



Legislative Assembly
of Ontario
Second Session, 37th Parliament

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**Official Report
of Debates
(Hansard)**

**Journal
des débats
(Hansard)**

Wednesday 21 November 2001

Mercredi 21 novembre 2001

Speaker
Honourable Gary Carr

Président
L'honorable Gary Carr

Clerk
Claude L. DesRosiers

Greffier
Claude L. DesRosiers

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LEGISLATIVE ASSEMBLY
OF ONTARIO

Wednesday 21 November 2001

ASSEMBLÉE LÉGISLATIVE
DE L'ONTARIO

Mercredi 21 novembre 2001

The House met at 1845.

ORDERS OF THE DAY

RESPONSIBLE CHOICES FOR GROWTH
AND FISCAL RESPONSIBILITY ACT
(BUDGET MEASURES), 2001

LOI DE 2001 SUR DES CHOIX RÉFLÉCHIS
FAVORISANT LA CROISSANCE
ET LA RESPONSABILITÉ FINANCIÈRE
(MESURES BUDGÉTAIRES)

Mrs Elliot, on behalf of Mr Flaherty, moved second reading of the following bill:

Bill 127, An Act to implement measures contained in the Budget and to implement other initiatives of the Government / Projet de loi 127, Loi mettant en oeuvre certaines mesures énoncées dans le budget de 2001 ainsi que d'autres initiatives du gouvernement.

The Acting Speaker (Mr Bert Johnson): The Chair recognizes the minister from Guelph.

Hon Brenda Elliott (Minister of Intergovernmental Affairs): Mr Speaker, before I begin, I'd like to indicate that I'll be sharing my time with the member from Parry Sound-Muskoka and the member from Northumberland.

I'm pleased to rise today in the debate on Bill 127. Since 1995 tax cuts have played a vital role in this government's long-term economic plan. The effectiveness of tax cuts in stimulating the economy has been demonstrated time and time again and is indisputable.

Under this government's leadership, a total of 824,200 net new jobs have been created since 1995.

Mr David Caplan (Don Valley East): On a point of order, Mr Speaker: On this critical debate, would you check if we have a quorum, please?

The Acting Speaker: Could you check if there's a quorum present, please.

Clerk at the Table (Mr Todd Decker): A quorum is not present, Speaker.

The Acting Speaker ordered the bells rung.

Clerk at the Table: A quorum is now present, Speaker.

The Acting Speaker: The Chair recognizes the minister from Guelph.

Hon Mrs Elliott: Under this government's leadership disposable income has increased by 20%. Deficit and debt reduction targets have been overachieved in each of

our six years. Tax revenues have increased by nearly \$15 billion and Ontario's real GDP grew by 26%, an average of 4.7% per year over the 1996 to 2000 period. Clearly, in Ontario we have shown that tax cuts work.

I would like to address this government's commitment to continued economic growth and to reducing the tax burden on people and business in light of the legislation before us, the Responsible Choices for Growth and Fiscal Responsibility Act, 2001. I would like to explain why it is vital we support this act.

The tragic events of September 11 have clearly had an influence on every aspect of our lives. We have now entered a time of uncertainty on many levels, not the least of which is economic. I understand that some individuals have questioned the Ontario government's commitment to cutting taxes during a period of economic uncertainty. On this side of the House, we believe that sticking to our economic plan and continuing to cut taxes is now more important than ever.

Tax cuts are important at a time such as this to demonstrate our belief in the bright prospects for growth in Ontario, as well as the skill, effort and commitment of the province's workers.

1850

Let's look at some of the things that respected commentators have said about tax cuts.

An article in the Globe and Mail on October 4, less than a month after the tragic events of September 11, certainly indicates that US President George W. Bush believes in tax cuts. This article says, "Laying out the broad outline of the proposed economic stimulus, Mr Bush said the package should include tax cuts to boost consumer confidence, spur business investment and to cushion the blow for laid-off workers. He added that the two most effective ways to do that are in giving rebates and accelerating previously announced tax cuts."

Two days later, we have these words in the National Post from Robert Mundell, an economist at Columbia University: "Policy-makers are making the right decisions to deal with the pre-September 11 slowdown.... Tax reductions will neutralize the effects of the attacks." Referring to proposed tax cuts, Mr Mundell says: "I think that the measures that have been taken because of the terrorist attacks more than compensate for the effects of those attacks." He goes on to say, "If we got a cut in the corporate tax, this would cause the stock market to soar and recovery would be much faster."

We had committed to individual and corporate tax cuts before September 11. In the Ontario 2001 budget, we

announced a schedule of cuts to be made to personal income, corporate income and capital taxes. The next steps in these cuts were to come into effect on January 1, 2002. On October 1, we introduced a proposal to accelerate these planned tax cuts. We are following through with our commitment to the economic course that we set in 1995, which demonstrated its worth and received the endorsement of the people of Ontario in 1999.

Speeding up these personal income tax cuts means people would have an earlier opportunity, for instance, to save for their children's education, perhaps to spend on clothing, on school supplies or sporting equipment for themselves or their children, and possibly to invest for their retirement.

Accelerating our corporate tax cuts would be a clear signal that Ontario remains committed to further improving the climate for investment here in this great province.

The tax cuts we have already implemented have put Ontario in the enviable position of having had better rates of job creation than the entire rest of the country for the past five years. As I mentioned earlier, Ontario's economy has helped to create 824,200 jobs since September 1995. This is almost half of the jobs created in the entire country, even though Ontario has less than 40% of Canada's population.

Speeding up personal income tax cuts would give about 60 million additional tax dollars back to Ontario taxpayers for the 2001 taxation year. Some 325,000 people who, despite having lower incomes, used to pay Ontario personal income tax now pay no income tax to Ontario. That is thanks to our tax cuts. The personal income tax cuts announced in the 2001 budget will remove another 75,000 people from the income tax rolls. This means that we will have more than doubled, to 735,000, the number of low-income earners who will pay not one cent of Ontario income tax. But, I must point out, these folks will still be required to pay federal income tax.

We propose to implement income tax cuts planned for January 1, 2002, three months earlier, on October 1. Those paying the lowest and middle rates would see their rates drop to 6.16% and 9.22% respectively for the 2001 taxation year, and 5.65% and 8.85% by 2003.

Staff at the Ministry of Finance are working closely with the Canada Customs and Revenue Agency and the Canadian Payroll Association to implement these tax cuts in the quickest, most straightforward way possible. The revised Ontario withholding tables and formula will be posted on the CCRA's Web site. Employers are expected to make their best efforts to ensure that employees receive the benefit of those proposed tax cuts as soon as possible.

Turning to corporate tax cuts, the accelerated cuts would return about \$116 million to businesses, enabling them to maintain and extend investments in employees and equipment. The corporate income tax cuts that were scheduled to take effect on January 1, 2002, will be accelerated to take effect three months earlier, also on October 1, 2001. If passed, this legislation means that

effective October 1, the general corporate income tax rate would be cut to 12.5%, the manufacturing and processing rate to 11%, and the small business rate to 6%, and the small business income threshold would be increased from \$240,000 to \$280,000. In addition, the capital tax deduction on the first \$5 million of taxable capital would be accelerated by three months, to take effect October 1.

This measure would eliminate the capital tax for more than 11,000 small businesses, as well as reducing it for businesses that pay this tax presently. The capital tax is a fixed cost for business. It's not based on the ability to pay, and businesses have to pay this tax even if they don't make a profit. In periods of economic slowdown when businesses have to cut costs, the capital tax forces businesses to cut where they have flexibility, hits wages hardest, and is a potential job killer. No business in Ontario should have to choose between paying taxes and paying wages. A tax on capital discourages investment when investment is needed to boost productivity and standards of living.

The government is taking action needed to ensure Ontario's international competitiveness, especially with its major trading partner, the United States. Many of the countries that have enjoyed the strongest growth in their standards of living in the past decade have cut their corporate income tax levels to rates far below the Canadian average. These countries include Ireland, the UK, Denmark, Norway and the Netherlands.

We began cutting the general corporate income tax rate in 2000. Earlier this year, Bill 45 legislated the full schedule of corporate income tax rate cuts each year between now and 2005. When our rate cuts are complete, Ontario will enjoy a lower combined CIT rate than any of the 50 American states, and no Canadian province would have a lower general corporate income tax rate. Lower corporate taxes will increase economic growth and living standards and will bring benefits to people in Ontario.

Our commitment to lower rates also gives businesses certainty. Our taxpayer protection legislation means that businesses know they will not be hit with tax increases. We are sending a powerful message to the rest of the world that Ontario is the best place in North America to do business. Cutting corporate tax rates builds on our goal of making Ontario the best-performing economy in order to provide the highest quality of life in North America. Unquestionably, it is essential to have a strong and growing economy in order to invest in our priorities.

This government's record on the economy speaks for itself. Cutting taxes is the best and most certain route toward achieving economic growth. That is why tonight I urge you to support the Responsible Choices for Growth and Fiscal Responsibility Act, 2001. We should ensure that our plan to accelerate cuts to personal income, corporate income and capital taxes is put into action now. The Ontario economy is diverse and resilient, but what we want is to build on this foundation, not merely rely on it. Because we were proactive and did not shrink from making tough and responsible decisions, I believe On-

tario is now better positioned to withstand any economic challenges that face us.

We now have the opportunity before us to be proactive once more. By remaining true to our principles, continuing to make responsible choices and tenaciously pursuing our solid economic plan, we can ensure a bright tomorrow. That is why I will most definitely be supporting the Responsible Choices for Growth and Fiscal Responsibility Act, and I urge my colleagues here in the Legislature to also do so.

1900

Mr Norm Miller (Parry Sound-Muskoka): It's my pleasure to join in the debate on Bill 127. I will outline for you today the key measures in Bill 127, the Responsible Choices for Growth and Fiscal Responsibility Act, 2001, which was put forward by the Honourable Jim Flaherty, Minister of Finance, and introduced to the Legislature on November 6, 2001.

In addition to measures announced in the 2001 Ontario budget, this bill contains a number of initiatives announced in recent weeks, including tax cuts and commitments to infrastructure. Together, these measures will help our government meet our goal of ensuring that Ontario has the best-performing economy and the highest quality of life in North America within the next 10 years.

Accelerated tax cuts: As you know, tax cuts have been an integral part of this government's comprehensive economic policy since 1995. Tax cuts are the single most important reason why here in Ontario we've enjoyed strong economic growth and we've seen a total of 824,200 net new jobs created since 1995, why disposable income has increased by 20%, and tax revenues, while we've had tax cuts, have increased by nearly \$15 billion since 1995: more money for the government to spend on its various programs.

In the 2001 budget, we announced further cuts to personal income tax, corporate tax and the capital tax, which were intended to ensure that our province continues on the road to prosperity. The next steps in these cuts were to come into effect January 1, 2002. The tragic events of September 11 and the aftershocks rippling through our economy have led us to rethink our schedule for implementing these cuts and have resulted in our decision to accelerate these cuts to October 1, 2001.

Accelerating the tax cuts would provide a more immediate stimulus to the provincial economy, which is currently experiencing slower growth than it has for the last few years. Accelerating cuts to personal income tax would leave more money in the pockets of Ontario's taxpayers during these more difficult times. It also shows confidence in the people and the economy of Ontario, and business decisions are often made by the confidence that business people have and individuals have in the future of our economy and what's going on in the province. Accelerating corporate income and capital tax cuts would free up about \$116 million in saved taxes this year that businesses and individuals can use for investing and helping keep workers on the payroll. Cuts to business

taxes also send a signal to investors that Ontario is open for business.

Last night I attended a seminar put on by a mutual fund company. I was really pleased to see that they were recommending growth funds and equity funds to all their investors. That is, to me, a positive sign that they have confidence in the future of the economy in this province and in this country and are recommending that people buy into the equity firms and expect growth to happen in the next few years.

Tax cuts will remain an important part of our economic policy.

The \$100 one-time payment to low-income and middle-income working families: Slower economic growth, such as that currently being experienced in the province, affects both the people and the businesses of Ontario. We know that low- and middle-income families with young children are particularly hard hit by an economic slowdown, and we believe it is important to provide these families with some extra help at this time. This bill proposes to provide eligible low- and middle-income families with a one-time, tax-free payment of \$100 for each child under the age of seven to help them do what they do best: care for their children.

This proposed one-time payment has generated tremendous excitement among the citizens and businesses in this province. I encourage retailers across the province to put their support behind these payments and enhance them. This will only add to how helpful this measure will be to Ontario's low- and middle-income working families. I know the Minister of Finance was at Sears, where they have agreed to increase the benefit by 10%, and hopefully other companies are going to join the bandwagon and offer further enhancements to this program.

Repatriation of GO Transit: As promised in the 2001 Ontario budget, the province is assuming a leadership role in promoting an efficient, integrated transportation system across Ontario. Taking back responsibility for GO Transit is a significant part of our promise, and it demonstrates our commitment to addressing traffic gridlock throughout the greater Toronto area, supporting economic growth and protecting the environment.

Municipalities in the greater Toronto area would benefit from this initiative, as relieving them of the responsibility for GO Transit would free up \$100 million for reinvestments in local and regional transit priorities. Commuters would benefit by enjoying more efficient methods of transportation choices, as well as having less gridlock to contend with and more time to spend with their families. Businesses would benefit because an efficient transportation system reduces costs, improves competitiveness, attracts investment and supports economic growth. Finally, the environment would benefit from a reduced dependence on automobiles by commuters, reduced air pollution, and reduced congestion on provincial highways and other roads. The anticipated, and achievable, outcome of our bold transit initiative therefore is cleaner air, less crowded roads, more competitive businesses and a higher quality of life.

Further support for small and medium-sized businesses: It is estimated that small and medium-sized businesses create more than half of all new jobs. During a time of slower economic growth, these businesses are more important than ever to our provincial economy. Since 1995, we have introduced measures designed to assist small and medium-sized businesses in the province, and this bill would continue our legacy of support. Certainly we have seen in times when the economy has slowed down that if somebody is laid off from a job, they often start their own business and become that new small business and become self-reliant.

Accelerating the application of the small business income tax rate: We are proposing to accelerate the application of the small business income tax rate to more businesses. Currently this rate is 6.5% and applies to the first \$240,000 of income. We would accelerate the reduction from 6.5% to 6% and raise the eligibility threshold from \$240,000 to \$280,000, effective October 1, 2001. Certainly this is especially important in my riding of Parry Sound-Muskoka, where approximately 80% of the businesses are small businesses, and they are so important to our local economy.

These initiatives were first announced in the 2000 Ontario budget and were originally scheduled to take effect January 1, 2002. However, accelerating the application of the reduced rate and the increased threshold to October 1, 2001, would provide more immediate benefits for Ontario's small and medium-sized businesses, which is vital during this period of global economic uncertainty.

Simplifying tax filing procedures for small businesses: Less red tape is always a good thing for small business, because if you run a small business, you are usually working long hours and your time is certainly much better spent doing your job, looking after customers and all the many different jobs you end up doing in a small business. So you always appreciate having less red tape, less work to do on behalf of the government.

Currently, corporations are required to pay monthly corporate tax instalments if annual tax payable in the current or preceding year is \$2,000 or more. We understand that Ontario's small business owners would rather focus their efforts on creating jobs, not filling out unnecessary or complicated paperwork.

In the 2001 budget, therefore, we proposed to reduce red tape for Ontario's small businesses by allowing businesses with corporate tax of at least \$2,000 and less than \$10,000 to remit tax instalments quarterly instead of monthly. This change would apply to taxation years commencing in 2002. Allowing a simplification of tax filing procedures is a significant red tape reduction measure that would help encourage the growth of Ontario's small business.

1910

Community small business investment funds: We are proposing to extend the deadline for registering new community small business investment funds for an additional year, from December 31, 2001, to December 31, 2002. This would allow the program to continue to

raise venture capital for small business, especially in the areas of university and hospital research commercialization.

Restoring support for research and development: One of Ontario's most important tax-based incentives for research and development is the superallowance, which provides over \$100 million in benefits to research-and-development-performing firms. The federal government, in its 2000 budget, stated that provincial deductions for research and development in excess of actual expenditures would be treated as taxable government assistance. We made our opposition to this measure very clear. We do not believe in eroding support for research and development in Ontario. In order to maintain support for research and development and to respond to the 2000 federal budget, which raises the cost of research and development in this province, Ontario's 2001 budget proposed to suspend the research and development superallowance and allow corporations to exclude the federal research and development tax credit from Ontario taxable income. Ontario's proposed action would restore research and development tax benefits for most firms to their level before the federal budget.

Our government recognizes the need to have a healthy, thriving business community to generate the tax revenues government needs to provide the programs that all Ontarians want. This bill affects a number of different acts. It creates two new acts, the GO Transit Act, 2001, and the Highway 407 East Completion Act, 2001, and it affects many others acts, including the Assessment Act, the Business Corporations Act, the Commodity Futures Act, the Community Small Business Investment Funds Act, the Education Act, the Electricity Act, 1998, the Employer Health Tax Act, the Estate Administration Tax Act, the Fuel Tax Act, the Gasoline Tax Act, the Income Tax Act, the Land Transfer Tax Act, the Mining Tax Act, the Municipal Act, the Municipal Property Assessment Corporation Act, the Ontario Guaranteed Annual Income Act, the Ontario Northland Transportation Commission Act, the Provincial Land Tax Act, the Race Tracks Tax Act, the Retail Sales Tax Act, the Securities Act, the Greater Toronto Services Board Act, the Tobacco Tax Act, the City of Hamilton Act, the Social Housing Reform Act, the Corporations Tax Act, the Toronto Area Transit Operating Authority Act, the Highway 407 Act and others. As you can see, it's a very comprehensive bill affecting many different acts.

Throughout my remarks I have spoken of our measures to address current economic challenges, of our responsible choices to benefit the people and businesses of this province. We are committed, through the Responsible Choices for Growth and Fiscal Responsibility Act, 2001, to protecting the gains we have made and to ensuring that the outlook remains bright for Ontario's future.

Thank you very much, Mr Speaker, for letting me speak on this bill this evening.

Mr Doug Galt (Northumberland): I appreciate the opportunity to speak on Bill 127 in the very few minutes

left of our hour to expound on this bill. But I do appreciate the comments that have been made already by the distinguished member from Guelph-Wellington, who is also the Minister of Intergovernmental Affairs, and the most recent member to our caucus, from Parry Sound-Muskoka. They put forward just excellent speeches about Bill 127.

As I think about this bill and the statement, the Ontario Economic Outlook and Fiscal Review, made back on November 6 by the Honourable James Flaherty, Minister of Finance, I recall almost a filibuster that occurred in this Legislature because it possibly contained too much or was too well done up in a nice package or whatever. They seemed very upset. I would suggest that maybe the reason they were upset was that they thought, in a bit of an economic downturn, maybe there was some really bad news, and since the news wasn't all as bad as they were hoping for, they were all upset and tried to filibuster its presentation that day. I thought that was kind of unfortunate. I still don't really understand why they were going through that exercise, but they did.

It's almost impossible to begin a debate on this bill that's before us, Bill 127, without mentioning the context in which we find ourselves this fall, a very unique time in history. There's no question that we were all directly or indirectly affected by the tragic events of September 11. I remember being in St Thomas. I was in hearings, part of the extensive consultations our government carries out on various bills. This was on nutrient management, Bill 81, going out after first reading, which is rather unique. We've done this now with five or six bills, but it was certainly not done by other governments. I was going into my hotel room, making some phone calls, when I heard about this and turned it on and actually saw the second plane go into the second tower. At the time, it almost seemed like a film, but obviously it wasn't. It was a real-life drama happening. Everyone here in Ontario and throughout the world continues to be affected by the aftermath of this horrible series of terrorist attacks. It is uncertain when, if ever, the world will recover some semblance of the world we knew pre-September 11.

One of the immediate results of this tragedy was a slowdown of the economy. The opposition will probably jump up and say, "That was happening anyway." Yes, there was a slowdown in the economy generally happening in North America, possibly internationally, but after September 11 there was a very, very significant dip. If you look at the graph of any of the stock exchanges, you'll see a very dramatic dip afterwards, not surprisingly. But most of that dip has recovered and there are a lot of signs that indicate that recovery is going to continue.

The 2001 Ontario budget outlined a plan of tax cuts and spending that provide a solid foundation for growth of the Ontario economy. As I go back through the six and a half, approaching seven years of being in this Legislature, working with two ministers of finance, I think of the exceptional budgets that have been brought into this Legislature establishing this sound economic foundation.

It has become a hallmark. When we took over, the deficit was in excess of \$11 billion. That's \$1,000 for every man, woman and child in this province that we were spending more than we were taking in. It was obvious we couldn't continue in that vein, so the Minister of Finance and the Premier, the cabinet and the caucus made the decision to get back on to a solid economic foundation, similar to what previous PC governments in this province had. These sound fiscal policies will indeed help Ontario in the face of the current global slowdown. A number of significant budget initiatives are included in Bill 127, the Responsible Choices for Growth and Fiscal Responsibility Act, 2001.

1920

The effects of current economic uncertainty are being felt by every citizen of this province. Our government has recognized that an economic slowdown is especially hard on low- and middle-income families with young children. We hear so much from the socialists about the poor and what should or shouldn't be done, but we tend to see little action, few ideas coming forth from the members in the opposition ranks. In particular, nothing was being done when they were government.

We're a government of action, and action is what is going on. As a result, in the 2001 Ontario Economic Outlook and Fiscal Review our government proposed a one-time payment of \$100 right across Ontario to low- and middle-income working families with young children. This measure is included as part of the Responsible Choices for Growth and Fiscal Responsibility Act, 2001, and it's one of the reasons it is important that we support this bill. I know that every member on this side of the House will be supporting this bill and I look forward to similar support on the other side of the House.

As the minister mentioned in his economic statement, we value the hard work and dedication of Ontario's working families. That hasn't been true in the past. What did the governments from 1985 to 1995 do? They taxed and they taxed and they spent and they borrowed. They borrowed on the children's future and they taxed poor working families. But they didn't care. Taxes were so important, and we still hear them. There hasn't been a single member on the other side who has voted in favour of tax cuts. They can see what those tax cuts have been accomplishing for the people of this province and how many working families no longer have to pay provincial income tax but still have to pay the federal Liberal income tax. That's the position that Liberals and socialists seem to have: "Let's just tax 'em, but we'll have a good story."

Our government wanted to provide these people, the working poor, as they're sometimes referred to, or those with low incomes, with some extra help at this point in time, so for this reason we've proposed to provide low- and middle-income working families with a one-time, tax-free—and I stress tax-free—payment of \$100 for each child under the age of seven years.

I'm pleased to say that we've received tremendous support for introducing this particular measure and it

looks like the idea is catching on. The private sector recognizes the need we have identified and is lending a hand. Our compliments to Sears Canada, that is proposing a contribution of \$10 as a separate offering. How that would work is that eligible families would exchange their \$100—that would be their cheque for proof—for \$110 worth of Sears gift certificates, which can then be used in any of the Sears stores right across Ontario, Sears catalogues, or, for that matter, on-line. Other retailers across the province are also encouraged to put their support behind these proposed payments and enhance them.

It's at times like this that it's rather gratifying to see businesses and families and citizens across the province pulling together for the common good. That's quite common as we see national disasters occur, such as earthquakes or the air crashes on September 11—just how people in communities and countries do pull together. In spite of how horrific it was on September 11, it was gratifying to see so many countries pulling together to support the US, particularly Ontario. The federal government was pretty slow off the mark. They did get going in a sort of way; they could have responded one heck of a lot faster, but they did come along slowly.

The one-time payment would provide about 222,000 working families with approximately \$37 million in benefits for up to roughly 367,000 young children under the age of seven. This breaks down that over 80% of the eligible families have net incomes of \$35,000 or less, half of the eligible families have net incomes of \$25,000 or less, and only 3% of the eligible families have net incomes of over \$50,000.

The average payment would be about \$165 per family, and if the legislation is passed promptly—I look forward to that, and I'm sure, with that kind of money going out to support these low-income families, the opposition would want to support it as well—these payments could indeed be sent out by early December. It would be ideal if these payments could be in the hands of families in time for the holiday season, when just a little bit of extra cash would help and in many cases is really needed. Our plan is to give these parents some extra help to do what they do best, and that's care for their children.

I also want to assure everyone that the government is spending responsibly and within fiscal means. As you know, our commitment to cutting personal income taxes since 1995 has resulted in 325,000 lower-income earners no longer paying Ontario personal income taxes. Not so with the feds: they kept right on charging them taxes. The feds go on bragging about the surplus they've ended up with. Maybe we should have a look at just how they ended up with that surplus. It wasn't due to any fiscal policies they came forward with. The only solid, I suppose you might say, fiscal policy was cuts to the provinces, such as in health care. The way their surplus came about was because of the sound economic policies in the province of Ontario. We can see where the \$15 billion more came with our tax cuts. Imagine: here's a federal government that didn't have any tax cuts, and the same economy is going on within the province which is

over a third of Canada. No wonder they have a surplus. They never said thanks to the Honourable Ernie Eves when he was here and designed this, was the architect. That's really how they ended up with their surplus, but would they share that with Ontario, particularly with health care? No, that just isn't the way the federal Liberals work.

The latest cuts to personal income tax, announced in the 2001 Ontario budget, will remove another 75,000 lower-income earners from the tax rolls, allowing them to keep more of their take-home pay. I can assure you that they know better how to spend those dollars than a government spending their money.

As part of the Responsible Choices for Growth and Fiscal Responsibility Act, 2001, we're proposing to advance to October 1, 2001, the personal income tax cuts that were originally planned to take effect on January 1, 2002. Cutting personal income taxes means that all taxpayers have more money in their pockets to use as they see fit and spend, save or invest.

The opposition keeps questioning these tax cuts. They've never supported any of them. Granted, the third party, the NDP, has come forward with the suggestion that maybe we should look at something like the provincial sales tax, but that really, as I understand from economists, wouldn't stimulate the economy the way income tax cuts and corporate tax cuts do. That's what the tax cuts are about, and you can see, from the increase in revenue, that it's really working. The cutting of personal income taxes raises consumer confidence, stimulates the economy and creates jobs as no other government initiative possibly can. Therefore, our proposal to accelerate the personal income tax cuts scheduled for next year would have benefits for Ontario taxpayers and for the Ontario economy.

During the current economic slowdown, these cuts have become even more important than they were before, to stimulate that economy and give confidence. Listening to a program on the economy on CFRB, driving in on Sunday evening, they were talking about what was helping to hold the economy here in Canada, particularly in Ontario, and they made reference to the sound fiscal policies of government here in Ontario. I think that's indeed quite a vote of confidence.

1930

The Responsible Choices for Growth and Fiscal Responsibility Act, 2001, proposes another way in which we can help those who are hard-working but vulnerable in tough times. To ensure that the one-time payment goes to families that need it the most in a timely fashion, the government proposes that the one-time payment would use the rules and administrative process for the Ontario child care supplement for working families program to define the recipients.

When our government introduced the child care supplement in the 1998 Ontario budget, the government targeted the supplement to those families with the greatest child care needs. To that end, the program provides support to families with children who are at the age

where they're not yet in school for the full day, typically under the age of seven. As a result, the one-time \$100 payment also focuses support on those working families with children under seven.

Families would be identified as potentially eligible through their federal tax returns in the previous year. The one-time payment will be paid to the same person who receives the federal Canada child tax benefit and is primarily responsible for the care and upbringing of the child. Although this person is usually the mother, in this case it could be the father, a grandparent or indeed a guardian.

I want to stress that parents would not have to pay tax on this one-time benefit. The one-time payment would indeed be a tax-free benefit.

Some might wonder why families with earnings from employment under \$5,000 are not included. The answer is simple. These families who receive benefits through Ontario Works and the Ontario disability support program already receive a similar top-up to their cheques to help them with the purchase of winter clothing. They receive this top-up during the month of November each year.

Others might ask why only low- and middle-income working families benefit. We have to remember that all taxpayers have benefited from our government's tax cuts, but in these challenging economic times, low- and middle-income working families with young children are particularly vulnerable.

I would like to assure you that this one-time payment is not coming at the expense of other government priorities like health care and education. Our government continues to make significant investments in these areas. Priority expenditures, including health care and education, are ongoing. The measure we are debating here this evening is strictly a one-time payment.

Our government has a legacy of making sound, responsible choices. As a result of these choices, Ontario is better prepared than ever before to get through a period of economic uncertainty. That's why we can make sure that we can help some of the more vulnerable members of our society so that they can also meet the challenges of an economic slowdown.

With this legislation, the government is making a targeted effort to help low- and middle-income working families with young children. These are the individuals who need the help most at this time.

Once again, we are seeing a demonstration of how the quality of life in this province is directly connected to the economy. Our government is doing everything it can to maintain a high quality of life here in the province of Ontario.

We are intent on sticking to the key principles that have led our province from the economic mess that we inherited upon being first elected back in 1995—and indeed what a mess it was in. From 1985 to 1990, spending doubled. It absolutely doubled. The debt didn't quite double, but it got close to it. Then, from 1990 to 1995, the debt doubled. Even in the good times of the late

1980s, could they balance a budget? No, they couldn't balance a budget. Then we got into the early 1990s, and what were we going to do? We were going to spend our way out of the debt, out of hard times. What a colossal disaster that was. Over a 10-year period we tripled the debt and had a deficit running at over \$11 billion, keeping two sets of books. I have no idea; I can only suspect why they would have been keeping two sets of books. But you add that to the federal debt and you add that to some of the crown corporations' debt and you can see the legacy that we were headed for to leave to our children. I'm just so pleased that our Minister of Finance, the Honourable Ernie Eves, was able to turn that around back in 1995-96-97.

I am referring to continuing with tax cuts, encouraging economic growth, maintaining fiscal responsibility and supporting the most vulnerable. I'm referring to not being afraid of making tough and responsible choices.

In the last 10 minutes or so I would just like to make some references to a few points that are in the economic statement.

Right at the beginning, when the Honourable Jim Flaherty stood up to speak, he said that we're going to maintain and ensure that we do have the third consecutive balanced budget. That's a record of over a century. I think that's something the government can indeed be very proud of. Not only that, but we've heard the opposition complain that the credit ratings haven't improved. The credit ratings were going down very quickly in the early 1990s. At least in the late 1990s they held their own and now, yes, the credit ratings are improving, because they recognize the fiscal responsibility of the present government in the province of Ontario.

One of the disappointing things that did come out in the budget was the change in the growth rate from the prediction in the spring. It had dropped. Now they're expecting 1.1% to 1.3% next year, versus 2.3% to 3.6% that was originally expected. However, they are expecting by the middle of next year that the economy is really going to be rallying, and by 2003 the growth is going to be up to 4.3%.

One of the interesting things I was finding was that we have set aside that reserve of \$1 billion in case hard times came along or something unexpected. This time, this year, it did, and that was September 11. Out of that \$1 billion in reserve that could have been used to pay down debt—and we're already paying down a lot of debt—only \$300 million is needed to keep the books balanced. That still means there's \$700 million left in that reserve.

Over and above that, we started out spending at the rate of a 5.9% increase for health care. That's been increased to 6.9%, moving health care spending in the province of Ontario up to \$23.7 billion, with no help from the feds. That's a total increase of over \$6 billion since we took office back in 1995.

I think it's rather unfortunate that the feds wouldn't pick up. We keep having to carry their share as well as our share. It started out 50-50. That was the agreement back in the late 1960s and the early 1970s with the

Canada Health Act. The feds have been falling behind ever since it was started. Really, what they're behind is about \$7 billion. That's what? About \$600, \$650 for every man, woman and child per year that the feds are not coming through with. Since we took office, it's something like \$2,000 for every family we've increased it, while the federal Liberals have dropped about 10 cents a family in support in health care. But at least the Ontario government is committed to the Canada Health Act. It's unfortunate that the federal government isn't as committed as the province is.

It was interesting that on page 5 of the budget statement it talks about increased revenue since we took office in 1995. It has gone up some \$15 billion. That's moving from roughly \$30 billion in tax revenues in the province to \$45 billion. That's a 50% increase. But the opposition still doesn't understand how tax cuts can stimulate the economy, increase revenue coming in and create jobs. That's really where it's at with this \$15-billion increase. Without that we couldn't have gotten rid of the deficit, and there was no way that we could have increased health care spending by over \$6 billion and also increased the spending in education.

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It's also interesting to note the \$30 million that's being spent on security. Premier Harris was quick off the mark after September 11 to start looking at and initiating security measures and talk about a secure perimeter around North America. He, along with the provincial government, has been leading in security and making people feel a bit comfortable about what was going on. We were really concerned about looking after their security. Security is basically why people in society came together in the first place into small hamlets. They look to a government for security. Again, that was in the budget.

There is also the \$176 million that was going to be pushed into the economy because of accelerating the personal income tax cuts along with the corporate income tax cuts and the capital tax cuts. Accelerating those, bringing them forward, is plugging more dollars into the economy and giving more confidence to the people of Ontario.

There were just a tremendous number of things in this statement that were stimulating and bringing forward the economy. I particularly like the fact that they were adding another \$10 million to stimulate tourism with the "Come Stay With Friends" here in the province of Ontario being advertised to our American cousins, along with promoting pride in Ontario. That \$10 million was being added to a previous \$4 million that was plugged into tourism to stimulate that. All in all, the great budget that we had back in the spring of 2001 established a great economic foundation for the province of Ontario and then along came the financial statement on November 6 that just added to that.

All in all, the Responsible Choices for Growth and Fiscal Responsibility Act, 2001, is the next step. We're intent on continuing to build a better future for everyone

who chooses to live, to work and to make their home here in Ontario. I look forward to a speedy passage of this bill so that those families with young children will receive the child tax credit quickly, certainly before Christmas. I can assure you that everyone on this side of the House will be supporting this bill, and I look to some support for this particular bill from members on the other side of the House.

The Acting Speaker: Debate? Comments and questions?

Mr Caplan: There is certainly a great deal to comment on, but I think I'm going to quote the November 6 comments of Finance Minister Flaherty when he introduced the economic statement and this bill at the same time. He said, "Our economic climate in Ontario is changing. Now private sector forecasters, on average, expect Ontario's economy to grow only 1.1% this year and 1.3% next year. This is a substantial change from the 2.3% they predicted for this year and the 3.6% they predicted for next year at the time of our spring budget." It's very interesting that none of the members who spoke would talk about Minister Flaherty's predictions.

Even back a couple of weeks before November 6, Minister Flaherty was adamantly denying that there was a significant change in Ontario's economic position. In demands from my leader, Dalton McGuinty, for an economic statement to reflect the reality, Minister Flaherty adamantly denied there were any changes, and now we know what the reality is. We saw that just this week with Management Board Chair Dave Tsubouchi sounding the alarm of a \$5-billion deficit looming for Ontario. Talk about economic mismanagement. Frankly, I think that Ernie Eves and Jim Flaherty have squandered Ontario's prosperity. Speaking of which, where is Jim Flaherty? Wouldn't he want to come and speak to his own bill? I find that very surprising.

The Acting Speaker: Order. That's going across a line we don't go across.

Mr Caplan: I also want to mention that the minister who spoke first to this bill indicated in her testimony at the Walkerton inquiry to Justice O'Connor that it is because of the budgetary policies of this government that Walkerton occurred and that every member who passed those budgets was culpable. That's why I don't support tax cuts and never will.

The Acting Speaker: The Chair recognizes the member for Halton.

Mr Ted Chudleigh (Halton): My point of order, Speaker, was that Mr Flaherty didn't speak tonight, and the member is supposed to be speaking about the people who did speak. If I had made that point of order while he was speaking, perhaps it would have had some effect. Thank you very much.

The Acting Speaker: I'd like to explain that I am desperately reluctant to take points of order during a two-minute speech. Besides, I had already brought to the attention of the member for Don Valley East the problem that I think there was.

Comments and questions?

Mr David Christopherson (Hamilton West): Speaker, you are very right in ruling that the member from Don Valley East is totally out of order in saying the finance minister isn't here, even though he should be. You're absolutely right in doing that.

The members from Northumberland and from Parry Sound-Muskoka spoke with such pride about the \$100. In fact, the member from Parry Sound-Muskoka talked about the fact that, as far as he's concerned—I jotted it down because I couldn't believe he actually said it—"The \$100 is generating considerable excitement." Let me say this member must have a very, very low threshold for excitement, because there is not a lot of excitement out there about the \$100. I grant you, it will help. It certainly can't hurt. But I think the members go way over the line when they use descriptions like that and when they talk about the fact that this is for particularly hard-hit families and individuals; it would be families in this case.

Fair enough. But if you're going to use that description, how can you then say that people who are on social assistance, people who receive the Ontarians with disabilities support program or people who have been laid off aren't hard-hit, the same as everybody else? Twenty-nine thousand people have recently been laid off. They're not eligible. Now, I know the member from Northumberland is going to stand in his place and talk about the money they already give for winter clothing—not that they give; it was a program in place when they got there and it was one of the few things that survived.

But the fact of the matter is, everybody had their fiscal plans in place before September 11, not just the group you mentioned, and the people who are in the deepest levels of poverty aren't going to get the money. It doesn't wash. It's a cover, to cover up all the corporate gifts you're handing out in this bill.

The Acting Speaker: Perhaps I'm not clear. When you refer to somebody as not being here—I said to the member from Don Valley East that it was a line we don't cross. I'd like to suggest to everyone else that you desist, or I'll name you.

Comments and questions?

Hon Helen Johns (Minister without Portfolio [Health and Long-Term Care]): Speaker, I will certainly try to comply.

I'd like to congratulate my colleague the MPP for Northumberland. I listened intently as he spoke about Bill 127, the Responsible Choices for Growth and Fiscal Responsibility Act. I thought he raised a number of issues—the \$100 being one of them, as I saw my colleague perk up, but many other issues that I think are important to the growth and the strength of Ontario's economy.

I have to say that we all recognize that the strength of Ontario today is in major part due to the Common Sense Revolution that has happened since 1995. It's also a reflection of the world economy, which I grant. But also our strong manufacturing environment has left us in fairly good stead, although these times are definitely a time of concern and worry for the people of Ontario and

for the government as we try to set our course for the ensuing year and years to come.

Let me say that the member raises a number of issues. I find it kind of amazing or amusing to listen to the opposition members who pick specific points out about things they disagree with in this. Fundamentally, I think we all agree that the economy of the province needs to be strong, it needs to continue to grow, and that this government and this member who has spoken before are making responsible choices to ensure the province is on a good footing for this year and the years to come.

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The Acting Speaker: Comments and questions? The Chair recognizes the member for Timiskaming.

Mr David Ramsay (Timiskaming-Cochrane): I would like to make a few comments on the speech that Mr Excitement gave tonight. I feel that as he covered some aspects of the bill, there's one particular aspect that I would like to bring up that I think was a—

Ms Marilyn Mushinski (Scarborough Centre): On a point of order, Mr Speaker: I believe that you have brought to the attention of this House the desire for some decorum in this place by referring to members by their riding name—but certainly not the name that the member across the way called my good friend Mr Galt.

The Acting Speaker: I would suggest that we refer to others by their riding names, which reminds me that I left the "Cochrane" off of your riding of Timiskaming-Cochrane.

The Chair recognizes the member for Timiskaming-Cochrane.

Mr Ramsay: Thank you, Mr Speaker.

To the member for Northumberland, what he omitted in his speech was one of the 26 acts that are amended in this omnibus bill. It refers to the Ontario Northland Transportation Commission, which, as I know the member knows full well, provides transportation and telecommunications services throughout northeastern Ontario. There's just a very small amendment there that includes two clauses that allow that commission now, its board of directors, to cancel any of its services that it now provides to the public of the northeast, and at the same time to dispose of any assets that were involved with any of those cancelled services.

I don't know why this little contrivance is there. One could suspect that the government wants to close down, as previously announced, the Ontario Northland Transportation Commission, and instead of doing it by government edict they have now enabled the board of directors of that commission to do it themselves, I would imagine under order. I think that's shameful.

The Acting Speaker: The member for Northumberland has two minutes to respond.

Mr Galt: I would first like to thank the member for Huron-Bruce for her extremely insightful comments and understanding. She summed up the speech in a minute and a half so well and really understood the presentation I was putting forth. I'm disappointed in the members from Don Valley East, Hamilton West and Timiskaming-

Cochrane that they didn't quite understand the speech to the same degree and to the same level.

The member for Don Valley East seems all mixed up in his comments about which is this year and which is next year. Yes, there is some lag in dollars coming in from taxes and, yes, there are going to be some difficulties next year, but there's a difference between this fiscal year—that's 2001-02—versus 2002-03 that the Honourable David Tsubouchi has been referring to. Don't mix them up. I know it's typical Liberal talk, but they are separated out.

Now that you understand that, we'll move on and talk a bit about the comments from the member for Hamilton West. He talked about excitement. I would expect that for some of those families, when you get down around a total income of \$20,000 or \$25,000 and you get \$100 coming in, there's going to be some excitement there, getting \$100 to use, and you go to Sears and get another \$10 added on. I expect there is some excitement. He talked about poverty. I'll tell you where poverty was going. This whole country was going to be into poverty at the rate we were going in the early 1990s, from 1990 to 1995, with the tax increases that you kept putting on. The total revenue kept going down on an annual basis every time you increased those taxes. That was where poverty was coming from.

The Acting Speaker: The member's time has expired. Further debate.

Mr Gerry Phillips (Scarborough-Agincourt): I'll be sharing my time, Mr Speaker, with the member from Renfrew-Nipissing-Pembroke.

I'm pleased to join the debate on Bill 127. I'd just say to ourselves and the public that this is an enormously thick bill. We've begun debate on it tonight, and I gather the government has a gun to our heads now and is saying, "We couldn't get it in earlier than this, but we need this thing passed right away." It amends 25 different acts, some quite substantially. I'll focus my remarks on two aspects of it, the corporate tax and the 407.

On the corporate tax, this is an enormously important debate. Our economy now depends on exports to the US. We're the most export-oriented jurisdiction now in the world, according to the government. Just 10 years ago, exports were the equivalent of perhaps 28% of our gross domestic product; today they're 55%. Nobody relies on exports like we do, and 95% is to the US. In our opinion, the major reason Ontario has seen good economic growth over the last six years is because of the growth of exports. If you ask any economist—in fact, I challenge us to ask any economist—what the major reason for Ontario's growth has been, they would say exports. Ontario has been able to compete aggressively in the US, and successfully, led heavily by our auto sector but also our technology sector and virtually every sector of our economy. There are very few Ontario businesses now that have not seen their percentage of business done in the US substantially increase.

My point is that we have to think clearly about how we are going to compete in that environment for the next

20 or 30 years. There's no turning back the clock. That is now our future. For the last five or six years, we've been very successful. That's why I'm very concerned about the policy decision on the corporate tax issue. Frankly, I think we need a very substantial debate here.

The policy now is to move corporate taxes in Ontario to a rate 25% below the US. If you look in your budget documents, you will now find that the references are all to the US; all the comparisons on our corporate tax rates and whatnot are to states in the US. We've now decided on a policy in Ontario that corporate taxes will be 25% lower than the US. In fact, this is the latest copy, which the government sends out, of *Doing Business in Ontario*. It's the selling document. It says, "Come to Ontario because"—and this is the big chart here—"corporate taxes are going to be 25% lower than they are in the US states." We've made a decision that we're going to compete on the basis of lower corporate taxes.

That's a decision we can make. It's a very expensive decision, because corporate taxes 25% lower than our neighbours mean, for the province of Ontario alone, lost revenue of at least \$2.5 billion per year. We've decided that we are going to compete on the basis of 25% lower corporate taxes, and the cost is \$2.5 billion. If we want to sustain the quality of life we have here, in my opinion we'll have to find other ways to make that up. Recognize that corporate taxes are the third-most significant part of Ontario's revenue and the second-most important part of the federal revenue.

Now that we've embarked on this route, that's how we're going to compete. My problem with that is that I think a far better long-term strategy for Ontario would be to say, "Come to Ontario" or "Stay in Ontario and grow in Ontario because we will guarantee you competitive corporate taxes, but we will make certain that you have a quality workforce here, a quality health care system here, a quality community environment here, a quality environment."

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It is a contradiction in some respects. I've got the glossy copy of this. If you look at the selling document the government of Ontario uses on why you should come to Ontario, it says, among other things, "US manufacturers pay, on average, more than \$3,100 per employee for the kind of health care coverage provided by Canada's publicly supported system, whereas Ontario employers pay about \$540." In other words, there's a \$2,500-per-employee cost advantage on health coverage by locating in Ontario. Well, there's no magic to why that is. It is because we have decided to have a health care system here that we basically fund publicly through taxation. But here we are, saying we're going to have corporate taxes 25% lower than the US, and I ask us all, how do we therefore sustain a health care program that offers the substantial cost advantage to the US?

It goes on in the selling document to point out—and they use, in this case, Canada—that Canada spends "7% of its gross domestic product on education." This is "more than the United States, Japan, Germany, France,

Italy or the United Kingdom.” So it’s “Come to Ontario because we in Ontario choose to invest in education.” It goes on to say, “Exceptional workforce: Ontario’s workers are well educated” and well trained. “Sixty per cent of the 1998 workforce attended university/college,” 20% graduated from university, “30% earned diplomas/certificates.” It points out that tuition is substantially lower in Ontario than it is in jurisdictions in the US.

Up front, one of the key paragraphs is, “Ontario is one of North America’s most peaceful and secure communities, and our remarkable health and education systems are publicly financed and open to everyone.”

So I say to all of us that this is an enormously important policy decision, an enormously expensive one, and, in my opinion, long-term bad policy. Companies that choose to come to Ontario because they are going to have corporate taxes 25% lower—Louisiana’s going to beat us, Alabama’s going to beat us, Arkansas will beat us. If that’s why they come here, they’ll leave here to find another jurisdiction with lower taxes. In my opinion, if we want them to come here and we want those in Ontario to grow here and stay here and expand, it is because we guarantee a competitive tax rate but we maintain the things that have made Ontario successful. That is our unique health care system. There’s no magic that one of the key reasons General Motors and Ford and DaimlerChrysler have chosen Ontario is clearly the quality of our workforce, but we offer them an enormous cost advantage, heavily in the health area.

I realize we’re dealing in an environment where the government is saying tax cuts solve all problems. I just urge us to examine this policy issue. The government says in this document here—our corporate tax rate for manufacturing right now, by the way, is 5.3 percentage points less than the average US rate. The average US rate is 40% taxation. We’re already at 35% before these cuts. The government has committed to lower tax rates further so that by 2005 we’ll be almost 10 percentage points lower than the average US rate. The average US rate’s 40%; we’re going to 30%. If you believe that is going to be a successful long-term strategy, then we’re making a huge mistake, and I would urge the government to reconsider this.

I would also add that while the government has often talked about the fact that the federal government should provide more support for Ontario, in the budget the provincial government is telling the federal government to cut corporate taxes by another \$7 billion to get us down to a rate that’s at 23% instead of 30%. That would cost the federal government \$7 billion in forgone revenue.

When we’re having this debate about corporate taxes and priorities, I’d say to us, is this really a way we want to compete long-term: “Come to Ontario because corporate taxes are 25% lower”? It will mean we will not have the resources to provide the things that the government has told companies is the reason they should be here: health care, education, the environment.

We are moving forward to not only implement it but actually to speed up implementation. I want to talk about the problems that presents. It was just two weeks and one day ago now that the Minister of Finance came in with his fiscal and economic statement, essentially saying that yes, we’ve got some challenges, but they’re relatively manageable. Then we found this week that the government has acknowledged or has said to the public—and I’m using their terms—“We now have a \$5-billion gap to close.” The government told the public that the situation has worsened dramatically just in the past few weeks. That’s why I say that we are tonight, in the full knowledge that we have, I gather, a substantial problem to maintain education and health care, proceeding to implement a program that will, as it’s implemented, result in a minimum \$2.2-billion loss of revenue in Ontario. And by the way, we’re also proceeding with a plan to support private schools to the tune of \$500 million.

So I say to the public, here’s what we’re being asked to do, that in these difficult times, Ontario now believes that corporate taxes can be 25% lower than our competitors, but we’ve still got a \$5-billion gap. Just two days ago, we said to the government, “Will you at least agree to not proceed with these tax cuts and the private school plan? At least agree to that as we look at the problems that are unfolding.”

And we do have significant problems. It’s hard to imagine, but it was just six months ago that the government presented the budget. The headline there was, “Faster growth in second half of 2001.” That’s right now. The government said next year, 2002, the economy is going to go up to 3.5% real growth. Well, the government has now acknowledged that growth in Ontario may be 1% this year and 1% next year. The economists have told us that Ontario’s going to have the worst growth rate of all the provinces this year and next year.

The employment numbers came out for the month of October very recently. What we’ve seen is that Ontario, just since the budget, has lost 29,000 jobs, and the rest of Canada has gained 15,000 jobs. It now looks like the unemployment rate, which was supposed to get down to 5.5%, is going to be well over 6% and heading up, according to the government’s economic outlook, over the next two years. It hasn’t even come close—look at these: in 1988-89, the unemployment rate in Ontario was 5.1%—and yet we’ve lost 29,000 jobs in the last six months. The government, by the way, in the budget predicted that over the calendar year we would see 150,000 jobs in Ontario. It now looks like, as of the end of October, we actually are going to have fewer than 150,000 jobs this year.

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The government said we have a \$5-billion gap to close. I was interested to note, when the minister put out his economic outlook, that since the Premier took over, the debt of the province, according to the government document here, has gone up \$20 billion. It’s gone up 22% or 23%, \$20 billion, since the Premier became Premier. The credit rating of the province used to be

AAA. It's two points below that and has not been fixed, has not gone up. As a matter of fact, the member from Northumberland actually made a good point. He said that the federal government chose one route: they balanced their budget. They chose to balance their budget before they cut taxes, a different approach from Ontario. Ontario cut taxes and borrowed \$10 billion to pay for the tax cut. Furthermore, just so Ontarians understand this—

Mr Garry J. Guzzo (Ottawa West-Nepean): To pay for your mistakes.

Mr Phillips: Mr Guzzo may not like to hear this, but I just want Ontarians to understand this: we are paying \$100,000 an hour in interest—every hour, 24 hours a day, seven days a week, 365 days a year—just to pay for the money Harris borrowed to pay for the tax cuts. That's exactly what it is. So I say to the people of Ontario—

Interjection.

The Acting Speaker: Member for Ottawa West-Nepean, come to order.

Mr Phillips: I appreciate that, Mr Speaker.

Mr Guzzo: I apologize.

Mr Phillips: Thank you, Mr Speaker.

But I go back. The Premier has added to the province of Ontario \$20 billion of debt. He borrowed \$10 billion to pay for the tax cuts. That's \$100,000 an hour, 24 hours a day, of increased interest just to pay for the money that was borrowed for the tax cut.

I say to Ontarians, we have a significant problem, but the government is prepared to proceed with the plan that will have our corporate taxes 25% below the US. They're prepared, by the way, to spend \$500 million of brand new public money on private schools when we have a \$5-billion problem on our hands, but they're going to proceed with that. Those things are going ahead, but there's no assurance at all that we are going to be able to maintain our education system, our health system, our environment and our community services.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): Scaremongering.

Mr Phillips: I'm interested in the comment over there, "scaremongering." It was Mr Tsubouchi who said we've got a \$5-billion problem on our hands. He scared me. It came out from the government that, "We've got a huge gap. This is serious. We can't wait." If one of the opposition parties had said that, you would have accused us of scaremongering, but that was the government's position. What made it worse was that two weeks earlier everything was fine, and then suddenly we've got a \$5-billion problem.

I say, first, this is an extremely important policy debate. What is going to be our tax policy in the future? How are we going to be able to compete? If we choose corporate taxes, 25% lower, forgone revenue of \$2.5 billion, how do we want to make it up? Do we want to have weaker public services than our competitors? If we want to have competitive public services, where do we make it up?

Interjection.

Mr Phillips: Mr Guzzo says, "Charge user fees." That may be the solution, but you'd better come clean with the public. You may want to come clean with the public. How are we going to make it up? I'd like the government, as part of this package, to say how you are going to do it.

There is no magic in this. If you want the public services that we've had, as I think Ontarians want to continue to do, we now collectively must raise that money to fund it. If corporations are going to have a significantly better deal in Ontario in corporate taxes, where is it going to be? There are very few choices for us for \$2.5 billion—very few. Is it going to be in sales tax? You're getting down to relatively few options.

The reason my leader has been so adamant on this over the last few weeks—as Dalton McGuinty has said, surely our priority has to be competitive taxes. I say to the business community—and I think they understand this. Frankly, according to the government's own documents, we're already quite competitive. For manufacturing in Ontario, corporate taxes are five percentage points—not 5%—lower than they are in the US, and this is designed to take them to 10 percentage points lower. I think a far better policy would have been the other—I find it unfortunate that there's so little time to debate such a comprehensive bill.

I wanted to talk briefly about the 407 because this bill gives the authority to set up the new Highway 407 east corporation. I just want to say to the public that the users of the 407 have been ripped off big-time. The reason for that is that the government of Ontario sold it for 99 years to this company when they essentially promised here they would not do that, that they would sell it for perhaps 30 years. They said they were going to control tolls, and the bill we're debating tonight has no controls on the tolls. They said the owner would be responsible for managing the 407. But if you don't pay your toll under the bill we're dealing with tonight, your licence can be denied.

By the way, in the bill we're dealing with tonight, it appears to us from the briefing we had that the 407 owner has access to driver licence information, that they pay the owner at least \$5 million a year and, according to the briefing we had, it looks like that information can be shared with US toll roads, that they can provide Ontario drivers' names and addresses to US toll roads to allow them to send collections to Ontario companies.

But the big thing on the 407 is that this deal closed and the cheque was delivered May 5, 1999, for the 407. Guess what day the election was called: May 5, 1999. This was essentially a \$1.6-billion pre-election slush fund. The Harris government did fine on it for pre-election, the 407 owner has done fabulously on it and the users are being hung out to dry. I would just say to the people—the 407 now is extended out to Brock Road—that if you drive on this road and you go 70 kilometres one way and then back again, the tolls you're paying each year are \$3,800—an enormously expensive road.

Why is that? It is because the government sold the 407 users down the road.

I personally have been trying now for almost two years to get access to something called the "tolling agreement." It's essential that we see that. If you look at a prospectus for the 407 corporation when they're raising substantial money, it says, "In order to understand this prospectus properly, you must read the tolling agreement." That's the key, because the government promised when they sold it that they would control tolls, and already in the first 15 months the 407 corporation took the tolls up three times.

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When they took over the 407, there was a premium rate for peak time. You know they charge more for peak time, and peak time when they bought the road was 5:30 am to 9:30 am and 4 pm to 7 pm, five days a week. What do you think the peak time is now with that high rate? It's from 6 in the morning to 11 at night, seven days a week. You're now paying the peak rate from 6 in the morning till 11 at night, seven days a week. They took tolls up, as I say, three times, in many cases up 57%. The government, when they sold it, said that tolls—if I can find the quote here—could not increase by more than 2% plus inflation each year. It's already gone up dramatically more than that.

The second part of this bill, and I raise it because I know people who work in downtown Toronto and are buying homes some distance away, Oshawa and whatnot, in anticipation of the 407 coming out there—they'll be able to drive 407 and that will be great for them—without realizing they're going to be paying \$4,000 or \$5,000 a year in tolls.

Tonight, as you get into the bill, you'll find there's no tolling agreement. We were told tonight there are no controls on tolls, that they're developing the tolling agreement as we speak. We said, "Will the public get to see that?" and the answer is no.

As I said, I take the second part of this bill, the 407 part, just to point out that the government often uses this as a great example of public-private sector partnership. It was a great example of a partnership between the 407 corporation and Premier Harris, but they forgot the key people they were supposed to represent, and they are the users. Tonight, we're approving a bill that exacerbates the problem. As I said before, there's no controls on tolls, and we continue to have in there the province of Ontario as the bill collector. If you don't pay your tolls, no licence renewal. I'll add that it's temporarily suspended, but only temporarily.

This is the big part of the deal, and in my opinion there's significant infringement on the privacy of people's information on licensing. But most importantly, for a future generation, for 99 years—I guess it's now 97 years—the people who will use the 407 will be paying enormous tolls. As I said before, if you're just going to drive 70 kilometres one way a day and then back again, it's \$3,800 right now and it's bound to go up.

I would point out that this bill is another example where we're dealing with significant amendments to 25 different acts. As I said earlier, we essentially have a gun to our heads, because if we don't approve it, the people won't get their \$100 for Christmas so there is clearly a hostage within the bill. There's another example.

There are two things I've touched on tonight. The corporate tax is a huge policy decision, a discussion we should have. How are we as a province and a country going to maintain the quality of life in an environment where we now are clearly in most competition with neighbouring US states and where we've decided, I think for bad policy reasons, that a key reason you should invest in Ontario is tax is 25% lower; not competitive taxes, education, environment, health care, similar to what's built this province over the last many years?

It's unfortunate we do not have more time to be debating this bill. I'm afraid it will be rushed through before Christmas, but there are substantial issues at stake within this bill.

The Acting Speaker: Further debate?

Mr Sean G. Conway (Renfrew-Nipissing-Pembroke):

I'm pleased to join the debate tonight and to follow along my esteemed colleague from Scarborough who has, as always, spoken directly to a number of important issues that he knows perhaps better than most of us in the Legislature, and I want to pick up on a couple of the items he talked about.

But in my remarks tonight, I want to make a couple of preliminary observations because, as my friend from Scarborough makes plain, Bill 127 is the budget bill that gives effect to most, if not all, of the major measures contained in the finance minister's budget of now some four or five months ago.

I want to say about this budgetary policy this: it is now a budgetary policy that is a perfect orphan and, in that respect, we find ourselves in a very dangerous environment. The Minister of Finance will later this week declare himself a candidate for the leadership of the government party, or that is what we are told, and that's entirely understandable. We have a Premier who, after long years of public service, is going to leave the treasury bench and perhaps retire from public life. We have a convention that will choose the new Premier three or four months from now. We have principals in the government understandably out soliciting interest and support for the right to be the next Premier of Ontario, and we will have in that contest apparently the current Minister of Finance and his predecessor of some years, our old friend Mr Eves, the former member from Parry Sound-Muskoka.

I raise these issues because all of this is coming at a time when the economic and budgetary climate of Ontario is changing and changing significantly. I don't want to use valuable time tonight to highlight what has been said by other members, but I have in my hand a recent report from the Royal Bank Financial Group which looks at the economic forecasts over the next few quarters. What does it tell us, this Royal Bank economic forecast of just a few weeks ago? It says a couple of

things that are very important: firstly, that Ontario is going from average annual growth rates of between 5% and 5.5%—very robust and very good growth rates, the kind of growth rate that any finance minister, any government would really like to have. We're going to go from real growth of about 5.5% in fiscal 1999 to apparently real growth of someplace around 1% this year and perhaps a little less than that in the first part of the next fiscal year.

Mr Speaker, you or the people watching tonight might ask, what is the importance of that? Remember simply one point: for every one point of decline in growth, the provincial treasury will lose something like \$625 million of revenue. For the fiscal year upcoming, the Minister of Finance, whomever he or she will be—and I suspect it will be neither Mr Flaherty or Mr Eves, but time will tell—the revenue loss to the province in the upcoming fiscal year 2002-03 is almost certainly going to be something in the neighbourhood of \$2 billion to \$3 billion. That will come at a time when there will be more pressure on the safety net expenditures, because the Royal Bank tells us, as do others, that our unemployment rate is going to trend upwards, so there is going to be a very real squeeze. It has to be said, regardless of which of us is in government, we are going to face that problem.

I'm happy to see tonight the new member for Muskoka here who spoke quite admirably in the debate earlier this evening. I well remember 20 years ago his wonderfully genial father was faced with extremely tough choices in this place. We had an election a little earlier than we expected in 1981 because the very wily Mr Davis with his forecasters saw some bad signs coming, and the election came in the winter of 1981 and we found out very shortly after why. Ontario went into a sharp, short economic downturn and Frank S. Miller, BEng, MPP for Muskoka, was forced to come in here with a couple of budgets that I'm sure he didn't want to bring. They contained some difficult measures on both the revenue and the expenditure side. Bill Davis and Hughie Segal apparently got together and forced poor Frank to buy that crazy oil company with money we didn't have for purposes—

Mr Beaubien: What was the name of that company, by the way?

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Mr Conway: I think it was called Suncor. It was a very tough time.

Friends opposite rightly point out some of the mistakes and the excesses of the Peterson government. Without a doubt, I can say much more confessionally than most, we made some mistakes obviously.

There are a couple of things I want to point out, and I say this in the most ecumenical spirit I can muster. There was a balanced budget in the late 1980s, and we expected in the election year of 1990 to produce a second one. It didn't happen for reasons that some people such as my friend from Hamilton know best of all. One of the reasons it didn't happen, and I say this advisedly, is that the economy went deeply and quickly into the tank in

late 1989-90. There was a hemorrhage on the revenue side, and particularly in the manufacturing sector there was very sharp employment loss.

Did policies of our government contribute to that? I'm not, obviously, the person to answer that. Perhaps they did. All I know is that very quickly the situation changed. Quite frankly, unlike Mr Davis and Mr Miller in the mid-1980s, we, as a government, had encountered unexpectedly good times, particularly 1986 through 1989, and we saw our revenues rise sharply. It is absolutely true that our spending went up very significantly and we taxed, and we probably taxed more than we should have.

I want to make a couple of points, however. I was just looking at the latest data from the Ministry of Finance, from the Ontario Finances just published September 2001. What do I see? Looking at a five-year period, it is interesting, according to the latest data out of the Ontario Ministry of Finance, that in the period between 1997 and the second quarter of fiscal 2001-02, revenues to the Ontario government have increased by \$11.6 billion, or 22%. That's a dramatic increase, and good for us. Revenues have gone in a relatively short five-year period from \$52.5 billion in fiscal 1997 to \$64.1 billion this year, a 22% increase in provincial government revenue. Program spending in that five-year period has increased from \$43 billion to \$52 billion. Program spending has increased by slightly more than 16%.

My friend Phillips said, and I think fairly so, that one of the decisions the current government has made is that in that period of time, when revenues have increased by that amount, we have added \$20 billion to the provincial debt. How much did you borrow to fund those tax cuts? I leave that to others. But I simply observe this: we've added \$20 billion to the provincial debt.

I want to say as well that in that five-year period it would be totally unreasonable for me or anybody else over here to say that you were going to take the deficit down from where it was to zero without adding some increased burden to public debt in Ontario. I simply make the point that in that \$20 billion of additional public debt there is, make no mistake about it, deferred taxation. It will take some time to see how your strategy plays out, and you may get additional sunshine. But I repeat for the House tonight and for the audience that in the last five years, the Harris government revenues have increased from \$52 billion to \$64 billion, 22%, and program spending in the period 1997 to 2001 has increased from \$45 billion to \$52 billion, or 16%.

I raise that as background for the debate tonight because clearly if the Royal Bank and others—and there are very able people over at the provincial Ministry of Finance; they will have much of the same data. They're going to be looking at a very challenging environment. There is no way. Revenues are not going to grow next year by 5% or 6% or 7%. They are probably going to be very static, and some are going to decline. How the Ontario consumer feels and behaves will be absolutely critical to some of this.

Expenditures are going to become increasingly difficult to hold down, because as the economy weakens, there is pressure to spend, particularly to support the unemployed and others who are going to, through no fault of their own, face the requirement for additional help from family, from friends and, yes, from government. That is the environment in which we now find ourselves. Serious, thoughtful, fair-minded people in this Legislature are going to have to deal with it sensibly.

I accept the advice that says we can't go back to some of the bad old ways, and we all engaged in it. I have a question, and I keep forgetting to phone those smart people over at finance. I think in the budget speech that the Minister of Finance read to us in early May, he said this is the first time in 100 years that Ontario has had three successive balanced budgets. In tribute to the memories and the public legacies of Leslie Frost and John Robarts, I'd really like to know what kind of accounting legerdemain has been used to arrive at that conclusion. Leave the Liberals and the New Democrats out of it; am I being asked to believe that in the 1950s and 1960s Charlie MacNaughton, Leslie Frost and Jimmy Allan didn't produce balanced budgets? Maybe they didn't. I really want to see the data for that, and I will do that on my own at another time.

The environment that we face today was, I think, fairly presented a moment ago. So where does that lead us in terms of choice and consequence? I'm a 50-year-old person who is in a very good income bracket, and I suppose if I was being perfectly selfish, I should be out there leading the charge for this neo-conservative fiscal policy that seems to have seized certain members of the current treasury bench. If I were just simply to vote in my own personal interests, be totally selfish and self-centred, I guess the provisions contained in these measures would excite me to vote something other than might appear to be the case. But both as a citizen and as an elected member, I think I have a broader obligation.

I'm not here to trivialize some of the choices and consequences. Again, I don't know how many of my colleagues read Bruce Little on Monday this week in the *Globe and Mail*, his *Amazing Facts* column, "Mr Martin's Fat Surpluses Thing of the Past," a very good thumbnail survey of what finance departments across Canada and across most of the United States are now facing.

I was watching CNN the other night and they were doing a survey of state governments. I'll tell you, there were many in the Great Lakes basin—I remember the governor of Maryland talking about his problems and what they are going to have to do, because essentially they are facing many of the same difficulties. California has been an absolute hemorrhage. We're not going to be that bad, I don't think.

So what are our choices? It seems to me that we can do as the current Minister of Finance wants to do and first and foremost, against the backdrop of a very challenging and changed economic and fiscal environment, continue to cut corporate tax rates—as my friend Phillips

has observed, not to bring them down to Indiana, Illinois, New York and Pennsylvania, but on average to take them 25% below most, if not all, American states. I think that is unfair, unnecessary and irresponsible.

Fairness is going to be an important test because, make no mistake about it, Dave Tsubouchi is right. I think he probably overdid it and he might have overdone it for reasons that have to do with the current contest involving the leadership of his party. But he is right in this sense: there is no doubt in my mind that over the next 18 months, the Ontario government is going to have to look at, I suspect, expenditure cuts in the order of \$1 billion to \$3 billion, and it's going to hurt. Our friend from Muskoka will remember, I'm sure, conversations with his father that will remind us that you can't do that and not hurt people. I think it was the 1982 budget that Frank brought in here that had a couple of very, very nasty little tax increases, and I'm sure he and Mr Davis didn't want to advance them. But when you get into this kind of a box, that's what you're going to have to do.

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So we're going to be going out into the town square and we're going to be asking people, regular people, to give up some things. To do that, and Ontarians are fair-minded people, they're going to expect that the leadership of the government and the leadership of the Legislature is going to be able to stand in that town square and say, "We're asking everybody to make a sacrifice in some appropriate and corresponding way."

I want a good tax environment for corporations; of course I do. But what's fair and reasonable, particularly in light of the environment in which we now find ourselves? What are the choices? To continue tax cutting? If we do that in this environment, it is only going to make more difficult, more numerous, more painful and more lasting the program and spending cuts you're going to have to make. Those cuts are going to involve older people and young people. Fifty per cent of our program spending is on health and education. You can't cut there without affecting a lot of people we all know only too well and don't want to have angry at us or with us.

One of the other options, of course, is that you can have a public auction of valuable public assets. You can start the great barbecue. I am reminded of being in London, England, a few years ago and there was a fascinating sight: Harold Macmillan, the Earl of Stockton, long-time leader of the Conservative Party of the United Kingdom, then in the House of Lords, actually denouncing the then Conservative Prime Minister, Mrs Thatcher, for what he felt was an unseemly sale of valuable public assets. Macmillan's famous phrase was, "I was not brought up in an England as a Conservative to believe that it was necessary to sell the family silverware."

Mr Phillips talked earlier about that 407 deal. He knows it a lot better than I. But let's remember what happened there. On the eve of an election, we sold the asset, we took into revenue \$1.6 billion and we gave to an organization, a company, a multinational conglomerate,

erate, as I recall, the taxing power for nearly 100 years on what is going to be a very important, very busy highway through the heartland and the gut of central Canada. I suspect my friend Phillips is quite right that that deal will only become more vivid and more significant with each passing decade.

What about other assets? Let me tell you, 407 is a junior league compared to Ontario Hydro. Time will not permit tonight, but part VII of Bill 127 invites us to look at amendments to the Electricity Act. I simply want to say here tonight that I am very concerned about what's happening with our Hydro policy. It's a tough file. There are no easy answers. But it is the most valuable set of assets this province owns. It's a \$10-billion annual business and, you bet you, it is going to attract a lot of interest from a lot of quarters.

The Ontario government, again I say in an ecumenical sense, has very important corporate interests, particularly if you're thinking about a revenue need, a taxation policy, to say nothing about some other issues I could get into. Who's looking after the public interest there? The average person living in Nepean or the Ottawa Valley or Bracebridge or Petrolia or Don Valley East is going to want to know, and hopes and prays, that there's a government and a Legislature that's saying, "Hold on here. This is about electricity. This is about one of the most vital economic and social interests we've got. We know there are problems. For God's sake, don't sell us out as consumers for some short-term Ontario government or private sector corporate interest." You are going to have to be Solomon to get through this without having your pocket picked or your integrity impugned.

The front page of today's Toronto Star: "I took \$90,000 in kickbacks." One story about one court case about one person who couldn't resist falling off the wagon when you get into a big auction of public assets. This is at the Ontario Realty Corp. One of my rhetorical questions tonight is, is there any more of this going on? I hope not. But I can tell you that when you are starting to contemplate a budgetary policy that, when forced into a corner, makes you start looking at selling off really valuable assets, you might just be tempted to do the wrong or improper thing.

The press this week is full of stories about whither Ontario Hydro One. Really what you've got there, quite frankly, is a bunch of investment bankers sniping at one another and at the government about who's going to get buttermilk and who might be left sucking the hind teat. Well, there's a lot more that is probably going on there that we haven't even heard of.

Mr Christopherson: It's getting exciting.

Hon Mrs Johns: Louder.

Mr Conway: Maybe it should be louder because—you know what?—we probably won't be here.

It's not that many months ago that people were talking about the Ontario Realty Corp, and now we've got one case. It may be the only case. It may be a very isolated case. I read that today and, boy, I thought to myself, and any of you who have been in government will know,

when you start looking at selling assets—and when you're in politics, what do the politicians need? They always need money. They need it for their public business, the public treasury, and they need it for their private party funds.

Go and read T.D. Regehr's *Beauharnois*, published by the U of T Press not too many years ago, to find out what can happen when you start playing around with hydro assets. I'm not here to defend the old Hydro monopoly and am fairly critical of it, but I'll tell you, one of the things the public Hydro prevented was some of the really outrageous scandals of an earlier time when we were out in the marketplace with these kinds of generating and other related assets.

I want to say tonight that in this environment, when you don't want to or feel you can't raise taxes, and you can only go so far with program spending cuts, one of the places you're going to look is selling off assets. I say again here tonight that it is absolutely unacceptable to me that we, as a Legislature, are so disconnected from perhaps one of the most important public policy decisions this or any government will take in this decade or the next, namely, what kind of an electricity policy we are going to have—no policy I can think of packs more economic and social punch than that one.

By the way, it's a \$10-billion annual business. When you've got that kind of asset and that kind of activity, get ready because a lot of people, not with the public interest as their first concern, are going to be swimming to your boat.

What are some of the other choices Bill 127 is also going to invite and force upon government? This legislation tonight, in parts X and XI, talks about the Gasoline Tax Act and the Fuel Tax Act. I want to make a point there, as someone from rural eastern Ontario. According to the 2001 spring budget, this year gasoline tax revenues are going up to \$2.3 billion. Fuel tax revenues are going to be at \$655 million. That's nearly \$3 billion this year in gasoline and fuel tax revenue.

According to this same budget, the Ministry of Transportation highway improvement and capital plan is at \$673 million, down about 20% from where it was 18 months ago. I will be very surprised—and I hope I am and I hope I'm wrong—if within the next few weeks we do not have the Minister of Finance or the Minister of Transportation telling us in this Legislature, or more likely out in the hinterland, in Listowel and in Eganville and in Hamilton and in New Liskeard, "We are going to have to, in the name of restraint, cut back on our capital program for provincial highways."

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I want to say to the Minister of Finance that I will be very unhappy, as will my constituents in the Ottawa Valley, if we are told that the improvements promised to Highway 17 are going to be delayed in the name of restraint because we don't have sufficient monies in the Ontario government's highway improvement plan but on the other hand we are going to proceed with a multi-year, multi-billion dollar corporate tax relief program. That's

simply unfair to people, not just in my part of rural Ontario but the millions of people, hard-working people, who will this year pay nearly \$3 billion in gasoline and fuel taxes, taxes and tax revenues that are going up. And I'm not even counting the nearly \$1 billion in motor-vehicle-related fees and other revenues. My point here is that there will be very real pressure on the government to look at the capital plan, whether it's for highways or hospitals or schools or water and sewage treatment facilities, and say, "We've got to slow down and pull back on those expenditures because our revenues are not as strong as we had expected." Again, it's a matter of choice and consequence measured against fairness.

I see in the Kitchener Record this week quite a remarkable statement from our friend the member from Bruce-Grey. Monday's Kitchener Record has the member from Bruce-Grey quite rightly upset about the fact that scores of small municipalities in southwestern Ontario, like my part of southeastern Ontario, are increasingly agitated and fed up with waiting for months to hear whether or not Ontario government funds are going to be made available to help them to meet the new standards imposed by the province to meet new water and pollution requirements. What does our friend Murdoch say? Monday's Kitchener Record, quoting Bill Murdoch: "If I were the reeve of my own township I'd tell the province to go to hell." He is speaking as a true democrat.

Laughter.

Mr Conway: Well, we laugh. I don't think we should laugh. There are hundreds of small municipalities—and we all know them—out there who would say to Murdoch, "Absolutely. You're right on." Are we going to go there and pull back? Apparently we've already held back.

And we're weeks away from the first O'Connor report on Walkerton. We're asking small municipalities in my area and communities like Chalk River, Barry's Bay, Killaloe, Eganville, Cobden and Beachburg to meet these new water testing and pollution control requirements, towns of 500 or 5,000, and they're going to have to spend hundreds of thousands or millions of dollars. The little village of Killaloe asked me the other day, "What are you going to do to help us meet our requirement? We've got a couple of hundred people who are ratepayers to our little water authority. How are we going to do this?" Without provincial government help, through the capital support program of the Ministry of the Environment, they haven't a hope in hell. Bill Murdoch is right: without the money, tell the province to go to hell.

It's not going to be easy. We're spending, on the capital account, fewer dollars now than we have in a long time. According to the budget figures, our entire capital program, in terms of provincial government monies being committed, is less than half of what it was in the election year 1999. Some of that I understand.

Mr Guzzo: How's our tax revenue? Check the tax revenue.

Mr Conway: Well, my point is a very simple one. We face tough choices, and the people I represent don't expect miracles. They're getting a little tired, I guess, of

people on both sides of the aisle, perhaps me as well, just playing games. They're not silly people. They know times are different. They want responsible government, based on fairness and reality. I just think talking about a multi-billion dollar corporate tax cut, faced with the economic and fiscal climate that people like the Royal Bank are projecting over the next 15 to 18 months, is unfair and irresponsible. That's why I cannot support Bill 127 and the policy that undergirds it.

The Acting Speaker: Comments and questions?

Mr Christopherson: Again, excellent presentations by my colleagues from Scarborough-Agincourt and Renfrew-Nipissing-Pembroke. There are a couple of points I would like to underscore that I think they very eloquently made.

The last speaker, the member for Renfrew-Nipissing-Pembroke, talked about the fact that, for all your claim to be the world's greatest fiscal managers and all the evil inherent in the debt, the debt has gone up by some \$20 billion under your government. He makes the point that whether it's that \$20 billion or any other part of the debt, you claim it's deferred taxes and that's evil and can't happen. Yet that's exactly what you did. You increased the debt. There is more debt now than when you took power six years ago, and to use your argument, somebody down the road has to pay for that.

Had you not decided to take billions of dollars from the pockets of hard-working individuals and give that to the corporations and your wealthy friends, who are contributing to your leadership campaigns faster than they can be asked for the money—because, let's remember, you changed the election laws and how elections are financed so large corporations can give more money than they could before you were in power. I mean, this all hangs together.

Hon Mrs Johns: It's a conspiracy.

Mr Christopherson: No, I say to the minister, it's not a conspiracy. If it were that, it would probably be easier to deal with. It's very deliberate, very well thought out, and it's meant to do nothing more than make sure you stay in power and continue to take care of your friends at the expense of everybody else. That's why it's so shameful, because it's so bloody blatant.

Mr Guzzo: I too want to make comment with regard to the comments of the member for Scarborough-Agincourt. I'm always fascinated when I hear him start talking again, after a three-year hiatus, about jobs. We listened to him complain and laugh at a project that would create 800,000 new jobs in this province by tax cuts. Three years after it was well on its way, he stopped talking about jobs and started complaining about other things.

But I want you to know one thing. We have had some difficulty in meeting our obligations. We are paying three times the interest on a debt that tripled between 1985 and 1995. It had been tripled, and therefore the debt interest today is three times the amount.

Interesting, too, are the comments from my friend from Renfrew-Nipissing-Pembroke. He made some very valid points, and I commend him for it, with regard to the

financial statements between, as he chooses, 1997 and today. His figures are accurate. I've listened to nothing from the other side but the complaints about the Harris cuts, the Harris cuts. He accurately outlines how we as a government overspent in that period, and I plead guilty. But let me make one thing plain. When the member from Renfrew is offering his comments with regard to the financial statistics, he doesn't mention the comparative figures with regard to taxes, corporate taxes and income taxes, which have gone from \$30 billion to \$45 billion, a 50% increase. Why? Because of the tax cuts of this government. If those other provinces had done the same, they would have experienced the same growth, because the value of the Canadian dollar is the same in BC as it is here.

2100

Mr Caplan: I certainly want to congratulate the members for Scarborough-Agincourt and Renfrew-Nipissing-Pembroke. I don't think you will find two more studious, hard-working and eloquent speakers in this Legislature. Unlike what I've heard from members opposite, they actually talked about some of the measures contained in Bill 127.

I wanted to touch on one that has not been covered yet, and that is part VI, entitled "Education Act." It says in section 65(1.2), "A regulation made under this section is, if it so provides, effective with reference to a period before it is filed." What that means, outside of the legalese, is that the Minister of Finance in the province of Ontario will set education tax rates, and not only will he be able to set them currently, but he will be able to retroactively set tax rates for local homeowners and local businesses. My, oh my. If there is a scandal, it is the fact that the Minister of Finance, without any kind of transparency, without any kind of debate, without any kind of legislation, is setting municipal tax rates retroactively.

I don't understand why there is not a holler in the land from municipal officials, from local hard-working taxpayers and from businesses for this blatant taxation without representation, this sneaky method of trying to pump up the revenue in the provincial treasury. I tell you, the education portion of municipal taxes is roughly 60%. Watch out, hard-working taxpayers in cities and towns across this province, because this Minister of Finance is going to siphon it.

Mr Tony Martin (Sault Ste Marie): I have sat and listened for an hour now. As I listened, it became more and more obvious to me that we have yet another in the pattern of approaches by this government to everything fiscal and financial. One the one hand, you spend public money to deliver all kinds of goodies to corporations and wealthy Ontarians, who will in the end support the government in their re-election so they can stay in power. There is no doubt about that. That spending has driven the debt of this province up yet further from the situation they inherited in 1995. There is no denying that. It's in the figures, in the budget. Everybody can see it. It's as clear as anything.

On the other hand, they nearly always, in delivering a financial statement, pick out a couple of victims to whack. In this instance, it's a group of very poor and vulnerable and at-risk people. They've decided—I don't know, I guess it's Christmas and the Minister of Finance was in a good mood or whatever, because he obviously didn't talk to the rest of his caucus about this—to give \$100 to working families who are living in poverty, for children at Christmastime, and I think that's good. But he left out a whole group of very vulnerable and at-risk children in this province who need this money at Christmas just as much, if he's going to be giving it away, because he has taken it away from them since 1995 in big gobs.

The other group he whacked is again the north. He has put in this bill a provision that goes mostly unnoticed, that will tear apart an economic development vehicle that the Bill Davis government put in place to support economic development and the economy of northern Ontario: the Ontario Northland Railway, a vehicle that has served that Highway 11 corridor very well and will be gone after this.

The Acting Speaker: The member from Renfrew has two minutes to respond.

Mr Conway: Just a couple of comments to my friend Judge Guzzo. The member makes some very good points. About the revenue side, the corporate stuff, the member is absolutely right. I haven't got the data in front of me. I'd love to see, for example, the capital gains tax revenue increases to the federal and provincial governments. If you bought Nortel at \$10 and sold it at \$100, if you bought JDS at \$10 and sold it at \$200, let me tell you, did the provincial and federal treasuries share in that capital gain. If you look back over the last four or five years, those equity markets roared. There were absolutely tremendous gains, and perhaps Mr Martin and Mr Eves deserve all the credit in the world. But do you know what? The tide that rolls in sometimes rolls out. I'm going to be interested in some of those capital gains tax yields, those corporate tax yields over the next year and a half. I hope I'm wrong. What always gets the politicians in government is that they don't see—we didn't—the collapse in revenues coming, and that's what gets you, because you've got fixed spending up here and it's bloody hard to bring it down.

On spending, I want to say to my friend from Ottawa West and to his good friend from Petrolia, I hear some of these caterwauling oppositionists saying, "Oh, the spending," and the Minister of Health gets up and he makes the comment about, "We're spending more money." Do you know what? The Minister of Health is right. Let me be devilish. Is he spending more money? You betcha. You look at those hospital restructuring costs in Ottawa, Sudbury, Pembroke, Sarnia and a lot of other places, and they are stratospheric. At the end of the day, hospital and municipal restructuring is going to cost billions more dollars than those smart people, including some good friends of mine, predicted to Her Majesty's government a few years ago. It is going to be that kind of spending, married to sharp revenue declines, that is going to make the next

finance minister for Ontario grow very grey or bald quickly.

Mr Christopherson: I appreciate the opportunity to join in debate this evening. I'd like to just pick up, if I may, on where I left off in the two-minute response to my Liberal colleague's speech this evening, and that is speaking to the issue of debt and deficit and who has the better track record and who really cares and who can really manage things.

I want to remind the members of the government benches that the biggest increase in the national deficit in the world's biggest, strongest economy, that of the United States of America, was under Republican President Ronald Reagan. That was the biggest—and I just heard a “Hear, hear,” from one the Tories walking out. See, mention one of their icons. But what they can't explain with any satisfaction is how come one of their icons ended up leaving the United States with the largest deficit—in fact, I believe he quadrupled it in the time he was President.

Brian Mulroney—dare I mention that name, at the risk of having something thrown at me in this province?—the biggest increase in the deficit nationally was during his time.

Now, to be fair, which the government members rarely are, during those times—

Interjection.

Mr Christopherson: Don't ask me to name names, Minister—they ran into some economic difficulties, not unlike every other government, depending on the cycle of business and when they got elected. Believe me, we know all about that, having watched the Liberal boom of the late 1980s, followed by the deepest recession, in the early 1990s, since the Depression in the 1930s and then followed by the biggest economic boom in history, driven by the US economy, bracketing our time in office. I understand and I am probably more sensitive to that factor of governing than many others. Nonetheless, the point is that those rates of increase in deficits and rates of increase in debts reached historical levels under perceived right-wing, fiscally prudent leaders.

What is also true—the government doesn't like to talk about this much—is that the first government in Canada in the modern economic era to balance their budget was an NDP government in Saskatchewan. When Tommy Douglas was Premier—

Interjection.

Mr Christopherson: “Good old Tommy,” I hear one of my colleagues across the way say. Well he's sainted now. I don't know what you would say if you were a politician sitting in the Saskatchewan Legislature in the 1950s when they brought in the first universal health care. It would be very interesting to think about where the member who just said “good old Tommy” would be politically were he in that time period when the introduction of any kind of universal health care was perceived to be the big roar of communism. Believe me, that was the message. It was a red scare through and through. “The Communists are coming”—“the

Bolsheviks” was actually the term being used. “The Bolsheviks are coming. They have a beachhead in Saskatchewan, and the evidence of it is their communistic health care system.”

2110

I believe Tommy was recently the first inductee into—I wish I had the proper name, but there's a new, for lack of a better term, hall of fame for those involved in the medical community, health care and medicine. Either the first or one of the first to go in was Tommy Douglas, who was called every imaginable name in the book when he brought in universal health care.

But what's interesting and why I raise it in the context of the debate around Bill 127, the reason I raise it tonight, is because there was one lesson that Tommy taught that I think it is fair to say to my colleague from Sault Ste Marie maybe we didn't learn well enough. That was that Tommy waited until I believe it was the 15th year of his 16 years as Premier before he introduced universal health care.

Why? Because he didn't believe in it? No, of course not. Because he didn't want to do it? No, of course not. His life was saved only because when he was a young child, a wealthy individual took interest in him and forked out the money so that he could have a proper operation. Without that, he probably would have died. That was the personal experience that drove Tommy Douglas to implement it. But why did it take 15 out of his 16 years as Premier? Because he said that one of the things he wasn't going to see happen was that he would introduce it under the then-CCF government—the predecessor to the NDP—only to see it blown away by right-wing governments should they be elected after his.

So he made the argument that one of the things about it, in addition to being well thought out, well planned and a true benefit to the citizens of his province, was that it could be affordable and that it would be sustainable. As long as that fiscal sustainability was there and it was a well-thought-out program and it delivered to the citizens a benefit in their quality of life, he believed there was a good chance regardless of the resistance. Remember the times and what was going on. In spite of that kind of resistance, he believed that not only could he plant the seed, but that the roots would grow so deep that no one could blow it away.

Not only did that prove to be prophetic, but within a few more short years, again with the assistance of the CCF and the NDP, in a national government in a minority situation—a key part of this, but nonetheless it was the Tommy Douglas example in Saskatchewan that caused that to bring about universal health care in Canada and one of the things that defines our entire nation. Tommy Douglas brought that in. He did it in a fiscally responsible way. If there was a lesson there that we didn't learn—and I acknowledge it and admit it up front—it was that in a lot of things we did, we didn't prepare the ground properly, because they didn't hold. I can tell you that Tommy faced a lot of heat from the left

wing of the party to bring it in. He refused, and he was so right in that approach.

Before I leave this subject, let me just say one more thing about it. I still have government backbenchers, and frontbenchers—it will probably happen tonight. It happens almost every time I raise this. They say, “No, that’s not true. It didn’t happen.” I’m never quite sure how they can arrive at that, but that’s where they end up. In 1995, in the election, under the deficit reduction plan that we had brought forward, based on much more modest growth than we actually saw, the budget in Ontario would have been balanced sooner under an NDP government than the ensuing Harris government. Why? Because we didn’t take billions of dollars out of the revenue stream and give it to those who need it least. We didn’t do that.

Interjection.

Mr Christopherson: Well, I hear government members saying, “You wouldn’t have had the economic activity.” Now we’re back to the whole argument about whether you caused the boom or whether you were lucky to be following on the coattails of a strong US economy. I think it’s pretty clear: you can’t create that kind of boom here and you can’t prevent a recession when it turns. Much of what happens in Canada on a macro level is out of our control, but the point is nonetheless accurate and factual that the budget would have been balanced sooner under our government, a re-elected NDP, than the Harris government.

Mr Gerry Martiniuk (Cambridge): Oh.

Mr Christopherson: You see, the member groans, but it’s true. The enormity of that thought is more than he can handle, but it’s the truth. Further to that, we wouldn’t have had to cut a dime from the programs that you savaged, because of the billions of dollars—from which most of the people in my community, my hometown of Hamilton, didn’t see a major benefit; but, boy, we’re sure feeling the sting of the pain with the pressure on our hospital system, school closures on the public side and on the Catholic side, both of them closing inner-city schools, doing enormous damage to local communities—none of that would be necessary.

We could have had a balanced budget so much sooner without the \$20 billion that you put forward, that you’ve added to the debt. Then, quite frankly, we could have had a debate about what we do with the surplus revenue. Do we then put that toward the debt? Do we put it toward more investment in communities? Do we put it toward tax cuts? Have that debate, but have the debate after you’ve balanced the budget. You did it the other way around and that, to respond to something one of the earlier members talked about, is why the credit rating remained the same for the first term of your government. I believe for all of your term of government your credit rating was exactly the same one that you inherited from the NDP. To listen to you folks, they should have practically given us money for free because you’re just so smart and brilliant and people would be honoured to lend you their money so that you could handle it. It didn’t

budge. Why? Because the economists and the credit-raters looked at the situation and said, “Fine, but you’d be a lot stronger economically if you didn’t do the tax cuts until after.”

So the credit rating didn’t budge. It did not budge. We went through all that pain and it was supposed to prevent us from being in recession, and here we are today in the midst of a horrible recession. Whether that’s technically true or not in terms of two quarters of negative growth remains to be seen, but there are very few people arguing that we aren’t indeed in recessionary times and recessionary territory. Your answer to all that we face now is more tax cuts. In fact, it’s the only thing you’ve talked about: accelerating your corporate tax cuts at that.

Let’s just review a couple of things that got us to this point, just to put things in context. In February of this year, the brand new, freshly minted finance minister, James Flaherty, rolled into the pre-budget hearings. I was there as our finance critic as he rolled in, with all the cameras going, the reporters jotting down his every utterance—and what did he have to say to us? One of the things he said to our committee was this—this is February of this year—“I want to take this opportunity to emphasize that this slower rate of growth is not tantamount to a recession.” He also said, “Our economic and fiscal plan has worked. It has laid the foundation for a stronger Ontario that can withstand the impacts of any slowdown in the US economy and that will continue moving us forward.”

2120

Is that a fact? Well, then, how did we get to the point where the Chair of Management Board says that you’re about to cut up to \$5 billion in public services and we’re now in a major recession? We’ve lost 29,000 jobs since May and the pink slips continue to roll out. Once again, they speak one set of words and reality exists over here. He was so wrong it’s hard to believe he’s still the finance minister.

What is also interesting is that at the same set of hearings somebody came in representing the Ontario Federation of Labour. Immediately, when you say that, of course, all of the government benches turn off: “click.” “What could the Ontario Federation of Labour possibly have to say to me that I would need to listen to?” Especially when you’ve got somebody with the foresight of Jim Flaherty as the finance minister, why would you need to listen to anybody, let alone anybody from labour? Boy, oh boy, Jimbo knows how to call them, doesn’t he? Yes, sir.

The Ontario Federation of Labour took a little different slant. Same meeting, same time, same economic environment, you heard what Jim Flaherty had to say. Here’s what the Ontario Federation of Labour said: “As everybody in Ontario knows, with the seeming exception of the Minister of Finance and his ministry, the auto sector in Ontario has been hit with the worst blows in over 25 years, with the real likelihood of more bad news to come. The signs are all there that a significant downturn is already underway. There is every reason to

assume that we are once again entering a period of recession and to plan for that contingency.”

That was the Ontario Federation of Labour saying, “Warning signs are up, folks, there’s a likely recession coming. We’d better get ready for it.” Instead, we were fed the pabulum—and that’s the best-case scenario—of a Tory finance minister saying that his economic and fiscal plan has worked and it’s laid the foundation for a stronger Ontario that can withstand the impacts of any slowdown in the US economy and that will keep us moving forward. Oh, yes, moving forward all right—smack dab into \$5 billion in cuts.

You might ask, did the OFL get lucky? Was it a fluke? My friend Terry Cooke will appreciate that.

Same hearings, same environment, somebody else rolls in, economist Hugh Mackenzie—

Hon Tim Hudak (Minister of Tourism, Culture and Recreation): The other Hugh Mackenzie.

Mr Christopherson: Yes, the other Hugh Mackenzie, you’re right. He would want me to emphasize that too, as much as the other Hugh MacKenzie, so yes, you’re right, we want to be clear. But economist Hugh Mackenzie, who is part of the Canadian Centre for Policy Alternatives, Ontario alternative budget working group—

Mr Chudleigh: What is his other job?

Mr Christopherson: He’s with the steelworkers. I’m glad you asked that, because I was debating whether to throw that in or not. I didn’t want it to seem like I was trying to pad how brilliant some people in the labour movement are, but you helped me out very much, member from Halton, and I appreciate your help there. Yes, he’s a steelworker, so now I’m talking about two trade unionists coming in and talking about the economy, which as far as you’re concerned is totally oxymoronic—correct?—because they’re from labour. What could they possibly know about anything, unlike the brilliance that exists on the deep back benches of the Tory government?

Mr Mackenzie said at that meeting—

Interjections.

Mr Christopherson: I told you they wouldn’t listen, Speaker. As soon as you say somebody’s from labour, they just tune out, so I will tell you what they said, because I know you would care and want to know what was said at that meeting.

What Mr Mackenzie said was this: “The Harris government’s fiscal recklessness and manipulation has left Ontario with literally no flexibility to deal with the consequences of a modest economic slowdown and facing fiscal disaster if the worst happens and we face a true recession.”

Given where we are right now, I wish either one of those two individuals had been the finance minister, rather than Jim Flaherty, who handed us a piece of pabulum that bears absolutely no resemblance to the reality that we face here on November 21, 2001, a mere number of months after Jim Flaherty came in and gave us his pronounced wisdom. And this is the government we’re supposed to trust in Bill 127 to handle the future of our

economy? Without the artificial benefit of a booming US economy, their whole plan, theory and ideology collapses like a house of cards.

However, as my friend from Sault Ste points out as often as he can in this place, there are tens and hundreds of thousands of people for whom this is not an academic debate as it is for us here tonight. They got left behind. If things are going to be rough for the next little while, wouldn’t you love to be one of the ones who grabbed a nice significant piece of some of the billions of dollars of tax giveaways that this government provided? If that’s the case, then you’re just sitting around, nice and comfortable, talking about—I mean, what, Speaker? I don’t even understand that world. I admit, I don’t even know what it’s like to be in a world where you would sit down and talk with somebody else and commiserate about the fact that your income for the next few years is only going to be \$3.5 million instead of the \$8 million you’ve been used to.

I admit I have no idea what that world is like, but more importantly, neither do the vast majority of Ontarians. They’re the ones who got left out of this deal because we don’t have enough money to run the hospitals the way they need to be run, we don’t have enough money for the CCACs to provide home care for our parents and our grandparents, we don’t have enough money in our communities and in our local school boards to keep open the inner schools that give some young children at least half a hope of having a decent life in the future. We don’t have enough money to do all those things. But then you’re not worried about them, are you? You never were worried about them.

I see that for this evening, Speaker, I have 38 minutes left in my leadoff, but only two minutes on the clock. Let me put on the record at least once more the brilliance of the fiscal management of the Harris Tory government. Not only was it Jim Flaherty who looked into his crystal ball and saw a fantasy future; on April 20 last year the Premier himself said to this House: “Let me say this: As long as the voters of Ontario don’t make the same mistake they made in 1985 and 1990 and elect big-spending, wasteful governments, there will not be a recession in this province.”

I look over on the other side of the House and unfortunately I still see a massive number of Tories. I do not see an NDP government, I do not see a Liberal government; I see continued Tory government. According to Premier Harris, there shouldn’t be and can’t be a recession as long as that situation exists. I look around. There’s a majority Tory government and we’re in the midst of a serious recession in which hundreds of thousands of people are going to be hurt and your answer to all of that is to accelerate more corporate tax cuts. Hallelujah.

The Acting Speaker: It being 9:30, this House stands adjourned until 10 am tomorrow.

The House adjourned at 2130.

CONTENTS

Wednesday 21 November 2001

SECOND READINGS

**Responsible Choices for Growth
and Fiscal Responsibility Act
(Budget Measures), 2001**

Bill 127, *Mr Flaherty*

Mrs Elliott.....	3753
Mr Miller	3755
Mr Galt	3756, 3761
Mr Caplan	3760, 3770
Mr Christopherson .	3761, 3769, 3771
Mrs Johns.....	3761
Mr Ramsay	3761
Mr Phillips	3762
Mr Conway	3765, 3770
Mr Guzzo	3769
Mr Martin	3770
Debate deemed adjourned.....	3773

TABLE DES MATIÈRES

Mercredi 21 novembre 2001

DEUXIÈME LECTURE

**Loi de 2001 sur des choix réfléchis
favorisant la croissance
et la responsabilité financière
(mesures budgétaires),**

projet de loi 127, *M. Flaherty*

Débat présumé ajourné	3773
-----------------------------	------