres.

### *Health Promotion*

Health activists encouraged the government to expand the Healthy Eating, Active Living (HEAL) provincial plan into a more comprehensive strategy, including policies outlined in the report *Healthy Weights, Healthy Lives* that have not been addressed in HEAL. The insurance industry suggested employment of the infrastructure of the Ministry of Health Promotion to develop a comprehensive injury prevention strategy. Cancer prevention activists encouraged the government to take serious action to recover tobacco-related health care costs, combat the importation and sale of contraband tobacco, and enforce strictly the *Smoke Free Ontario Act*.

### *Physician Shortages*

Advice on addressing physician shortages, received from various stakeholders, had three dimensions. One was producing more doctors by admitting more students to medical school, ensuring that medical school is affordable, and increasing the number of residency training positions. Another was eliminating the limit on the number of foreign-trained physicians accepted through the assessment program for International Medical Graduates and expediting the approval process. Yet another was attracting and retaining doctors in the province – including those practicing in out-of-the-province and out-of-country jurisdictions – with measures such as mentorship programs and interest free loans

for start-up, expansion, and/or modernization of existing practices. The government was encouraged to continue to work to place doctors in under-serviced communities.

## **INTERGOVERNMENTAL AFFAIRS**

Over the course of the hearings, a number of presenters made requests for Ontario to lobby the federal government for support: grain and oilseed farmers brought trade-related concerns to the Committee; dairy, poultry, and egg producers came seeking support for fair trade, the continuance of over-quota tariff levels, and flexible domestic support rules in the Doha round of agricultural trade negotiations; manufacturers expressed a desire to have the Scientific Research and Development Credit removed from the federal corporate tax base and called for action to reduce imports from China; lawyers suggested seeking long-term federal funding for legal aid; anti-poverty groups advocated pressuring the federal government to honour child care agreements it signed with the province; seniors urged the Premier to work with his colleagues to persuade the federal government to restore full funding for adult literacy and the Health Minister to work with provincial, territorial and federal counterparts to develop a national caregivers program with funding for respite care; pharmaceutical representatives urged the Province to lobby the federal government to continue (and expand) the National Immunization Strategy; forestry industry representatives supported the idea of a sector development bank at the federal level; and various stakeholders urged the government to press Ottawa for increased transfers for postsecondary education infrastructure, including the backlog of needed maintenance and repairs of campus facilities.

Other infrastructure for which the province was asked to help secure federal government partnerships included projects at the Windsor-Detroit Gateway, a traffic management association in ten major cities to be funded by the public and private sectors, expansion of the national highway system, and more generally, roads and bridges. Municipalities want the removal of federal restrictions on their use of transferred funds, and a new agreement with the federal government on a gas tax funding and distribution model.

## **LABOUR**

Legislative changes were recommended to protect women workers in abusive relationships, and to extend card-check certification to all sectors of the economy. A number of witnesses called for better enforcement of the *Employment Standards Act* and amendments to improve coverage of contract, temporary, and self-employed workers. One concern was to assist workers affected by layoffs and closures by requiring companies to give reasonable notice, establish adjustment committees, and provide minimum severance pay. Similarly, a wage earner protection fund was proposed that would ensure employees receive compensation for unpaid wages, severance, and vacation pay when their employer is bankrupt.

### *Minimum Wage*

A frequently discussed topic was the minimum wage, with most witnesses recommending an increase to \$10 an hour and many proposing that it be indexed to the rate of inflation. However, representatives of the hospitality industry suggested delaying any increase until economic conditions improve. Other proposals were: for an independent commission to review the minimum wage annually and provide advice to the Legislature; to ensure that minimum wage levels reflect the costs of living faced by both working poor families and by small business people; establishment of a low-wage board; and the development, in conjunction with industry, of an appropriate “low-income worker” wage supplement based on a worker’s taxable earnings and family size.

Organized labour recommended a jobs protection commissioner as an advocate for workers, with the authority to bring together workplace parties, investors, and community leaders to attempt to save troubled companies and jobs. Retailers urged development of a ten year, cross-ministry labour supply strategy to ensure provincial economic growth is not constrained by labour shortages. Non-profit sector representatives called for aggressive action to advance pay and employment equity in all sectors of the economy.

### *Workplace Safety and Insurance Board (WSIB)*

Representatives from the housing industry raised WSIB issues with the Committee. Co-operative housing advocates called for restored cost-of-living protection to workers’ compensation benefits. Homebuilders asked to be consulted on the development of a named-insured system, and recommended maintaining the current legislative framework for independent operators and executive offices. The broader construction industry called for legislation making WSIB coverage mandatory for all persons working on a construction site, and proposed requiring WSIB to operate more like OHIP by covering individual workers rather than payroll.

Small businesses asked for a multi-year premium rate reduction plan and a moratorium on policy changes that would increase rates or the Board’s unfunded liability; they also offered to work with the government in following through on its acknowledgement of small business’s special needs in ESRTW (Early and Safe Return to Work) policies, and recommended that future WSIB audits be conducted by the Provincial Auditor. Hospitals requested a legislative amendment to allow them to realize considerable savings by moving from Schedule 1 to Schedule 2.

## **MUNICIPAL AFFAIRS AND HOUSING**

### *Growth Plans*

The provincial growth plan – *Places to Grow* – was endorsed by home builders on the understanding that it be accompanied by investments in infrastructure such as roads and public transit. Concerns about Conservation Authorities prompted recommendations for a provincial oversight mechanism to monitor conservation

policies for compliance with government policies and for a government directive to conservation authorities to follow the intent of official plans.

Intensification plans are one component of the provincial growth strategy and presenters supporting this strategy brought suggestions for changes to fiscal and regulatory policies to promote intensification, for government assistance in overcoming local resistance, and to require municipalities to put necessary zoning in place before adopting an intensification strategy. Another request was that strategies be implemented to ensure enough serviced lots are available to accommodate growth and keep the price of residential lots under control. Home builders asked for attention to the inconsistent interpretation of the Bill 124, the *Building Code Statute Law Amendment Act, 2002*, by municipalities.

### *Housing*

Many witnesses pressed the government to enhance opportunities for affordable housing – including releasing federal funds allocated for this purpose – by funding new homes and rent supplements, and changing portions of the affordable housing agreement that are an obstacle to take-up by the regions and municipalities. Additional policy advice included focusing program resources on developing non-profit and co-operative housing, topping up the capital reserves of co-ops and non-profits, and making available assisted housing for people living with mental illness, or physical or developmental disabilities, and for women and children who have been victims of domestic violence.

### *Local Services Realignment*

A number of witness expressed concern about the balance of resources and responsibilities that has resulted from local services realignment, calling for the Province to upload services downloaded within the last decade. Ontario municipalities indicated that their first choice would be to upload responsibility for ODSP, a program over which they have no control but for which they are required to fund 80% of the benefit cost and 50% of the administrative costs. Various municipalities urged the Province to take back responsibility for social and health programs and/or increase its share of the funding for them. At the very least, they argued, the government should remedy the fiscal imbalance identified by the Association of Municipalities of Ontario regarding social services, social housing, land ambulance and other downloaded services. Small business suggested that the level of government that makes a decision to spend money should be responsible for raising required revenue, and that the Province provide services to people and the municipalities provide services to property.

One common area of concern for municipalities is escalating budget pressures for Emergency Services; they requested assistance with costs associated with the requirements of Emergency Management and the *Civil Protection Act*, and (because maintaining adequate response times has increased demand for tiered response to life-threatening injuries), the consideration of fire departments in the assistance provided for Land Ambulance.



### *Ontario Municipal Partnership Fund (OMPF)*

Many witnesses proposed revisions to OMPF funding, including three years threshold funding for communities facing a reduction under the new formula, amendments for northern municipalities facing a different set of problems, and release of the 2007 clawback portion of the grant allocation.

Recommendations to revise the formula included considering other indicators of a municipality's wealth such as municipal taxes as a percentage of household income, developing a composite index for distribution of the \$170 million equalization grant, factoring in population density and inflation, and providing sustainable long-term funding instead of making year-by-year arrangements.

The impact of the transition from the CRF (Community Reinvestment Fund) to OMPF was addressed in proposals to phase-in protection against the impact of transition from the 2004 level, and to include an inflationary allowance in the phase-in protection. Witnesses also asked for a change in the Rural and Small Community Measure (RSCM) to equal the rate for municipalities in the north – an RSCM of 100%.

### *Property Taxes*

The Committee was informed that municipalities' dependency on property taxes, their main source of revenue, is the highest in the world at 3.7% of GDP, and efforts should be made to reduce this ratio to 1.5%.

A number of witnesses proposed some form of restriction on property taxes. Seniors' representatives, concerned that the two year assessment freeze will cause shortfalls, asked that limits be placed on compensating increases. A long-term freeze for those on fixed income was proposed with the proviso that taxes owing be paid on the sale of the home. An exemption from property tax and payments-in-lieu of taxes to municipalities and school boards was proposed for long-term care associations. Another presenter suggested reverting to previous law regarding property tax refunds so that such payments are made to the entity that originally paid the property taxes rather than to the current landowner.

### *Assessment / Property Tax Reform*

Current Value Assessment (CVA) was introduced by the Province in 1998 as a property evaluation system for tax purposes. To ease the transition to full value assessment, capping and clawback measures were introduced. Capping refers to a municipal decision to limit or cap tax increases on commercial properties, while clawback, a limit on tax decreases, is used to fund capping. Witnesses critical of this regime indicated that it leads to inequities and does not support progress towards current value assessment on all properties. They offered alternatives such as removal of this regime on any commercial property that reaches the level of CVA, continuance of the caps but removal of the clawbacks, reinstatement of the hard cap, or the "threshold method" to phase in property tax relief (i.e., a portion of a business property is taxed at the residential rate).

Instead of CVA, farmers proposed a valuation method based on the production ability of agricultural land, and regulations on agricultural practices for farm property assessment. Other suggested changes to the assessment system included instituting a flat tax rate to cover OPP policing (and reducing the OMPF by a corresponding amount); creating a separate commercial property class with reasonable tax rates for street front buildings in downtown shopping districts; applying a uniform tax rate for Hydro One corridors similar to the pipelines class; and application of the Saskatchewan model to address unfair taxation of municipalities that are the source for raw materials (such as extracted rock) processed in other jurisdictions.

### Business Education Tax Rates

There are two components to property taxes, one for municipal services and the other for education. Municipal councils set rates for municipal services and (since Local Service Realignment in 1998 when the province assumed responsibility for education financing) the Ministry of Finance sets rates for education (previously set by local school boards). While residential education tax rates are relatively equal across the province, there is a high degree of variability in business education tax rates. Business and municipal entities focused attention on this perceived anomaly in business education tax rates. Business representatives especially, requested the same equitable tax system for commercial properties as exists for residential education tax, if not the application of the same education tax rate.

There was no consensus on the ideal rate for business education taxes; suggestions ranged from the Region of Halton's 1.38% (the lowest large urban rate) to matching the minimum provincial rate. Smith Falls proposed a 28% rate reduction to match the rate in County of Lanark, and the Township of Black River-Matheson proposed removing education taxes entirely so that municipalities can occupy the vacated tax room and the Province can reduce the Ontario Municipal Partnership Fund (OMPF) grant by a corresponding amount.

### *Other Matters*

Municipalities requested the government to re-examine the Farmland and Managed Forest Grant to reduce municipal spending requirements and to share the cost of municipal services on Crown land. Establishment of payment-in-lieu of taxes for all Crown land based on the application of local and county residential tax rates was also proposed.

Municipal revenue underscored proposals to have both the federal and provincial governments allot municipalities a share of taxes, to revoke the City of Toronto's authority to levy a liquor tax, to provide financial support for municipal conversion to PSAB standards, to increase flexibility for municipalities with respect to funding initiatives such as the gas tax, to share with municipalities another two cents per litre of gas tax revenues, and to share provincial gas tax revenues with rural municipalities on the same basis as they are shared with municipalities for transit systems.

## NATURAL RESOURCES

Municipalities asked for restoration of funding and staffing for the Ministry of Natural Resources to protect forests and water resources. It was noted that Ministry funding has been cut by 87% since 1992 and reinvestment is needed in conservation programs, especially those relating to flood and erosion control.

### *Fish and Wildlife*

The idea of comprehensive legislation that sets out a long-term plan to monitor, research, and protect lakes was complemented by requests for increased funding for fish and wildlife management; resources would come from grants, Ministry revenues, a biodiversity endowment fund, and a dedicated lottery.

### *Forestry Industry*

The Committee heard that the forest industry is facing significant economic challenges, domestically and in international markets, and received proposals relating to costs, strategy, and red tape within the Ministries.

In general, forestry representatives want government participation in restructuring the industry, recognizing that it provides high paying jobs and supports northern communities. Greater consideration to the fact that the industry is operating in a global marketplace should be reflected in the process of selling trees to the industry, establishing approval processes, and setting electricity rates.

Unanimous support was given for maintaining the 2006 stumpage adjustment of \$70 million in light of the fact that Ontario fibre costs remain uncompetitive with the global average. There are 100 mills in Ontario paying \$2.3 billion in annual taxes to all orders of government (\$23 million per mill) – if only three mills stay open as a result of retaining the stumpage adjustment, this investment will be recovered.

The Committee heard that red tape is a significant irritant and efforts are needed to eliminate processes that increase costs but deliver no benefit to the industry or the environment. One witness pointed out that it takes nine months to receive the required permits, approval and financial contribution to build a state-of-the-art oriented strand board mill in the United States. In Ontario, it takes twelve months just to receive the required permits to create a log storage area, which is simply a clearing in the forest.

Extensive recommendations for remedies included timely approvals (and set turnaround times) by the Ministries of Natural Resources and the Environment, a dispute resolution process, an assessment of socio-economic impacts associated with changes to forest management directives, and revisions to bridge construction standards, the Forest Management Planning Manual and the Independent Forest Audit. A “Process Streamlining Test” was proposed for future legislation that would consider the underlying objective, the necessity of the requirement placed on the industry to meet the objective, and whether or not the requirement is simple, cost effective and efficient.

## Wood Supply

Witnesses urged the government to hold public hearings on the proposed *Species at Risk* legislation and voiced concerns that such legislation would pose serious risk to wood supply and its cost in Ontario. Workers' representatives propose making timber rights conditional on companies entering into long-term agreements with regional timber boards, communities and their employees.

## NORTHERN DEVELOPMENT AND MINES

### *Northwestern Ontario*

Northern communities are coping with difficulties directly related to the challenges faced by the forest industry, and are similarly expecting government action – including a partnered approach to industrial planning and development in the region – to help them overcome these difficulties. They rejected the view that cutbacks in northern Ontario are part of an inevitable economic adjustment.

A wide range of suggestions to assist northern communities was tendered, including investment support for tourism, roads and infrastructure; development of Lakehead University as a centre for research and training; a regional policy for electricity costs (currently double those in Manitoba); a tax credit to attract business start-ups to the region; downtown revitalization; targets for job creation, diversification and value-added research and training linked to the timber allocation system; and locating training facilities in communities where the forest industry is based.

## PUBLIC INFRASTRUCTURE RENEWAL

Specific funding requests included an amount for infrastructure greater than the \$30 billion announced in the 2006 budget, and \$5 million per annum for conservation authorities to replace aging infrastructure. More general requests included continuing the one-time funding for roads and bridges provided in 2006, funding telecommunications infrastructure to improve high speed connectivity in under-serviced areas, a natural disaster reduction fund to address future disaster mitigation, and a broadband initiative to help rural communities grow.

### *Canada-Ontario Municipal Rural Infrastructure Fund (COMRIF)*

Witnesses indicated that in a number of respects current infrastructure funding arrangements under COMRIF are not adequately meeting needs. Alternate formulas were proposed such as per capita, per kilometre of roads, or per kilometre of sewers. A comprehensive infrastructure deficit funding plan to include water and utilities was recommended, as was long-term funding instead of one-off programs such as COMRIF.

In light of limited financial resources and their inability to compete with larger municipalities for limited funds, small communities identified distinct concerns, including a redesign of funding formulas to reflect the fiscal capacity of the applicant, a "Clean Water Cost Assistance Program" to bring relief to small

northern and rural communities with populations below 3,000, and infrastructure funding focused on truly rural communities.

## **TOURISM**

Industry representatives applauded the identification of tourism as one of four priorities in the *Economic Outlook*, and urged the government to take the next step by undertaking the vital role of market research, including travel intention surveys and targeted marketing campaigns. A \$20 million funding increase in each of two or three years was requested for the Ministry and the Ontario Tourism Marketing Partnership Corporation (OTMPC). Clarification of assessment rules to ensure that all hotel property taxes are assessed equally using the income based method was also proposed.

## **TRAINING, COLLEGES, AND UNIVERSITIES**

### *Credit Transferability*

College students pressed the government for a clear policy on transferability, especially in the areas of articulation agreements and credit recognition, and proposed a Transfer Agency to facilitate easy movement of students between the college and university systems.

### *Financing Higher Education*

Education savings plan dealers told the Committee that families that can afford to pay for or contribute to the cost of higher education for their children are more likely to foster the expectation in their children that they will go on to college or university. Accordingly, they recommended new incentives targeting low to moderate income families and promoting the benefits of early investment in education savings plans. RESP dealers also proposed the creation of an Ontario Learning Bond, matched to the federal Learning Bond program, and available only for newborns who qualify for the National Child Benefit Supplement. University students also supported the development of early outreach programs through the creation and endowment of a funding foundation modelled after the Trillium Foundation.

### *Institutional Funding*

Community colleges asked for additional support for operating grants in order to continue the process of improvement by addressing skill shortages, broadening access, and strengthening the quality of the learning experience. They also requested increased and stable capital funding to adapt campuses to deliver relevant, high quality programs and meet infrastructural renewal needs. College sector workers and students seconded the call for higher funding, with suggestions to take Ontario from last to first nationally in per capita college education funding, and increase per student funding to the national average. Individual institutions brought their own specific requests to the Committee.

Universities told the Committee about access pressures created by enrolments that have risen faster than forecasted, and requested a strategy, including reform of the university funding formula, to preserve the quality of programs. The government was asked to fund actual increases in current year enrolment and the unbudgeted projected increases in subsequent years; to provide targeted funding for hiring significant numbers of new faculty; and to increase the use of collaborative programs between the colleges and universities. While institutions welcomed the decision to support increased graduate enrolment, they asked for a better capital funding mechanism to support graduate growth, and generally for a longer term capital plan without strings attached.

### *Research Funding*

The Province was invited to recognize the unique research capabilities of the colleges by providing funds to promote research, development and innovation capacity, and by working collaboratively with a range of public and private partners to enable colleges to participate in research partnerships with universities and industries. Business representatives recommended enhanced research funding for postsecondary institutions to create new technologies and knowledge that will drive innovation. Universities stressed the economic value of supporting research consortiums and regional innovation research initiatives, and sought investment in basic and applied university research that would attract and retain the world's best researchers and deliver world-class programs to Ontario's students.

### *Student Assistance and Tuition*

Expressing their concern about the affordability of higher education and growing levels of student debt, college and university students proposed rolling tuition rates back to 2004 levels and restoring a tuition freeze. In addition, they requested upgrades to most components of the financial aid system, including supplementing student loans with more grants, using loan remission programs, and reducing the interest rate. Improving access to financial aid for part-time students by keeping program amounts in line with real rising costs, by increasing the amount students may earn before OSAP amounts are clawed-back, and by reinstating the policy allowing individuals to receive social assistance living allowance and student loans for tuition and course-related expenses, was also recommended. The Committee was told that up-front improvements to student financial aid could be funded by eliminating provincial tuition credits, that grants and loans should be available to students from all socio-economic backgrounds, and that better-targeted forms of assistance are needed for qualified students from lower income families, for persons with disabilities, and for under-represented groups such as first generation or aboriginal students.

One postsecondary institution recommended preserving the autonomy of institutions' governing bodies in setting tuition fees, while acknowledging the wisdom of regulated maximum tuition increases consistent with inflation for most undergraduate programs. A representative of the small business community suggested not capping rates, and giving postsecondary institutions greater flexibility in setting tuition fees.

## *Training*

Targeted recommendations included expanded funding for training and upgrading programs for older Ontarians, including seniors; broader skills training and apprenticeship programs for students; and apprenticeship programs and assistance for labour market integration for qualified immigrants. The cultural sector requested a share of investment in training and career development skills commensurate with its share of the workforce. Increases in the Ontario Cooperative Education Tax Credit per term for each co-op student and in eligible expenses were sought to provide greater incentive for employers to hire and mentor more students. Georgian College sought a partnership in providing upgrades to training equipment capital infrastructure for its marine training facility.

## **TRANSPORTATION**

### *Highways and Roads*

Representatives of the motoring public asked for a three-way partnership with the other levels of government to deal with the backlog of transportation infrastructure and recommended that resulting agreements contain targets such as fatality and injury reduction, congestion index goals, and standards for the state of

Specific road repair projects were identified, including a new Highway 7 between Kitchener-Waterloo and Guelph, repairs to five highway 400 exchanges, and improvements to Highway 400 from Highway 89 to Highway 11. Alluding to an escalating infrastructure deficit, one municipality asked the government to establish a funding program for roads and bridges or take back financial responsibility for them.

### *Transit*

Support for regional transit strategies informed recommendations to fund the Greater Toronto Transit Authority (GTTA) (and identify funding sources in regulation), to commit to the Region of Waterloo's transportation strategy including the Rapid Transit Initiative, and to approve the Golden Horseshoe Transit Improvement Plan application for GO Transit.

Other policy proposals involved assigning responsibility for transportation infrastructure to Infrastructure Ontario using the public-private partnership model for its delivery, and committing to a long-term funding program for implementation of a regionally integrated multi-modal transportation plan.

Funding requests were both general and specific—provide 75% of transit capital and 50% of municipalities' net transit operating costs through a long-term infrastructure program, and make investments in transit systems and road capacity to enhance economic competitiveness.

Environmental considerations were linked to transit proposals in requests to reinstate the alternate fuel capital subsidy program for transit buses; to assist with the procurement of cleaner, natural gas transit buses; to ensure that the GTTA incorporates alternate fuel technologies in its procurements; and to provide \$35 million to fund municipal Intelligent Transportation System projects, emphasizing those that reduce vehicle emissions and travel times.



## RECOMMENDATIONS

The Committee recommends that:

1. The government continue to reduce the fiscal deficit and achieve a balanced budget in accordance with its plan and not at the expense of priorities of Ontarians such as healthcare and education.
2. The government engage in a course of action that will promote increased investment in Ontario to help assist communities that have already been negatively impacted by the recent more moderate growth of the economy.
3. The Resolution proposed by the Member for Waterloo-Wellington (Mr. Arnott), which was debated in the House and carried on Thursday, November 30, 2006, be honoured; and that the Minister of Finance incorporate an action plan for the manufacturing sector to help alleviate the great harm felt by this sector of Ontario's economy.
4. The Minister of Finance commit that all increased taxes under the newly reformed Provincial Land Tax will be used only to provide improved services to residents of northern Ontario.
5. The Minister of Finance explore the concept of a provincial finance incentive for education savings to support post-secondary education.
6. The government address the province's social deficit as a priority in support of vulnerable Ontarians.
7. The government continue to foster the arts in Ontario, specifically, by investing in our museums and other cultural organizations.
8. The Minister of Finance act, within total planned program spending to better support municipalities, with emphasis on rural and northern municipalities.
9. The Minister of Finance and government work aggressively with the national and state governments of the United States and the Canadian federal government to eliminate the pending requirement for a passport or a border security card to enter the United States; or failing that, implement measures to mitigate the negative impact this policy will have on the tourism and hospitality sectors.

**APPENDIX A**  
**WITNESSES AND SUBMISSIONS**

## WITNESSES AND SUBMISSIONS

The following organizations and individuals made written and/or oral presentations to the Standing Committee on Finance and Economic Affairs during its 2007 pre-Budget consultations. Electronic copies of the *Hansard* transcripts and the Committee Report can be found on the Legislative Assembly website under Committees at <http://www.ontla.on.ca>.

Organization/Individual	Date of Appearance
Advocacy Centre for Tenants Ontario	30-Jan-07
Aitkin, Deborah	Written Submission
Algonquin Nursing Home	24-Jan-07
American Federation of Musicians Canada	29-Jan-07
Andrews, Marie	Written Submission
Arts Network for Children	Written Submission
Association of Colleges of Applied Arts and Technology of Ontario	31-Jan-07
Association of Community Legal Clinics of Ontario	30-Jan-07
Association of Municipal Managers, Clerks, and Treasurers of Ontario (AMCTO)	Written Submission
Association of Municipalities of Ontario	30-Jan-07
Association of Ontario Health Centres	25-Jan-07
Association of Ontario Health Centres (AOHC), Aboriginal Health Access Centre Network	Written Submission
Association of Ontario Midwives	31-Jan-07
Barrie Community Health Centre	1-Feb-07
Barrie Provincial Liberal Association	1-Feb-07
Bellamy, Carmel	Written Submission
Berardinetti, Lorenzo MPP/ Beesley, Chris	Written Submission
Bevan, Roy, et al	Written Submission
Big Brothers, Big Sisters of Canada	31-Jan-07
Bozzola, Mary	Written Submission
Browne, Angela	Written Submission
Buckholz, Catherine	Written Submission
Caledonia Citizens Alliance	1-Feb-07

Organization/Individual	Date of Appearance
Campaign 2000	14-Dec-06
Canada Dance Festival	25-Jan-07
Canadian Association for the Fifty-Plus	7-Dec-06
Canadian Automobile Association	30-Jan-07
Canadian Bankers Association	30-Jan-07
Canadian Cancer Society	7-Dec-06
Canadian Chemical Producers' Association	25-Jan-07
Canadian Diabetes Association	Written Submission
Canadian Federation of Independent Business	30-Jan-07
Canadian Federation of Students – Ontario	7-Dec-06
Canadian Federation of University Women-Burlington	29-Jan-07
Canadian Hearing Society	30-Jan-07
Canadian Manufacturers and Exporters	7-Dec-06
Canadian National Institute for the Blind	31-Jan-07
Canadian Natural Gas Vehicle Alliance	25-Jan-07
Canadian Parents for French – Toronto Catholic East Chapter	Written Submission
Canadian Pensioners Concerned, Ontario Division	Written Submission
Canadian Property Tax Association	7-Dec-06
Canadian Union of Public Employees, Local 2204	25-Jan-07
Canadian Union of Public Employees, Local 3286	25-Jan-07
Canadian Union of Public Employees, Windsor Area Office	22-Jan-07
Canadian Vehicle Manufacturers' Association	30-Jan-07
Capitol Theatre and Arts Centre	22-Jan-07
Casco Inc.	31-Jan-07
Cassar, Anne	Written Submission
Catholic Charities of the Archdiocese of Toronto	1-Feb-07
CAW Community Child Care Services	22-Jan-07
Centre communautaire francophone Windsor Essex et Kent/Save Our Community Services (SOCS)	22-Jan-07
Charlotte Birchard Centres of Early Learning	25-Jan-07
Chicken Farmers of Ontario	31-Jan-07

Organization/Individual	Date of Appearance
Child and Youth Health Network for Eastern Ontario	25-Jan-07
Child Care Action Network – Waterloo Region	29-Jan-07
Childhood Advocacy of Ottawa	25-Jan-07
Christian Horizons	22-Jan-07
Church in Society Committee – Ottawa Presbytery of the United Church of Canada	25-Jan-07
Citizen Advocacy of Ottawa	Written Submission
City of Kenora	23-Jan-07
City of Kenora Economic Development Committee	23-Jan-07
City of London	Written Submission
City of North Bay	24-Jan-07
City of Windsor	22-Jan-07
Clean Affordable Energy Alliance	22-Jan-07
Colehouse, Rita	Written Submission
Coleman Care Centre	1-Feb-07
College of Physicians and Surgeons of Ontario	30-Jan-07
College Student Alliance	30-Jan-07
Community Living Ontario	22-Jan-07
Community Living Sioux Lookout	23-Jan-07
Community Living Toronto	22-Jan-07
Community Living Windsor/ Community Living Essex County	Written Submission
Concerned Citizens (locked-in pensions)	Written Submission
Conservation Ontario	30-Jan-07
Co-operative Housing Federation of Canada – Ontario Region	14-Dec-06
Council of Academic Hospitals of Ontario	31-Jan-07
Council of Ontario Construction Associations	31-Jan-07
Council of Ontario Universities	Written Submission
Criminal Lawyers' Association	1-Feb-07
Cultural Careers Council of Ontario	30-Jan-07
Curtis, Pauline	Written Submission
Daily Bread Food Bank	7-Dec-06

Organization/Individual	Date of Appearance
Dancey, Ron	Written Submission
Deters, Dennis	Written Submission
Developmental Services Ottawa	25-Jan-07
Dietitians of Canada	1-Feb-07
District of Nipissing Social Services Administration Board	Written Submission
Drouillard Place	Written Submission
Dunn, Loretta	Written Submission
Dystonia Medical Research Foundation Canada	1-Feb-07
Education Equality in Ontario	31-Jan-07
Elementary Teachers' Federation of Ontario	30-Jan-07
Essex County Federation of Agriculture	22-Jan-07
Families Matter Co-operative	25-Jan-07
Family Service Ontario	Written Submission
Farrar, Anne	Written Submission
Fogarty, David B.	Written Submission
Gillespie, Maureen	Written Submission
Gmitrowicz, Maureen	Written Submission
Gouveia, Judy L.	Written Submission
Grant Forest Products	24-Jan-07
Great Lakes International Marine Advisory Committee	1-Feb-07
Great Lakes Society	31-Jan-07
Greater Barrie Homebuilders Association	1-Feb-07
Greater Kitchener Waterloo Chamber of Commerce	29-Jan-07
Greater Toronto Hotel Association	30-Jan-07
Greater Windsor Home Builders' Association	22-Jan-07
Hacon, Robin	Written Submission
Haldimand Federation of Agriculture	29-Jan-07
Hamilton Centre of Excellence in Bariatric Medicine and Surgery	29-Jan-07
Hamilton/Burlington Society for the Prevention of Cruelty to Animals	29-Jan-07

Organization/Individual	Date of Appearance
Hands Off! Campaign	29-Jan-07
Harder, Jan / Gibbons, Laurel	31-Jan-07
Harvey, Gloria	Written Submission
Health Providers Against Poverty	30-Jan-07
House of Friendship	29-Jan-07
Income Security Advocacy Centre	30-Jan-07
Insurance Bureau of Canada	7-Dec-06
Interfaith Social Assistance Reform Coalition	29-Jan-07
Katz, Jordan	22-Jan-07
Kenora District Child Care Committee	23-Jan-07
Krembil Neuroscience Program	1-Feb-07
Lahaie, Paul	29-Jan-07
Leaver, Charles F.	Written Submission
Legal Assistance of Windsor	22-Jan-07
Lennox & Addington Resources for Children	31-Jan-07
Little, Joan	Written Submission
London Health Sciences Centre – Arrhythmia Service	22-Jan-07
London Health Sciences Centre – Robotic Cardiac Surgery	29-Jan-07
Longpre, Suzanne	Written Submission
Mackenzie, Hugh, Ontario Alternative Budget	14-Dec-06
Marentette, Andre	Written Submission
McAlecs, Elizabeth	Written Submission
McMaster Centre for Medical Robotics	29-Jan-07
McMaster University	29-Jan-07
Merck Frosst	1-Feb-07
Metro Agencies Representatives Council	1-Feb-07
Miller, Mary	Written Submission
Mintz, Jack, University of Toronto – Joseph L. Rotman School of Management	14-Dec-07
Moore, Peggy	Written Submission
Mychoice.ca	22-Jan-07

Organization/Individual	Date of Appearance
National Centre for Medical Device Development (NCMDD)	Written Submission
Nevins, Maggie	Written Submission
North Bay Network for Social Action	24-Jan-07
Northwest Catholic District School Board	23-Jan-07
Northwestern Ontario Municipal Association	23-Jan-07
ODSP Action Coalition	Written Submission
Ontario Agencies Supporting Individuals with Special Needs	22-Jan-07
Ontario Association of Children's Aid Societies	22-Jan-07
Ontario Association of Community Care Access Centres	Written Submission
Ontario Association of Food Banks	29-Jan-07
Ontario Association of Interval and Transition Houses	Written Submission
Ontario Association of Non-Profit Homes and Services for Seniors	7-Dec-06
Ontario Association of Optometrists	7-Dec-06
Ontario Association of Residences Treating Youth	31-Jan-07
Ontario Association of Social Workers, Hamilton and District	29-Jan-07
Ontario Bar Association	30-Jan-07
Ontario Cancer Society	Written Submission
Ontario Catholic School Trustees' Association	29-Jan-07
Ontario Coalition for Better Child Care	7-Dec-06
Ontario Coalition for Social Justice	7-Dec-06
Ontario Coalition of Senior Citizens' Organizations	Written Submission
Ontario Collaborative Group on Healthy Eating and Physical Activity	Written Submission
Ontario College of Art & Design	Written Submission
Ontario Confederation of University Faculty Associations	30-Jan-07
Ontario English Catholic Teachers' Association	29-Jan-07
Ontario Federation of Agriculture	1-Feb-07
Ontario Federation of Anglers and Hunters	24-Jan-07
Ontario Federation of Labour	30-Jan-07
Ontario Flue-Cured Tobacco Growers' Marketing Board	29-Jan-07



Organization/Individual	Date of Appearance
Ontario Forest Industries Association	24-Jan-07
Ontario Forestry Coalition	23-Jan-07
Ontario Grains and Oilseeds	22-Jan-07
Ontario Home Builders' Association	14-Dec-06
Ontario Hospital Association	30-Jan-07
Ontario Long Term Care Association	7-Dec-06
Ontario Music Educators' Association	31-Jan-07
Ontario Non-Profit Housing Association	Written Submission
Ontario Nurses' Association	Written Submission
Ontario Pharmacists' Association	30-Jan-07
Ontario Physiotherapy Association	Written Submission
Ontario Public Service Employees Union	7-Dec-06
Ontario Real Estate Association	Written Submission
Ontario Restaurant Hotel & Motel Association	7-Dec-06
Ontario School Bus Association	1-Feb-07
Ontario Society for the Prevention of Cruelty to Animals	1-Feb-07
Ontario Society of Professional Engineers	Written Submission
Ontario Soybean Growers	25-Jan-07
Ontario Trucking Association	30-Jan-07
Ontario Undergraduate Student Alliance	Written Submission
Ontario Veterinary Medical Association	31-Jan-07
Ontario Wheat Producers' Marketing Board	24-Jan-07
Organization of Book Publishers of Ontario	Written Submission
Ottawa Children's Treatment Center	Written Submission
Ottawa-Carleton Child Poverty Action Group	25-Jan-07
Ottawa-Carleton District School Board	21-Jan-07
Ottawa-Carleton Home Builders' Association	25-Jan-07
People for Education	7-Dec-06
Perkins, Chris	Written Submission
Peterborough Coalition for Social Justice	31-Jan-07

Organization/Individual	Date of Appearance
Physicians for a Smoke-free Canada	31-Jan-07
Pinewood Court	23-Jan-07
Psychiatric Patients Advocate Office	Written Submission
Quinte Symphony	31-Jan-07
Reena Social Service Agency	1-Feb-07
Region of Waterloo	Written Submission
Registered Nurses Association of Ontario	14-Dec-06
Regroupement des Partenaires francophones	25-Jan-07
Regulated Health Professions Act Professions	Written Submission
Residential and Civil Construction Alliance of Ontario	1-Feb-07
RESP Dealers Association of Canada	1-Feb-07
Retail Council. of Canada	30-Jan-07
Reymond, Janet	Written Submission
Sanderson, Steve	25-Jan-07
Sherbourne Health Centre	Written Submission
Simcoe Muskoka Catholic District School Board	1-Feb-07
Somerville, Ursula	Written Submission
Southern, John	Written Submission
Special Services at Home – Provincial Coalition	25-Jan-07
Specialty Care Granite Ridge	25-Jan-07
Spettigue Jr., Charles O.	29-Jan-07
Stephens, Barb	Written Submission
Tafel, Richard	24-Jan-07
Talk is Free Theatre	1-Feb-07
Tascona, Joseph N., MPP	1-Feb-07
Tax Cutters	30-Jan-07
Tayside Community Residential and Support Options	31-Jan-07
The Hearing Foundation of Canada	Written Submission
The Professional Association of Canadian Theatres	29-Jan-07
The Stop Community Food Centre	Written Submission

Organization/Individual	Date of Appearance
The Wellesley Institute	7-Dec-06
Theatre Ontario	31-Jan-07
Thunder Bay & District Humane Society	23-Jan-07
Toronto Board of Trade	7-Dec-07
Toronto Catholic District School Board	1-Feb-07
Toronto Disaster Relief Committee	30-Jan-07
Toronto Financial Services Alliance	30-Jan-07
Toronto Western Hospital	Written Submission
Town of Cobalt	24-Jan-07
Town of Fort Frances	23-Jan-07
Town of Smiths Falls	25-Jan-07
Township of Atikokan	23-Jan-07
Township of Black River-Matheson	24-Jan-07
Township of Lanark Highlands	31-Jan-07
Turley-McIntyre, Barbara	Written Submission
Tutchener, Hollie	Written Submission
Tyszka, Marg	Written Submission
United Steel Workers (District 6) Ontario	30-Jan-07
United Steel Workers, Local 1-2693	23-Jan-07
United Way – Centraide Windsor Essex County	22-Jan-07
United Way of Greater Simcoe County	1-Feb-07
Village of Burk's Falls	24-Jan-07
Waterloo Catholic District School Board	29-Jan-07
Webb, Linda	Written Submission
Webb, Mary, Scotia Capital	14-Dec-06
Weyerhaeuser	23-Jan-07
Windsor and District Chamber of Commerce	22-Jan-07
Windsor Family Forum	22-Jan-07
Windsor Symphony Orchestra	22-Jan-07
Windsor-Essex County Best Start Steering Committee	22-Jan-07

Organization/Individual	Date of Appearance
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York University

Written Submission

**APPENDIX B**

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

*Standing Committee on Finance and Economic Affairs*

**LIBERAL FISCAL MISMANAGEMENT: THE FINAL CHAPTER**  
**McGuinty Liberals Asleep at the Switch as Ontario Economy Sputters**

*2007 Pre-Budget Consultation*  
*Progressive Conservative (Official Opposition)*  
*Dissenting Report*

*Participating Official Opposition Members:*

Ted Arnott (Waterloo-Wellington PC)  
Toby Barrett (Haldimand-Norfolk-Brant PC)  
Tim Hudak (Erie-Lincoln PC)  
John O'Toole (Durham PC)  
Lisa MacLeod (Nepean-Carleton PC)  
John Yakabuski (Renfrew-Nipissing-Pembroke PC)  
Norm Miller (Parry Sound-Muskoka PC)  
Joseph N. Tascona (Barrie-Simcoe-Bradford PC)  
Bill Murdoch (Bruce-Grey-Owen Sound PC)

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## **Introduction**

During the Standing Committee on Finance and Economic Affairs hearings, the Committee was made aware of the very disconcerting news that Ontario was dead last in economic growth among Canadian provinces in 2006—trailing the next slowest growing province by a substantial 0.7 per cent—and is forecast to only marginally improve to ninth place this year.<sup>1</sup> Furthermore, Ontario is at risk of losing an additional 50,000 well paying manufacturing jobs in 2007.<sup>2</sup> This is particularly alarming given that Ontario has already lost some 120,000 manufacturing jobs in the last two years alone. This is in addition to over 8,800 direct jobs lost in the forest industry since 2002, more than half in the previous 18 months.<sup>3</sup>

Unfortunately, the Minister of Finance is either oblivious to the challenges or seems to believe that the cure for the problem is another heavy dose of what caused the illness in the first place: higher taxes, higher priced and less reliable energy supply and government spending increases far in excess of the growth rate of the economy. Ontario residents are responding in record numbers to the harmful policies of the McGuinty Government: Ontario has seen a net loss of 30,000 residents over the previous year, spiking in the third quarter of 2006 with a loss of almost 59,000 at annual rates.

Based on the advice heard at Committee and our own research, the Official Opposition submitted motions that, if endorsed by the Minister of Finance, would help reverse the decline in manufacturing jobs and spur investment in the Province of Ontario. Unfortunately, the McGuinty Liberal majority on the Finance Committee voted against every motion that would lower the tax burden or seek to control the rapid increase in government spending.

This Official Opposition Dissenting Report will continue to make the case for these policy prescriptions in the hope that the Minister of Finance will be convinced to implement some or all of the ideas. If not, we hope that the motions contained herein will inform a John Tory PC Government that will be forced to grapple with runaway Liberal spending, manufacturing job losses and among the highest tax regimes in North America.

We would also like to register our strong disappointment that the Liberal Finance Committee Members submitted a grand total of one single motion. It's a sad indication of the government's response to the hundred plus groups who did countless hours of work in preparing presentations and written submissions, and bringing them forward to the Committee, to have a single motion brought forward as the sole contribution of the government to the deliberations. The Official Opposition would call it "thin gruel, but that would be a disservice to gruel, this is so thin."<sup>4</sup>

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<sup>1</sup> RBC Financial Group, *Provincial Outlook*, January 2007

<sup>2</sup> CIBC World Markets, *Provincial Outlook*, October 31, 2006

<sup>3</sup> Ontario Forest Industries Association, Pre-Budget Submission, January 24, 2007

<sup>4</sup> Tim Hudak, Standing Committee on Finance and Economic Affairs, February 22, 2007.



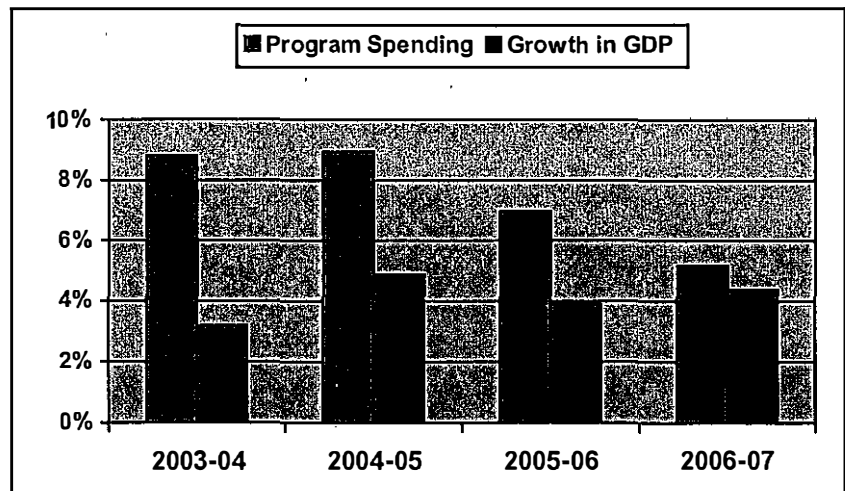
## Government Spending

From Confederation to 2003—that’s 136 years—provincial government spending rose to \$68 billion annually. The McGuinty Government will increase spending to at least \$90 billion by 2007-08, a 32 per cent spending increase in a single four-year mandate. That level of government spending growth is simply breathtaking. It is also harmful to the economy.

According to the 2006 Budget, the McGuinty Liberals will not balance the budget until the year 2008-09, despite promising to do so every year of their mandate. It is difficult to fathom how the Ontario budget remains in deficit given that revenues to the Province of Ontario have increased by \$18 billion since 2002-03. The only time that the McGuinty Government has balanced the books (a small surplus in 2005-06) seems to have come about by accident. Initially, the Government produced a \$1.4 billion deficit at the end of the 2005-06 fiscal year. Only after the provincial Auditor reviewed the public accounts for the year— basically finding that not all of the last-minute government spending had flowed in time—and the balance sheet was given a \$450 million boost from an accounting change did the 2005-06 budget miraculously come into balance.

It is also difficult to comprehend how the Government could claim to run a deficit in 2006-07. Given that the Province ran a surplus in 2005-06 and that government revenues have increased by \$2.8 billion since then, it is shocking to see that the Government is still forecasting a deficit this fiscal year.

The simple reality is that the McGuinty Government has a spending problem. While debt servicing costs have fallen, total program expenditures have increased by \$20.7 billion since 2002-03. In order to achieve this rapid increase in expenditures, program spending has increased by 8.8, 8.9 and 7 per cent respectively over the previous three years. Time will tell how high the current forecast increase of “only” 5.2 per cent for 2006-07 will reach by the time McGuinty’s year-



end spending spree is over. The problem with this rate of spending growth is that it is completely unsustainable. At the same time program spending is skyrocketing by 8 per cent per year, the economy is only growing at an average rate of 4 per cent per year. The long-term result will be a level of spending that forces the province into more deficit and debt for years to come.

During these three and a half years, the McGuinty Liberals have added almost \$13 billion to the net provincial debt. That is more than \$1,000 of new debt for every man, woman and child living in Ontario and represents a significant mortgage on our future prosperity.

Since the 2004 Dissenting Report, the Official Opposition has been on the record warning the McGuinty Liberals of the long-term impact their reckless fiscal policies would have on the provincial economy and the standard of living for Ontarians:

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

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

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

*Our standard of living will be significantly compromised in this decade if the Liberals continue to press forward with their reckless tax hike agenda. Ontario cannot afford to veer from a course of tax reductions in the near future. Instead, the position of the Official Opposition is that the upcoming budget should introduce new tax reduction measures that would improve our productivity, competitiveness and incomes measurably.*

*The Official Opposition dissents completely with any taxation measure that increases the burden on our employers, our workers, our families, or our economy.<sup>5</sup>*

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<sup>5</sup> *'Maintaining the Ontario Advantage', 2004 Official Opposition Pre-Budget Dissenting Report*

## **State of the Economy**

Unfortunately, the concerns expressed by the Official Opposition and supported by many who presented to the Finance Committee went unheeded by the McGuinty Government. The McGuinty Government's punishing tax hikes, erratic energy policy and runaway spending have taken a toll on the Ontario economy.

**Housing Starts:** The number of housing starts in Ontario is often looked at as a gauge of our economic performance. Housing starts are projected to plummet to fewer than 65,000 per year in the first quarter of 2007. That is down from a peak of over 91,000 annually in the first quarter of 2003. Perhaps some of this decline can be attributed to Ontarians having fewer and fewer personal savings.<sup>6</sup>

**Personal Savings:** The personal savings rate in Ontario has been on a downward trend over the past three years, and is projected to grow by a scant 1.6 per cent in 2007.<sup>7</sup> Clearly the increased costs of living (health tax, gas prices, utility costs, etc) are having a dramatic impact on Ontarians ability to save for their future.

**Manufacturing Jobs:** In Ontario, the manufacturing sector has shed over 120,000 jobs over the past two years.<sup>8</sup>

**More People on Welfare:** The number of single employable people on welfare is up by 12,311 – that's a 13.3 per cent increase since October 2003.<sup>9</sup>

**Inter-Provincial Out Migration:** Ontario has seen a net loss of 30,000 residents over the previous year, spiking in the third quarter of 2006 with a loss of almost 59,000 at annual rates.<sup>10</sup>

In its consultations, the Finance Committee heard considerable concern over the plight of the manufacturing sector under the Dalton McGuinty Government.

Manufacturing is at the heart of Ontario's economy. Manufacturers create spin-off jobs with suppliers that provide services to manufacturers and to their workers. Manufacturing jobs tend to pay more, and have more generous benefits, than jobs in other sectors.

Lost manufacturing jobs are a special threat to our smaller communities. Many towns are based around a single industry: when the plant closes it creates hardship for families far beyond those directly affected.

Job losses are an important warning signal for Ontario. Ontario needs a real plan and a real commitment to job creation. It is a commitment that begins with government; a commitment that's currently lacking. The McGuinty Liberals have shown a complete unwillingness to put forward any strategies to cope with manufacturing job losses outside of the auto sector.

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<sup>6</sup> Conference Board of Canada, *Provincial Outlook Winter 2007*

<sup>7</sup> Conference Board of Canada, *Provincial Outlook Winter 2007*

<sup>8</sup> Statistics Canada, Labour Force Survey, February 9, 2007

<sup>9</sup> Ministry of Community and Social Services, *Ontario Social Assistance Quarterly Statistical Report*

<sup>10</sup> Statistics Canada; Conference Board of Canada.

Most private-sector economic forecasts have Ontario in last place among provinces for 2006 and only showing a marginal improvement in 2007. This is having a dramatic impact on job creation. Ontario's job performance compared to other provinces has slipped from first place in 2003 to the middle of the pack over the past three years, being passed at various points by Alberta, B.C., P.E.I, Nova Scotia and New Brunswick.

Some of the most respected economic commentators in the country have had the following to say about the current state of Ontario's once-proud economy:

*"We think Ontario will narrowly avoid a recession and post its weakest growth rate since 2003."*<sup>11</sup>

*"The province appears headed for a tepid 1.4 per cent GDP gain on a full-year basis in 2006, making Ontario the slowest growing jurisdiction in the country."*<sup>12</sup>

*"Another 50,000 manufacturing jobs risk being lost before the end of 2007, with today's layoffs conjuring up memories of the 1990s recession."*<sup>8</sup>

*"The manufacturing sector is struggling, retail sales are modest compared to the national average and Ontarians are relocating en masse out West. The province is facing another year of hardship. The auto industry is restructuring as massive job cuts and plant closings continue."*<sup>13</sup>

So is the McGuinty Liberal government to blame for this, or are they just victims of poor economic circumstance? Of course the appreciation of the Canadian dollar and other global factors such as the price of oil are part of the problem, but for Ontario corporations those are far from the only challenges they face. Here's what the experts say about Ontario's business and investment climate:

*"Some provinces and territories, especially Ontario, have shown little interest in improving business tax competitiveness."*<sup>14</sup>

*"Ontario has one of the highest corporate income tax rates among the provinces, an onerous capital tax and high retail-sales tax on capital purchases."*<sup>10</sup>

*"Ontario is exceptional — in a bad sense, unfortunately — with the most burdensome business taxes in Canada."*<sup>10</sup>

*"Ontario's low and moderate-income families face high marginal effective tax rates."*<sup>15</sup>

*"This government takes the small- and medium-size business sector — the group responsible for the bulk of new job-creation and about half of total employment and economic growth — for granted."*<sup>16</sup>

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<sup>11</sup> RBC Financial Group, *Provincial Outlook*, October 2006

<sup>12</sup> CIBC World Markets, *Provincial Outlook*, October 31, 2006

<sup>13</sup> The Conference Board of Canada, *Provincial Outlook Executive Summary*, Winter 2007

<sup>14</sup> C.D. Howe Institute, *Business Tax Reform: More Progress Needed*, June 20, 2006

<sup>15</sup> Institute for Competitiveness and Prosperity, *Taxing Smarter for Prosperity*, March 2005

<sup>16</sup> Canadian Federation of Independent Business, *Small Business Not Part of Ontario's Plan: CFIB Response to Ontario Budget*, March 23, 2006

*“Rather than preparing for weaker business conditions, the government is choosing to turn its back on the very people who could help.”<sup>12</sup>*

*“The McGuinty Liberals have “greatly increased the regulation and red tape faced by small businesses.”<sup>12</sup>*

Sadly, Ontario has been continually falling behind under the stewardship of the McGuinty Liberals. Action must be taken to improve Ontario’s competitiveness through smarter and less onerous taxation, reduced red tape and more strategic investments to stimulate economic growth. The Official Opposition submitted several motions to address these competitiveness issues—such as the immediate elimination of the capital tax, phasing out the health tax, and increasing capital cost allowance write-offs to encourage more investment in machinery and equipment—however, the Liberal-dominated Standing Committee had no enthusiasm for a reduction of North America’s heaviest tax burden and voted each of them down.

## **Taxation Issues**

Ontarians have been hit by multiple tax increases over the past three and a half years. The infamous McGuinty Health tax is only the most obvious of a series of McGuinty tax and fee increases. McGuinty's rollback of corporate tax cuts was another major blow to Ontario's business competitiveness. Below is an examination of various taxation issues relevant to the 2007 Budget process.

### **Capital Taxes: A Disincentive to Growth**

Capital taxes may be the worst kind of tax to levy. Analysis by the Department of Finance suggests that raising a single dollar of capital tax costs the economy \$1t55. Capital taxes are a levy placed on businesses based on the amount of capital (assets) they have. Because of this, they stifle investment into productivity. Perhaps this issue is best summarized by the Ontario Chamber of Commerce:

*"The Ontario Chamber of Commerce has long advocated for the removal of the corporate capital tax. This profit insensitive levy is a key inhibitor to Canada's corporate competitiveness. It discourages investment in plants, technology and equipment, which are essential for long-term growth and job creation. At a time when the country should be fostering productivity, encouraging investment and promoting competitiveness, we are taxing businesses on their productivity. Canada remains the only G7 country to levy the corporate capital tax which hinders investment and the ability to attract new investment. Delays in eliminating this tax are costing Canada over \$9 billion annually in improvement in standard of living."*

Ontario was on track to phase out the job killing capital tax in conjunction with the federal government. Unfortunately, in another massive tax grab, the McGuinty Government cancelled the plan to phase out the Ontario portion of the capital tax. While the McGuinty Government has promised to phase out the capital tax after the next provincial election, given their many reversals on tax related promises, this most recent McGuinty promise defies credibility.

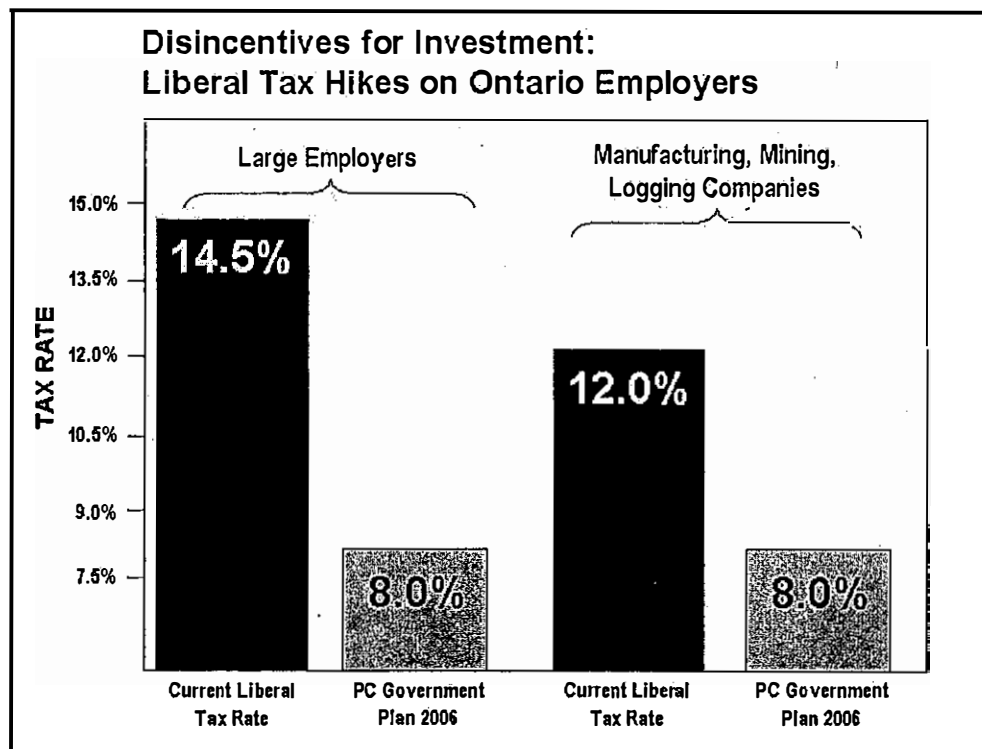
Many groups appearing before the Standing Committee called on the Ontario government to phase this tax out immediately in the 2007 Budget, and failing that, to legislate the current plan to phase the capital tax out by 2010 if affordable as was promised in the 2006 Budget. The Official Opposition introduced a motion endorsing this recommendation to accelerate the elimination of the capital tax; however the Liberal-dominated Standing Committee voted this motion down.

### **Corporate Income Taxes**

Ontario's corporate income tax rates are fairly competitive with its peers and competitors, due to rate reductions made by the previous Progressive Conservative government. However, one of the first actions by the McGuinty Liberals was to roll back legislated reductions in corporate taxes, and Ontario has accordingly seen a flight of jobs and investment from the province.

Further, straight income tax rate comparisons mask the overall tax impact on businesses located in Ontario and ignore important details such as more generous deductions for things such as depreciation, investments in capital, inventory write-offs, and sales taxes on capital inputs. Making Ontario more competitive will require coordination with the federal government in this area, and we applaud recent

measures working toward better harmonization of corporate tax collection between Ontario and the federal government; however, it is unfortunate that an entire new Ministry was created to oversee this straightforward tax agreement, and that a portion of the cost savings yet to be realized will be spent on new bureaucracy and Ministerial perks for the Minister of Revenue.



### Personal Income Taxes

Many have identified high marginal tax rates in Ontario as a problem for investment and prosperity. High marginal tax rates on income deter people from working, and Ontario has higher tax rates than competing jurisdictions in the US.<sup>17</sup> The higher marginal tax rate in Ontario reflects not just higher personal rates, but also that the rates apply at lower levels of income compared to the US states.

The introduction of the Health Tax in Ontario, the largest tax increase in Ontario's history, made this situation worse.

One particular problem with our income tax system is that the marginal rate of taxation is uneven, and inappropriately high for many households. In some cases, a family earning between \$25,000 and \$40,000 faces a marginal effective tax rate of 80-90 per cent.<sup>18</sup> It means many working families are forced to choose between working harder or more productively, and keeping a lower income in order to maintain a government benefit.

<sup>17</sup> See Duanjie Chen & Jack Mintz. *Assessing Ontario's Fiscal Competitiveness*. A Report Prepared for the Institute for Competitiveness and Prosperity. November, 2003.

<sup>18</sup> Finn Poschmann. *Marginal and average effective tax rates in Ontario*. Institute for Competitiveness & Prosperity. July 2004

For many low and modest-income families, the effective marginal tax rate is higher than 60 per cent and higher than the rate facing Canada's top income earners as a result of clawbacks of multiple benefits.

### **Property Taxes: Among the Highest in the World**

The property tax is a regressive tax for businesses and households, because they are not related to income. Ontario has the highest property taxes in the OECD, and their high levels are a significant enough burden to prevent businesses from forming and expanding. They put Ontario businesses at a competitive disadvantage. A 2003 study by Enid Slack found that “effective tax rates on commercial properties are higher in Toronto than in each of the U.S. large cities except for Chicago. Effective property tax rates on industrial properties are much higher in Toronto than in any of the other U.S. cities.” Furthermore, since property tax is a fixed cost payable whether or not the business is profitable, it causes many businesses to fail during downturns.

The McGuinty Liberals are continuing to pursue policies that will only further increase the property tax burden on homeowners. The Association of Municipalities of Ontario has found that Bill 206 (OMERS) will cost municipalities approximately \$380 Million a year that could result in homeowners facing a 3 per cent property tax hike.



## Consultation Process

The Official Opposition regrets that more Ontarians were not given the opportunity to be heard during the pre-budget consultation process. In fact, over 100 individuals or groups requested to appear before the Committee in Toronto, but only 46 were able to do so. This is not in keeping with the spirit of the government's promise of a more open and accountable government, and denies access to the very people whom this government promised to bring to the table during the election.

As such, it is the hope of the Official Opposition that this Dissenting Report captures many of the concerns of those who were denied access to the consultation process by the Liberals, and will be seriously considered by the government as it drafts the 2007 Budget behind closed doors.

The Official Opposition is also concerned at the manner in which ideas and concerns expressed by those who attended the committee hearings were treated. When motions were brought forward by the Official Opposition in support of many of those who presented, the Liberal dominated committee chose to vote down all but five of the motions with a bare minimum of debate. What's worse, the Liberal Committee members could only take the time to present one single motion before the Committee. The Liberal Motion read as follows:

*The standing committee on finance and economic affairs recommends:*

- (1) The government engage in a course of action that will promote increased investment in Ontario to help assist communities which have been negatively impacted by the recent more moderate growth of the economy.*
- (2) The government continue to reduce the fiscal deficit and achieve a balanced budget in accordance with its plan, and not at the expense of priorities of Ontarians such as health care and education.*
- (3) The government continue to foster arts in Ontario, specifically by investing in our museums and other cultural organizations.*
- (4) The government address the province's social deficit as a priority in support of vulnerable Ontarians.*

It's troubling that this paper-thin motion reflects the government's only response to the hundred plus groups who did so much work in preparing presentations and written submissions, and bringing them forward to the Committee.

### **Additional Recommendations**

Further to the content above, the Official Opposition moved 31 motions during the pre-budget consultation process in support of various sectors, organizations and individuals. New spending called for in these motions carried the stipulation of being carried out within current planned program spending.

Five of these motions received majority support from the Standing Committee and will be included in the Committee's final recommendations to the Minister of Finance. We appreciate the support of Committee Members of all three political parties in that respect. The topics of these motions include:

- Better supporting municipalities, with emphasis on rural and northern municipalities;
- Honour Ted Arnott's resolution, which was debated and passed with support from all three political parties in the Ontario Legislature on November 30, 2006 by incorporating an action plan for the manufacturing sector;
- Explore the concept of a provincial financial incentive for education saving to support post secondary education;
- Use increased taxes from the newly reformed Provincial Land Tax only to fund services in Northern Ontario; and
- Work aggressively to eliminate the pending requirement for a passport or a border security card to enter the United States, or failing that, implement measures to mitigate the negative impact this policy will have on the tourism and hospitality sectors.

While we were encouraged that the Standing Committee supported the above-mentioned motions, the Liberal-dominated Committee voted down 26 other constructive and achievable recommendations. This is regrettable, and yet more evidence that the McGuinty Liberals are unwilling or unable to take the necessary steps to restore Ontario to its once lofty perch as the economic engine of Canada. As such, the Official Opposition has included all 31 recommendations below for consideration by the Minister of Finance as he prepares the 2007 Ontario Budget.

## **Official Opposition Motions**

### **Ontario Municipal Partnership Fund (motion carried)**

Whereas many Ontario municipalities have had their provincial transfers dramatically reduced under the McGuinty Government's Ontario Municipal Partnership Fund (OMPF); and

Whereas these municipalities are struggling to deal with the reduced provincial funding, increased demands from the provincial ministries and increased costs of service delivery;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance act, within total planned program spending, to better support municipalities, with emphasis on rural and northern municipalities.

### **Manufacturing Job Losses (motion carried)**

Whereas the province of Ontario has lost over 120,000 high paying manufacturing jobs over the past two years; and

Whereas the competitiveness of Ontario's business sector has weakened; and

Whereas for most of Ontario's history it has been the leading economic engine of Canada, yet this year Ontario's growth has fallen behind all other provinces; and

Whereas Ontario is on the cusp of a recession after negative GDP growth in the third quarter; and

Whereas Ted Arnott's resolution, which was debated and passed with support from all three political parties in the Ontario Legislature on November 30, 2006, calls for an all-party Committee to study the massive loss of manufacturing jobs in Ontario as it relates to economic competitiveness and develop a plan of action to protect jobs in this sector;

The Standing Committee on Finance and Economic Affairs recommends this resolution be honoured and that the Minister of Finance incorporate an action plan for the manufacturing sector to help alleviate the great harm felt by this sector of Ontario's economy.

**Registered Education Savings Plan (motion carried)**

Whereas post-secondary education is becoming an increasingly important part of people's employability; and

Whereas a healthy economy will continue to grow as more individuals obtain a post-secondary education; and

Whereas the government should encourage parents to invest early in their child's post-secondary education;

The Standing Committee on Finance and Economic affairs recommends that the Minister of Finance explore the concept of a provincial financial incentive for education saving to support post secondary education.

**Provincial Land Tax Reform (motion carried)**

Whereas reform of the Provincial Land Tax (PLT) is an important concern to property owners in Northern Ontario which was addressed in the recent Budget Measures Act; and

Whereas strong concerns remain that the additional taxes raised by this reform will not be used in the communities they are levied;

The Standing Committee on Finance and Economic Affairs recommends the Minister of Finance commit that all increased taxes under the newly reformed Provincial Land Tax will be used only to provide improved services to residents of northern Ontario.

**Border Crossing (motion carried)**

Whereas tourism and hospitality businesses in border areas have been particularly hard hit by the decline in American visitors to Ontario; and

Whereas the proposed requirement for a passport or a border security card to enter the United States will cause an estimated 12% reduction in tourism spending in Ontario according to the Ontario Hotel Motel and Restaurant Association; and

Whereas the hospitality industry has already been hit hard by higher taxes, higher hydro rates, higher utilities and reduced disposable income of consumers;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance and the McGuinty Government work aggressively with the national and state governments of the USA and the Canadian federal government to eliminate this pending requirement, or failing that, implement measures to mitigate the negative impact this policy will have on the tourism and hospitality sectors.

**Balance the Budget (motion failed)**

Whereas during the 2003 election, Dalton McGuinty and the Ontario Liberals promised they could finance their campaign promises without increasing taxes, while maintaining balanced budgets and at least a \$1 billion reserve in every year; and

Whereas the McGuinty Government's revenue has increased by more than \$18 billion since coming into office in 2003; and

Whereas the McGuinty Liberals have failed to deliver a single balanced budget, including the plan for the current fiscal year, save for an accounting change that gave the appearance of the 2005-06 budget being in balance; and

Whereas this came to pass despite the Ontario Government taking in over \$5 billion more in revenue than McGuinty counted on in his campaign platform in fiscal year 2005-06 alone;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance finally deliver in 2007-08 on the McGuinty Liberals' commitment to balance the budget.

**Property Tax (motion failed)**

Whereas individuals in Toronto may now purchase a condominium unit and use it for residential purposes or enter the unit in the hotel pool of units; and

Whereas unfortunately the units are being rented out as hotel units are being assessed as condominiums using the sales approach to assessment with the commercial tax rate applied; and

Whereas this is resulting in condo hotel units operating as hotel units pay sometimes 5 times that of existing hotel units;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance clarify assessment rules to ensure that all hotel unit property taxes are assessed equally.

**Health Tax (motion failed)**

Whereas the health tax was unnecessary; and

Whereas it is simply fueling runaway and wasteful spending in other areas;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance incorporate into the 2007-08 budget a responsible plan to phase out the regressive, middle-class McGuinty Liberal health tax, while returning the budget into balance as it was for the final four full years of PC government from 1999-2000 to 2002-03.

**Accelerate Capital Cost Allowance (motion failed)**

Whereas the current Capital Cost Allowance (CCA) is an important element of the Ontario tax system; and

Whereas the CCA regime has been comparatively advantageous in the past; and

Whereas now however, the system no longer compares well with other jurisdictions; and

Whereas the US tax relief applicable to machinery and equipment applicable to manufacturing and processing assets is 6.7 percent more favourable;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance introduce a more favourable capital recovery regime which would apply to newly acquired machinery and equipment.

**Capital Tax (motion failed)**

Whereas the capital tax is a profit-intensive tax it directly discriminates against capital-intensive companies; and

Whereas hospitality businesses require a tremendous amount of initial capital investment in order to establish an operation; and

Whereas having a tax levied on a business' capital results in a disincentive to invest, reinvest, and expand;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance accelerates the elimination of the capital tax.

**Forest Industry (motion failed)**

Whereas the Ontario forest industry is in crisis; and

Whereas Ontario has lost over 8,800 high paying forestry jobs since 2002 with over half those losses occurring in the past 18 months and more jobs are at risk every day; and

Whereas burdensome, business-killing red tape is delaying the transformation of the industry by unnecessarily driving up delivered wood costs and mill operating costs; and

Whereas the time lost and uncertainty in the process drives investment elsewhere;

The Standing Committee on Finance recommends that the Government takes immediate action to reduce the red tape burden faced by the forestry sector, and that the Minister of Finance provides adequate funding, from within existing spending commitments, to ensure the forestry sector regains lost competitiveness, including maintaining the 2006 stumpage adjustment of \$70 million for 2007.

**Veterinarians (motion failed)**

Whereas the 2005 Budget Measures Act, Bill 197, enables the Minister of Finance to allow family members of certain health professionals to become non-voting shareholders in the professional's corporation; and

Whereas the Ontario government has announced that doctors and dentists but not veterinarians, chiropractors or other health care professionals would be able to utilize this tax advantage; and

Whereas the 2006 Business Corporations Amendment Act, Bill 76, provides a framework for the Ontario government to include all health professionals in the above specified provisions of Bill 197, but has not been passed;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance make the necessary additional legislative or regulatory changes to allow veterinarians, chiropractors and other regulated health professions to similarly qualify for the health professionals' tax advantage as outlined in Bill 197 and that any cost implications be incorporated within total planned program spending.

**Clean-Coal Technology (motion failed)**

Whereas the McGuinty Government made the irresponsible decision to shut down coal-fired generation in Ontario without a plan for an adequate supply of affordable and reliable energy to replace it; and

Whereas not a single action has been taken to improve the quality of air Ontarians breathe by installing readily available technologies to clean up the emissions from these coal plants; and

Whereas that 2014 is the new target for coal shutdown, and there is strong doubt whether that date is even achievable or advisable;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance and the Ontario Government move immediately to install the most advanced clean-coal technologies on Ontario's four coal plants and take meaningful, achievable action to improve air quality in Ontario. Further, the Official Opposition recommends that a study should be undertaken on the suitability of the province's four coal plants for carbon sequestration, and if found to be feasible these technologies should be pursued with earnest.

**HPV Immunization (motion failed)**

Whereas the World Bank has stated that immunization should be first among the public health initiatives in which governments around the world invest; and

Whereas according to Health Canada, “vaccination programs are considered to be the most cost-beneficial health intervention and one of the few that systematically demonstrate far more benefits than costs”; and

Whereas Health Canada has approved Gardasil, the first vaccine specifically designed to prevent cervical cancer;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance provide funding, from within the existing health spending budget, to implement an HPV immunization program in Ontario for grade 7 females starting in September of 2007 as well as a rotavirus gastroenteritis vaccination for infants to begin as soon as possible, both of which have recently been approved by Health Canada.

**Gridlock-Barrie (motion failed)**

Whereas the pressures of gridlock in the Barrie area have detrimentally impacted the environment, commuter and business traveling time and residents’ quality of life; and

Whereas The Ministry of Transportation’s proposed improvements to Highway 400 from Highway 89 to Highway 11 have not occurred and there is no start date on the immediate horizon; and

Whereas the City of Barrie is a designated growth area and must receive financial resources from the Government to ensure its economic growth continues and investment to help combat gridlock;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance outline a plan, with realistic and achievable timelines, to proceed with the Ministry of Transportation’s proposed improvements to Highway 400.

**Mid- Peninsula Corridor (motion failed)**

Whereas the Mid-Peninsula Corridor highway development would bring substantial economic benefits to Niagara, Haldimand, Hamilton and the western GTA; would dramatically increase highway safety; would improve the environment by reducing gridlock; and would help create a dynamic North American trade corridor;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance commit sufficient funding, from ReNew Ontario, to accelerate the Mid-Peninsula Corridor process and see it completed within a defined and accelerated time frame.



**Ontario Wine Council (motion failed)**

Whereas the LCBO market share of Ontario VQA wine is shrinking in the face of subsidized foreign competition; and

Whereas a recent KPMG study shows that every bottle of Ontario wine sold in Ontario adds \$4.29 in economic value compared to \$0.56 from imported wines and;

Whereas investments in the grape and wine industry will have significant regional benefits in Niagara, southwestern Ontario and Prince Edward County;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance add domestic economic benefits to its measures of success for the LCBO and incorporate growth in the Ontario VQA category as part of the LCBO business plan.

**Ontario Associations of Residences Treating Youth (motion failed)**

Whereas the Ontario Associations of Residences Treating Youth (OARTY) provide quality care for close to 4,000 vulnerable children and youth;

Whereas and have presented research that shows that per diem costs of OARTY members are substantially lower than Transfer Payment Agencies (\$100-\$230 range versus \$220-\$300 range);

Whereas both types of agencies are licensed in the same manner by the Ministry of Community and Social Services;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance investigate a “levels of care” funding model as presented by OARTY to target funds at services to children and adult residents and encourage administrative efficiencies.

**Beverage Alcohol System Review Panel (motion failed)**

Whereas the Province of Ontario spent approximately \$600,000 on the Strategy for Transforming Ontario’s Beverage Alcohol System report prepared by the Beverage Alcohol System Review Panel (BASRP) and the immediately put the report on the shelf; and

Whereas the report contained many positive recommendations that would help create jobs and investment in the tourism, hospitality, and domestic wine, beer and spirits industries;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance act on those favourable aspects of the BASRP Report that will modernize the Liquor License Act and encourage growth in the tourism, hospitality, and domestic wine, beer and spirits industries.

**Abandoned Mines/ Ontario Mining Association (motion failed)**

Whereas the 2005 Auditor General's Report highlighted the need to better address the hazards of abandoned mines in the Province; and

Whereas some progress had been made under the previous Conservative government's \$10 million Abandoned Mines Rehabilitation Program, more work needs to be done;

The Standing Committee on Economic Affairs and Finance recommends that the Minister of Finance reinvest, from within total planned program spending, in the Abandoned Mines Rehabilitation Program and work with concerned groups and individuals to develop Good Samaritan legislation as recommended by the Ontario Mining Association.

**Tender Fruit, Grape and Apples Re-Plant (motion failed)**

Whereas the Province of Ontario's Greenbelt legislation has imposed significant restrictions on business opportunities for Niagara farmers; and

Whereas tree fruit and grape growers have lost significant market share and face difficult competition from cheaper products imported from abroad; and

Whereas the McGuinty Liberals claimed that they want tender fruit lands to be protected but have failed to provide adequate support for these farmers;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance commit funding, within total planned program spending, to fully partner in the National Re-Plant Program as promoted by the Ontario Tender Fruit Growers, the Grape Growers of Ontario and Ontario Apple Growers.

**Caledonia (motion failed)**

Whereas Caledonia has suffered since February 28, 2006 as the McGuinty government encouraged the continuation of a land occupation; and

Whereas on June 16, 2006, the Minister of Municipal Affairs and Housing promised to compensate Caledonia homeowners directly impacted by the blockade;

**Ontario's Children's Treatment Centres (motion failed)**

Whereas Ontario's Children's Treatment Centres treat children who need immediate attention; and

Whereas OCTC's help disabled children learn how to walk and talk; and

Whereas since responsibility for the OCTC was moved from MCSS to MCYS, there has not been appropriate improvements to the capital funding formula; and

Whereas they prepare children for school and integration into our communities by providing specific treatments for conditions such as cerebral palsy, spina bifida, muscular dystrophy, autism spectrum disorders, and communication disorders; and

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance should support an increase in funding for Ontario's Children's Treatment Centres in an amount sufficient to eliminate the waiting lists for the critical services that they provide to children with developmental disabilities and their families and that the Minister of Finance immediately update the capital funding formula for OCTC's to provide for the appropriate program expansion and development needs.

**Southwest Ottawa CTC Pilot Project Initiative (motion failed)**

Whereas 41% of all children with Autism or ASD in Ottawa live in the South-West Ottawa Area making it one of the highest concentrations of autism per capita in the country; and

Whereas the Ottawa Area Children's Treatment Centre (CTC) is located in the east end of Ottawa, forcing the parents of these children with autism to drive up to 45 minutes to get to the Ottawa CTC; and

Whereas the City of Ottawa has agreed to provide land for a new CTC Project in the South-West Ottawa Area; and

Whereas a Southwestern Ottawa Pilot Project could provide an excellent foundation for future initiatives throughout the province;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance support funding for a joint project between the City of Ottawa, the Ottawa CTC and the Ontario Government, to provide a new Centre for use by the families with autistic children throughout the Southwest Ottawa Area.

**Land Use** (motion failed)

Whereas the McGuinty Liberals have shown contempt for private landownership through its municipal source water legislation (Bill 43) and the greenbelt;

The Standing Committee on Finance and Economic Affairs recommends that, using existing program spending, the Minister of Finance develop market mechanisms to allow farmers to be compensated for public goods and services they provide to society, such as recharge areas, wildlife habitat, and carbon sequestration.

**Supply Management** (motion failed)

Whereas every member of the Official Opposition has signed the Farmgate5 petition in support of protecting supply management; and

Whereas divisions within the government caucus are making the supply managed sectors nervous; and

Whereas supply managed sectors are 'off the book' and do not require income support or stabilization, relieving budgetary pressure;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance signal his support for Supply Management by signing the Farmgate5 petition.

**Rural Affairs** (motion failed)

Whereas rural Ontario has been demoralized by a Liberal government that has shown outright hostility to farmers and rural rights; and

Whereas awareness of rural affairs would help ameliorate this neglect and hostility;

The Standing Committee on Finance and Economic Affairs recommends that within the current spending envelope, the Minister of Finance fund an agricultural education program to be taught in elementary and secondary schools, cultivating connections between urban and rural youth.

**Tobacco** (motion failed)

Whereas in recent years, an unintended partnership of government taxation policy and organized crime has put Canadian tobacco farmers and the legal tobacco trade at a competitive disadvantage; and

Whereas the McGuinty government is aware that manufacturers have chosen to import tobacco to compete with increased taxes and this illegal market, which has only exacerbated the problem for our Canadian tobacco growers;

The Standing Committee on Finance and Economic Affairs Therefore recommends that the Minister of Finance provide the traditional 40 per cent share of a federally-led compensation package to Ontario's tobacco growers; and further, that the McGuinty government work cooperatively with the Federal government to crack down on the illicit tobacco market.

**Hospitality Industry (motion failed)**

Whereas the hospitality sector has suffered due to the implementation of Bill 164 – Tobacco Control Statute Law Amendment Act; and

Whereas many restaurants, bars and charity bingo operators have told the current government that this legislation has resulted in decreased business and revenue; and

Whereas recently, owners and operators have learned that casinos have been permitted to construct smoking shelters in order to retain their smoking clientele;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance level the playing field between casinos and the hospitality sector.

**Agriculture (motion failed)**

Whereas the McGuinty government signed the CAIS agreement, despite the previous government's knowledge the program was not suitable for Ontario's agriculture sector; and

Whereas since then, the McGuinty government has acknowledged that CAIS has not worked well for Ontario's farmers;

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance uses existing program spending to develop an effective replacement program for CAIS.

**Greenbelt (motion failed)**

Whereas Greenbelt communities have had their growth frozen by the Greenbelt Legislation; and

Whereas many of these communities including Grimsby, Lincoln, Pelham and Niagara-on-the-Lake have had their provincial grants simultaneously reduced by the McGuinty Government's new Ontario Municipal Partnership Fund (OMPF);

The Standing Committee on Finance and Economic Affairs recommends that the Minister of Finance establish a capital fund, as part of the ReNew Ontario capital spending program, to support infrastructure needs in small greenbelt communities.

**APPENDIX C**

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

**The Dissenting Opinion of the NDP  
Member on the Pre-Budget  
Finance Committee**

**Recommendations and  
Supporting Arguments**

**For the Finance Minister  
On Pre-Budget Consultations**

**2007**

**Submitted to the  
Standing Committee on  
Finance and Economic Affairs**

Feb.27, 2007

# NDP Dissenting Report

## 1. A better deal for working families:

Ontario needs a better deal for working families.

In housing, the government promised a lot and has delivered virtually nothing, preferring instead to hold back housing funding as a weapon in its war with the federal government.

In childcare, the government has yet to invest any of its own money in new, childcare spaces choosing instead to spread one year of federal childcare funding over three years and putting none of its own money in.

Perhaps even more shameful, families and individuals receiving social assistance – both Ontario Disability Support Program (ODSP) and Ontario Works (OW) benefits – are actually receiving less in provincial benefits, when inflation is taken account, than they were when the McGuinty government was elected in 2003. Ontario's poorest citizens had been falling behind for 10 years when the McGuinty government was elected. Nearly four years later, the poorest among us are still falling behind. Even Dalton McGuinty's clear commitment to end the clawback of the Federal Child Benefit Supplement from the poorest Ontario families has not been acted upon.

Meanwhile, Ontario's working poor are falling farther and farther behind. In Dalton McGuinty's Ontario, 1.2 million working women and men earn less than \$10 an hour. Those 1.2 million Ontarians are predominantly women, young people and New Canadians. In fact, someone working 40 hours a week at \$8 an hour earns \$320 a week or \$16,640 a year, \$4,000 below the low-income cut off.

A minimal program to ensure fairness for Ontario's working families in the 2007 budget would include:

- The introduction of a \$10/hr. minimum wage for Ontario effective May 1, 2007. After May 1, the minimum wage would be set annually so that a person working 40 hours a week at the minimum wage would earn an amount equal to or greater than the Low Income Cut Off for a single person living in Toronto as determined annually by Statistics Canada;
- The immediate elimination of the full National Child Benefit Clawback;



- The implementation of the first year of a two-year phase-in of an Ontario Child Benefit that would provide equal benefits to all low-income families regardless of source of income. The Benefit would go to nearly 1 million Ontario children. Those receiving OW and ODSP would receive their full Benefit immediately through the elimination of the NCB Clawback;
- Fulfillment of the promises made in the Liberal's 2003 election platform to invest \$300 million in new provincial money to expand Ontario's regulated, non-profit child care system and to extend childcare assistance to 330,000 children.
- Investing the \$392.5 million in federal housing funds set aside for the people of this province. The federal government has sent Ontario \$312.3 million for affordable housing and \$80.2 million for off-reserve Aboriginal housing as part of the authorizations under federal Bill C-48. But the funding is stalled because Ontario officials won't spend these federal housing dollars until broader fiscal negotiations are completed.
- Allocating sufficient funds for the expansion of health related programs aimed at low and moderate income families including enhanced prescription drug, vision care and dental care coverage.

## **2. Health**

### ***Hospitals***

There is no role for the private sector in financing public hospitals and the Liberal's private hospital financing scheme must end.

### ***Long-term Care***

The government must bring Ontario's per capita operational funding for long-term care up to the national average. During the 2003 provincial election campaign, the Liberals promised a \$6,000 increase in care for every resident of long-term care in Ontario. That represented a \$450 million base operating funding for the entire sector. Thus far, increases total \$173 million— less than half of the goal.

### ***Nurses***

Nurses are the backbone of our health care system.

The Liberal government must allocate sufficient funds to hire a minimum of 3,000 new nurses in its 2007 budget. This would cost approximately \$150 million.

## **3. Education**

### ***K-12 Financing***

The gap in educational financing was a major theme of the important 2002 Rozanski report on education financing. Rozanski recommended: increases in funding to bring benchmarks up-to-date; annual reviews of benchmarks to ensure that they reflect current costs; new investments to address areas in which the funding formula was clearly inadequate; and annual reviews of the benchmarks themselves.

Therefore, the government must implement a new education funding formula for the 2007-8 school year that will ensure dedicated funding for students with English-as-a Second Language, ensure specialist teachers and school librarians are available to students, cover the real costs of paying non-teaching staff, and implement all outstanding recommendations of the 2002 Education Equality Task Force – including the provision that the new formula will be subject to annual public review by a Standing Committee on Education.

### ***Post Secondary Education and On-the-job Training***

Access to post-secondary education is crucial. Therefore, the NDP recommends that the Liberal government allocate sufficient funds in its 2007 budget to:

- freeze all regulated and de-regulated college and university programs as well as ensure that funding is sufficient to compensate for the tuition freeze
- scrap in-class apprenticeship fees as the McGuinty Liberals promised.

#### **4. Environment**

Climate Change is becoming an increasingly urgent issue for Ontario voters. The government, in its 2007-8 budget, must;

- allocate funding for the development and implementation of an Ontario Climate Change Plan in order that Ontario can reduce its greenhouse gas emissions to 6% below 1990 levels by 2012, as required under the Kyoto Protocol. Given that both our neighbour to the east and our neighbour to the west have implemented Climate Change Plans to reduce their greenhouse gas emissions to levels equal to, or below, those required under the Kyoto Protocol, Ontario must take immediate action to develop and implement a plan that -- at a minimum -- reduces greenhouse gas emissions in keeping with established Kyoto targets.
- Allocate funding to ensure that climate change adaptation is integrated into all infrastructure development in the province, and that the Ministry of the Environment is provided funding to ensure that a government-wide strategy for mitigating the impacts of climate change on Ontario communities and the environment. The Environmental Commissioner noted in his 2005-2006 report that climate change adaptation lacked leadership in the government and required immediate attention.
- cancel all plans for new nuclear power plants and work with the appropriate agencies to allocate the savings into an aggressive conservation and energy efficiency plan
- allocate an additional one cent of the Gas Tax to municipalities for public transit.

#### **5. Good Jobs**

Ontario has lost just over 130,000 good paying manufacturing jobs in just over two years. The auto sector and the forestry sector have been particularly hard hit.

Therefore the government, in its FY 2007-8 budget must:

- Flow all outstanding money in the Forest Sector Prosperity Fund – as of last year only \$4 million of the \$500 million fund had been allocated.
- Allocate adequate funding towards a manufacturing recovery program that would have a number of elements including a Jobs Protection Commissioner for Ontario, the establishment of sector investment funds, and a wage protection fund.
- Commit to viable risk management and income support programs developed by the agricultural sector and allocate sufficient funds to ensure success for Ontario farmers.

## **6. Hydro**

The NDP strongly believes that Ontario must have a publicly owned and managed energy system run on a “power at cost basis”.

Therefore, the NDP strongly recommends that the government base its energy policy on the following:

- The closure of the private, “spot” market and its replacement with producer “power at cost” contracts.
- The use of OPG as the primary provider of “conventional” energy supplies; and
- The implementation of an aggressive green energy conservation strategy;
- No new nuclear facilities.