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Mercredi 29 janvier 2003

Standing committee on finance and economic affairs

Pre-budget consultations

Comité permanent des finances et des affaires économiques

Consultations prébudgétaires

Chair: Joseph Spina
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Wednesday 29 January 2003

Mercredi 29 janvier 2003

The committee met at 0901 in room 151.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Joseph Spina): I'm going to call this meeting of the standing committee on finance and economic affairs to order.

CANADIAN MANUFACTURERS AND EXPORTERS

The Chair: Today we have presentations from the public, and our first presenter this morning is the Canadian Manufacturers and Exporters. I would ask that you give your names clearly when you begin for the purposes of Hansard. Welcome, gentlemen.

Mr Ian Howcroft: My name is Ian Howcroft, and I'm vice-president, Ontario division, of Canadian Manufacturers and Exporters. With me is Dave Penney, director of taxation for General Motors of Canada. Dave is also the chair of our taxation committee. Hopefully with us very shortly will be Joanne McGovern, our senior director of policy, who will have our submissions that we will leave with you.

We appreciate the opportunity to present to you this morning. We will be providing you with a copy of our submission and a copy of our submission on the electricity market, which we will also touch on briefly in a few moments.

I'd like to say a few things about manufacturing and exporting and about the CME before we make our budget recommendations. Our recommendations deal with targeted tax reform and some non-direct tax issues.

Canadian Manufacturers and Exporters is a horizontal association with members from all sectors of manufacturing and from all regions of the country and the province. Our members are also very diverse when it comes to size, from the very small to the very large; however, most of our members are SMEs and most of those have fewer than 100 employees. It's important to note that our members produce approximately 75% of the country's, and the province's, manufactured output and are responsible for 90% of our exports.

It's the manufacturing sector that drives the economy. Over one million individuals work directly in the manufacturing sector, and about two million more have jobs that are dependent on a strong manufacturing sector. Manufacturers account for approximately 22% of the country's GDP and drive over half the country's economic activity. Further, most manufacturing jobs offer full-time employment and are at wage rates that are far higher than the national average. The manufacturing sector is also responsible for three quarters of Canada's private sector R&D and 30% of annual business investment.

Canada's economy, and particularly Ontario's, is heavily dependent on exports. In fact, we are now our second most important market. About 75% of what we produce in this country is exported, and I think everyone here realizes that 85% of what we do produce is exported to the United States. Consequently, to sustain our economy and the social programs of which we are so proud, we need to be as competitive as possible.

An important part of our competitiveness is based on our tax system. Notwithstanding the productivity improvements that we've made over the last few years, we have not kept pace with our competitors—again, and particularly, the United States. Each year, CME conducts a competitive analysis, and it is disappointing to note that we have come in last of all the G7 economies. The low Canadian dollar has helped our competitive position, but we must address the fundamentals if we are to thrive in the long term. Consequently, two of the issues we will address in our submission are skills and energy.

We are currently experiencing a skills shortage in this country, and, because of demographics, it will get much worse before it gets better, so a coordinated strategy is necessary. We need to develop the skilled workforce that will allow our economy to grow. It's a multi-faceted issue that cannot be addressed in a silo. There is a role for the individual, for business and for the government, including tax credits for supporting training.

The other major issue we will raise pertains to the electricity market. Our economy is dependent on having access to a reliable, secure and affordable supply of electricity. CME has long supported the need for an open and competitive electricity market, but the open market is now threatened. There is much confusion, uncertainty and a lack of understanding. Some of these problems can be solved by education and awareness, but it is also a time for decisive action and leadership on behalf of the government.

The announcements of November 11 have caused many to question the future of the open market. Our submission provides recommendations that support and lead to the creation of a real and functioning open market and also provides solutions to deal with the immediate problems and ensure equity for all participants. Again, we will be providing you with copies of the submission we made to the Minister of Energy earlier this week.

Finally, I want to emphasize the fact that CME has supported the government's direction of tax cuts and stress that this direction must be continued. As has been noted, such cuts have helped to create over one million jobs in Ontario over the last six or seven years and have stimulated enormous economic growth. We were very disappointed last year with the announcement to delay the tax cuts that were expected this month. In our view, that decision was harmful to the economy and it is now time to return to the stated direction that has proven so successful in the past.

We will now turn to the recommendations in our submission, and I'd ask David to make some opening comments.

Mr David Penney: First of all, CME commends and continues to encourage the government to take action on debt reduction. We are pleased that the government continues its commitment to this priority. CME members strongly believe that paying down the debt and reducing the debt-to-GDP ratio in Ontario is essential to the future economic health of the province.

The Ontario government must develop a solid tax reform strategy for 2003 and beyond in order to capitalize on measures introduced in the 2000 and 2001 budgets and to achieve long-term economic development and employment growth. The level of the Ontario tax burden continues to be viewed as an unnecessary and unproductive cost of doing business and a major impediment to attracting new investment and sustaining economic growth.

First of all, capital tax: in the 2001 budget, the government made a commitment to begin eliminating the investment-unfriendly capital tax. The first step the government took was to increase the taxation threshold to $5 million from the current $2 million of taxable capital. In the 2002 budget, the government did not announce any further action on capital tax. This was a disappointment considering the limited threshold increase to $5 million announced in 2001, and it was not enough to stimulate essential investment in the province. However, in the 2002 budget the government did restate its commitment regarding capital tax and promised to introduce measures toward eliminating it in the next budget. CME strongly encourages the government to take the next steps and legislate full elimination of the capital tax quickly and completely.

The capital tax continues to act as a direct disincentive to the ownership of capital in Ontario. Once again, such a punitive measure is completely at odds with the overall message of the Ontario government. Ontario should abolish this tax, as it puts Ontario investors at a disadvantage compared with our US competitors. The Ontario capital tax, and for that matter the federal capital tax, is a deterrent to investment necessary to increase Ontario's productivity.

CME further urges the provincial government to press the federal government to eliminate its capital tax. This would also benefit Ontario-based companies vis-à-vis their competitors outside Canada. OECD studies consistently illustrate the direct relationship between productivity losses and the lack of capital investment. The capital tax is also a regressive tax. It is a fixed cost and was discredited by both the OECD and the Mintz reports. We strongly recommend that the government abolish the capital tax.

Secondly, our members recognize that a capital recovery system such as the current capital cost allowance is an important element of the Ontario tax system. The CCA regime has been comparatively advantageous in the past; however, the system no longer compares well with other markets. Tax measures to enhance capital investment would result in increased employment and greater economic growth in the province. In our view, this is undoubtedly a competitiveness issue. Many competing jurisdictions, such as Quebec, offer M&P capital investments at 125% depreciation in the year the expenditure is incurred.

We recommend that the government introduce a more favourable capital recovery regime that would apply to new M&P equipment and to M&P equipment not previously used in the province. This could be accomplished by expanding the existing 30% Ontario current cost adjustment currently applicable to pollution-control spending to include M&P equipment and granting a two-year write-off through the existing CCA system.

In summary, we recommend that you enhance the capital recovery system by broadening the OCCA to include M&P equipment and accelerate the CCA to provide a two-year write-off for M&P equipment.

0910

On the personal income tax front, members were disappointed with the government's decision in the 2002 budget to delay action to address the personal income tax surtax. The government had promised in the 2001 budget to increase the personal tax threshold above which surtax becomes payable in order to eliminate the first tier of the current two-tier tax system originally effective January 2003. This will now be delayed for one year.

Personal tax reductions encourage Canadians to invest in education, careers, entrepreneurship, financial investments and a lifestyle supporting the Ontario economy. In acknowledgement of this, the government should be commended for the positive steps it has taken in reducing some of the personal tax burden on Ontario taxpayers over the last several years. CME encourages the government to proceed with these measures by legislating the reductions announced in the 2000 budget, as well as undertaking full indexation to inflation and proceeding with the complete elimination of the surtax on all income levels.

With respect to corporate minimum tax, CME continues to view the corporate minimum tax as a strong disincentive to potential industrial investors in the province. This tax is highly visible and a clear disincentive to investment. The corporate minimum tax currently raises little revenue, is a nuisance to taxpayers and is a strong disincentive to investors. The tax sends a very negative message to those who make corporate investment decisions. Ontario should abolish this tax because it is a highly visible disincentive to investment.

Ian, would you like to expand on electricity?

Mr Howcroft: I think Joanne is going to do that. She's joined us.

Ms Joanne McGovern: We have made presentations to the Minister of Energy, Mr Baird, as well as the Minister of Enterprise, Opportunity and Innovation, and also Minister Ecker earlier this week. As Canadian manufacturers and exporters are significant users of electricity, CME has been very supportive of an open, competitive electricity market in Ontario. However, with the recent policy decisions on November 11, CME and their members have been questioning the intent of the government, whether they're truly committed to an open, competitive market, primarily because of the rate freeze of 4.3 to 50% of the residential or retail sector.

We have made recommendations to the government. Because of this uncertainty, because of the situation with the supply, which is lacking right now in Ontario, we have recommended to the government that they offer the 4.3 to all industrial users, but not necessarily into the 2006 time frame, only until such time that there are adequate supply reserves in the market so that industrial consumers can ride the spot market with confidence that there will be supply and there will be a regular demand-supply balance. We've also made some recommendations to continue the market mitigation power agreement so that industrial users do get the rebate, which is calculated by the power monopoly of OPG.

We've also made some recommendations on how to encourage demand-side management and conservation in our submission, which I can provide to the committee if you're interested.

Just to wrap it up, electricity is one of our key issues, so we did want to bring it up in the standing committee consultations.

Mr Howcroft: There are some other administrative recommendations we made in our submission and we deal with a couple of other things, but mindful and respectful of the committee's time, we will cut off there and allow for your questions.

The Chair: Thank you, sir. That leaves us with less than two minutes per caucus. We'll begin with the government.

Mr John O'Toole (Durham): Thank you very much for your presentation and covering the high points of a number of important policy discussions, which I'm sure you've had directly with the ministers. It's a pleasure that this committee is here to hear it.

I just want to reinforce a couple of things. The corporate minimum tax, we haven't actually heard that, but we have heard from most of the financial community as part of the leadoff presenters. We did hear from a couple of the bank groups. More specifically, I think it was Mary Webb from the Bank of Nova Scotia who said on the capital tax that we're almost there. We have reduced capital tax. In fact, there's a more aggressive thing to ultimately eliminate it. But they felt that there were other things. I'm just looking for feedback on that. In Quebec, for instance, only new capital doesn't have capital tax on it. It's like status quo for everybody and it encourages new investment. So anything new capital wouldn't have tax on it.

The most important thing I'd like to put on the record is that we would like a copy of your report with respect to the issue of the mitigation agreement on electricity. It's a huge issue. The minister is still consulting on it. Right now the agreement, as I understand it, still costs OPG or taxpayers about $700 million a year to mitigate that rate back to 3.8 cents. So there's money going back to the manufacturing sector to the tune of about $700 million. That's the information we have.

Dave, you were saying that debt reduction is still right up there. This year, if we have a contingency fund and have any money left, I put to you, should it go to education or health care or the many barking dogs, or should it go to debt?

Mr Penney: Obviously, I don't have all the details as to how you chunk out your priorities, but every one of those is clearly a priority. If you have to make a choice, I would say you would have to make a pro rata choice among those priorities. Clearly every one of those priorities is important.

Mr Gerry Phillips (Scarborough-Agincourt): I'm looking forward to what Mr O'Toole calls the barking dogs from the health sector and education to let us know what their concerns are, because I share some of the concerns of what he calls the barking dogs.

So many questions and so little time. Maybe just to focus on the electricity issue for a moment: it's a mystery what is really happening and almost impossible to get the numbers from the government. We asked the staff who were here the other day. Mr O'Toole believes there is a mitigation fund of $700 million.

I believe that money is to be used mainly to rebate for any price over 4.3 cents that the suppliers pay, but only to about 40% of the market. In other words, there's 60% of the market of the consumption of power that's not subject to the 4.3-cent cap. Can you help us along, just in terms of your members? What is actually happening there? Are many of them on the cap? If they're not on the cap, do they have agreements that allow them to pay less or more than the 4.3 cents?

Mr Howcroft: We have a lot of those questions too. There's a lot of uncertainty and confusion and that's why we'd like to see some strong leadership and announcements made to help clarify that. Our understanding with regard to the market power mitigation agreement is that the fund would rebate from over 3.8 cents, 50% over that amount. I'm not at the 4.3. Those who were subject to 4.3 wouldn't be eligible for a rebate. So it's a little different from what you had said, Mr Phillips. We think that in the long term we need to have a competitive, open electricity market, but because of the confusion, the uncertainties and the announcements November 11, we think the best way to get there is to give everybody the opportunity to have a 4.3 option and—

Mr Phillips: Can I ask just how many of your members would qualify for the 4.3?

Mr Howcroft: Very few at this point. It's mainly residential and very small businesses. The majority of our members would not be covered by that. Notwithstanding that most of your members are small, are SMEs, they still would not able to get that 4.3 on some people's interpretations right at this moment.

Mr David Christopherson (Hamilton West): Thank you for your presentation. Just on the barking dogs, I'm sure Annie Kidder will be quite interested to realize she's been labelled a barking dog.

You mention on page 5 the skills shortage. We've been hearing that across the board, actually, for a couple of years now. The pressure seems to be growing; the crisis is getting greater. Some of the recommendations we're hearing are about coordination from all three levels of government and about how that can come together. I'm trying to get my own sense of exactly how that coordination takes place in such a way that the actual transference of the plan to then begin to provide employers with access to the skilled workers they need would take place. Can one of you just take a minute to flesh that out a little bit as to how you see the coordination between the three levels of government? How would the three of them, working together, then interface with, say, the groups that are part of your association?

0920

Mr Howcroft: I guess that's the key: to get all three levels of government working together. Unfortunately, we haven't been able to see enough of that. Ontario is the only province in the country that doesn't have a labour market agreement with the federal government. Because of that, we have two systems that are not meshing together, and we are, as a province, suffering because of that. We're encouraging both the federal government and the Ontario government to work together, to continue dialogue so that we can create one system.

We see some really good ideas in areas. In the Hamilton area there are some great initiatives going on, but they seem to stop at the border. We see some great initiatives in Mississauga as well. I think we have a role there as well, because we brought some of these members together and they were able to share best practices. So we feel that there is a responsibility for all levels of government and for business organizations to work together and try to help build on that coordinated effort.

We're working right now with the Ministry of Training, Colleges and Universities to deal with internationally trained workers and focus on best practices and share information to allow people to help themselves and learn what others have done. I think there's a great opportunity to do a lot more of that. We've had some success and look forward to working with our partners to build on that.

The Chair: Thank you, Mr Howcroft, Mr Penney and Ms McGovern. We appreciate your input.

ONTARIO LONG TERM CARE ASSOCIATION

The Chair: Our next presenter is the Ontario Long Term Care Association. Please indicate your name when you begin speaking, for the purposes of Hansard. You have 20 minutes. Whatever is left over from your presentation we'll divide equally as best we can between the parties. Welcome.

Ms Karen Sullivan: Thank you very much. Good morning. My name is Karen Sullivan. I'm the executive director of the Ontario Long Term Care Association. With me is Fraser Wilson, our president. We thank you for the opportunity to address your committee on the inability of long-term care to meet the needs of the oldest, frailest and sickest members of our province.

Let me begin by telling you that OLTCA represents the private, not-for-profit, charitable and municipal operators of over 360 of the province's 550 long-term-care homes. Our members provide care and accommodation to over 36,000 residents and employ an equal number of staff in communities throughout Ontario.

Long-term care is different from retirement homes and other seniors' accommodation and from many of the other health care services. Unlike retirement homes and other seniors' accommodation, long-term-care homes are funded, regulated and accountable to the Ministry of Health and Long-Term Care to provide 24-hour nursing and personal care services. Access to a long-term-care home is based on care need, not on financial capacity. This care need is determined by an independent third party, the government's community care access centres.

Unlike many other health care services, long-term care is a shared-cost program between the government, the resident and the provider. The government funds health and personal care services at the current rate of $70 per resident per day. On average, residents contribute $40 per day toward their accommodation. Providers contribute to the construction, upkeep, operation and management of the home.

On February 27, 2002, I outlined for this committee how this vital health care service could not meet the needs and expectations of those it served. Eleven months later, I'm here to say that one fundamental element remains the same, while another has changed. What remains the same is the fact that Ontario's long-term-care residents have among the highest level of care needs, but the government still funds the lowest level of care compared to 11 Canadian, American and international jurisdictions studied in the 2001 government-funded level-of-service study. That level-of-service study showed that in 1999, long-term-care residents in Saskatchewan received 50% more care than those in

Ontario, and Saskatchewan barely made it into the study's top 10; they were eighth. In the southern state of Mississippi, long-term-care residents received twice the amount of care as those in Ontario.

Since then, government has increased operating funding that has enabled providers to begin to add more care hours to address priority resident care needs. Examples of how our members have implemented the most recent funding increase include: 209.3 full-time-equivalent positions which were added by four of our multi-home providers; a larger home added an RN for four days a week, one day a week for a psychogeriatric RN—7.5 RPN hours—and increased the length of bathing shifts; a small home added four hours of RN time per week to deal with wound care, eight hours of RN time per month to support specialized Alzheimer programming, four hours of RN time per week as a clinical nurse resource, and an extra hour per day of personal support worker time to provide increased resident assistance and bathing.

While I don't want to downplay the value of this increased care, it would also be wrong to let it obscure reality. In terms of the level-of-service study, Ontario was last. We are still last. That's how big the gap between care required and care funded is in this province.

The level-of-service study identified that Ontario provided 2.04 hours of nursing and personal care per resident per day. The funding increases to date have increased this to 2.34 hours per resident per day. This is still almost 45 minutes less than long-term-care residents in Saskatchewan received in 1999. It means that nine out of 10 of our residents don't get the physical therapy services, and less than half get the special exercises that they require. Special programming needs go unattended because there is not enough staff. Even the ministry's own compliance advisers have recommended that there should be more one-on-one programming and evening and weekend programming. Nutritional requirements are becoming more difficult to meet on the $4.49 per resident per day provided by government for raw food.

What is happening to resident care needs? Care needs are increasing. In fact, they have been since the ministry began tracking this in 1992 with the annual levels-of-care classification survey. The 2002 survey showed that care needs increased by 2.3%, for a combined increase of 17.5% over the past 10 years.

These percentages provide the following picture of today's long-term-care residents. Of the 100 residents in a typical long-term-care home, 70 residents are over the age of 80, and 26 of those are over 90; 95 residents would require some assistance to get dressed, and 79 of those would need total assistance; 95 residents require some assistance to eat, and 24 of those complete feeding; 87 residents require some assistance to move around, and 45 of those would require two staff to do that; and 45 residents are unable to locate their own room without assistance when on their own unit.

Then there are the residents' medical conditions: 53 of those residents have some form of circulatory disease, 46 residents have some form of musculoskeletal disability, 33 residents have some form of neurological disease, and 30 residents have some form of endocrine and metabolic disorder. The fact that these numbers do not add up to 100 starkly illustrates the complex medical care that residents need.

This reality is played out daily in some 550 locations throughout Ontario. When all of the 20,000 new long-term-care beds are opened next year, it will be upwards of 650 locations. As the 20,000 new beds open and the 16,000 beds in older, structurally non-compliant homes are redeveloped, the consumer awareness of another aspect of unmet resident need is increasing.

Government's long-term-care capital investment programs mean that 36,000 residents will have access to significantly higher standards of privacy and comfort. They also mean that 41,000 residents in existing homes will have to be satisfied with a second class of accommodation standards. By "second class," I mean less space for personal care, comfort and privacy because these homes were not designed to accommodate all the wheelchairs, IVs, oxygen tanks and other care equipment residents now require. I mean large congregate dining areas as opposed to the more intimate 32-resident on-unit dining areas in new homes. I mean more shared bedrooms and, in most cases, shared bathroom spaces.

This is an issue of fairness and equity that is now becoming evident for long-term-care residents and their families throughout Ontario. It is also not good public policy because it inevitably leads to crisis and expensive solutions to address system access and structural issues. When a service sector has some 650 separate delivery structures, capital upgrading needs to occur in an orderly manner on an annual basis. Long-term care needs a commitment to an ongoing capital program so that, over time, homes can upgrade to higher design standards to meet residents' needs and their expectations.

There is one other impact of the 20,000 new beds that will become more evident this year. About 8,000 of those new beds are open and another 8,000 are due to open in 2003. As they do, they will create a situation of excess capacity in some areas. This could lead to instability within the long-term-care sector. However, it is also creating a one-time opportunity for long-term care to be a solution to broader, more systemic and expensive issues that continue to plague the Ontario health care system.

0930

I appreciate that other providers also say they can be a solution. However, I would be remiss if I didn't point out that long-term care actually has the physical capacity now to ease the pressure elsewhere in the system. In particular, I'm referring to patients currently in hospitals whose care and needs could be more appropriately met in a long-term-care setting. I would also point out that this is not just about an economic solution for these patients; it is about caring for them in a home where they can do things like eat in a dining room instead of from a bed table. Thus, increased operating funding that addresses the level-of-service study is both an investment in reducing the access pressures on hospital emergency rooms and waiting lists and in providing more appropriate care.

In summary, then, what has not changed in 11 months is that long-term care is still not able to meet the care needs of residents or realize its potential as a system solution. The best efforts of providers and staff cannot make up for the lack of resources. The one fundamental element that has changed, however, is that while long-term-care residents may be out of sight, their needs are no longer out of mind.

A year or so ago, it was a struggle to get anyone to even acknowledge that there was a long-term care issue. The disturbing evidence of the level-of-service study was released practically without notice. Things are different now. In a two-week period last year, over 55,000 Ontarians literally jumped at the chance to sign a message card calling on government to fund the care that residents need. I'd like to thank the members of this committee who, as individual MPPs, helped take their concerns forward. The outpouring of concern did not stop with those message cards. There were questions and debates in the Legislature. During the most recent sitting, hardly a day went by without a petition being tabled. Even the Provincial Auditor, in his 2002 report, expressed his concern that the government had not addressed the conditions identified in the level-of-service study. Similar types of attention occurred outside the political and government arenas, in media stories and in the focus of various consumer groups.

In short, people are more aware of the facts and are showing they care. This was confirmed in an October 2002 Ipsos-Reid poll conducted for OLTCA. In that survey, 72% of respondents said it should be a government priority to provide the increased operating funding required to match the level of care in Saskatchewan, as per the level-of-service study. Ninety per cent of respondents said government should introduce a capital program to allow existing homes to redevelop to higher standards that improve resident comfort and privacy. Seventy-two per cent of respondents supported the concept of long-term care as a shared funding program. They said that the increasing cost of long-term-care services should be shared between the government and the residents. Literally nobody, only 3%, said the residents should bear this cost alone.

This finding is very relevant now. In 2001, OLTCA identified that it would take $750 million in increased operating funding to reach the Saskatchewan level of service. In other words, that was the cost to get Ontario out of last place and at least into the top 10. Since then, government has increased operating funding by a total of $230 million, leaving a shortfall of $520 million. As of today, there is no government commitment to address this need. What government has committed to, however, is that residents will pay $2 more per day this year and another $2 per day in 2004.

OLTCA's position has always been that while, like the people of Ontario, we support the shared funding concept of long-term care, it is the government who should provide the lion's share of the required care funding. We are here today to request the support of this committee in asking government to also do its share. That is, make a commitment to the $260 million, or $10 per resident per day, in increased operating funding required in each of the next two years to raise service levels and to introduce an ongoing capital renewal program to address the comfort and privacy issue for over half the total long-term-care residents who live in our existing homes. We believe that committing residents to pay $2 more in the next two years establishes a precedent for multi-year funding. Similarly, the 20,000 new beds and the 16,000 existing bed redevelopment program establishes a precedent for capital support.

I'd like to close my remarks by emphasizing that while our request is framed in terms of dollars and programs, it is actually about people. It's about the people who helped build Ontario into a leader in this great country. It is about providing them with the care, comfort, privacy and dignity that they need and that they've earned. Thank you.

The Chair: Thank you, Ms Sullivan. I was wondering whether you'd squeeze it all in, and you did an admirable job. We have just over a minute for each caucus, and we will begin with the official opposition.

Mr Phillips: Again, so many questions. I don't know whether you're one of the barking dogs or not that they were describing.

I'll focus my question on the 20,000 new beds and the implication of that. The government says they invested $1.2 billion in these. My understanding is that really the organizations themselves have borrowed the money, and the payment is $10 per day for each new bed per client.

Ms Sullivan: For 20 years.

Mr Phillips: For 20 years. So the government didn't put $1.2 billion in. They said they would fund those people who borrowed the money on the basis of—I guess my question is, is that assumption correct, and if it is, it seems to me about $80 million to $90 million a year in increased grants to long-term care are required simply to fund the capital part of the commitment. Have I got those numbers right?

Ms Sullivan: The $10.35 per resident per day for 20 years is only a part of the capital funding. The provider also goes to the bank and gets funding as well. So the $10.35 never covers the whole debt. It's over 20 years. I'm not sure exactly how the $1.2 billion was calculated. Half of it was for home care, $660 million was for long-term care and it was for the capital program—I'm not sure, but it's not for over the whole 20 years—and it was also for increases to the case mix measure. So there will have to be funding set aside in the future to look after capital.

Mr Christopherson: What was the increase that they initially tried to put through, the copayment?

Ms Sullivan: It was $7.02.

Mr Christopherson: Right. And of course we had pretty much a province-wide protest over that throughout the summer, some of us more public than others in our anger over what was being proposed.

I just want to come back to this again and underscore exactly what you're saying here. In Mississippi they get twice as much money, twice as much funding, as we do here in Ontario.

Ms Sullivan: No; they can provide twice as much care. It was not a study about funding, it was about what the resident actually got, and they get twice as much.

Mr Christopherson: But the funding has to come from somewhere.

Ms Sullivan: Right.

Mr Christopherson: So it's still a funding issue.

Ms Sullivan: It comes from two sources: the resident and the government.

Mr Christopherson: Exactly. There are an awful lot of people who can't afford to pay for the high-end private care that's available. The situation in Ontario very simply is that there's fantastic care out there, as long as you can write a cheque for whatever amount it takes. I would say that, if anything, we're seeing more and more of these facilities coming on stream, but less and less for people who can't afford to take out the luxury services. We've got the auditor saying again in 2002 that they're not at the level-of-service study recommendations. I guess my question to you is, if something isn't done now for—it's hard to believe, but there are probably tens of thousands of people who at some point are going to be tuning in to some of these budget deliberations; a lot of those individuals are who we're talking about, and if it's not today, then it's their parents or grandparents, or it's going to be them tomorrow. So if we don't address this today, can you just give me a quick thumbnail sketch of where we're going to be in five years, 10 years, particularly as the boomers age and go into these facilities?

Ms Sullivan: I actually think the key point about our sector right now is that we have the capacity to help. So not only can we take the people that you're talking about—everybody can afford to go to a long-term-care facility in this province; we've set it up that way—but we actually now have the capacity to help you with your hospital problems. So we can take people out of expensive hospital care and look after them in long-term care.

The Chair: We go to the government.

Mr Marcel Beaubien (Lambton-Kent-Middlesex): Thank you very much for your presentation. First of all, I'd like to put on the record that I have a father who has been in a nursing home for 12½ years, after a major car accident. He is receiving fantastic care, and we pay 40-some-odd dollars a day. And I will name the facility: it's Fiddick's Nursing Home in Petrolia. I think they deserve a plug.

You mentioned in your presentation that with the 8,000 new beds coming on stream in 2003, this could lead to instability within the long-term care. Could you expand on that?

Ms Sullivan: Eight thousand beds have opened already and another 8,000 are going to open, and that's in a 24-month period. That's a lot of capacity increase to our sector. We actually think it provides you as a government with an opportunity. There are people who are in hospitals who would be better cared for in long-term care. Some of them could come and end up staying there; others could come and be rehabilitated back into the community and get home care or go back to their homes. So you have an opportunity with that and we think strongly that you should capitalize on what you've already done.

Mr Beaubien: What about looking on the other side of—

The Chair: Thank you, Mr Beaubien. Time's up. Thank you, Ms Sullivan, Mr Wilson. We appreciate your input.

0940

CAMPAIGN 2000

The Chair: The next presenter is Campaign 2000. Is Mr Barata here? Good morning. Please state your name and that of your associate into the microphone for the purposes of Hansard. Welcome. You have 20 minutes. Whatever's left over from your presentation, we'll try to divide equally among the caucuses.

Mr Pedro Barata: Thank you very much, Mr Chair. Good morning. My name is Pedro Barata. I'm the Ontario coordinator of Campaign 2000. With me is Colin Hughes, who works at the Toronto children's aid society and is actually one of the co-founders of Campaign 2000.

Just for the record, Campaign 2000 is a national coalition of over 85 organizations dedicated to the well-being of children in this country. In Ontario we have over 40 partners across the province. We represent professsional groups, service deliverers, faith communities, labour unions, ethnocultural organizations, individuals in different community organizations.

We want to give you an overview of our brief today for about 10 minutes and then open the floor up for discussion. Essentially, we want to refer back to an earlier presentation by the finance minister to your committee which essentially said, "Let's stay the course. Let's continue with our agenda of across-the-board tax cuts and let's just have faith that economic growth will solve all our ills." We're here today to offer a different view. I would actually refer you throughout this presentation to page 2 in our brief, which has a couple of charts that will provide a context for what I'm about to say.

Ontario's undeniably impressive economic growth over the past few years has certainly contributed to a cyclical decline in child poverty. When you look at the numbers on the surface, there's certainly reason to celebrate. But while the easy thing would be to celebrate the point-by-point decline in child poverty, the numbers, when you look in depth into them, tell a different story when you consider that despite prosperity, despite our level of GDP and all the major indicators, we still haven't seen any respite in terms of food bank use, we still have shelter use at levels that haven't gone down, and we still see people who are really struggling to get by on a day-to-day basis.

The Ontario government has essentially left the job of dealing with poverty to economic growth and tax cuts. Unfortunately, it has failed to provide the other side of the equation, which is to provide the social supports that families really rely on in their communities. The results are quite clear. You see that in the year 2000, which is the last year for which we have child poverty statistics, we still have 390,000 children living in poverty. When you look at the chart at the top of page 3, those children and those families are not even near the low-income cut-off. The situation for lone-parent families has pretty much stagnated over the past few years, and for two-parent families it's actually gotten worse. So we're quite concerned.

Successive provincial budgets have sort of papered over the fact that poverty remains a serious problem in this province. We've continued to hear the mantra of, "We've created so many jobs, we've cut taxes so much," but the reality is in front of you.

I want you, if you please would, to look at the chart on page 2 that's entitled "Child Poverty Rate in Ontario and Canada." The lower line, the darker line, reflects child poverty trends in Ontario since the 1980s. There's something that's very telling about this trend, and specifically it's to compare the past two economic booms. We had 2000, which was pretty much a banner year, pretty much as good as we're going to get probably, and when you compare that with 1989, which is the previous economic boom, we see that we're nowhere near where we were before. Obviously, the labour market structure has changed in terms of the jobs that are available, but we've also seen severe cuts in terms of our social safety net.

As far as tackling poverty is concerned, we're not the only group that's going to come before you over the next few days, and has in the previous days, that's going to speak to the social side of the equation. Unfortunately, we've been doing this for quite a long time and it's never been explicitly acknowledged in any of the provincial budgets. We want to challenge the committee to recommend that this budget really have an explicit focus on poverty. Specifically we ask you, as we have in previous years, to steer away from a strategy of across-the-board tax cuts, for a couple of reasons. Number one, they tend not to benefit the lowest income earners; they tend to be concentrated at the highest end. Number two, they deplete our capacity to invest in the social services that families actually need. We were not surprised to see, for example, that last year's tax cut schedule was delayed. It puts an inordinate pressure in terms of our budgets to deliver the services that we need.

What would we like to see? We would like to see you focus on four main points.

The first one has to do with income security. I'm sure you will hear this message over and over again in this committee, that we need to fix social assistance. The Ontario government said it wanted to fix social assistance back in 1995. What it did was cut rates. Since then we have not seen any adjustment in terms of rates over the past seven years. You can ask a very simple question: did a children's winter jacket cost the same in 1995 as it does today? Probably not. Why is it that other income security programs, like old age security, like the child tax benefit, are adjusted on a year-to-year basis for inflation, yet social assistance does not get the same treatment? When you look at the chart at the bottom of page 5, you look at how far social assistance rates have gotten from the low-income cut-off. Families are struggling deeper and deeper in poverty, and we really want to recommend to the committee that those rates be looked at.

The second piece that we want to recommend revolves around the labour market side of income security. We have to look at the well-being of families in conjunction, both in terms of a market approach and in terms of a social security approach. Our minimum wages are far too low. Child benefits have gone up over the past few years. They've gone up every year to support families on the federal side, and unfortunately the minimum wage has not kept up. So we have a one-sided approach to the economic security of families and no help whatsoever in terms of those who are struggling out in the labour market, who are trying to pay rents that increase every year, who are trying to meet their child care needs, and who essentially remain where they were or even worse than in previous years.

The third area where we need to see some focus is on the service side, specifically on the provision of quality child care. In terms of quality child care, we don't mean just, you know, give families a voucher and let them fend for themselves out there in the free market of child care. The Ontario government's own Early Years Study has come out and said that quality is foremost for the future human development of our country and that we really need to invest in children. That takes investments in quality child care that help children and allow families to work.

Finally, I think we all recognize that the private sector solution to building affordable housing has failed. The private sector can accommodate about 2,000 new units per year. Even the Ontario government's finance estimates for population growth acknowledge that we would need about 15,000 to 18,000 new units. The government has to get involved in meeting the social needs of families, and we can no longer simply rely on the mantra of economic growth and tax cuts.

I want to finish by just underlining our coalition's belief that public policy must play an active role in the lives of its citizens and it must play an active role in ensuring that we can all share in our collective prosperity.

I would like to pass it now to Colin Hughes.

Mr Colin Hughes: As my friend indicated, I think the charts on the first page or so of the brief we've given you really do holler, "Stop. Take another look." If we look at over 20 years in this province, what we've seen is that child poverty rates have followed the business cycle. It's increased dramatically when the business cycle has had a downturn; it's dropped when the business cycle has seen economic growth. But the real cue here is that if we rely on economic growth alone, we're not going to see child poverty rates drop very significantly.

In this decade they've gone down, and in the 1990s they went down as low as 14%—that's not very low. In the previous decade it was down to about 11%—that's more than one in 10 children. So if we want to make headway, we really have to look at an approach that complements economic growth, that complements the labour market and that means looking at active social policies. My friend Pedro has outlined a number of income, child development and housing directions we can go in to actively invest in families and children and support them.

0950

These kinds of approaches are really quite reasonable. Over the past two decades—and there's nothing really radical about this—these have been the general directions this province has followed. It has always tried to make social assistance a little bit better in different ways in terms of supporting people, in terms of helping them become more independent, in terms of making sure they're not going to be on the streets freezing to death and so on.

The province has done great work in the area of child care—and used to be a leader in that area—and the province has done wonderful work in housing. There is just a multitude of other policies that are highlighted under our summary of recommendations that have potential, historic precedents to move forward to invest in people, to support them and to help reduce and prevent poverty.

What I'd like to quickly highlight are just some real baby steps. We've been to this committee a number of times, and over the past few years, as Pedro has indicated, we really haven't seen any kind of new initiatives. So what we're saying is, come back this way a little bit and take a look at a few things at least, at the very minimum, that are not even going to cost you anything or are going to cost very little, things like the minimum wage. For goodness' sake, it's been frozen for eight years. Inflation has been eating away at it. Families who are working at the minimum wage are getting less and less for their work effort. Surely we need to reward work effort, and surely employment, in hand with other supports, is necessary to move forward in terms of addressing child poverty. Moreover, increasing the minimum wage is not going to cost the province a nickel. It's something that can be done, and it's just something that should be done. So that's one really minimal sort of thing that can be done.

Another area is to revisit the whole area of rent controls. Again, rent controls are not going to cost the provincial government anything, and there's every indication that the experiment to see if the market would suddenly respond and produce housing for low- and modest-income families just hasn't worked. There's a real supply problem, and there's a real income problem on the part of families. So we need new approaches, and surely one thing that's very minimal and isn't going to cost anything to do is to return to rent controls.

Another area that isn't going to cost anything is to look at how we use the human resources in our social assistance system. One huge recommendation that came out in the late 1980s or early 1990s from Judge George Thomson and the Ontario Social Assistance Review Committee was to look at opportunity planning. Here we have all these people working in the system who are not oriented to providing opportunity planning for social assistance recipients, where you really sit down and create a joint plan and work through that plan and help that family, that person, move toward a greater degree of independence. Instead, those human resources are going increasingly into more punitive aspects of Ontario Works. Again, it's not going to cost anything to change the orientation.

Another area that's not going to cost very much is the clawback of the national child benefit supplement from social assistance. Two of the three parties in this House do not support the clawback, and let me tell you that I don't know anybody in the community who supports the clawback of the child benefit supplement, which is a federal supplement intended to reduce child poverty, from social assistance.

Let me give you a little, teeny example of one area you could make some headway on. There's a little program in welfare called temporary care assistance. It's been around since the 1920s. It provides kids whose parents have died or whose parents are unable to look after them a small allowance to help them live with somebody else in their family, and it prevents them from coming into expensive children's aid care. There are about 5,000 kids, and the money from the national child benefit for these poor kids is deducted from their welfare. The $200 that the province provides to help families who get in there and support a kid who needs help, who needs someone to look after them—half of that is deducted from them. It would cost very little to say, "We'll rescind the clawback on that little, tiny part of the social assistance system and help support families looking after children."

These are just some examples of some very minimal things that could be done and that we never see in any of the budgets. These aren't expensive items; many of them don't cost anything. So we're really asking you to take another look. Yes, the labour market is important; yes, the economy is important. But there's another dimension to this, and if we rely in a sort of uneven, slanted way on simply that side of things, we're not going to get very far in terms of addressing child poverty. So we really ask you to look at more active policies to support families and children in this province.

The Chair: That leaves us a grand total of about two minutes, so 30 seconds each. A very quick lead, Mr Christopherson. I know you could take the whole two minutes if you wanted.

Mr Christopherson: I could take that long just clearing my throat, Chair. You know that.

I don't know if there will be time for a question, but I just want to underscore the last point you were making about the child tax benefit. Tony Martin, my colleague from Sault Ste Marie, has been doing everything he can trying to barnstorm across this province and wake people up to what's going on.

For the purposes of anyone who is listening, let's understand what's going on here. This is a benefit that the federal government provides for children in families that are on social assistance. It's meant to be exactly what it is: a child benefit, a supplement to them. The Ontario government takes the full amount that the federal government has given for children in poverty and deducts it from the money they receive from Ontario social assistance. That's the current policy of this government, correct?

Mr Hughes: That's correct.

Mr Christopherson: That's disgraceful.

Mr Hughes: Thank you. I should mention that Campaign 2000 does not support the clawback. We would like to see it rescinded totally. I'm highlighting the temporary care assistance simply because here is an example of where we have in this province a 36% increase in admissions into the care of the children's aid society over the last few years, and here's a little program that actually helps families and prevents admissions into care. This is penny-wise and pound foolish.

Again, thank you for your comments.

The Chair: Quickly, any from the government?

Mr Rob Sampson (Mississauga Centre): I assume that's recommendation 5 in your report, is it? Is it in the report? You can let us know if it's not, I'm sure.

Mr Barata: It's recommendation 4.

Mr Sampson: You did say here that economic recovery is helpful. It has, on average, moved the poverty rate down at least eight points over the recovery, and I hope you would encourage us to try to keep economic recovery going, because in the absence of that we'll lose eight percentage points because of the recession, right? So I would say, "Look, you got eight points easy. Keep the recovery going."

Mr Hughes: Yes, we're for economic growth.

Mr Sampson: It's a sizable reduction.

The Chair: Mr Kwinter.

Mr Monte Kwinter (York Centre): Thank you very much for your presentation. I think some of your recommendations are really worthwhile.

I'd just like to get some information. Do you have any statistics as to how many people in the labour force are actually on minimum wage?

Mr Hughes: I think those are available through Statistics Canada.

Mr Kwinter: The reason I ask is because in my experience in business, I have found that the street really dictates what the rate is and that the minimum wage is a floor, not a ceiling. We have a plant. People come in; they're recent immigrants. They know, from talking to people—$10 an hour or they don't work, and that's what you pay them. What I'm trying to get a handle on is how many people are really affected by this minimum wage, because it could impact on how we address it.

Mr Barata: We don't have those numbers, but what we do know is that many people, thousands of families, are in the labour market and are still struggling below poverty. I don't have the latest numbers for 2000, which was the peak economic year. I can certainly forward those to the committee.

I think the minimum wage is also an indicator of the rest of the wage structure across the board. That's where you begin. Knowing there are so many families still struggling below the poverty line and working full-time and working part-time is a pretty good indicator that the labour market on its own is not enough, that we still need to work in terms of the benefits that families have, but that we need to look at the other side as well. The child benefit, for example, is one way that supports what families are doing out in the labour market. Obviously, minimum wage can't be sensitive to whether or not you have children, but at the same time it should meet the child benefit halfway. In other words, if you're working, between child benefits and your market wages you should not be living below poverty, and that's happening far too often. I invite the committee to look at that question as a benchmark.

Mr Hughes: It's absolutely true that the minimum wage is a floor. I would also note that the Organisation for Economic Co-operation and Development has cautioned that cuts to social assistance and cuts or reductions to the minimum wage risk resulting in a deepening of poverty, and that is what we have seen in Ontario.

The Chair: Thank you. If you have other information, please forward it to the clerk to make sure that all members of the committee are benefiting from that. We appreciate it.

1000

INSURANCE BUREAU OF CANADA

The Chair: The next presenter is the Insurance Bureau of Canada. Please state your name clearly for the purposes of Hansard. Welcome, sir.

Mr Mark Yakabuski: Good morning, Mr Chairman. I'm Mark Yakabuski, the Ontario vice-president of the Insurance Bureau of Canada. It is always a great privilege to appear before this very distinguished committee.

I want to talk to you briefly about some of the general advice we have to give to you about themes that you might wish to pick up as we prepare for a budget. I think the bottom line is very simple: there has to be a balanced budget in Ontario. That's absolutely essential to the economic progress of the province. Having said that, we do understand that there are probably some strategic investments that you have to continue to make in education and health care, but beyond that you have to hold the line and ensure that the balanced budget is achieved again this year.

Within that, we do think there is some scope for modest tax cuts beyond those already announced by the government. We think in particular that attention should be paid to those taxes which are not related to profits that companies have to pay whether they're making money or not. They can be a terrible drain on the capital base of companies, and in particular we have a huge tax in Ontario called the premium tax that is levied on most insurance policies. There's a 3% tax on auto insurance premiums; there is a 3.5% tax on property insurance premiums. This tax is bringing in well over $500 million a year. Something of note: auto insurance premiums are up by about 16%, on average, over the past 12 months. Commercial insurance premiums are up by probably even more. The result is that the premium tax right now is bringing in substantially more revenue than anticipated in Ontario. We believe this is therefore an opportunity to modestly reduce the premium tax while still maintaining your revenue stream. This is a great opportunity to do that.

I want to talk briefly about health care. It's a huge expense for the taxpayers of Ontario. We have to spend our money wisely. We believe that more opportunities need to be sought to coordinate data and care between the publicly funded system and the private funders of health care, of which the auto insurance industry is among the largest. In particular, with respect to future health care policy—because there's a huge debate, as you know, going on in the country—we think that a lot more emphasis needs to be spent on injury prevention. A very modest amount of money is currently being spent on preventing injuries, yet nationwide we know that preventable injuries cost the Canadian economy, and the Ontario is of course a large portion of that, over $15 billion a year. So if we only began to increase our expenditures modestly, we think there would be a substantial payoff.

Take, for example—and this committee was directly involved in this initiative—the introduction of graduated licensing in Ontario with respect to young and new drivers. The effect of that program has been to reduce the number of fatalities and severe injuries among new drivers by 24%. That represents a huge saving, of course, to our health care system, not to speak of the huge savings in lives and carnage that otherwise might take place on our roads. So we strongly commend increased emphasis on injury prevention. To give you a measure of things, the government of Ontario is spending about $7 million on a multi-year basis in co-operation with SMARTRISK, the premier national injury prevention organization in Canada. We just don't think that's enough. We think there's scope there to spend more money on injury prevention.

Lastly, I want to talk to you about the absolutely critical need to address auto insurance reform here in Ontario. Bill 198 has been passed; it has been given royal assent. But the regulations implementing that bill—and I can tell you that they are very large and voluminous—have not yet been released for draft comment, so we are far from the implementation of that bill. I have to tell you in all seriousness that if the measures in Bill 198 are not soon implemented, we are risking a very severe crisis in the auto insurance industry.

I have a number of slides I'd like to share with you. First of all, the auto insurance industry in Ontario is hugely important to the whole auto insurance market across Canada. It represents about 54% of total premiums in the auto insurance market. The auto insurance market in Ontario alone, slide number 2, represents well over a quarter of the total insurance premiums for homes, cars and businesses in Canada. So if we don't get things right in the Ontario auto insurance system, your constituents, and I know they're already seeing this, are going to see the ripple effects not just in their auto insurance policies but in their home insurance policies, in their small business policies, in their commercial insurance policies.

What's the problem? A huge increase in the cost of providing health care in the auto insurance system. Auto insurance health care costs have risen from $308 million in 1991, the first full year of no-fault insurance in Ontario, to almost $1.3 billion in 2001. That's an inflation rate of 412%. That far exceeds the inflation rate that is confronting the publicly funded system. If we don't get those costs under control, there is absolutely no way we will be able to provide auto insurance on an affordable basis to the people of Ontario.

I've tried to provide to you a cost breakdown of the various cost components confronting auto insurance companies today. I've got two columns here, 1997 and 2001—1997 of course is the first full year after the introduction of Bill 59, which this government passed early in its first mandate; for 2001 you'll see the huge change in these expenses. "Accident benefits" represents health care costs to auto insurance companies. You'll see that in a very short period of time, less than five years, those costs have almost doubled: an 84% increase. "Bodily injury" is those court-based health care costs; those are up 60%. Disability payments, which again are related to people who need medical care, are up 64%. Those are the parts of the policy that the reforms in Bill 198 address. That is why it is absolutely essential that those reforms be brought in and implemented in their integrity as quickly as is physically possible.

I began my remarks by saying that if we did not do something very, very soon, we would be facing a crisis in the Ontario auto insurance system. If you look at the slide that's entitled "Ontario Auto Loss Ratio, 12-month basis," the slide begins at 1996. That's when the government decided that it was absolutely essential to introduce Bill 59, and we absolutely agreed with the decision the government took at that point in time. The loss ratio, which is the percentage of claims in relation to our total premium base, was at 84% in 1996, when the government introduced and passed Bill 59. The loss ratio in Ontario automobile insurance today is at 95%—95%—and we still don't have these changes that are essential to avoiding a very critical situation. Believe it or not, insurance companies don't make enough money on the premiums that they bring in.

I've got a slide entitled "Underwriting Losses." If I may say so, Mr Beaubien knows this slide very well, because he and I chatted about it several months ago. We may not like it, some people do, but the fact of the matter is that premiums have not been adequate to cover claims for some period of time. Insurers have relied on reasonable returns in the investment market to subsidize auto insurance policies, home insurance policies and commercial insurance policies. Nationwide, we have not achieved an underwriting profit since 1978.

1010

Let's look at what interest returns have been on the money that we invest. When you send in your premium dollars, some people may have a claim the next day. Some people may never have a claim. Some people may have a claim five years down the road. That money's taken. It is invested until a claim has to be paid. So some money is made on that return.

We have been able to rely on an average 8% return in the investment markets, largely bonds, for a long period of time. That 8% has been used to effectively allow us to keep auto insurance premiums lower than they otherwise would be.

I don't have to tell you what the markets are doing today. We do not anticipate a return to even modest returns in the investment market for some period of time, which means that there is no margin there today for us to subsidize the losses that are taking place on the underwriting side of the auto insurance policy. In 1996, when our loss ratio was at 84, we still had an 8% margin to subsidize that policy. Today we've got a 1.5% to 2% return right now, and there's absolutely no margin to subsidize that policy.

I'm saying all of this because we are hurtling toward a crisis that, if it is not addressed soon, could be very painful for, yes, our companies and for auto insurance policyholders everywhere here in Ontario.

The bottom line is—you're at my last slide—look at what premiums have been doing over the past year and a half. They have been shooting up, and unless those reforms in Bill 198 are brought forward and completely implemented immediately, those premiums can only go in one direction. We've all got to work together to ensure that we don't hit the wall, that we meet this crisis before it takes place, and I cannot stress strongly enough to you to use your good influence to ensure that that takes place as soon as possible.

The Chair: Thanks, Mr Yakabuski. We have about two minutes each, and we begin with the government.

Mr Beaubien: Thank you very much for your presentation, Mark. I have a couple of points that I would like you to comment on. You did not mention the amalgamation and the gobbling up of different companies, especially in Ontario, with European ownership. I would like you to comment briefly on this, ask you what impact that may have, because I'm told there's not an awful lot of money being reinvested in Ontario.

The other point is, I think right now the premium-to-reserve ratio is that at a dollar for a premium you need $1.65 for reserve? Is that about the—

Mr Yakabuski: Generally, companies operate on a 2-to-1 basis. They try to have $2 for every premium that they issue.

Mr Beaubien: Is that too high, or can something be done over there in order to maybe free up the—

Mr Yakabuski: I'll address both of those. First of all, with respect to European companies, there's no doubt that there are some large European insurers that are active in the auto insurance market in particular. No, you're right, Ontario is not attracting new money, because the industry, as I say, is in a very poor state of affairs. If anything, capital is being withdrawn as we speak because it is possible to get superior returns in other auto insurance markets across the world, and Ontario is feeling the effects of that today.

With respect to larger European insurers, some of whom have taken over large books of auto business over the past year and half, there is no doubt that they are now, having taken over those books of business from other companies, combing that business. In light of today's market, I would not be surprised if they were to say, "A good part of this business we don't want to retain because it's too much of a drag on our capital base. They might be risky policies that we'd rather not have." That, unfortunately, is what we face when we get in one of these hard markets where there's absolutely no flexibility for companies to keep certain risks while shedding some. You'll notice that in the fine print of our brief, we talk about the need to review underwriting rules here in Ontario that right now are just making a bad situation a heck of a lot worse because they give no flexibility.

What happens today is, if a company has a book of business and it says, "Some of these people I'd like to retain and some of these people I'd rather not retain," they have to make the decision to get rid of the entire book of business, because their underwriting rules do not allow them to retain risk on a selective basis. What is that causing? That's causing all kinds of people who are having difficulty at this moment trying to find insurance, and the situation can only get worse if we don't address some of these issues.

With respect to—

The Chair: We're going to move to the official opposition, if we may, Mr Yakabuski.

Mr Kwinter: Thank you very much for your presentation. I've had a lot of experience in this area and it is, as they say, déjà vu all over again, because the experiences that we had in 1985 to 1987 are happening again.

Mr Yakabuski: Exactly.

Mr Kwinter: How many companies are solely in the auto insurance business in Canada, that is, that's their only book?

Mr Yakabuski: Solely in the auto insurance business? There would not be a large number of companies solely in the auto insurance business. The companies that are solely in the auto insurance business are your specialty high-risk writers, that specialize in high-risk—

Mr Kwinter: Like the Facility Association?

Mr Yakabuski: The Facility Association is not really an insurance company. It's a pool that all of the insurance companies, by law, have to participate in, in order to fund those drivers who can't find insurance elsewhere. We're talking about the Kingsways and the Pembridges of this world; they are exclusively auto insurance companies. Most companies here in Canada have a large auto insurance portfolio, but they also provide home insurance and maybe some commercial insurance.

Mr Kwinter: The reason I'm asking that question is that in your comparisons you talk about the rate of return on your investments and the higher cost of servicing these policies. If that was the only business you were in, I could see that being valid—and I'm not saying it isn't valid. But there's always been a feeling that the reason the insurance companies are in the auto insurance business is because nearly everybody has to have auto insurance and that's a lever or an entry for the insurance company to sell them everything else, where they do make better profits. I'm just wondering, how does that impact on this situation?

Mr Yakabuski: The purpose of my first slides was to show how important the auto insurance industry is to the whole rest of the business. If you have real tightness, as we do today in the auto insurance business, it will not only affect, as it is, a company's ability to service the auto market, but it will also affect that company's ability to service the home and commercial markets. This money is invested by the same group of people, and tightness in the auto market, because it is such a dominant portion, usually, of a company's portfolio, will have a ripple effect.

The Chair: We'll move to Mr Christopherson of the NDP.

Mr Christopherson: Thanks for your presentation. I'd like to pick up where Mr Kwinter left off. Every economist who has come in, so far, when they talk about inflation, identifies specifically auto insurance rates as driving inflation rates. It's rare that you get one item that looms so large in an equation like that.

I've got to tell you, the difficulty I have when I look at a chart like this and I see the investment returns down this low, dramatically, notwithstanding that I'm not suggesting what you're saying is misleading on your actual costs, but when I look at this—and I sense that's where Mr Kwinter is coming from—it really does look like you want the best of all worlds. You want the ability to make as much money as you can when the stock market is going great with all the money that comes in—and why not? There's nothing wrong with that; don't get me wrong.

Mr Yakabuski: But—

Mr Christopherson: Let me finish and then you can respond. Then, in the bad times, you jack up the prices and come in and want tax relief so you can help increase that.

Mr Yakabuski: Well—

Mr Christopherson: Just let me finish and I'll let you have your turn.

I know you're saying that you use that money to subsidize it, and it makes it sound like it's a very altruistic motive. I'm not convinced that's really what's going on. The fact of the matter is that everybody else who has been hit in the stock market with their RRSPs just sits there and has to live with it and pray that things turn around. They can't come in here and start asking for all kinds of rule changes to offset them. This is a huge issue.

Mr Yakabuski: The equation is very simple. If you don't want to do anything, then you're going to see premiums rise dramatically, much more than they have to date. If you're prepared to stick with that, that's your decision.

The other thing: I'm not talking about a premium tax cut for insurance companies, I'm talking about a premium tax cut for every bloody policyholder in the province. We're not the ones who ultimately pay that tax. It's you, it's your constituents, who are paying 3.5% on policies for property and 3% on auto. That's not a tax cut for us, but it's a tax cut for your constituents.

Mr Christopherson: But it's you walking away with the profit at the end of the day, not us.

The Chair: Thank you, Mr Yakabuski. We appreciate your input and your presentation today.

Our next presenter is People for Education. Is the presenter in the room? People for Education, Ms Kidder? Is there another presenter for a subsequent time? Then this committee will recess until we have someone here to present.

The committee recessed from 1020 to 1021.

PEOPLE FOR EDUCATION

The Chair: The committee will now resume. Welcome, Ms Kidder.

Ms Annie Kidder: I apologize for our lateness.

The Chair: You know to state your name for the purposes of Hansard. Please proceed. Welcome.

Ms Kidder: My name is Annie Kidder and I'm with the parents' group People for Education. Beside me is Kathryn Blackett, also with People for Education.

We are here today to address the pre-budget hearings out of a concern about the implementation of the recommendations in the Rozanski report and to give the committee an update as to where we are now and where we need to get to by the time school boards receive their funding for the 2003-04 school year.

Our overall concern is that though the government did commit to some of the funding in the Rozanski report, it has a long, long way to go before we get our schools back anywhere close to the shape they should be in. We're concerned that if we wait any longer to implement the recommendations of the Rozanski report, our school boards and our schools will continue to suffer cuts. We will continue to see schools closing and we will continue to see programs being cut all across the province.

What we have laid out here for you today is what is remaining in the Rozanski recommendations. We want you to understand the magnitude of what is remaining. So far the government has implemented about 29% of the recommendations in the Rozanski report. Because we're now talking about the 2003-04 school year, we need to add on to that Rozanski's strong recommendation that he made repeatedly in the report, which is that benchmarks be updated every year. This will add approximately another $400 million to the cost of education for next year. So in that way, we've got about 76% of the funding left to go.

The areas that are most glaring that still have not been addressed are the maintenance, the renewal and the building of school buildings. The former Minister of Education herself said we have a huge problem in that area in Ontario. She said it was going to cost about $6 billion in order to have adequate school buildings in the province. That is one of the areas that Rozanski pointed out there was a huge need in, and we have yet to implement any of his recommendations in that area.

School boards are still spending well above what they get from the province in terms of salaries and benefits. There's still over $500 million remaining in that area. Funding has yet to be implemented for English-as-a-second-language programs and for French-as-a-second-language programs. We still need the rest of the funding for transportation, and we still need funding for the learning opportunities grant.

Most importantly, I think, is that in the last two months we've had two reports, the Rozanski report, commissioned by the government, and the report from the Ontario Institute for Studies in Education at the University of Toronto. Both reports pointed out that we have been suffering from a kind of incoherence in terms of education policy over the last few years in Ontario, and the need for a coherent plan and vision for education. So what we are here today to ask of the committee is that they ensure that all of Dr Rozanski's recommendations are implemented this year. We know that Dr Rozanski said the government could do this over the next three years, but as I said, we have a grave concern that then we will have the ridiculous situation of the government giving with one hand while cuts continue to be made with the other. The OISE report also pointed this out.

What we want—and this is where it's impossible just to talk about funding; it's important that we talk about policy at the same time—is for the government to come forward with a coherent plan for education, and that that plan include a vision for public education in Ontario, which the OISE report clearly stated the government had not had; a strategy for the implementation of all of Dr Rozanski's recommendations; and policy that guarantees standards of education in every school across the province. We also want to emphasize that in Dr Rozanski's report, he did not cost out many things. There are many things left to be done after all the recommendations are implemented.

He recommended that there be a new grant for aboriginal students. I followed the task force, as did Kathryn, in its hearings around the province. The situation for aboriginal students in Ontario is dire, and Dr Rozanski recommended a new grant for aboriginal students. He said there needs to be new funding for French language boards, which are also suffering; that we need to review the benchmark for starting salaries for new teachers, so that Ontario can recruit and retain good teachers; and that we need a cabinet-level advisory council on integrated services for children. He said there needs to be a review of the funding for new pupil places, so that boards could afford to build new schools in areas of growth, and that there needs to be a new transportation policy for special education students. All these things will cost money.

I also want to reiterate that Dr Rozanski said over and over in his report that the recommended funding increases be in addition to annual increases. He said that funding should be reviewed annually to ensure it keeps pace with inflation, and that—which is one thing we disagree with; his funding is introduced over three years—it be in addition to updated benchmark costs, which is why we've included the approximately $400 million in what has been recommended by Dr Rozanski.

Overall, what we're looking for here is not just money, not just dollars thrown at problems for political reasons, but a plan, a coherent plan for education in Ontario. We have been suffering under a lack of coherence for the last few years. Our students have been suffering. There has been a kind of ad hoc funding for education, an ad hoc policy in Ontario for the last few years. We want a coherent plan, and we want to see written out clearly the government strategy over the next few months for implementing all the recommendations in the Rozanski report.

We are going to continue to monitor and report on the government's progress. Next week we will be releasing our annual report on school closings across the province. Schools are continuing to close, even though we have recommendations in the report for more funding for small schools, and boards are continuing to cut programs. We have to do something about this and we have to do it now, so that we do not continue to undermine the public education system in Ontario.

The Vice-Chair (Mr Ted Arnott): Thank you very much, Ms Kidder. We have some time for questions. It's the Liberal caucus's turn to lead off.

Mr Phillips: Can you help us out a little bit in terms of the Rozanski report, which indicated that an additional $2.5 billion is required? Can you tell us what that would represent in terms of increased cost? We find it quite challenging to get the actual school board spending. The government has given us a response to some questions we asked here, but the numbers look different than other numbers. It looks like about $5.7 billion is raised from property taxes, I think, and it looks like it's perhaps going to be a similar amount in the future, $5.7 billion in property taxes. Therefore, how much more was put in this year, and how much additional provincial funding is required in, let's say, the next couple of years to implement the Rozanski report, in your opinion?

1030

Ms Kidder: In our opinion, we require in the next year—and it's really important that we remember that this is annual funding and not just one-time, solve-all-the-problems money—an increase of at least $1.8 billion and more like $1.9 billion. This is above and beyond the $613 million the government put in just before Christmas.

When we're saying we have all these different reports and we don't know who to believe, we have to understand that even in Rozanski's report, most of this funding is just to bring us up to the levels we should have been at by last August. So we're really talking about correcting a problem as opposed to putting in a lot of new funding. Over half of the money he recommended is just to bring us up to the levels we should have been at by August 2002, to make up for the fact that the benchmarks did not change from 1997.

I also want to say that in listening to boards across the province and talking to parents, as we do all the time, there was unanimity in the voice about how critical the situation is in schools and in boards. I think Rozanski heard that, which is why we have endorsed his report, and our one quest, then, is to have it implemented fully.

The Vice-Chair: We now turn to the New Democrats.

Mr Christopherson: Thank you very much for your presentation. I'm not sure, but we're probably getting closer to what one of the government members earlier called "barking dogs," meaning, I think, those who are making noise in the background, wanting money. It certainly wasn't a very positive comment.

Let me ask you about the difference between what the government has already committed to and what Rozanski is recommending. What has the government said to you privately so far, in addition to what they may have said publicly, about that commitment?

Ms Kidder: On the first day, there was a lot of hesitation about this wish list. Then a couple of days later, there was, "No, we plan to implement this. We love this report, and we back it completely." I think that what we have not heard, though, and have yet to hear, is what exactly is the plan? One thing I read in the paper yesterday, which made me laugh, was that there is going to be more consultation. Well, the reason they spent the money on the task force to review the funding formula was so that Dr Rozanski could go around the province and consult with all the experts, all the school boards, with parents and with every kind of group involved in education. We have had months and months of consultation. There is no need for more consultation, I would propose. The need now is for a clearly written out, "In February we will do this; in March we will do this. We will solve this problem by putting this amount of money in," and we will do all these things based on a desire to improve the quality of the education system in Ontario, as opposed to being based on the desire to get away with spending as little as we possibly can, which is how we funded education in Ontario up to now.

This is where the two reports come together so well. We have one report that says our education is underfunded and the other one that says we've suffered from a lack of policy and the lack of a clear plan to improve the quality of the education system. The OISE report says improving the quality of the education system affects the quality of all our lives, and it should be the sort of uppermost policy step for the government to make.

Mr Christopherson: I would assume that as daunting as that $2.5 billion may seem to some—and given the deterioration in the system, it's not surprising it is this figure—if they don't act right away to bring us up to par, then down the road, whether it's one or two or three years, we're going to have to pay the catch-up price of this full price, the catch-up of the current year, plus any new pressures that have come along as a result of new pressures in the system. What I'm saying is, if we don't address this number now, regardless of how daunting it may seem, that number is only going to go up and it's going to cost us even more if we don't invest this money now.

Ms Kidder: What's important is that we remember when we're talking about money that it's not money we're talking about, it's students. If we continue to play catch-up, what happens is students' lives are affected in that period where they don't have the services they need. There are many, many cases of students going without help, for instance, for a year of their lives. A year in the life of a student is a very huge percentage of their lives. So we can't just think of this as a funding problem. This is a problem that has to do with children's lives and we have to think of it at that critical level.

The Vice-Chair: We'll move on to the government caucus.

Mr O'Toole: Thank you very much for your presentation. I know the situation in education from my time as a trustee and as a parent of five children. I always felt there was a tremendous amount of inequity. My children attended primarily rural schools in the Durham area and they were getting less than other areas of the province.

Ms Kidder: I agree.

Mr O'Toole: In fact, I guess the Fair Tax Commission addressed it, the disentanglement report addressed it. The royal commission really was the first definitive report that made it clear that each child should be funded equitably and find some mechanism to do that.

Rozanski did respect that. He said, "This system"—in the past—"was considered inequitable, since boards with large property tax bases were able to raise more money than boards with access to small tax bases. Boards no longer have the authority to determine education tax rates."

Ultimately the relentless struggle to resist giving up that power to tax was taken to the courts and more recently caused the three rogue boards, as you are well familiar—you've followed all this and probably been a part of it—to dissent and break the law, teaching children in fact that breaking the law is perfectly acceptable.

I still go back to—the question, I suppose, if I have one: do you support equity in education even if it means some of the wealthier boards may have to move down the level of service in areas that aren't really core to the purpose of enriching children's lives?

It was funny, because I watched the announcements by Elizabeth Witmer and Premier Eves—

Mr Christopherson: Just say swimming pools.

Mr O'Toole: Yes, swimming pools are an example. My children would have loved to have had that.

No one would disagree with the need to have every possible advantage in life. When I looked at the $500 million that was announced, it was all wages and benefits. It was just ridiculous, really. Some $386 million of the amount was actually to increase the grid issues and deal with those issues.

Mr Christopherson: You're getting a good pay increase.

Mr O'Toole: I personally feel the current situation is trying to move toward rewarding excellence, rewarding performance, improving equity in rural schools. I'm still going to struggle very hard with those issues, not in indifference to the Toronto urban mix, the very complex social issues. I was wondering why the separate board in Toronto, with the same population demographic mix base etc, was able to balance its budget, and yet the public one—was it politics, really? You've watched this with some rigour, if not direct involvement.

The Vice-Chair: Mr O'Toole, could you conclude your comments, please?

Mr O'Toole: How much more time do I have? That's really the question.

The Vice-Chair: You've got about 30 seconds.

Mr O'Toole: I'll try to use 28 of them.

My sense is that it is about children. I think it's about my children and I really think it's about equity. I think the larger boards have to realize that this is a large, very diverse province, and I want the scarce resources used in every instance directly in the classroom, directly with the children. That interface between the teacher and those students is so important.

The Vice-Chair: Thank you very much, Mr O'Toole, for your comments.

Ms Kidder: I'd like to answer your question, especially to do with the equity issue. I agree with you completely that there was terrible inequity before. I think that's why it is valuable to have a provincial funding formula. Rural schools were suffering and continue to suffer. One of the things Dr Rozanski asks for in his report is another $60 million for rural schools and small schools. He also recommends that we review the funding formula for small schools to ensure that, where necessary, small schools are able to stay open, with the services of a principal, a secretary and adequate teachers. So I do not disagree with you there.

I also agree with you that we have not called for any kind of return to local taxation, because I agree that there needs to be equity across the province.

Where I disagree with you has to do with the scarce resources. I would argue that there's no more important place we can put money than our education system. It's the best investment we can make. We are, in fact, compared to everywhere else in the world, a very, very rich province. We have spent a lot of money on tax cuts in the last seven years. The Minister of Finance has announced there will be more tax cuts. I would argue the priority should be those small rural schools of which you speak. Those small rural schools are the ones that are suffering most right now, much more than cities.

The Vice-Chair: Thank you very much for your presentation.

I'd like to call forward our next group for their presentation, the Ontario Coalition for Better Child Care. They are scheduled for 10:40. Are their representatives in the room? It appears that no one is here as of yet from the Ontario Coalition for Better Child Care, so I'll call forward our next scheduled group to see if they are present: the Ontario Home Builders' Association. It appears that they are not present at this time either, so I will recess the committee at the present time.

The committee recessed from 1041 to 1057.

ONTARIO HOME BUILDERS' ASSOCIATION

The Vice-Chair: I'd like to call this committee back into session and call forward our next group, the Ontario Home Builders' Association. Welcome, gentlemen, to the standing committee on finance and economic affairs. We look forward to your presentation. First of all, I'd ask that you identify yourselves for the purposes of Hansard.

Mr Robert Cooper: My name is Robert Cooper and I'm the president of the Ontario Home Builders' Association. I've been involved in the residential construction industry for almost two decades and am president of the Alterra group of companies. Our firm has built over 4,000 homes, primarily in the Hamilton, Burlington and Oakville communities, in our 30-year history. We've also built condominiums in Toronto and are currently building townhouses as far north as Haileybury, Ontario.

Joining me is Mr Peter Saturno. Peter is first vice-president of the Ontario Home Builders' Association. He's also a past president of the Durham Region Home Builders' Association. For the past 15 years, Peter and his father, Sam, have operated the successful family business of Midhaven Homes in Durham region.

We are both volunteer members in the association, and in addition to our business and personal responsibilities, we are dedicated to serving our industry. We appreciate the opportunity to speak with you today and have forwarded copies of our full written submission.

I'd now like to ask Peter to start to tell you a little bit about the Ontario Home Builders' Association.

Mr Peter Saturno: Good morning, Mr Chairman and members of the committee. The Ontario Home Builders' Association is the voice of the residential construction industry in Ontario. As a volunteer organization, OHBA represents 3,400 member companies that are organized into 31 local associations across the province. Our membership is made up of all disciplines involved in residential construction. Together we produce 80% of the province's new housing, and renovate and maintain our existing housing stock. We estimate our industry employs over one quarter of a million people and contributes approximately $25 billion to the province's economy every year.

Since 1995, the Ontario economy has generated over one million new net jobs, accounting for over 46% of the national job gain. Many of those new jobs were in our residential construction industry. It's estimated that the average housing start generates approximately 2.8 person-years of employment; therefore, with housing starts at 83,597 last year in 2002, Ontario's new-housing industry provided over 234,000 person-years of employment last year.

Ontario's housing market in 2002 was buoyant, active and healthy. Starts last year were up 14% over the previous year. Low mortgage rates, increased immigration to the province and solid job growth all contributed to our strong sales in 2002.

OHBA and its members are looking forward to another healthy housing market again this year. In a November 2002 survey of our OHBA members, 75% expect new home sales to increase or remain the same this year, and OHBA is forecasting starts of approximately 74,500 in this coming year. Renovation spending also is on the rise, with about $9 billion spent in this sector last year. The Canada Mortgage and Housing Corp expects that this sector will reach almost $12 billion in spending in 2003 in Ontario. This certainly bodes well for Ontario's existing housing stock, which benefits from efforts to maintain and upgrade housing standards.

While most builders are optimistic for 2003, they do have some concerns and listed the top five barriers to growth as follows: skilled labour shortages; shortages in the availability of land; increased material costs; development charges; and over-regulation. In order to maintain Ontario's healthy residential construction industry, these barriers need to be addressed.

Mr Cooper: OHBA would appreciate your consideration with respect to the following:

Excessive regulation and over-taxation on the home building industry pushes the price of new homes higher and higher, which can put home ownership out of the reach of many families. The Urban Development Institute recently completed a review of 2001-02 government charges on new residential construction in the greater Toronto area. The study found that the total taxes, fees and charges paid by a homebuyer were up to 30% of the cost of a new home, equating to not less than $44,000 for the average home in each 905 region studied. The Greater Windsor Home Builders Association undertook a similar review of taxes, fees and charges paid in the construction of a new home in Windsor and Essex county. It found about 20% of the cost of a new home goes to these fees, equating to an average of $31,000 in charges on a $155,000 home. Development charges represent a substantial portion of these fees.

Not only do these charges contribute significantly to the cost of housing in the province, but there are serious concerns some municipalities may be manipulating development charge calculations to increase revenue.

Currently, many municipalities are in the process of preparing new background studies to be used in setting new development charge rates. OHBA is very concerned that in some instances background studies have been prepared using very inconsistent and sometimes flawed methods of data projection, which has resulted in various municipalities implementing development charges that are artificially high.

A little over a year ago, the London Home Builders' Association successfully presented its assertion to the Ontario Municipal Board that the local municipality's development charges implemented in 1999 were too high. The OMB agreed and ordered the charge reduced by almost $3,000 per single or semi-detached unit. This is just one example of some serious, fundamental flaws in the way consultants and municipalities are determining development charges.

As we begin another round of background studies and consultant reports to set new rates, OHBA recommends government identify and correct abuses of development charges, education development charges and GO Transit development charges in the homebuilding industry and intervene to ensure that the intent of the legislation, which is to reduce costs, is met.

Last year the government announced its intention to offer opportunity bonds tax-free to investors. OHBA fully supports this move. We believe bonds are a more fair and proactive method of financing the expansion of municipal infrastructure than development charges. We believe that extending the tax-exempt status of these bonds to include federal taxes will greatly increase their attractiveness to potential investors.

Mr Saturno: OHBA has been actively involved in the consultative process as the government seeks to develop a strategy for promoting and managing growth in ways that sustain a strong economy. Transportation links are extremely important in achieving balanced smart growth. It is critical that government ensures efficient transportation links between neighbouring communities and that mass transit is reasonably priced.

Currently, the provincial government collects taxes on fuel, which are not allocated to any specific purpose but simply placed in general revenues. OHBA supports allocating a percentage of current fuel tax revenue for building and servicing roads, bridges and mass transit infrastructure.

The shortage of skilled labour is a major concern for the construction industry in Ontario and has been a top concern of OHBA members for a number of years. The increasing number of retirees is not being offset by the numbers of young people entering the industry.

Informing and educating the public about the opportunities available in the construction industry, as well as dispelling some of the negative stereotypes associated with skilled trades, is a major challenge for the industry.

Rental housing continues to be in short supply in several urban centres and Ontario continues to have a shortfall in the building of rental housing. Canada Mortgage and Housing Corp data suggest a shortage of about

14,000 new rental units per year over the next 15 years. OHBA supports the government's efforts, which include an investment of $20 million to resume the $2,000-per-unit PST grant program.

OHBA further recommends the elimination or lowering of development charges on rental units to increase the economic viability of private rental construction. Government is encouraged to continue to review policies that discourage private investment in this sector. Adequate shelter is a basic necessity for all Ontario citizens and OHBA continues to support the provision of shelter allowances for citizens truly in need.

Pressure from the underground economy continues to plague our industry, particularly in the renovation sector. On the provincial level, estimates range from $1.1 billion to $1.7 billion in lost revenue per year.

OHBA would also like to recommend that the government work together with our industry to seek out ways of encouraging and enticing customers to utilize the skills and services of legitimate, honest renovators and contractors.

Mr Cooper: Mr Chairman, let me conclude by complimenting the government on its foresight in making the land transfer tax rebate for first-time buyers of newly built homes permanent as of May 2000. Since its introduction in 1996, rebates totalling approximately $180 million have helped more than 126,000 Ontarians purchase their first home. This has certainly contributed to the solid growth experienced in the new-housing market.

Our recent survey of members shows continued support for the provincial government's fiscal policies. Members listed the following as the top five priorities for the provincial government in 2003. They were income tax cuts, small business support, spending cuts, improving infrastructure, and new rental construction. OHBA strongly recommends the fiscal policy of the government and encourages it to stay the course and continue in the direction of spending cuts and tax cuts.

Mr Chairman, members of the committee, I would like to thank you for your attention and interest in our presentation and we look forward to hearing any comments or questions you may have.

The Chair: That leaves us about three minutes per caucus, and we begin with the NDP.

Mr Christopherson: Thank you, gentlemen, for your presentation. One of the main reasons people buy a home, of course, rather than rent is because over a period of time, ultimately, it's paid off and they've got a bit of a nest egg going into their retirement. Agreed? I mean, that's why most people buy their own home, as well as pride of ownership and it's your place; but there's also the financial.

Interjection: Yes.

1110

Mr Christopherson: I noticed that you showed that rental starts and private starts were 3,879 in 2002 and 168 assisted rental starts. In addition, you mentioned, "Adequate shelter is a basic necessity for all Ontario citizens and OHBA continues to support the provision of shelter allowances for citizens truly in need." Fair enough.

What we don't understand, those of us who support the idea of direct government involvement in providing affordable housing—philosophically there are some who believe in that, like my party and I, others who don't, and some may be somewhere in the middle. Given that you're going to build no matter what—right?—that if there's something going to be provided, whether it's on the private sector side with a shelter allowance for those who need it or whether we build something and it's permanently there and owned by the people of Ontario, you still build the buildings, you still get the work, you still get the benefit of all that, and your work continues, what we're not clear on is, why your emphasis on shelter allowance? I know that sort of the Tory approach to all this is, "Let the private sector build all these homes, and then whatever the rent is, if there needs to be extra assistance, let that come in the form of subsidy." Again, some of us believe that's not a good investment in terms of the taxpayer's money, that if we buy a place and pay for it over a period of time, it's there, owned by the public and available to other families who need it, and hopefully people are moving on into the private sector. What I don't get is why you would support the shelter allowances specifically as opposed to the other, or not take a position. Why the shelter allowance?

Mr Cooper: Over the past, I'd say, 10 to 12 years, seeing the cost to the province of Ontario, the people of Ontario, on social housing projects that were put up in great quantity from, let's say, 1985 to 1995, we think the cost may have far outweighed the benefit. We're builders, so we'll build what the market wants. We believe that shelter allowances are a more economical way of providing assistance to people who can't afford to purchase market housing on their own. So the cost of shelter allowances is much less than the cost of providing social housing.

The Chair: Quickly.

Mr Christopherson: See, there's where we disagree, because the shelter allowance goes on forever, whereas once you build something and pay for it, it's yours, it's owned and the public can do with it as they deem. They can sell it, or the public could demand that it be there for other families, but at least there's a return on the investment. I grant you, there's some better efficiencies that can be found in terms of how you provide it, but shelter allowance, once that money's paid out every month, it's gone forever; there's no return on that.

The Chair: Thank you, Mr Christopherson. We'll move to the government side.

Mr O'Toole: Thank you, Robert, as well as Peter. Good to see you, Peter.

I do want to remark on Midhaven Homes. It provides real opportunity for people in Durham. You've been very instructive to help me understand the importance of the industry and the high growth in Durham, a part of my riding that you're currently building in. So I appreciate the time you've taken to be here today.

You know at first hand, Peter, the difficulty we've had in Durham with respect to one of the issues you mentioned. I'm going to mention two. One was the development charge formula and the pressure it does put on first-time homebuyers. You've made that point. Ultimately, it just gets put in the mortgage and for 40 years you're paying this. What is the average cost of the development charge for a single family, first-time homebuyer, sort of single or link or whatever? Would it be $5,000, $8,000, $12,000?

Mr Saturno: Actually, the average development charge in Durham region for any single attached home runs in at just under $20,000 per home.

Mr O'Toole: Over 40 years. You do the math, and that's probably costing that first-time homebuyer something in the order of maybe $100,000, $200,000 over there.

Mr Saturno: Over a quarter of a century.

Mr O'Toole: So it's an ongoing—but they refused to fund the capital portion of hospital expansion, which was adding services for patients closer to home, that is, a cancer treatment centre, dialysis and other things like that. The region as well as the municipality rejected it in favour of development charges for such things as, potentially, recreational facilities that I guess are important as well.

One of the things I want to draw to your attention is one of the more successful programs that I think the Ministry of Education—Elizabeth Witmer—has undertaken. It is the apprenticeship training program for high school students, which in Durham mostly takes place at Durham College at the Skills Training Centre in Whitby. I forget what the program is called, but I had the privilege yesterday of calling Gary Polanski, the president, and advising him that they had been awarded $180,000 as part of improving the equipment on-site. That's part of a $10-million program, which is part of a larger program of $25 million, to provide more skills training opportunities to address the apprenticeship issue you mentioned on shortage of skilled trades. Have you any comments on anything more we could do on that high school student program and getting ready for trades? Any comments on more that we could do there?

Mr Saturno: Actually, OHBA right now is in partnership with the government in trying to provide an apprenticeship program for students. Unfortunately, the scenario you're talking about with Durham College is to retrain workers to try to get a skilled trade. We cooperate right now in Durham with the Bridges program, which is in all the high schools in Durham region and Northumberland, into Peterborough, and helps to train individuals at the age of 16, half the year in a classroom and half the year on-site. That's the time to bring them into that industry and give them a taste of it, because it is an honourable profession. It's the old adage: teach a man to fish and he'll eat forever.

The Chair: We'll move to the official opposition. Mr Phillips.

Mr Phillips: Thank you for being here. I think you're one of the two engines that have really been driving the Ontario economy for the last two or three years, most economists think, you and exports.

I'm just trying to get a sense of the natural demand for housing and what we should anticipate going forward. I think household formation in Ontario is around 58,000 a year. So theoretically you'd argue that's the natural demand. In 1988, there were 100,000 units built in the province, and in 1995, 35,000 units—huge swings. I'm just trying to get an idea going forward. I think the forecasts over the next couple of years continue to be pretty optimistic. What's the industry's view on the natural demand? How many housing units a year should we be building to fulfill the demand? Are we building beyond that right now and, consequently, is there any risk at all that there's going to be an overhang, or should we be quite certain about 75,000 units over the next couple of years?

Mr Cooper: To answer your question, looking at housing starts from 1988, a great number of those represented probably a combination of market-driven housing and also social housing. So from a market point of view, real end-user buyers and families were probably where we were in 1988 from a starts point of view. This year we saw housing starts running around 83,000 in Ontario, and I would say that is for the most part natural demand. Of course, if we were able to increase the turnaround time for subdivision approval and bring land on stream faster and cut out red tape, the natural demand probably is closer to 100,000 units. This coming year, I would see probably a slight decrease in starts. Our association is estimating about 74,500 starts for 2003. But with low interest rates continuing, we do see the demand for housing hopefully maintaining current levels over the next few years, as long as interest rates stay low and family formation in Ontario continues.

The Chair: Thank you, gentlemen. That concludes your time.

1120

ELEMENTARY TEACHERS' FEDERATION OF ONTARIO

The Chair: Our next presenter is the Elementary Teachers' Federation of Ontario. Please state your names clearly for the purposes of Hansard. I think you know that you have 20 minutes. Whatever time is left over after your presentation, we'll try to divide equally among the caucus members. Welcome.

Ms Emily Noble: Thank you. Being an educator, I will make sure there is time for questions and answers. My name is Emily Noble, and I have the privilege of being president of the Elementary Teachers' Federation of Ontario. With me is my general secretary, Gene Lewis, and our staff officer, Pat McAdie, who looks after a lot of the technical funding briefs.

We recognize that this is the standing committee on finance and economic affairs, and we want to tell to you and make sure that just because the government has put money into education out of the Rozanski report, we need to reinvest—and we have an opportunity to act now to reinvest—and put back in the money that has been taken out of the education system over the last seven and eight years. So I think the government has an opportunity to really say this is student-focused funding and the money will be there, and make a commitment to the students of Ontario.

Dr Rozanski heard from hundreds of people across the province, parents and students; in fact, thousands of people in terms of the education community. One message that was very loud and clear is that the education system is underfunded. Rozanski heard that and he agreed in terms of his report. So a significant amount of money needs to be, and must be, reinvested in education to reverse the neglect over the last seven and eight years.

I think you will be familiar that last week there was an excellent report out of OISE talking about the fact that over the last several years there has been a lack of funding put into the education system. Ken Leithwood, Michael Fullan and Nancy Watson, who are all well-respected educators around the world, concluded that "the public system in Ontario has languished" far "too long. The time for concerted action is now." I think the standing committee—you people—have an opportunity to act.

I must say that, to their credit, the Ontario government and the honourable Minister Witmer did act quickly, particularly on three items out of the recommendations, and they acted this year. They put money into special education, salaries and student transportation. It amounted to about $550 million. As I said, this money was for this year, and so was a recognition that there was significant underfunding of the system.

However, as I said in my introductory remarks, does that fix the problem? Absolutely not. It's really important that the government take the important step—and they've taken the first step—but recognize that this is in fact a first step. We've only gotten to first base, and we want the recommendations from Rozanski to be implemented in full. Particularly, the money that was put in this year needs to be continued and maintained over the next couple of years.

Mr Gene Lewis: There are a lot of recommendations on education these days. Ours come to you with the voice of 65,000 members across the province. I commend the report to your reading, but I'm going to turn to page 11 and the recommendations. On page 11, the bottom two recommendations, number 1 is that the government invest $1.42 billion in the formula in 2003-04 to update all the benchmarks over the last five years; our president, Emily Noble, talked about the neglect that has occurred. Recommendation 2 is that the government increase education funding for 2003-04 to reflect changes in inflation. If you take 1 and 2 together and implement the first year of Rozanski's three-year program, that would move the cost of education in Ontario to $16.1 billion in 2003-04.

Moving to our third recommendation, we urge the government to invest the $689 million to fund the new initiatives that Rozanski identified in his report, and specifically $265 million for students with special needs, $50 million for the learning opportunities grant, and other amounts to address small schools, ESL, declining enrolment and maintenance of schools. Anybody who has been in a school lately knows that maintenance is desperately required.

Our fourth recommendation says, let's have a look at that learning opportunities grant. That's the grant that helps students from lower socio-economic regions of the province be successful. It's the grant that helps students with special needs. It needs a serious review because it's clearly inadequate at this point.

Recommendation 5 refers to the adequacy of the pupil accommodation grant. In 1998 that amount was set at $5.20 per square foot. It hasn't been adjusted since to compensate for inflation, and it wasn't even adequate in 1998 because it was the average cost that school boards were paying at that point for their facilities and their upkeep while the median was $5.50. So updating the grant to reflect inflationary costs will help, but it won't solve the problem of crumbling schools.

Recommendation 6: we're recommending, as Rozanski said, to put a process in place to review the adequacy of the funding formula, both annually and on a five-year cyclical basis.

Our 65,000 members really want you to focus on recommendation 7, making a commitment to the elementary students in this province. I want to give you an example. The average elementary school in this province is around 360 students. The pupil-teacher ratio in an elementary school is 24.5 to 1. In a secondary school—legislated—it's 21 to 0:1. That's a difference of 2.4 in the ratio. Sorry, that's a difference of 3.5 in the ratio, but in the average elementary school that would mean 2.4 additional teachers in an average elementary school with 360 students. The impact that could have on the learning needs of children in this province is phenomenal. This is something that has been allowed to exist for a number of years. It will take courage on the part of the government to address it.

Ms Noble: Basically, in conclusion, we feel that after seven years of underfunding we're actually in a position now, and the committee is in a position and has the opportunity, to redress some of those kinds of things and say, "Put the money back in." Certainly since the introduction of student-focused funding, the effects of inflation and cost increases have been ignored. That's a real key, and Rozanski heard that from the boards. That's a really major factor. And certainly with the cost of electricity and those kinds of things, the money needs to be put in so that classrooms are warm and heated.

Gene talked about the class size. One of our issues at the elementary level is the funding gap. There is a disparity in the funding and the value that's placed on an elementary and a secondary student. Secondary students need every cent they can get, and more in fact, but there is a gap of $770 in terms of the funding that's given for an elementary student as opposed to a secondary. We talk about the value of early childhood education. I think there's an opportunity here to redress that and say, "We value early childhood education, we value elementary students," and redress that difference in funding.

1130

I do believe that the government has started on the road to repair, as I mentioned earlier, with the Rozanski report putting money in. It's a first step. Let's continue that. We encourage the committee to take some courage and continue the steps and not continue to underfund the education of our students, because they are our future. They will be sitting here in my place and they will be sitting here in your place. Certainly make sure that there is a public system that is fully funded and accessible for all students and that all students are valued. Thank you very much.

The Chair: Thank you, Ms Noble. We begin the rotation with the government.

Mr Ted Arnott (Waterloo-Wellington): Thank you for coming today and thank you for your presentation. We do appreciate the good work your members do, and certainly their commitment to improving student achievement is something I know the minister appreciates very much. I also want to thank you very much for your acknowledgement for her work as minister and her prompt response to the recommendations of the Rozanski report. Clearly there is more work to do in the future in that respect. A number of groups have made reference to that.

I want to ask a specific question about one of your recommendations: number 4. Mr Lewis, you had indicated that in your opinion the learning opportunities grant is clearly inadequate. I think those were the words you used. I just wondered if your organization has had a chance to do any research to back up that statement and to identify what exactly would be needed to have an adequate level of funding in that particular grant and how we might achieve that.

Mr Lewis: If I might, and perhaps my colleague has better information, Rozanski in his report recommended $50 million as a beginning. As you know, he recommended an annual and a cyclical review of the funding formula itself. Any additional information?

Ms Patricia McAdie: The information that we have also comes from the Expert Panel on Learning Opportunities from 1997, when the funding formula was being formulated and introduced. They recognized at that point that at least $400 million was being spent on learning opportunities grant programs and the government put in at that time $185 million. Since that time, the funding has increased for that grant but there have been two other components added to it. So the recommendations specifically refer to the original intent of the grant and the demographics portion.

We haven't done anything more specific in looking at the programs, but that is what we are basing it on, that report from 1997. We look forward to doing some more work on that.

Mr Phillips: Thank you for a very thoughtful presentation. Just to try and make certain I understand your recommendation, your judgment is that currently, the fiscal year we're in now, $14.8 billion is being spent on elementary and secondary education. Is that the number? For next year, what is your recommendation on what that number should go to?

Mr Lewis: Rozanski in his report recommended a three-year phase-in of his improvements and updates. We think that's too long, but if you give it a three-year term, implementing one third of his improvements plus recommendation number 2, compensating for inflationary changes, that would increase the total to $16.1 billion for 2003-04.

Mr Phillips: OK. A smaller point: new schools capital funding is completely different than it used to be. The province used to fund roughly $500 million of capital; now the school boards borrow the money and it's part of the funding formula. I think the cost of that is going up by $150 million a year. Has your organization looked at that? Do you have any comment on that?

Mr Lewis: It's not an issue that we've addressed. We don't think it would be fair to comment on it.

Mr Phillips: That's fine. Maybe I'll just follow up on Mr Arnott's question on the learning opportunities grant. What's the implication if we don't proceed with your recommendation?

Ms Noble: I think as far as we're concerned, if we're not going to follow the recommendations, we're going to end up with a system that's underfunded. It's not going to be accessible to students. Schools are in disrepair as it is, and that causes a further demise of the public education system we value in this province.

The Chair: Mr Christopherson.

Mr Christopherson: Thank you for your presentation today and, more importantly, thank you for everything you've done over the years, leading this fight against the cuts.

I don't know if you heard it or not, but earlier Mr O'Toole was whining about the fact that a certain percentage of the money that's already been allocated is going to wages. It's pretty tough to run a health care system or an education system or a police service or a fire department without recognizing that staff costs are your largest percentage. Can I just get you to comment on the fact that it looks to me like about a quarter of the costs go toward salaries and benefits, which also includes a number of remedial actions?

Interjection.

Mr Christopherson: Do you want the floor instead of just mumbling?

Mr O'Toole: Sure. Do you want to relinquish it?

The Chair: Order.

Mr Christopherson: That also includes putting back some principals and vice-principals and other things that were cut, so it's not just a straight, bottom-line increase. I'm just trying to remember what percentage wages and benefits are overall in education. It's pretty high, and it's certainly a lot higher percentage than the total amount recommended in Rozanski. I wanted to give you an opportunity to respond to the rather flippant remark earlier that there's such a huge amount of this money going to wages and benefits, as if to suggest, of course, that your ulterior motive is not about the kids but about yourselves.

Ms Noble: Well, there is a significant amount. There's a significant amount of any budget that does, and it's basically 75% to 80% in terms of salaries. But you're correct: it goes to provide special education teachers and resources, it provides the teacher in front of the classroom, it provides the occasional teacher, it provides a principal in a school and it provides all kinds of personnel resources that are so vital to the education system.

It's important to have a person with the student. I'm from Algoma district, Sault Ste Marie. That kind of money provides educational assistants. It provides guidance people, who have in fact been cut in Sault Ste Marie. We don't have guidance people any more. But we want those resources put back, because it is all about children, and we don't want the kids of Ontario to be at risk. That's what it's all about.

The Chair: Thank you all for the presentation. It's ironic that two members at the top of this table—me and the researcher—were both educated in Sault Ste Marie boards.

Ms Noble: And a wonderful education it was. That's great.

The Chair: Somehow we ended up here.

ONTARIO ELECTRICITY COALITION

The Chair: Our final presentation this morning is from the Ontario Electricity Coalition. Please state your name clearly for the purpose of Hansard. Welcome, sir.

Mr John Wilson: I'm John Wilson. Thank you for the opportunity to talk to you. I'm currently working with the Ontario Electricity Coalition. It's a broad-based group of seniors, retirees, environmental groups, social justice groups, the Council of Canadians, most major unions across the province and many others. We have chapters across Ontario. I'm also working with Myron Gordon, a U of T finance professor who is an expert in utility rate of return.

I worked as a utility engineer in the United States, and in Ontario for the old Ontario Hydro and for Hydro One. I also represented all the scientists and engineers at Ontario Hydro and its successor companies, and I was a former member of the board of Hydro One.

My agenda has just three items, so you'll have time for questions. They are: what the budget needs, what we're wasting and what we need to do about it.

First, what the budget needs: we don't need a balanced budget, but we do need a fiscally responsible budget that eliminates waste and focuses on the priorities of Ontarians. As an example, we may take out a loan to fix a leaking roof on our home, to educate our kids or to help a relative who is having difficulties. Investing in our home protects our current investment. Investing in our kids protects and helps the entire community in the future. Looking out for a family member in need is a moral obligation. There are issues that have a higher priority than a balanced budget.

1140

Ontarians need to protect their investment in their electricity system, to invest in their electricity future and to meet the electricity needs of the least fortunate members of our community. We do this for our own well-being, for the future of our communities and for our own morality.

Now, when we're in a prosperous time—take a look at the federal budget surplus, for example—it doesn't take a lot of thought to balance the budget. But I'm here to ask you to think about something Ontarians need every time we have a budget. What we really need with every budget is fiscal responsibility. Among other things, that means cutting waste so we can adequately meet our top priorities, invest in our future and protect the current investments.

So let's focus on some of that significant waste, my second point. What are we wasting? In opening the electricity market, we wasted about $2 billion. I say "about" because the government has no tally of who spent what, where, when or for what purpose. The money was spent by the provincial government, the provincial electricity companies and municipal utilities. It was spent on restructuring, setting up new companies, writing massive computer programs, advertising, increased executive salaries, billing changes, consultant fees, construction of new facilities, training, merger and acquisition fees, moving to new and rental facilities, and many other costly items.

Unfortunately, these expenditures are sunk costs and shouldn't be considered in going forward, but they should provide a lesson about investing large amounts of public funds in speculative ventures. That money could have helped with hospitals, with schools, with municipalities and with debt payment.

Next, the government is spending money that hides the higher rates charged by private electricity corporations. There's no limit on the rates that private corporations can charge, but the government put an artificial limit on the rates of Ontario Power Generation, our public company. So OPG must rebate all the money above this limit back to electricity consumers. But we're not actually getting any money back with this so-called rebate. It's a sleight of hand. It takes money from one of our pockets and it puts it into another one and it hides the true cost of power. We're paying ourselves with our own money.

In addition, the government is paying electricity retail corporations hundreds of millions of dollars a year. These corporations took advantage of one in four Ontario households, and they also took advantage of a lot of industrial and business consumers and fleeced them also. These corporations are providing nothing to Ontarians other than a way to take away money. These payments are a waste.

Finally, the government is looking at selling public generators to the private sector. With each sale, we'll waste more money by paying high prices instead of buying from not-for-profit companies. So unless this waste is stopped, we won't have enough money to adequately fund the real priorities in our budget, priorities that you've been hearing about over the last day or so.

Lastly, what do we need to do? It's simple. Stop the sell-off, close the market and move forward with conservation and clean energy. Stop the sell-off of publicly owned electrical assets. UBS Warburg estimates that in the next little while, 30 large energy assets are going on the selling block as big energy companies shed their assets to escape their dire financial straits. The market for energy assets was destroyed by this asset shedding and by the intervention of the provincial government. There can only be fire sales in this kind of market.

Speaking of fire sales, Ontarians helped send an estimated $500 million in profits from British Energy at the Bruce back to its parent company in Britain to help it stave off bankruptcy. Originally, this money was to go for retubing reactors down the road. The recent lease transfer at the station shows how great a deal the private sector got. British Energy, in a forced sale, with its back to the wall, still sold the lease for more money than the original deal it made with Ontarians. So we paid to bail out foreign shareholders to keep the lights on in Britain. Too bad that money wasn't helping to keep the lights on in Ontario.

Although the lost $500 million is a sunk cost, the next $500 million shouldn't be a sunk cost. The government needs to cancel the Bruce lease and use the next $500 million for Ontario's needs. We can't afford to waste this.

We also have to stop paying high prices to private electricity producers like Brascan and Bruce Power and private retailers like Direct Energy. We're currently paying 37% more to private electricity producers than we are to public producers. The private sector is getting 5.2 cents a kilowatt hour, the public sector 3.8. We're in effect subsidizing those so-called efficient and productive private corporations. This is too big a profit, 37%, to pay to corporations that contributed no new generation but are only profiting from stations that Ontarians paid to build. In addition, we're paying retailers about 6 cents a kilowatt hour. We have to stop subsidizing these private corporations. These subsidies in total amount to billions of dollars.

It's important to understand one point in the competitive market, and that's that market abuse is the biggest loss to consumers who buy competitive electricity. Abuse is documented as 20% to 400% across the United States and other localities such as Britain. Think about it. You can't have a handful of people bidding 24 times a day on a single commodity where every bidder knows the supply that every other bidder has and they all know the demand to within 1% or 2% every hour of the day. You don't have to collude. Any reasonably bright electricity trader can exercise market power and "abuse the market."

Ontario, with its big supply shortage on hot and cold days, provides a market that is readily open to abuse. This situation will remain with us for the foreseeable future. Back in 1995, people were predicting more than 40% savings with deregulation. In 1998, those predictions dropped to anywhere from 6% to 20% savings. Last year, FERC, the Federal Energy Regulation Commission in the United States, predicted that savings would be 3% to 5% in total, and those estimates exclude stranded costs, transaction costs, market abuse. Now FERC is predicting 2% to 4% over two years and still ignoring transaction costs and market abuse.

Most American states have shelved deregulation and they've stopped restructuring based on a mountain of evidence that it doesn't work. It offers enormous risk to consumers and virtually no rewards. What it has done is unleash abuse of market power, excessive overcharges, inefficient transaction costs, a sharp increase in the cost of capital. These cost increases swamp the theoretical possible efficiency gains you can get from unregulated rates.

We need to legislate conservation and expand clean, renewable energy. After blackouts and soaring rates, California quickly turned the lights back on and reduced rates using conservation and efficiency programs. The state permanently cut 12% of its demand. That's an amount equivalent to all of the four reactors we put in at Darlington, in 10% of the time we put Darlington in, for 10% of the cost. Consumers benefited and so did everybody else—the state benefited. The consumers did their part by paying a rate determined by how much electricity they consumed above or below the previous year's consumption. The state also funded energy-efficient appliances. This is a quick way to turn around a situation where demand is out of control, as it is here in terms of the supply.

Conservation doesn't typically benefit big energy and financial corporations who contribute to campaign funds, but in Ontario's case it will benefit almost all the corporations upon which our economy depends, and it will certainly benefit your constituents in terms of the money in their wallets and in terms of their breathable air.

We need clean, low-cost electricity. We should publicly invest in renewables such as a third Niagara Falls station. We shouldn't give away or share this no-risk investment with the private sector. Even Donald S. Macdonald, in his electricity report, advised the government to keep Niagara Falls in public hands. A budget that develops a third, fully public Niagara Falls generating station would be a budget that cuts waste in terms of unnecessary profit from Ontarians' electricity. In addition, it would cut the pollution, the waste generated by coal-fired plants.

In conclusion, the government said it wanted input into the upcoming budget. The biggest thing they can do is cut the waste so we can fund the stuff we need to fund. As I've noted on many occasions, when we're headed in the wrong direction, going faster is not going to help, and neither, in Ontario's case, does it help to sit in neutral with our foot pressed firmly on the accelerator, burning fuel. We need to stop this waste of money. We need to stop polluting the environment.

A government that claims to be cutting taxes is effectively imposing massive future taxes on Ontarians in the electricity sector. In addition, these taxes are destroying our relatively inexpensive and reliable power. Unless you meet your fiscal responsibilities, you will leave a legacy of devastation for Ontarians.

1150

Premier Eves announced that the government will be retaining 100% control of Hydro One. He said it was to protect consumers. We protect our water by retaining control of it. We don't just mean the pipes it flows in; we mean the water itself. So we should retain not only the wires but the electricity that they carry.

Our coalition and its many member organizations will again talk to people and media across the province. If you don't think you're going to fight the coming election on electricity, think again. If you don't think you're going to be asked by voters, "Do you support public power and regulated rates?" think again. And I guarantee you, if the lights go out in Ontario, your constituents will blame you for not having done enough to keep them on. Today you can take a bold step forward for your constituents who are saying, "Stop the sell-off, close the market and move forward with real conservation."

Thank you for your time. I'd be happy to answer any questions.

The Chair: We have just a little under three minutes per caucus.

Mr Phillips: Thank you very much. We're trying to get a handle on how the rebate is being financed in terms of whether it might have any impact directly on the provincial finances and certainly on the stranded debt. What we've been told is that it is self-funding, they say, over a four-year period, so that could mean a lot of things. It could run significant deficits in the first couple of years, I gather. But I was interested in your comment where you indicated that Ontario Power Generation is selling at 3.7 cents.

Mr Wilson: It's 3.8.

Mr Phillips: We've been told that OPG has set aside at least $700 million for the market mitigation fund, which would have meant they're selling well above 3.7 cents or 3.8 cents.

Mr Wilson: Actually, they're selling at 3.8 because everything over and above, which is the $700 million you're talking about, goes back in a rebate. So most of OPG's generation is capped at 3.8 cents. It doesn't matter what they bid, what they pick up on a given day; that money just recycles. So you've got a public corporation, Ontario Power Generation, of which the government, ie, the people of Ontario, owns 100% of the shares, paying themselves money from their own company as a pseudo-rebate for electricity rates. So no matter what OPG bids, no matter what they get, they are stuck for most generation with the 3.8-cent cap.

Right now, private corporations are getting, since the market opened, 5.2 cents average per kilowatt hour, which is a 37% increase. If OPG is operating on a cost, not-for-profit basis, those corporations are making 37% profit over and above all costs. That is an obscene amount of money for groups that have introduced no new generation into Ontario and are only using stations that Ontarians built. OPG will be able to pay for some but that's a question for the people of Ontario; that is their company. They'll be able to pay for some of the cost increases of the private corporations that are supplying about 25% of our electrical energy.

Mr Phillips: Just to be helpful to us, OPG is actually charging what? If they are only able to keep 3.8 cents but they've accumulated $700 million as a result of getting more money for it, what are they actually being paid for power?

Mr Wilson: They're being paid 3.8 cents because all over and above has to come back in rebates to consumers. So that's the fund that OPG is building. It's what they get over and above their 3.8 cents because the bidding process works as follows: everyone bids, they stack up the bids in terms of the cost and then they see how much energy they want, they go up and they say, "We need this much," and everybody gets the cost of the highest bid that is successful. So OPG, even though they bid down here, gets this money. They can't use it because they have to give it back.

Mr Phillips: I don't think you're being completely clear with people because you're implying that the price that OPG charges is 3.8 cents, when in reality it's charging 5.7 cents and is required to rebate the difference between 3.8 and what they actually bring in. I'm trying to get from you an estimate of what they are actually charging, so we have some idea what's going on in the marketplace.

Mr Wilson: They're probably charging, in the first part, about 5.2 cents a kilowatt hour because every successful bidder gets the top price, and the average top price since the market opened was 5.2. So OPG is getting 5.2 cents but only keeping 3.8, and that money is coming back as a rebate.

Mr Phillips: I understand that.

The Chair: We move to Mr Christopherson.

Mr Christopherson: John, thank you for your presentation. It's good to see you again. You make reference to what's happening in the States. I recall in the 1990s the government liked to point to the States as the great example of why they should be doing what they're doing. I'd like you to just expand a little bit more on what exactly is happening in the various jurisdictions across America as this whole thing starts to unroll.

Mr Wilson: Right now, jurisdictions have stopped deregulating or they have turned around. The only places in North America that still have some semblance of deregulation are Texas—Texas is a state that's effectively disconnected from the American power grid; almost no lines go in and out, so it's an island unto itself that burns huge amounts of oil and gas—and Illinois, where power costs are going through the ceiling. All the other states in the deregulated situation are grouped in the northeastern part, where we are, and they are in extreme pain.

Pennsylvania is in pain. New York is in unbelievable pain as their load, even during a recession, even with the World Trade Center problems, continues to rise. They broke records again last week, in the winter. They used to have summer peaks. US electricity need is climbing, climbing, climbing and nobody is building. They're putting emergency gas generators throughout Long Island and downtown Manhattan. They did it last year. Those generators are becoming temporary and they still don't have power. On the single hottest day last summer, they had 99% of their total capacity on line and zero units off and they just managed to avoid rolling blackouts.

This part of North America is in a really tough situation, but most of the states have turned around and are moving the other way. The federal government is revising and revising, and now saying, "If you did everything perfectly, what you can theoretically get back from deregulation is nix to nil."

Mr Christopherson: What about in Alberta?

Mr Wilson: People in Alberta are still paying double the price for electricity that they paid prior to deregulation. In the first year, they paid five times. I was just on a cross-Canada CBC Radio show and they had people from Alberta on it. They are screaming, farmers are screaming, because they are in extreme pain, and they are going to be paying that double rate for the foreseeable future.

Even in England, where they're still taking out 20% too much, when wholesale rates dropped none of the savings got through to residents. It was all picked up by middlemen. What's happening now is that the big producers are beginning to close stations. So the British are now moving toward an energy shortage situation because they want those prices back up.

The Chair: With that, we move to the government side.

Mr O'Toole: I've listened and watched with some interest. You did work for OPG, I understand.

Mr Wilson: I did. I worked for Ontario Hydro and I worked for Hydro One.

Mr O'Toole: Were you on the Hydro One board?

Mr Wilson: Yes, I was.

Mr O'Toole: With Eleanor Clitheroe and all?

Mr Wilson: I was.

Mr O'Toole: That's good. Well, your record speaks for itself.

The only thing I would say is that the problem is—

Interjection.

Mr O'Toole: Do you think Eleanor Clitheroe was right, Mr Phillips?

Mr Phillips: Oh, I think she was wrong. You approved the deal.

The Chair: Would you focus on the witness?

Mr Phillips: It was the government that approved Clitheroe's deal, not you.

Mr O'Toole: He cost the people of this province $2 billion right there.

Mr Wilson: I'd like to correct the honourable member. This member of the board resigned long before the wages and salaries—

Mr O'Toole: The other thing I would say is that he's wrong on Texas as well.

The Chair: Would you give the member a chance to state his—

Mr O'Toole: Texas, he should know, because he spent his life on energy as an engineer, has the highest level of what they call RPS, renewable portfolio standards, that the power coming on to the system will be of a renewable nature. The highest level of renewable portfolio standards in North America is Texas. So don't criticize areas—not that I'm supporting Texas, but I just wanted to correct the record, because you're wrong.

You're also wrong—and I think you should read the article from yesterday's Toronto Star, usually the Liberals' briefing notes. It's an article by John Spears. The article will help Mr Phillips understand the difference between the 3.8 cents and the 5.5 cents, the market price and the capped price that legislatively is on Hydro One. Some $750 million will be part of the rebate fund. The total fund, mitigation as well as rebate, is $1.2 billion. As the finance critic for the Liberals, I'm disappointed how little Mr Phillips understands on this program.

The Chair: Is there a question here?

Mr Phillips: Don't you worry, John.

Mr O'Toole: Looking at the article as well in the Toronto Sun by Steve Gilchrist, talking about conservation, do you think there is much room in conservation to really take some of the load off the grid?

Mr Wilson: I'll comment on your first three remarks.

Number one, I resigned from the board back in May 2000, long before the CEO and chair put the massive increases in for executive salaries etc that appeared. So I'm not with the last group of resigners.

Mr O'Toole: Sorry about that. I apologize.

Mr Wilson: Yes, I would think so, John.

The second thing is that the entire United States has theoretically—I'll explain why—12% renewables. Ten per cent of those renewables for the entire US are big dams, and there is a big to-do among environmentalists about how renewable and how devastating it is. Two per cent and dropping: that's the level of renewables that you have across the board. Yes, you can have a lot in a given state, but overall it doesn't amount to much. The percentage is extremely small. That has happened because of deregulation. As deregulation has come in, renewables have dropped, other than those that were mandated by states.

I won't argue with you on the numbers. Myron Gordon and I and all kinds of people who work in the electricity industry have looked at the numbers and we believe what we say.

Conservation was a big point I was trying to make, because what California did was, the following year after the lights went out, they paid people an amount on their bill, depending on what it looked like, to the previous year's bill. For instance—let's take an example—your bill is 10% higher: you pay through the nose for your entire use. Your bill is 10% lower: you get a big rebate. If it's the same, you pay the same. So what this did was take 12%—that's a massive amount—off demand in a single year and it cost them virtually nothing; C$1.5 billion to take 12% of the demand of a state like California permanently out. Does conservation work? It is the only thing that will keep us from walking in the dark.

Mr Christopherson: On a point of order, Mr Chair: I want the record to clearly show that in the course of Mr Wilson's comments, when he had a chance to defend himself, Mr O'Toole did indeed apologize to him for being wrong.

Mr O'Toole: I thought he was on the board.

The Chair: Thank you. Accepted. Thank you, Mr Wilson, for your presentation.

That concludes this morning's session. We will now recess until 1 pm.

The committee recessed from 1202 to 1300.

PEEL ALERT

The Chair: The committee is now in session. Our first presentation is Peel Alert. Gentlemen, please come forward. For the purposes of Hansard, I ask that you state your names clearly when you speak. If there is any time left after your 20-minute presentation, it will be divided equally among the three caucuses. Welcome.

Mr Brian Johnston: Thank you, Mr Chair and members of committee. My name is Brian Robert Johnston. I'm a community advocate, and I am the appointed designate for the city of Brampton for mental health funding in the region of Peel.

Mr Michael McCamus: I'm Michael McCamus. I'm the executive director of FAME, the Family Association for Mental Health Everywhere, which is a Ministry of Health funded program.

Mr Johnston: Our purpose for being here today is to convince all of you in this room that it's going to be worthwhile for you to make a recommendation to the Minister of Finance to correct an injustice that has stood for the past 20 years in the region of Peel with regard to funding for mental health and addictions. That's our first goal.

The timing is absolutely important for this, because we're at a point where we can no longer continue to provide the services that are being provided, and there will definitely be cuts to the community mental health field within the region of Peel. Addiction services are also very much affected because of the fact that we're so far behind the times with regard to the money we receive in the region of Peel.

Mr McCamus: I'm going to do the middle part of the presentation, and Brian will have some concluding remarks.

This is our second presentation in two weeks. Peel Alert is a coalition of nine Ministry of Health funded mental health and addiction programs. We've been working together over the last two years to draw attention to a basic premise, which is that Peel is the most underfunded region in the GTA for mental health and addiction programs. Michael Wilson, who is the chair of the mental health implementation task force for Toronto and Peel, has revealed that Peel is the second-most-underfunded region for mental health in Ontario. Mr Wilson made a presentation on January 16 with regard to the findings of the task force. We spoke just after his presentation. It was a hard act to follow, because he basically said it all. But the regional council of Peel unanimously voted in favour of the principle that the provincial government, the Ministry of Health, should provide funding in Peel that is equal to the Ontario per capita average.

Our strategy to this point has been to get unanimous motions of support. We have succeeded in doing that at the municipal level. We have met with all the members of provincial Parliament from Peel region. We are gaining support, we are gaining allies and we hope to win your support here today.

I'd like to start by getting down to basics. What are we talking about when we talk about mental illness and addictions? The World Health Organization has estimated that within their lifetime one in four people will suffer from a major mental health disorder; that is, schizophrenia, clinical depression or manic depression. What are these diseases? These diseases basically manifest themselves in the early part of people's lives, right at the time when people are finishing high school or starting university, right at the time when they're separating from their parents and gaining the skills and relationships they're going to need to lead decent and independent lives. These diseases come into their lives and affect their ability to concentrate, to remember and to have a healthy self-esteem. With schizophrenia, people experience hallucinations and delusions.

What part of your life is not dependent on having a healthy brain and having mental health? We take our sanity for granted. The World Health Organization is saying that one in four people will suffer from a mental health problem.

The services we're representing are not treatment. Treatment is done in hospitals; it is done with psychiatrists. Treatment only deals with one part of recovery, which is finding a way to gain stability in a person's life, to use medications or counselling to provide a minimum level of stability. Our services are based on reintegrating people into society, and this is a critical component of recovery.

The Mental Health Implementation Task Force wants a new mental health system that is based on the recovery model: the idea that in addition to medications, people should have supports in the community that give them a chance at counselling and a chance at rebuilding relationships that may have been lost or damaged by having a mental health problem; gaining social skill, so that people can form relationships that will lead to employment or to friendships that will lead to people being functioning members of society; and housing and employment supports, so that people are not using hospitals as housing supports and are able to work and not depend on social assistance or other forms of government support.

This is what our programs are about. You've heard previous deputants talk about the effectiveness of community mental health programs. If a person is in hospital, it's anywhere from $500 to $1,200 a day; our programs are around $50 a day.

That's the essence of what we're talking about.

Two weeks ago in the region of Peel, Michael Wilson revealed some very interesting statistics that have to do with mental health in general and also mental health in the region of Peel. Part of what he said is that the region of Peel is the lowest funded area in the GTA for mental health and addiction services. In Ontario as a whole, it is the lowest funded area. He said that the region of Peel has the lowest ratio of psychiatrists to residents for all Ontario. He said that depression is estimated by the World Health Organization to be the number one source of disability and death in the world by the year 2015—not cancer, not AIDS; mental health and addiction will be the number one source of death and disability. And he reiterated the comments of the Minister of Health, Tony Clement, that this is a problem that's been neglected by all parties and all governments for a good 30 years, and that it's time to correct this historic problem.

In conclusion, I'd like to lead you through one portion of the report that came to the region of Peel on January 16, and that is the chart that's in your package. It was a five-page report. Commissioner Szwarc of social services and Commissioner Peter Graham co-authored this report. The chart shows very clearly the disparity that is affecting Peel.

For alcohol and drug dependency programs, the Ministry of Health spends a per capita average of $12.70 provincially; for Halton-Peel it is only $3.86. For community mental health programs, the Ontario per capita average is $22.50; for Halton-Peel it is only $12.10.

We've had people suggest that maybe that's true and maybe we should look at hospitals. So this report looked at hospitals, and what we find is that for general hospitals providing psychiatric services, the Ontario per capita average is $15.86; the central west region, which includes Peel, is not at $15.86, it's $9.22. Outpatient services: the Ontario per capita average is $5.08, and we're down at $3.31.

1310

So we have spent a lot of time and a lot of energy working with the region of Peel to find evidence of this disparity. You have evidence from the Ministry of Health's task forces on mental health, calling for reform of the mental health services. On top of that, Peel is one of the fastest-growing cities in all of Canada. Brampton and Mississauga—the population of Peel will double between 2001 and 2016. So we're already starting behind where we should be in terms of the Ontario average and we've got a population explosion that eats into our funding every year.

Mr Johnston: I'd like to add that for the past 10 years, since 1992, the base budgets for community health services and addictions within the province of Ontario have been frozen. So what you find is there are more people residing in the province of Ontario, the base funding has been frozen for what will now be 11 years and, with every four people, you have another individual who is going to be affected and needs to have services provided for them within the entire province.

Because of the demographics and the growth that's existing in Peel, we're at the point where we can't look after any more individuals who are truly suffering with mental health issues or substance abuse problems. It's going to result in the following. We're going to end up losing staff. I know the Canadian Mental Health Association is going to lose six full-time staff within the next three years unless something is done.

The bottom line is that there has been an injustice that has taken place for 20 years within the region of Peel when it comes to mental health and addiction dollars. We have an opportunity now to do something about that. In my concluding remarks, I'd like to say that you're going to see within the package as well a motion that came forth from the region of Peel with regard to this issue. There is also a letter that was hand-delivered to me yesterday by Mayor Susan Fennell that spoke about the disparities and the fact that something has to be done because more and more people are moving and making the decision to live in the region of Peel, and they're running into these problems.

Another thing Michael didn't mention was that three out of every four individuals who have a mental problem are looked after by caregivers in the home. What happens after time is there becomes perpetual burnout of those individuals, and they too become affected, which is a very, very costly thing because they end up in hospital as well.

My final remark is in the letter we drafted to this committee. I'd just like to say that Peel Alert would like to thank you for hearing us today. You are the individuals who have the power to make recommendations to the budget committee for the purpose of supporting us, and I would just ask that you strongly look at what we've said here today and what is presented in these packages in your deliberations, so that for once and for all, we'll be able to fix this injustice. Michael can take over now and end with his closing remarks.

Mr McCamus: I would simply say that we know from the research that's been done on these services that these services transform people's lives. People who have suffered from severe illness and severe disabilities find their lives transformed by meeting others who have suffered through the same illness, supporting each other, finding a decent doctor, finding a support group, getting into employment programs, getting into transitional housing programs and getting to a state where people are able to look after themselves, are able to make a contribution to society and feel good about their lives and feel good about being part of a healthy, productive economy. That's what we should be going toward, and we can't do that without the funding, so it's imperative that Peel not be left behind. Peel should be funded at the Ontario per capita average just like everybody else. Thank you.

The Chair: Thank you, gentlemen. That leaves us with just less than two minutes each caucus, beginning with the NDP.

Mr Christopherson: Thank you, gentlemen, for your presentation. I have the Hamilton Psychiatric Hospital in my own riding, so I'm very familiar, as well as, like many other people, having a family member who has been involved in issues of mental health. So I know first-hand, both as an elected rep and as an individual, the impact this can have on people's lives. Certainly being a catchment area, the HPH is—if you'll look at the charts you'll see that we're not far off from you in terms of the underfunding, trying to meet the growing need and the growing demand that's there.

The other thing that just happened—and I'm going to support this very much, but of course it will be on a provincial basis because I can't support your community without supporting my own, because we're facing the same challenges you are. In terms of addiction services, we just had the absolute disgrace, in my opinion, of seeing the Hamilton Health Sciences Corp shut down our only residential addiction facility. I believe it's Moreland House. I'm going to check that and if it's wrong, Chair, I'll ask for the record to be corrected. But going from memory I really believe it was called Moreland House. We've had people come forward and talk about how it changed their lives, people who said, "If I'd had to drive the extra distance out of Hamilton and go somewhere else, I don't think I would have." When they remember the kind of frame of mind and the state of health they were in at the time they were reaching out for help, the thing that saved them was that in their own community they had somewhere to go and they said, "I need help," and their lives were turned around. We all know many people, certainly those who have broken away from the addiction of alcohol, to see how their life just turns—a different person, a different everything.

Now we've been told—and nothing negative to any of my colleagues representing other areas. But to tell a Hamiltonian, "You've got to drive to Guelph to get a residential addiction service," is just crazy. It makes no sense at all, and at the end of the day it speaks to the underfunding. The Hamilton Health Sciences I think made a poor choice, but I understand the fact that at some point they're having to make some kind of choice because there's just not enough money to meet the needs. So we share it. We're neighbours. We share what you're going through and you've nailed a lot of things that need to be addressed. I hope the government will respect that and respond.

The Chair: Thank you, Mr Christopherson. We go to the government side. I think Mr Beaubien was first, and Mr Sampson, if you leave him some time.

Mr Beaubien: Thank you, Chair. I'll take a quick comment. I think you closed your presentation by saying, "We expect to get basically the same level as everybody else." I think we have to look at the severity of cases that different communities may be dealing with also as opposed to just saying, "We expect the same level of funding."

Keeping on that line, this morning there was an article saying that the homeless cannot be forced to seek help. Maura Lawless, who's the acting executive director of the Fred Victor Centre, said that staff cannot require residents to seek medical treatment against their will. I would imagine that applies with your organization. How do you deal with a situation where people refuse to be helped? How do you deal with them? You can't force them.

Mr McCamus: We don't find many people refusing help. Our biggest problem is people who want help and can't get it.

Mr Beaubien: No, no, but I'm asking, the people who refuse to get help. That's the question I'm asking you. How do you deal with that?

Mr McCamus: Well, we have a constitutional bill of rights that protects people's security of the person. So I'm not sure it's something that can be corrected by public policy. I know that the—

Mr Beaubien: But how would additional funding help you in dealing with that?

Mr McCamus: Well, I'll give you an example just from our agency. A lot of families are very mistrustful of the system because they've been let down so many times. People don't return phone calls and so on. Our services require you to build a relationship with the family, build a relationship with the patient, a trusting relationship. If we lose one staff we lose 200 relationships with 200 families and 200 patients. This is why it's critical that we have enough staff and that staff have enough time to build these relationships. It may take weeks, it may take months, to convince a homeless person to come in out of the cold, but if you have the staff and you have the time and you have the resources it can be done.

Supportive Housing in Peel are experts on this. We have people who know how to do this. We would love to give a presentation on how to deal with people who are treatment-resistant. But that isn't our biggest problem. Our biggest problem is people who want help, people who are seeking help and can't get it because there's not enough beds, there's not enough staff, there's not enough funding. That's our big problem.

The Chair: Mr Sampson might have the opportunity to speak with you after because there isn't enough time right now. We will move to the official opposition.

Mr Kwinter: Thank you for your presentation. Are you funded on a per capita basis?

Mr McCamus: No, we're not.

Mr Kwinter: The only reason I'm asking that is that when I looked at this there's no question that on a per capita basis Peel is, as you say, at the bottom of the list. It didn't make any sense to me, if people were being funded on a per capita, why you'd be singled out. It would seem to me that the problem you have is that you were given block funding and your population has grown to such an extent that it really works out that, on a per capita basis, you're not getting enough to service them. Is that true?

1320

Mr Johnston: That's exactly right, yes.

Mr McCamus: And the budget freeze for the last 10 years has accentuated that process. I'll give you an example just from our agency. We get the same budget every year from the Ministry of Health, but because we're in a high-growth area we have to help more people each year, according to our mandate. So what happens is, each year there are costs that go up—the price of gas goes up, the price of insurance goes up, the price of rent goes up—but our budget's the same. So we are actually taking money out of the programs that are supposed to help people and giving it to insurance companies and giving it to landlords and giving it to the gas pump. We don't want to do that, but this is the situation we're in.

So not only does Peel need an adequate level of funding, at least at the Ontario per capita average, in coming years, but in the next 10 to 15 years, we're going to need some adjustments in terms of the huge population growth. Brampton and Mississauga are in the top five fastest-growing cities in Canada.

Mr Johnston: The other thing I think is really important to note is that in the case of Michael's agency, we have one worker for the entire region of Peel, which is now over a million people. One person cannot treat the one in four the way they need to be treated, along with the families, because Michael's agency deals with the caregivers, the family members. One person can't do the job and there's just no way to hire anybody else. You're at capacity, waiting lists have started and they're constantly growing.

I don't know what other solution there is except to come forward and say, "This is something that we recognize, we acknowledge, and we know that we're going to take care of all the residents in the province of Ontario," and Peel is part of those residents.

Mr McCamus: If I could just add quickly, we do know that in the Ministry of Community and Social Services there has been an effort to find a funding formula that would bring people up who are below the Ontario per capita average. I think this is something that should be seriously considered in the Ministry of Health, not just the Ministry of Community and Social Services.

The Chair: Gentlemen, thank you. That concludes your time. I appreciate your presentation and I'm sure the committee will take your presentation into full account in making its recommendations to the minister.

ONTARIO UNDERGRADUATE STUDENT ALLIANCE

The Chair: Our next presentation is the Ontario Undergraduate Student Alliance. There will be 20 minutes, and if there is any time left over after your presentation, we'll try to split it equally amongst the three parties. Welcome. Please state your name clearly for the purposes of Hansard.

Ms Leslie Church: My name is Leslie Church. I'm the executive director of the Ontario Undergraduate Student Alliance. With me today is Sara Lyons, who is our director of research and policy.

It's a pleasure to be presenting before the committee today. I'm going to draw your attention, in the package we've provided to you, to the PowerPoint notes on, I believe, the left-hand side.

There are a few things I'd like to do in the presentation today. I'm going to start off with some general comments about the current state of post-secondary education in the province and then move into the recommendations that we have specifically for this committee and, of course, for the upcoming provincial budget.

In terms of the key issues, I'd like to talk a little bit about enrolment and overall demand in post-secondary over the next decade and our concerns about quality, affordability and access at our institutions today.

In terms of growing enrolment, it has of course been the subject of quite a bit of press in the last week—the notion of the double cohort and the extra students, about 70,000 of whom are going to be entering the system in September. It is one of our concerns that the double-cohort issue is not a stand-alone issue that's going to disappear this September when students enter. There's a major issue with not only preparing our universities over the next three to four years to create the infrastructure, both at a human and a financial level, to be able to provide these student with the quality of education that they need, that they deserve, at their higher levels when class sizes, by necessity, have to be smaller and access to faculty greater than they are now and what they will be in the current state of education. We expect an additional close to 90,000 students between 2003 and 2010, just to give you an idea that this double-cohort issue is just the first peak in enrolment over the next 10 years.

Of the group of graduating students who want to attend university, that group will also, we estimate, grow by at least half over the next decade. So the bottom line here is that demand is on the rise for post-secondary education not only in terms of demographic growth and the elimination of grade 13, but also generally just because of the necessity of post-secondary education, the value that it provides to the business community, their demand for post-secondary, and naturally, students and parents responding to that demand. Ultimately, universities, because they produce skilled graduates and creative thinkers, will be the ticket to the new economy.

Looking at this graph of growing enrolment, an extra 88,000 students in the system is equivalent to building a new University of Toronto, Western Ontario and Brock, just to give you an idea of the scale of what 88,000 students means to the post-secondary system.

In terms of quality concerns that we have right now, Ontario is last among the provinces in terms of its operating grants to universities. Government funding has fallen from approximately $7,500 per student in 1991 to $6,500 in 2001. We have the highest faculty-to-student ratio and at the peak of double-cohort enrolment we estimate that approximately one third of all faculty in this province will have reached retirement age.

Additionally, we have concerns about deferred maintenance. The number of support staff at our universities has declined by nearly 20% in the past decade. Also, some outstanding concerns were presented and replied to in the Investing in Students Task Force of the Ministry of Training, Colleges and Universities, but we haven't seen these recommendations implemented in terms of student services.

So the bottom line here is that while other provinces tend to be levelling off, if you look at the graph of declining quality in terms of their student-to-faculty ratios, Ontario's continue to rise, and a lot of that has to do with the surge in enrolment.

Our third issue is affordability for students. Our average tuition is the second highest in Canada, next to Nova Scotia, and student debt has reached an all-time high of just over $21,000 this year. This does not include the private debt that we estimate is incurred by about 20% of students in a four-year undergraduate program. So this is irrespective of the deregulated programs in the province.

Today, to give you an idea, a student must work about 660 hours at minimum wage in order to pay strictly tuition and fees. In 1977, a student would have had to work only about 235 hours to pay the same fees. So there has been a dramatic increase in the cost of education, and the rest of society, in terms of the cost of living, in terms of the student financial assistance available, has not kept up.

In terms of the deregulation initiatives that we've seen in the last few years, we're concerned that, first of all, if the average student is graduating $21,000 in debt after their first four-year program, this is going to impact the choice of those students looking into graduate or professional programs. Additionally, students graduating $60,000, $70,000 or $80,000 or more in debt are no longer the exception; it's now becoming the norm for students who enter these programs. The question I ask you as representatives of broader society is, where do these recently graduated professionals go when they're carrying that level of debt? My concern, on behalf of our organization, is that it is in fact to Ontario and Canada's detriment that a lot of these students are considering jobs in the United States or looking strictly at the high-paying corporate jobs. Their options are being restricted to those two based on the level of debt they're coping with immediately after graduation.

In terms of accessibility, one of the major themes we'll have in terms of our recommendations is addressing the issue of affordability in terms of student loans, making sure that students have access to the financial resources ahead of time as they enter their degrees. Currently, a single student in Ontario is eligible for only $9,350 in student loans. That's low across Canada.

1330

Parents are expected to make a substantial contribution to their children's costs for five years out of high school, which again differs from the Canadian perspective where parents are only required to contribute for four years. If you think of the four-year degree program, that's a much more natural break in terms of parental contribution than the current five years required by Ontario student loans.

Additionally, the millennium scholarships are now going into their third year of implementation. Our concern here is that the way they have been implemented in Ontario has really not done a service to students in the way those scholarships were intended. They have not added considerable new funding to students nor have they reduced overall debt loads. One of our recommendations we'll see in a moment will address the millennium scholarships specifically.

Let me draw your attention to the notion of parental contribution for a moment, because there has been some new ground made on this issue. First of all, it is our position that parental contribution is right now a blunt instrument. It does not reflect a student's age or year of the program. As you can see here, this information we're providing to you is from the millennium scholarship Foundation, in conjunction with EKOS Research and the Canadian Undergraduate Survey Consortium. What you see is that the distribution of students expecting parental support decreases fairly dramatically over the course of a student's four years out of high school. What a student can expect from their parents is not the same in their first year as they would expect in their fourth year, but the way the program is set up right now, parents are expected to contribute virtually the same amount every year, based on their income.

This also does not concede the possibility that it might be reasonable to expect a $10,000 contribution in a student's first year from their parents, but over the course of four or five years, that same contribution for your average Ontario family is unreasonable if you're looking at a $10,000-a-year saving to supply to a single student in university.

A second point here is that students have no appeal if their parents don't contribute or contribute less than the mandated amounts. Students who do not receive government loans are no more likely to receive parental support than those who do.

The bottom line or the overall picture of post-secondary as we see it is that tuition and the cost of education have increased dramatically. Provincial operating grants over the same time, adjusted for enrolment and inflation, have decreased dramatically. The province must respond to the rising demand and falling quality by funding all prospective students and bringing per-student funding in line with the national average.

In terms of our recommendations, here is what we would like to see from this committee and in this upcoming year in Ontario.

To address our issues with enrolment, we would like to see a reinvestment of $150 million to cover the additional double-cohort students, which has been estimated at $70 million, and to begin addressing the need for growth and current unfunded students in the system, with a reinvestment of $80 million.

In terms of our concerns about quality, faculty, support staff, space, we would like to see Ontario commit to a quality audit of Ontario universities in order to identify areas in crisis and create benchmarks for future planning. We would like to be able to hold universities, the government and student associations, which are a major service provider these days, accountable. We would like to be able to pin down a vision for Ontario: where are we going to be eight or 10 years down the road? Can we plan for that using a set of benchmarks that we bring together from the various stakeholders in the post-secondary community?

In terms of tuition, we would like to see a recommitment to a tuition freeze for an additional four years. We would like to see the students' share of operating costs reduced to one third of the university budgets, and we would like to see a commitment to an immediate freeze of tuition levels in deregulated programs, pending a review of financial assistance and access. The model we would like to look at is, if students are contributing one third of the share of the operating costs, that would be two thirds to government and other university sources.

If we look at this graph on the share of tuition in Ontario's universities' operating revenue—it's listed as figure 4—the bar for the appropriate levels of tuition is creeping up and has been creeping up over the past decade: 25% in 1992, 35% in 1999, to over 41% currently. It's too much for students and I don't think it recognizes the true value of universities in the larger society and the impact they have.

Finally, in terms of our concerns about student finance, we would like to see loan limits raised to $325 per week, so that's raising the annual student loan by about $1,700, bringing us more in line with provinces like Alberta and Nova Scotia, which share similar tuition fees to Ontario, and maintaining at the same time the current levels of loan remission at $7,000 so we are keeping student debt levels in check. We would like to see a review and reduction in parental contribution expectations and a renegotiation of the millennium scholarship bursaries to provide additional yearly funds to the students who are the neediest and at the loan cap right now—so above and beyond the $9,350 limit.

If I can just conclude on one note: I think these are some small steps we can take in improving students' access to education and the affordability of education for current and future generations of students. Most importantly, what's good for our university system and for students is good for Ontario. We can look down the road and be proud of the fact that we have a well-educated society with members who have completed post-secondary degrees at universities and colleges here in the province, who are contributing members of society and giving back what is put in to them now, as students.

The Chair: Thank you, Ms Church. That leaves us with just less than a minute per caucus. We begin with the government side. Mr Sampson, quickly.

Mr Sampson: Thank you very much for your presentation. There's a lot here, and I can't do it in less than a minute, but one of the charts that I've seen a couple of times and I really can't understand is the quality chart, the student-to-faculty ratio. You've got this going back to 1988. This isn't your chart; it's somebody else's.

Ms Church: Yes.

Mr Sampson: I happen to have gone through the system myself—a little earlier than 1988, I must admit—and I don't ever remember having a class that was less than 30 or 40 people and one professor. In fact, my first year poli-sci course was I think 300 people. I saw the professor once a week and that was it. That's probably why I'm here; I didn't get all that much from him. Maybe that was a good idea—or a bad idea, I'm not sure.

I think probably part of the problem is that if you take a look at the fine print, it talks about full-time enrolment. A lot of universities have a lot of part-time enrolment, which changes these numbers significantly one way or the other; I'm not too sure which way. I can't relate that to personal experience prior to 1988. I don't know where that ever came from. I suspect maybe some arts courses did have one or two profs and two or three students, or whatever, but the average I saw was at minimum 30 or 40 students per professor, whom you never saw after the class was over.

Ms Sara Lyons: This is actually a graph of the number of faculty employed at the university vis-à-vis enrolment, not average class size. This is actually full-time-equivalent enrolment, so part-time students are—I think the multiplier is about 0.35, added in.

The Chair: We move to the Liberal caucus.

Mr Phillips: I was taken by your chart on page 7, I think you call it figure 4, with the share of funding provided by the students. I do remember that campaign document of the government, I think it was actually in 1995, that it was going to be at 26%, and then the last time it was going to be at 35%, and it currently is at 41%. That's an observation, because I only get one question.

The debt that you mentioned in your remarks caught my attention as well. Is that average student debt or is that for students who have a debt?

Ms Lyons: That's for students who have debt.

Mr Phillips: What percentage of the students might that include?

Ms Lyons: I think it's just over 50%, or right around 50%.

1340

Mr Christopherson: Thank you for your presentation. I'll try and squeeze in two quick questions, if I can. One is on the millennium scholarship. This reminds me very much of the child tax benefit, where the federal government provides a direct benefit for children and families that are on social assistance, and this government deducts that amount from what they get from the province, so there's absolutely no benefit from their own federal government trying to do something good. In this case, there's the same kind of offset, so if you could just maybe expand on that a little bit, because I think it's important for people to understand that, again, these aren't just one-off decisions; this is a way of thinking and an ideology of approaching issues where there's funding coming from both the provincial government and the federal government to one of our citizens.

Secondly, on the double cohort, the one thing I never hear mentioned—and I've probably got it wrong, so maybe you can clarify it for me—is it seems to me that one of the pressures and one of the crises is also going to be that at the end of four years there are going to be twice as many graduates chasing the same number of jobs. That seems to me to be a future crisis we're heading into but, since nobody's talking about it, I'm assuming I'm missing a major component of this.

Ms Church: To touch on the first point about the millennium scholarship, the program doesn't work in Ontario as it was intended to or implemented in most of the rest of the country. Students can max out their Ontario loans at $9,350. The grant they get as a millennium scholarship is then deducted off that loan, basically replacing loan funds with granted funds. The remainder, from $6,300 to $6,000, is then remitted at the end of the student's program. In comparison to how the system works for a student who doesn't receive the millennium scholarship grants—they would get a $9,300 maximum loan and then at the end of their program be remitted in terms of loan forgiveness to $7,000. So there is a $1,000 net benefit to the students who receive the millennium scholarship.

Ms Lyons: But for money in pocket in any given year, there's no benefit whatsoever. It's just rolled in and, at the end, you would owe $1,000 less—and that's on a $3,000 grant. So it's a bit of a displacement.

Mr Christopherson: So there's $2,000 there where Ontarians just aren't getting the benefit.

The Chair: Thank you. That constitutes the allowed time. We appreciate your input, ladies.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair: Our next presenter is the Ontario Public Service Employees Union. Good afternoon, Ms Casselman.

Ms Leah Casselman: Good afternoon.

The Chair: I think you know to state your name for the record.

Ms Casselman: I sure do.

The Chair: And you know the timing: whatever time is left over we will try to allocate among the three parties. Welcome.

Ms Casselman: The seat's not too hot, so it couldn't be that difficult a day. Good afternoon. My name is Leah Casselman. I'm the president of the Ontario Public Service Employees Union. Mr Sampson, nice to see you again. I didn't realize you were still around. Thank you for the opportunity to address these hearings.

Mr O'Toole: Cheap shots.

Ms Casselman: They get cheaper.

OPSEU represents 100,000 public sector workers, including the vast majority of workers directly employed by the government of Ontario. The decisions made in this upcoming budget will have a direct impact on our members, their families and the communities they serve.

When I last addressed the committee in the lead-up to the 2001-02 budget, I suggested to the Conservative members of the committee that their government was going to have to adapt to a changing province and a changing public mood. It was clear to me, and I am sure to most of you, that whatever public appetite there may have been in years past for scapegoating, slashing taxes and cutting public services, it had long since been satisfied.

However, I was as surprised as the next citizen to see how quickly the new Premier reversed course and tried to put the Common Sense Revolution behind him. Mr. Eves knows that he and his government have a serious image problem and he has so far done a great deal of damage control. While this is an encouraging, if somewhat insincere, development, you will not be surprised to hear me suggest that there is work left to do. It's not enough to do damage control. The government should also take the opportunity of this final pre-election budget to demonstrate real compassion for those who suffer today and a vision of hope for those who will build Ontario tomorrow.

This spring, the government faces a critical choice: will it try to blow into the embers of the Common Sense Revolution by returning to an agenda of fear and short-sighted tax cuts, or will it return to the older, successful tradition of moderation and public service embraced by Bill Davis and his predecessors?

It is our position that the Ontario government should be in the business of offering compassionate and visionary leadership rather than continuing in the business of putting government out of business. In that respect, I was discouraged to read Minister Ecker's testimony before the committee yesterday, and in particular her boasting about the government's success in reducing spending on non-priority areas like the environment by 30% since 1995. You cannot draw an artificial box around health and education and assume that all other services are non-priority until proven otherwise. Has Walkerton taught her nothing?

Take social services, for example. It is time to finally address the situation of the poorest, most marginalized members of our society. It is time to finally increase social assistance rates once again. It has been eight years now since welfare rates were slashed by 22%. Despite inflation and higher rents, the rates have been frozen since then. Similarly, for the 500,000 workers who make the minimum wage, their pay has not been increased for eight years, again despite rising costs.

Today, and this is some legacy for you folks, almost one in five of Ontario's children live in poverty—one in five. That is simply not acceptable and, I would argue, is not going to improve our collective future as a society.

As for the disabled, the story is no more encouraging. The maximum monthly Ontario disability support plan benefit is only $930. How are the disabled expected to make ends meet when this amount barely covers their rent?

We believe it is time that the government showed some compassion by addressing these disparities. Whatever anger was out there toward those who depend on government support has long since been satisfied. The point has been made, and it is time to move on.

In the two areas the government is willing to accept as priorities, there are things that can be done now to further soften its image before facing the electorate. Our post-secondary education system desperately needs a serious infusion of public funding and commitment. Ontario's network of colleges and universities, a shining example of the vision of earlier Conservative administrations, faces huge shortfalls in maintenance budgets and increasing regional disparities between institutions. As well, the current age profile of our faculties means that large numbers of professors and support staff will be retiring even as the size of the student body continually increases. Finally, with the double cohort we face the prospect of qualified students getting a scaled-back education or no education at all.

Economists and administrators across the world are beginning to realize that a strong education system, good public services, greater social equality and a high quality of life for all are the keys to future prosperity. A strong, healthy society draws talent from around the world, not tax cuts for the wealthy and service cuts for the rest of us. It is not enough to establish a committee to introduce smart growth. The government needs to demonstrate to the public that it understands what smart growth actually is.

The last issue I would like to touch on is health care. Our members and your constituents expect and demand a mature response to the Romanow report. This was not, as the Minister of Health always mentions, just another report. This is the most extensive and best-researched study of our health care system we have ever had in Canada.

Mr Romanow made a number of important recommendations. First, of course, he firmly shut the door in the face of private sector health care providers. He went out of his way to solicit everywhere any evidence from the private sector to show that private, for-profit health care is better than our current public system, and the evidence was lacking.

Second, he called for greater transparency in health care funding. Yes, the federal government must restore its share of funding, but not without accountability to the public, and who could argue with that? Unless there's some hare-brained scheme in the works to use public health care money to subsidize private sector profiteering, I cannot understand why this government would oppose greater transparency and accountability for the spending of our tax dollars.

1350

Like most Ontarians, our members expect and demand a greater role from the federal government, but we also expect and demand that provincial governments respond in good faith by implementing the recommendations of the Romanow report. It's time to get on with the job.

Earlier this morning, I announced that February 13 would be a day of action for health care professionals across Ontario. Our 5,000 members provide diagnostic, therapeutic, and rehabilitative services. Without their work and technical expertise, your doctor is just guessing.

The Ontario Hospital Association needs solid funding assurances and a swift kick to get back to the bargaining table. Staff turnover is increasing and it is having a direct impact on patient care. This is not an area that can be ignored by the government. We may be facing a smaller, less powerful employer across this particular bargaining table, but we know full well who the real employer is. We would rather have this issue and other challenges facing our members working in health care addressed by a newly compassionate government in this upcoming budget, rather than addressing this issue at all-candidates' meetings.

To help build a more compassionate Ontario tomorrow, we need to invest in public services today. I would urge the government to resist the temptation to return to an agenda of lower taxes. In particular, the suggestion that was made yesterday that further tax cuts are necessary because of the Bush administration's proposed tax cuts is patently self-serving. We do not know what Congress will do with Bush's proposals, and there is no indication that Canadians expect or want their governments to follow the American line, in any event. In war as in peace, Canadians expect our political leaders to act independently and in our society's best interests, not to continually tailor our social fabric to fit the latest developments in the United States.

In closing, I believe that the choice before you is clear: provide the people with a vision of hope where our province's strength is rooted in compassion and a shared high standard of living, or return to the bad old days of Mike Harris, when strength was measured by how far and how long you could keep other people down.

Thank you very much. I would be pleased to answer any of your questions.

The Chair: Thank you, Ms Casselman. We have roughly two minutes per caucus, beginning with the Liberals.

Mr Phillips: We did hear two days ago, actually, from the Minister of Finance that they are planning to cut corporate taxes 25% below the US. Bush is not making any cuts in corporate taxes so it's not trying to stay well ahead of George Bush. It's just that the government says that in order to compete in Ontario, we need taxes 25% below the US. That's not an insignificant amount of money, I would add. Every tax point of corporate tax is worth at least $400 million, so in Ontario, to be 10 points below is forgone revenue—part of it is federal, by the way—of about $4 billion.

I was interested in your final two pages. I guess it's a question for your membership, but do you think we need corporate taxes 25% below the US to survive, or would we do better to invest that in some other economic activity?

Mr Jordan Berger: My name is Jordan Berger. I'm the supervisor of strategic planning and policy development for OPSEU. I'll just answer that question. The short answer is no, we don't think it's necessary. I think it's pretty clear, from a lot of the work of economists recently, that the main driver of economic growth in this century is going to be talent and attracting talented people. What attracts talented people is not low corporate taxes but in fact a good standard of living, good quality public services, good recreational facilities, livable cities. In short, smart growth really is about putting investments in people. That's what pays off in the long term.

So no, we see that as a rush to the bottom. Quite frankly, especially with George Bush in office, it's not a contest that we can win. We can't. There really is not the room to continue trying to keep up with the United States, let alone undercut their aggressive moves on taxes. We don't know what the final package will look like.

Mr Phillips: The government, in its documents on why to invest in Ontario, says, "Come to Ontario because the costs for a manufacturer or an employer are $2,500 less per employee for the same health coverage than the US." In other words, there's a $2,500 cost advantage because of the way we fund health care here. We say we will essentially self-insure against all of us.

The Chair: Question?

Mr Phillips: It's also kind of a question of, if we have that $2,500 cost advantage, why do we also need a 25% lower corporate tax for the province?

Mr Berger: Again, I think there's a bit of hypocrisy there. The argument that's used to attract investors is based on what I think the government sees, and a lot of us would agree, as our true competitive advantage. The health care system is a huge advantage for our ability to keep and attract new companies. That's absolutely true. But when it comes to internal issues in Ontario and domestic politics, there's a completely different rationale that's taken, because really they're mining for votes there and not investments. We see that as being a huge gap and hard to explain, quite frankly, on the face of it.

Mr Christopherson: Thank you, Leah and Jordan. It's good to see you both again. The first thing I'd like to do is just underscore, particularly for the benefit of the government members, the fact that with one exception, a rather simple reference to the hospital association getting back to the bargaining table, the entire presentation made on behalf of the employees of the provincial government was about the services of the provincial government and their impact on the public and their families and their quality of life. It's not a self-serving document, and that needs to be underscored.

I also wanted to mention, and I will squeeze a question in here, that you make the statement about "Economists and administrators across the world are beginning to realize that a strong education system, good public services, greater social equality, and a high quality of life for all are the keys to future prosperity." I talked to Mary Webb from Scotiabank Group the other day about that very issue, and she was in agreement that without those very components being part of our society, we are not going to succeed. In fact, she also endorsed the notion that chasing for the lowest wage, to pay the lowest wages around the world, is not a game that we can win either. So you might want to reference that in the Hansard, because it supports what you're saying here.

It's also interesting to note—I made this point then too—that President Bush came into office with a $237-billion deficit and all of the right wingers claiming "finally, finally, finally"—and I would point out it was a Democrat who got them to that point, by the way, not a Republican—and the first thing Bush did was find out that there's a priority: not health care, not education, not the environment. What's the priority? War, and getting ready for that has got them $275 billion in debt in one fell swoop.

The Chair: Question?

Mr Christopherson: My question is this: with all of the tax cuts that have taken place and the pressures and eight years now living under this regime, can you just give us a quick thumbnail sketch of what's starting to happen or what is happening to public services across this province as a result of eight years of cutting back, cutting back, cutting back?

Ms Casselman: One of the examples is the number of consultants that you see buried in the budgets of each ministry. They have cut, of course, a number of public sector workers. The workforce is much older because all the younger ones were laid off. As I flew back from the Soo yesterday, I was sitting beside a manager and he said, "Yes, I was at this guy's retirement, and two days later he's back as a consultant making three times what he was three days before." That's how they're hiding, and then bringing back people in to do the work that needs to be done. But we are seeing cutbacks in each ministry. Again, the spending hasn't quite frankly gone down, because they're hiding it.

Mr Beaubien: Thank you very much for your presentation. Your friend Buzz Hargrove was here yesterday. He mentioned in the paper today, "If governments don't give DaimlerChrysler ... financial help to build an assembly plant in Windsor," the industry is not going to be there. I heard you talk about high standards of living and productivity. Buzz also talked about that. In order to maintain our high standard of living and productivity, we have to improve our auto industry. Basically that's the economic engine of Ontario right now.

You seem to be against tax cuts, and Mr Phillips talks about lower corporate taxes. But even Buzz Hargrove realizes that the government has a role to play, whether it's in tax cuts or partnership or whatever, in order to maintain the high standard of living that we have by having good, high-paying, quality jobs. Now, if they're willing to make concessions in order to attract this new facility in Windsor, how do you respond to that?

1400

Ms Casselman: I guess the difference between Mr Hargrove's members and mine is that mine were the 30% or 40% in the Ministry of the Environment that your government cut and we ended up with Walkerton.

Mr Beaubien: But Walkerton was a public utility run by public employees.

Ms Casselman: Yes, without the inspectors, without all the guidelines, with no one enforcing anything that was going on up there.

Mr Beaubien: But—

The Chair: Would you let Ms Casselman answer, please.

Ms Casselman: I do believe that Justice O'Connor has made it pretty clear what happened in Walkerton.

In Windsor in particular, with DaimlerChrysler, I do know that workers down there need health care. We can't retain the type of health care professionals we need in Windsor, because they're going across the border and working in Detroit for substantially more money. So you can have a worker—and I think we're arguing out of the smart growth argument that Jordan was talking about. They live in a community. So their kids are going to go to school, they're going to go to college, they're going to go to university, they're going to get into trades, they're going to go to the grocery store, they're going to have parks and recreation opportunities, hopefully, because it's a family, it's a well-rounded community these people live in. They don't just go to work and then go to work. So you have to have that infrastructure in these areas. You have to have roads, you have to have sewer systems, water systems, and they all are part of the public system that we're arguing for. So it's a combination of both. You can't have one without the other.

The Chair: Thank you, Ms Casselman. We appreciate the input you brought us today.

ONTARIO SOCIETY FOR TRAINING AND DEVELOPMENT

The Chair: The next presenter is the Ontario Society for Training and Development. Please come forward. Please state your names when you begin to speak for the record of Hansard, and welcome. If there's any time left after your presentation, it will be divided up equally among the caucus members for the 20 minutes.

Mr Bob Canuel: Excellent. Thank you, Mr Chairman and members of the committee, for inviting us here today. My name is Bob Canuel. I'm a member of the board of directors of OSTD, the Ontario Society for Training and Development. I'm also vice-president of human resources for Hallmark Canada. With me today is Lynn Johnston, the executive director of OSTD.

First of all, on behalf of OSTD, we both appreciate this opportunity to participate in the 2003 Ontario pre-budget consultation process, and we welcome this chance to provide input on Ontario's budgetary policy, particularly in the area of training and skills development for Ontarians.

At OSTD, we are committed to working with the government to help develop and facilitate innovative ways to assist Ontario's workforce to both retain and enhance its productivity skills and learning and development.

To give you a bit of background, OSTD has been in existence for more than 50 years, and today we are the largest association in Canada dedicated to the profession of training and development. Our mission is to set the standards for and promote excellence in our profession. We currently have 1,700 members, including approximately 10% from outside Ontario, and we represent over 1,000 companies and organizations. We also have an alliance with our US sister organization, the American Society for Training and Development, which has 70,000 members in the United States.

We continue to promote partnerships with our provincial counterparts in order to share best practices and maximize benefits for our members. Further, we are currently considering transforming OSTD into a national organization, an idea that was endorsed by 90% of our members at our annual convention this past November.

OSTD members are involved in all aspects of workplace training, from delivering executive leadership and coaching programs to designing technical training programs for machine operators on the shop floor. Some training is classroom-based and some delivered through learning technologies. Basic literacy skills in the workplace are an important issue for us. In all cases, the learning principles behind the training are the same, and the success or failure of any training program rests on those principles.

All of our members work in some capacity in training or organizational development, including private sector organizational service groups and human resource departments of companies and corporations of all sizes. Every sector of the economy is represented in our membership, including government, health care, consulting, finance, manufacturing, transportation and IT. Conservative estimates have calculated the training and development budgets of our members at approximately $175 million annually. That's a quick look at who we are as an organization.

Now I'd like to just take a few moments to tell you about some of our key services and offerings. OSTD and our members have worked extensively to define the specific competencies required for the training and development profession. These competencies have been divided into five categories and are published as the Training Competency Architecture, or TCA, and this comprehensive text has become the how-to for the industry.

Another key program of ours is the certified training and development professional program. This is our gold standard for professional trainers. Holders of the CTDP are recognized for their high levels of knowledge and achievement within the industry and as having met the standards of performance developed by OSTD.

Members of the committee should know that the Ministry of Training, Colleges and Universities has designated the CTDP certificate holders as one of the groups of professionals eligible to assess curriculum in private career colleges.

In a continuing effort to promote the importance of training and development in Ontario's workplace, OSTD has also developed an award to recognize the leaders in this area. The Ontario Top Training Excellence Recognition awards, or the OTTERs, are now in their eighth year, and are designed to recognize excellence and best practices in the industry in a number of categories. Some of the past OTTER award winners include Amex Canada, Rogers Communications, the Centre for Addiction and Mental Health, the Ontario Science Centre and the Bank of Nova Scotia.

I'd like to now turn to some of the trends we are seeing in the training and development profession, what that means for Ontario's economy and how government, working with OSTD, can help to ensure that our province remains strong and competitive.

Companies today are placing increasing importance on ensuring that their employees develop their skill sets and levels of proficiency to the highest degree possible. They are understanding more and more that learning is an ongoing, lifelong process and that managing the knowledge that employees have when they join an organization, complemented by what they learn afterward, is an important and valuable corporate asset. Increasingly, employers are realizing that training needs to be an integral part of any business strategy and that measuring the return on investment that it brings is a vital piece of that strategy.

E-learning, on-the-job coaching and other methods of teaching outside of the traditional—and expensive—classroom setting are just a few examples of these new ways of learning. Mentoring of young workers as well as discovering how older workers prefer to learn are important concepts in the training and development field.

All of these innovations and new developments ultimately help raise the quality and calibre of the Ontario workforce, which helps increase productivity, improve competitiveness and strengthen our economy.

One of the biggest issues in the training and development industry today, and one that governments are having to confront as well, is whether we will have an appropriately skilled workforce in the near future as baby boomers retire. In order to deal with this projected shortage of skilled workers that Ontario will face, we must find ways to retrain older workers and keep them in the workforce. As well, it will be critical to recognize prior learning, informal learning and on-the-job training and to tackle literacy issues in the workplace so that a larger percentage of workers can take advantage of lifelong learning opportunities.

OSTD recognizes that the Ontario government has taken strides in some of these areas through investments in bridge training for internationally trained workers, apprenticeship training and recognition of job-training services. However, Ontario must also find ways in which to assess training and learning and to set standards to ensure that Ontario is maximizing its return on investment in training and will continue to be recognized as a leader worldwide for the quality and sustainability of its workforce.

OSTD also supports the Ontario government's efforts to urge the federal government to sign the labour market development agreement. The signing of this agreement would allow Ontarians to access almost $600 million in apprenticeship and skills training funds and deliver accountable and relevant programs to an additional 200,000 Ontarians.

The LMDAs, which currently exist in every province and territory other than Ontario, have been proven to eliminate duplication and to overlap across provincial and federal jurisdictions while enabling provinces to expand employment and training systems tailored to meet the needs of their own population.

Just as the Ontario government recognizes the economic impact and importance of a skilled workforce, OSTD supports a more highly skilled and adaptable workforce, improvements in workers' low literacy skills and financial incentives for employers to provide skills development.

1410

It is not enough, however, to simply create jobs and provide incentives for employers. We must develop ways to measure the return on investment for government and for private sector employers. In response to the realization that measuring the return on investment for training is an integral part of business strategy, OSTD is launching in April the Canadian ROI Network, under the direction of Dr Jack Phillips, the thought leader in measurement and evaluation. The value of training in the workplace cannot be simply stated; it must be demonstrated. The ROI network will address evaluation of training not only in the private sector, but in the public sector as well. Just as any other business investment should be equated with performance and productivity, so too should training and skills development.

With a membership representing over 1,000 Canadian organizations, OSTD can help the government in the following ways: through the collection of data and dissemination of research results, to help find efficiencies and cost savings for employers and to help demonstrate the ROI of training and development; by promoting the value of certification to help ensure that training and development professionals achieve the highest levels of competency and proficiency; by developing tools for professionals to integrate learning technologies in order to maximize their effectiveness; by developing tools to support professionals in basic skills and literacy training, to help ensure that working Ontarians obtain essential knowledge.

OSTD can also provide a neutral forum for round table discussion and dialogue on training and skills development issues and policies that affect Ontario's economy.

In summary, OSTD is committed to working with the government to create the most effective training and development environment for Ontarians. As a long-standing professional association, we can serve as a valuable resource for government as we face the challenges and seize the opportunities that the future holds in the area of training and development.

We urge the government to consider the following:

(1) work in partnership with OSTD to develop tools to integrate and promote learning technologies in the workplace and maximize employee literacy; (2) promote certification and standards of excellence in the training and development field; (3) ensure that measures to promote skills development and training are focused on Ontario's workplaces, not just colleges and universities; (4) look at all possible ways of creating incentives for employers to provide skills development training programs, as investments in these areas promote a higher calibre workforce and, by extension, a more competitive and stronger economy.

In committing to these solutions, OSTD is confident that the government will enhance the quality of Ontario's workforce and ensure that Ontario remains competitive in today's economy.

Thank you for your attention, and we would be delighted to answer any of your questions.

The Chair: We have less than two minutes per caucus, beginning with the NDP.

Mr Christopherson: Thank you for your presentation. I notice that you emphasize the fact that there are trends now developing with regard to training. Some of the things I jotted down are lifelong learning, train the trainer, in-place training and e-learning. I just wondered if there were any other early buds of new mindsets that are taking place. I'm just picking something out of the clear blue, but it's recognized that in 10 or 20 years everybody on the job will spend X number of hours a week doing some training. At some point, if there's going to be this much new training and retraining going on throughout someone's entire work life, then we've got to be restructuring that work life in a way that this fits in and blends as part of their overall life. I don't think we can continue to have it as an add-on, like it's a big deal: "I'm going away for an afternoon training course," and it's a huge thing. It seems to me it's got to be a component. I wonder if you could expand on that in terms of new trends you see developing.

Mr Canuel: I don't know if it's necessarily a new trend so much as the fact that with an aging population—and we're going to be looking at significant shortages, as we listen to the Conference Board of Canada and many other sources of information. To your point, the learning process is not an episode. Retaining that older worker in the workplace and dealing with all those subsequent issues, I think, is something we're going to have to consider very much in the future. I'm not certain if I'm answering your question.

Mr Christopherson: That's fine. Thank you.

The Chair: We move to the government caucus.

Mr O'Toole: I was very impressed with your presentation. Quite honestly—I'll be brief—I thought the innovative approach, looking at e-learning and on-the-job learning and recognizing prior learning are all innovative ways of dealing with the skilling and continuous skilling of the workforce, and I commend you for that.

I was a little surprised. You said, "The ROI network will address evaluation of training, not only in the private sector but"—oh, this is very controversial—"in the public sector...." I'm just reading a whole bunch of OECTA stuff here on the pushback on recertification training and all that. It's a big lobby. Anyone who even provides kind of effective professional development is being blacklisted. It's unfortunate, really.

Does your organization find it easy to get along with your other teaching peers?

Mr Canuel: Absolutely. There's no issue. We were talking about that before coming today. We see a relationship with other professionals much as you'd look—and I don't want to get into controversy—at the medical profession, each one having their own specialty but bringing a level of expertise to the table. We believe we're quite capable of bringing and are going to bring that expertise. For us, there is no issue in terms of getting along with people.

Mr O'Toole: Perhaps somebody else might—

The Chair: Mr Sampson, you've got less than a minute. Go ahead.

Mr Sampson: He actually stole my question.

Mr O'Toole: Oh, did I? It must have been a good question then.

The Chair: Thirty seconds.

Mr Christopherson: You admit to thinking like him.

Mr Sampson: No. Let me put on the record clearly that I do not admit thinking like him.

The Chair: Twenty seconds, 15. We'll go to the Liberals.

Mr Kwinter: Thank you for your presentation. Can you give me an example of a typical interaction between your organization and a company? Who pays for it, and how does that relationship work?

Ms Lynn Johnston: Sure. My name is Lynn Johnston, executive director of OSTD. The question relates to the companies that are members of OSTD. We have a number of professionals from all kinds of companies, starting with the banks and large companies like that, down to one- and two-person small shops that provide training products and services back to larger companies and sell their services. It's a professional association of members who either provide training products and services or purchase those products and services. They're looking for services from our organization: professional development, networking, the certification program.

The ROI network we're starting is an opportunity for companies to try to figure out how to align training in their business strategies and look at evaluating and measuring the impact of the training they're trying to do within their organizations.

Those are the kinds of services we're offering back to the membership.

Mr Kwinter: Thank you.

The Chair: Thank you for your presentation. We appreciate your coming here today.

ASSOCIATION OF COLLEGES OF APPLIED ARTS AND TECHNOLOGY OF ONTARIO

The Chair: Our next presenter is the Association of Colleges of Applied Arts and Technology of Ontario. We would ask that you clearly give us your name for the purpose of Hansard so we're accurate. Within the 20 minutes, whatever time is left after your presentation is for questions. Welcome.

Ms Beverley Townsend: Thank you for giving us the opportunity to speak to you as you conduct your pre-budget consultations. My name is Beverley Townsend, and I am the chair of the executive committee of the Association of Colleges of Applied Arts and Technology of Ontario. I'm also the immediate past chair of Loyalist College in Belleville, and I have been connected with my local college since 1996.

With me today is my colleague Richard Johnston. Richard is the president of Centennial College here in Toronto.

Mr Christopherson: He's a former member

Ms Townsend: Yes, for some 12 years, I believe.

More than 35 years ago, Ontario took a visionary step and established a network of colleges of applied arts and technology to fill a gap in Ontario's educational system. That was there to meet the needs of local communities, their citizens, the employers and also a growing and increasingly diverse provincial economy.

Today, community colleges are more vital than ever to the viability of Ontario communities, providing accessible, quality career education and training to over one million students every year throughout every riding in this province. Unfortunately, funding has not kept pace with the growth and the maturation of the colleges and their programs.

1420

The persistent erosion of per-student funding has gone beyond the search for economies. It has begun to compromise the quality of education and training delivered to our students. The funding facts speak for themselves. Compared with university per-student funding at $6,800 and secondary school per-student funding at $6,700, Ontario's college funding at $4,379 per student creates a tremendous challenge for our institutions.

The total operating grant from the province has dropped from $809 million in 1995 to $762 million in 2001, at the same time that enrolment has increased by 34%, from 102,000 students to 140,000 students. Again, this past fall, enrolment jumped a further 10,000, to 150,000 students.

In terms of per-student funding, colleges receive approximately 42% less per full-time-equivalent student than they did a decade ago. That's a drop from $7,552 in 1990-91 to only $4,379 today. This gap in funding, together with the huge and growing shortage of skilled workers in Ontario, workers that colleges have the mandate to educate and train and on which employers depend to compete and prosper, has created a crisis for Ontario's colleges that is threatening Ontario's economy.

The Ontario government has provided funding for new physical spaces in our colleges, and for that we are appreciative. However, without appropriate operating funding to adequately support those spaces, they will remain exactly that—spaces; spaces without students. Underfunding in tandem with spiking double-cohort enrolments means the colleges face a number of real and growing threats.

Let me just give you a few of those. As a college board member, we deal with trying to set priorities. We are looking at the potential of increased likelihood of running operating deficits, an inability to purchase technology and equipment critical to training programs, an increase in the number of student dropouts and program cutbacks or elimination, and the inability to start new programs that are required by industry and businesses in our communities.

For colleges to be successful in meeting the needs of students, our communities and our economy, we need to reverse the recent downward trend in per-student funding. We are asking the Ontario government to increase per-student funding this year by $1,372, from $4,379 to $5,751. To put that number in context, that $5,751 is still significantly lower than the per-student funding for universities at $6,800 and secondary school students at $6,700. At $5,751, Ontario will still have among the lowest per-student funding in Canada.

The creation of our college system took vision. Sustaining the system requires recognition that investing in our colleges will pay tremendous dividends: to our students, who will become active citizens and taxpayers in this province; to employers, who want to compete and achieve success in Ontario; to the local communities you represent which rely on colleges to fuel our local economies; and to Ontario's economy as a whole.

With that background, let me turn over to Richard Johnston, who will review how the Ontario community colleges' ongoing decade of underfunding is putting our students and our communities at risk.

Mr Richard Johnston: Thank you, Beverley. I'm going to mostly concentrate on examples of the kinds of things we're facing in administration these days so you get an idea of this. It's not a short-term issue. It's not even a double-cohort issue, although it's certainly exacerbated by the double cohort. You also need to be looking ahead to the huge skills gap that is coming up in so many trades and professions that we need to be preparing ourselves and ramping up for in the next two to three years. The issue is a protracted one in the past and also has a long view out to the future if we're going to create as competitive a workforce as possible.

Just to give you the context, Centennial, which is in the east end of Toronto, has grown pretty dramatically this last fall. Our numbers are up again in the winter, which is unusual. They usually drop during the winter period just because of the way the sessions work through. Our applications for the fall, although the deadline is just about to hit us and we don't know the final tally, is up well over 26% at this stage. We are budgeting on the assumption that we can take an extra 12% this September, on top of the increases we've been having, of this early double cohort coming through.

With our existing knowledge of dollars that are committed at the moment for the province, I'm already facing a requirement to cut about $7 million from my budget. To try to do that, again, and bring in another 12% of students is going to be very hard for us to do and maintain quality, quite frankly. We've prided ourselves as a system that has been able to do that and we've also prided ourselves in not whining about money in the past. We thought it was our responsibility to manage this responsibly with government, but we're at the stage where I think it's going to be very difficult for us to do so.

Let me just give you a few examples of what we've done over the last decade so you don't think that we've just been sort of standing still. In terms of cuts, if you check the curriculum that's offered today versus the curriculum that was offered in, say, 1985, the cuts are dramatic, at a time when we need a more and more sophisticated curriculum in almost all of our technical areas. The number of contact hours that we can now provide with our faculty has dropped. The number of full-time faculty as a percentage has dropped dramatically over that period of time because we just can't always afford to hire full-time.

The impact is very hard on all students, but in a place like ours where we have 80 different languages spoken in our college and about 100 different cultural groups, it's really dramatic. So many of our students come in with needs in language training as well as in mathematics and we have no funding that allows us to do that remediation. It's a really important factor to know.

The other thing to know is that colleges—as all of you know, because there's a college outlet in virtually every member's constituency—don't just deal with high school leavers. In fact, 60% of our students are people who are coming back out of the workforce or, having gone to university, come to colleges as well. Those people have a lot of other different needs, especially in places like Toronto, but you can also look to the north to some of the specific needs they will find there and some of the challenges that are met. It has been a real challenge for us to try to meet some of those kinds of things.

One thing I think that is lost a lot as we move forward is that people always look at the universities when it comes to an issue of problems here, and most people don't realize that in first-year intake, colleges take in many more students than universities do. I'm talking about full-time students now. Even with the double-cohort increases that you're hearing about, we will still be bringing in 15,000 to 20,000 more full-time students into first year than the universities will this year. I just think you need to know that.

We throw out this figure that gets glossed over, but it really can't: we have one million part-time registrants at colleges—a million. And they're almost all taking career-based training, not just interest courses. All of them are going back and helping us become more competitive in our communities. One of the things we're concerned about with our crunch at the moment is we're being told that there should be a place for every double-cohort student, but I'm very worried about the single mother who's trying to get herself back and re-entered and can't move from Belleville to Toronto to take a course where there might be an opening if there are no openings in Belleville. I think a lot of our adults will start to get hurt, and that's going to hurt the community economic development role that colleges have played so dramatically over time.

1430

The other factor I want to throw into this is the scale of this. When you look at the figure we're putting forward, that's an extra $125 million. Well, over the last few months, I've seen announcements made for much more than that for single operations. Not that they're not needy, and I'm not even suggesting that they shouldn't be funded, but with this kind of investment, this whole system in 200-plus communities across the province can be saved and can do the job that we all need it to do for the province.

I want to raise one little issue to show you what the difficulty is. When you drop from $7,500 a student—in fact, in 1990 we received more money per student than the universities did. Now, as you see, we're $3,000 or so below, per student. Then, when you add the additional tuition they get, which is usually almost two and a half times what we charge for tuitions, and are able to charge for tuitions by law, their incomes are much higher, forgetting the research dollars they bring in.

When you lose that money, that's hard enough to deal with, but we've also been asked to account differently. We're now asked to do accrual accounting. I just wanted to give you an example of what happens to us. Because we're so technologically based, we have to improve our equipment all the time. When it's donated, it's not so much of a problem, but when we're having to go out and get it ourselves, accrual accounting means that we have to amortize all that. I looked at my figure today and, as I said, I have a $7-million problem that I've got to face. I got a $9-million amortization bill this year because of accrual accounting and the way we have to do things, which is only in the last five years, as we've moved to that across the public sector. Not that I'm complaining about the notion, but when you lose that much off your grant, and you have these extra charges on top of things that you've got to handle for your amortization, it's a special problem.

As you know, even with our capital buildings—which, again, we're very thankful for—we have to amortize those now, which we never did 15 or 20 years ago. Again, not that that's a bad thing; it's just that it's an extra hit on us at this point, which is not insubstantial in a college the size of mine, which has about 12,000 full-time students and about 50,000 part-time students in the evenings.

I want to talk about two other things, if I can, just really briefly. One is that we've done a huge number of things that have made this possible. First, the funding on the students, with the increases during the early 1990s in terms of tuition fees, allowed us to keep pace for a while, and it's good that's it's been taken off their backs in the last number of years.

The second thing is that we do special deals. As some members at this table will know, we have all sorts of linkages with industry. Our college, for instance, has bought a hotel as a residence in order to save money, but also to use as a laboratory for our students. Now the Scarborough Chamber of Commerce works out of there and all sorts of really great linkages are taking place at that location. We have bought Collège Boréal, which is now trying to provide French college services in Toronto. We're doing that in conjunction with them in our facilities in order to be able to maximize our use of facilities between the two of us, to save costs.

I think there are any number of pragmatic examples right across the province where people have tried to find solutions that can get us through but, quite frankly, we can't keep it up any more and we can't keep it up with what we know is coming in terms of the skills gap.

I'll give you one little example there. We are the largest auto training facility in North America. We're expecting a need for about 40,000 technicians to be added to our workforce out there by 2008-09. To upgrade our facilities to be able to handle that increased need, when we're doing applied learning—and you have to teach fewer than 30 at a time for safety reasons and to have the right kind of equipment to work on—it's something we've got to be able to start preparing ourselves for now, because in two to three years' time we've got to start offering those programs so that a year or two after that those people are out there in the workforce. Right now, we're not ramping up; we're trying to survive and to accommodate all these students who are coming, and it is our commitment to try to do so.

The final thing would be an ROI, if I could. A previous member made a comment about that, and we'd welcome anybody to do an external investigation of that. Because we're so badly funded at the moment, and over the last 12 years or so, I can say the ROI looks stupendous if you look at the tax dollars you're getting back just from our graduates alone, let alone all the other spinoffs to the economy that come out of colleges. I really wish members would look at us that way. In a maximum of two years, in most cases, people come in, get retooled, go back out and become increasingly effective taxpayers, let alone increasingly effective members of the economy. And your return on investment is more positive than any other you have. I would just argue that that in itself is a reason for a major investment in the colleges, and we'd be happy to come under that scrutiny with you.

The Vice-Chair: Well said.

Ms Townsend: We'd be happy to answer any questions.

The Vice-Chair: We don't have very much time for questions, but I'll allow a minute per caucus.

Mr O'Toole: I appreciate it. You had a very good article in the Toronto Sun on the 26th. Actually, it's almost a repeat of your presentation. It reaffirms some of the numbers, which I don't disagree with. In fact, I have a lot of respect for Gary Polanski at Durham; very innovative ways of solving problems. I commend each of you.

I want to say that if I was thinking value-for-money investment in the colleges, there's the KPI, that whole mechanism of building in some relationships, accountability. It's more or less on the track that I feel is worthy. I think Dianne Cunningham went out on a limb a little bit the other day when she made a commitment of some money that I guess maybe cabinet hadn't talked about; that's my understanding.

Mr Johnston: That's always dangerous.

Mr O'Toole: But I would be one of those who would write and support her on that, because it is job-ready, it is what I would call applied knowledge in terms of value. I just wanted to put that on the record.

Even to the extent of the comments you made, Mr Johnston, it's very important where you said the college had been really unwilling to play the game. That's the double-cohort game. I commend you for your integrity and honesty. Having served here, you know that everything you say is hung on. I've talked to many of them.

They see it as a real opportunity to do the game piece, like the McMaster piece of yesterday, and about a week ago, the 35,000 applicants, the 3,500 spots. It's great media stuff. "Give us more money and we'll solve the problem." Thank you for saying it, because colleges make way and make space and put programs together to suit what's really required. I can't say any more except that I'm an acute watcher of it, and I appreciate hearing from the board and the administration.

Mr Phillips: I just want to congratulate you. Centennial is in the area I represent, and it does a fabulous job. There's a terrific relationship between the private sector and the college.

I have two questions. The funding that you are recommending is $125 million?

Ms Townsend: Yes.

Mr Phillips: That's question 1, and then part B of the question is on the double cohort. Is there any risk, in accommodating the double cohort from the high schools, that you are looking at fewer openings for entrants that aren't coming directly from high schools? What kind of pressure is on you to do that, and what are the implications of that?

Mr Johnston: It is $125 million on top of what has been promised to us in the multi-year offer that was made in the last budget, on the first point. On the second point, we hope to be able to accommodate everybody. We hope that we can work out an agreement with the government about adequate funding to make sure we can do that.

Generally speaking, we have the space, Gerry. I don't think that's the problem. Our problem is in fact whether or not we can financially handle it. I know, speaking personally, in some of our programs we are going to have so many applicants early on from high school, starting right now, and the adult learner usually doesn't apply until May and June. There's a real danger that not just in our really tight programs—like paramedic right now, for us, we get 35 people in and we get 500 applications in regular times. This year we're sure it's going to be 800 or 900. That's going to be a problem. But if they're all filled by the high school leaver, it doesn't leave an opportunity for them. So trying to manage that under the pressure of filling the spots most effectively is very difficult for us.

I think we're all really concerned about individual choices individual colleges will have to make between quality and access. At the moment, we would rather not compromise either, but one of those two is going to have to get hurt if things don't change.

Mr Christopherson: Welcome to both of you; Richard, welcome home. I was certainly resonating when you mentioned that each of us has community colleges in our ridings that we're proud of. I'm fortunate enough to have both Mohawk College and McMaster University in my riding, so I've got both. When you were talking it reminded me, too, of Keith McIntyre, a former president at Mohawk—I see you nodding; you know Keith. He was the first one who introduced to me this whole notion that one of the things we had to do was start having more interaction between the universities and the colleges to benefit the students so they can move back and forth and have credits in common areas and things of that nature, and I think we're getting there. It seems that we're finally starting to get there.

Richard, you mentioned that you're facing a $7-million pressure right now. If you don't get any relief from that, somewhere you've got to find $7 million. I think I heard you say that your concern was that the only way to find that would be to start seriously affecting quality. Can you just give us a couple of examples of some of these horrendous choices that are in front of you if you don't get some fiscal relief?

1440

Mr Johnston: Some of them are subtle and some of them aren't so subtle. I think we will have a significant layoff. The layoff will probably not be in full-time staff but will be in the part-time staff, who play a crucial role in the colleges. There's also a huge impact on our resources: library resources and all the other resources that support students in their classrooms. Because of our catchment, we'll do everything we can to help the new immigrant and keep all those programs operating, but they will come under some significant pressure in this next period of time.

It's a matter of how effectively we can open certain kinds of programs if we don't have the resources to attract the staff. Right now, we're in competition with all the colleges and universities for qualified staff to teach at this stage. If we can only offer part-time work on a sessional basis, the $30 or $40 maximum an hour, we will not be able to attract those people. If you can't attract in the right faculty, you can't offer the program without compromising the quality. That would hurt our reputation and therefore affect our relationship with the businesses and organizations we provide employees to, which is crucial for us. It's keeping that relationship, where they have confidence in our graduates, that's key to us. So there are some very tough choices, and the ones we were looking at today were very unpleasant, quite frankly.

The Vice-Chair: Thank you very much for your presentation and for your answers to our questions and for the good work you're doing.

INCOME SECURITY ADVOCACY CENTRE

The Vice-Chair: I'd like to call next the Income Security Advocacy Centre. Welcome to the standing committee on finance and economic affairs. Would you identify yourself for the purposes of our Hansard record.

Mr John Fraser: My name is John Fraser, and I'm a research and policy analyst with the Income Security Advocacy Centre. Thank you for letting me speak today. The Income Security Advocacy Centre is a test case and law reform legal clinic that works on issues related to income security and poverty in Ontario.

Recently, ISAC, the centre, represented the Ontario Social Safety Network, a province-wide coalition of anti-poverty activists, and the legal clinic steering committee on social assistance at the coroner's inquest into the death of Kimberly Rogers. Kimberly Rogers, as most of you know, died in August 2001, trying to fight her way out of poverty, while under house arrest for welfare fraud.

On December 19, 2002, after listening to eight weeks of evidence, the coroner's jury, a group of five ordinary Ontarians, released their recommendations. These recommendations reflected the jury's unprecedented opportunity to examine the reality of life on welfare in Ontario. Their recommendations were well considered and powerful.

I'd like to talk to you today about two of those specific recommendations.

The first recommendation is ensuring the adequacy of social assistance rates. I'm going to read to you from the actual recommendation from the coroner's jury.

"The Ministry of Community, Family and Children's Services and the Ontario Works program should assess the adequacy of all social assistance rates. Allowances for housing and basic needs should be based on actual costs within a particular community or region. In developing the allowance, data about the nutritional food basket prepared annually by local health units and the average rent data prepared by the Canadian Mortgage and Housing Corp should be considered." The rationale: "To ensure that social assistance rates are adequate and adjusted annually if necessary."

In this recommendation, the jury recognized that people just cannot survive on the meagre income supports provided through social assistance.

As you are probably aware, social assistance rates were cut by almost 22% in 1995. Since that time, the cost of living has risen by 15%. Rents in particular have climbed dramatically. For example, the increase in rent for a bachelor apartment since 1995 has been about 32%; for a one-bedroom apartment in Ontario, it has been 27%; for a two-bedroom apartment, it has been 24%; and for a three-bedroom or larger apartment, the increase in rent since 1995 has been about 27%.

Meanwhile, a single person receiving financial assistance through Ontario Works receives only $520 per month, with $325 of that being for shelter and the remaining $195 intended to cover all other expenses, such as food, clothing and transportation. A single parent with one child under 13 receives just $957 per month.

So let us look a little more closely at this particular example. A single mother on Ontario Works receives a $511 monthly shelter allowance to cover her rent and utilities. As figure 2 in what I've passed out illustrates, the average rent for a two-bedroom apartment is $765 per month in Hamilton, which is one and a half times the Ontario Works shelter allowance; it's $930 per month in Ottawa, which is almost double the shelter allowance; and in Toronto it's $1,047 per month, which is more than double the shelter allowance. Even where rents are relatively low, such as in Sudbury, the shelter allowance is just not adequate to cover actual housing costs.

The Ontario Works basic needs allowance for a single mother with one child under 13, which is intended to cover all those non-housing expenses, is $446 per month. If you subtract the monthly cost of a "nutritious food basket" for the mother and her child, this family would be left with only between about $150 and $190 per month to cover all other expenses. Of course, the reality is that they wouldn't even have this amount, because the family's rent would be eating away a substantial portion of the basic needs allowance.

So if you do the math, it just doesn't add up for people on social assistance. For a single mother with one child living in Ottawa, rent and adequate food would likely cost about $1,225 per month. Even if we add an additional $180 per month in income from provincial and federal tax credits, this family will have a deficit of almost $90 per month, and that's before adding the costs of clothing, transportation, toiletries and recreation.

During her testimony at the Kimberly Rogers inquest, Dr Penny Sutcliffe, Sudbury's medical officer of health, did the math for a person in a similar situation to Kimberly Rogers. Dr Sutcliffe found that just paying the rent and eating nutritiously would leave a single person who is pregnant and on Ontario Works about $30 in debt at the end of each month.

So what is a person to do? Many people suggest that individuals and families receiving social assistance should make use of community resources such as food banks to help their dollars go a little bit further. Evidence at the inquest put this view to rest. In March 2000, 283,000 people, including about 120,000 children, used food banks in Ontario; 68% of these people were relying on social assistance. Not surprisingly, food banks struggle to keep their shelves full. As a result, most limit use to about once per month, or, on average, about five days' worth of food per month.

This is not going to make up for the shortfall caused by the inadequate social assistance rates. Throughout the inquest, staff from community social service organizations testified that their agencies did not have the resources to adequately meet the needs of their low-income clients. Community agencies cannot make up for the fact that the province refuses to provide social assistance rates that people can actually live on, nor should they have to.

At the Kimberly Rogers inquest, Dr Sutcliffe recommended that social assistance rates be increased to reflect actual costs. In fact, the Subdury and District Board of Health passed a resolution in June 2002 urging the provincial government to ensure the adequacy of social assistance rates. The Association of Local Public Health Agencies, ALPHA, a non-profit organization that assumes a leadership role for boards of health and public health units across Ontario, wrote to Premier Eves supporting this resolution. Dr Sutcliffe, the Sudbury and District Board of Health and the other boards of health and public health units across Ontario have recognized something really crucial, that poverty is ultimately a health issue.

The coroner's jury at the inquest spent eight weeks investigating what it means to live on welfare in Ontario.

I suspect that no one in this room has had such an opportunity. They recommended that social assistance rates be based on actual costs and be adequate. After hearing the evidence, it would have been impossible to conclude otherwise. The jury even provided the Ministry of Community, Family and Children's Services with measures to help them assess adequate social assistance rates, such as average rents provided annually by the Canada Mortgage and Housing Corp, and the nutritious food baskets produced annually by local health units. Of course, these measures don't take into account other costs, such as clothing, transportation, toiletries and recreation, but they're a start, and they're a good start.

1450

There is broad consensus that Ontario's social assistance rates punish rather than assist, prevent rather than facilitate escaping poverty. There isn't one defensible policy reason to keep these rates so low. In fact, the only policy reason that explains current social assistance levels is utterly indefensible: the suppression of wages.

Now I'd like to briefly finish and talk to you about one other recommendation made by the coroner's jury at the Rogers inquest, and that is ending the lifetime and temporary bans for social assistance fraud. I'll read to you from their direct recommendation:

"The zero tolerance lifetime ineligibility for social assistance as a result of the commission of welfare fraud … should be eliminated. The temporary ineligibility in the instance of offences that have occurred before April 1, 2000, should also be eliminated.

"Rationale: Evidence indicates that this would have a devastating and detrimental effect on our society. To prevent anyone from having to go without food and/or shelter, to be deemed homeless and therefore and most importantly, to prevent the death of impoverished individuals."

This recommendation does not appear to really have budgetary implications and indeed we don't look at the recommendation this way. The issue is really about morality and decency, not about economics. However, we felt the need to raise it at these hearings because the provincial government has consistently portrayed the lifetime and temporary bans for welfare fraud as cost-saving measures. They are not cost-saving measures. Everything we know about social assistance fraud in Ontario and even the government's own statistics show that the incidence of fraud is minuscule. Almost 700,000 people in Ontario rely on social assistance. Yet in 2000-01, only 430 people were convicted of social assistance fraud. It was not for lack of trying. In that same year, local social service departments completed almost 53,000 welfare fraud investigations.

The cost of welfare fraud may be relatively small, but the personal and public cost of banning people from receiving social assistance is huge. Besides being cruel, these bans merely shift costs from the province to municipalities and community social service agencies. Not surprisingly, a large number of municipalities, including Ottawa, Windsor, Toronto, Waterloo, Sudbury and London, have spoken out publicly against the lifetime ban.

Over and over again, witnesses at the Kimberly Rogers inquest stated that lifetime and temporary bans must be removed. People receive social assistance because they have nowhere else to turn. It is an income of last resort. No one in our society should be left destitute. Significantly, the Sudbury police force recommended that the bans be eliminated because leaving people without resources endangers our community. The lifetime and temporary bans from receiving social assistance are inhumane and, in our view, degrade us as a community. Ultimately, this is not a question about dollars and cents; this is about morality and the kind of society in which we want to live.

Kimberly Rogers lost her life trying to battle her way out of poverty and resisting the dehumanizing policies of the Ontario government. Hers is not an isolated instance. The hundreds of thousands of Ontarians who must rely on social assistance due to disability, lack of education or the impossibility of finding long-term, stable and decently paid work are the walking dead. The welfare policies of this government have consigned people like Kimberly Rogers to a life without choices and freedoms which everyone in this room enjoys and expects as of right. Sold to Ontario citizens as providing an incentive to find employment, in fact the welfare rates actually act as a barrier to finding employment.

The provincial government's reports of record declines in the social assistance caseload are very misleading. They fail to consider the fact that significant numbers of people cycle on and off welfare because they cannot access stable employment that keeps them out of poverty. There is also evidence that people are being forced to survive on welfare for increasing periods of time, not less. In Toronto, the average number of months that a single person or a family received social assistance actually increased from 18 months in 1995 to 26 months in 2001. People are staying on welfare longer.

In the words of Jacquie Thompson, who provided testimony at the Rogers inquest and is the executive director of Life*Spin, a London-based agency which advocates on behalf of impoverished individuals and which is staffed by people who are or who were living in poverty, "How can you look for work, let alone get hired, if you can't feed your kids or yourself, lose your housing or don't have a phone?"

Raising social assistance rates and eliminating the ban is just, fair and sensible. Raising the rates will allow people to escape the documented cycle of bouncing between low-wage jobs and welfare. We cannot afford to lose the lives or the potential of even one more community member. Raise the rates and eliminate the ban.

Thank you very much for your time and consideration.

The Vice-Chair: Thank you very much for your presentation. We have a bit of time for questions, I believe. I'll start with the Liberals.

Mr Kwinter: I really read that with interest. I don't think anyone can question the problem. I have constituents coming into my office all the time telling me about their problems. It isn't just the young people; I've got old people who tell me that after they pay their rent—they're on welfare—they have $18 left. How can they possibly function? I don't know; I don't have an answer for them. I keep trying to refer them to different agencies that might be able to help them, but it is a problem. It's a problem that I think we as a society have got to address.

I don't really have a question for you. I just commend you for your efforts and tell you that I for one am very, very sensitive to the issue. I deal with it, as I think most of us do, virtually every week. We hear from somebody who has that problem, and they're totally desperate. It really is a cycle of creating greater problems than they have because of this problem.

Mr Fraser: One of the ironic things is that one of the markers or the flashpoints of the system for deciding whether somebody is at risk of welfare fraud is whether they're paying a high proportion of their income on rent. The ironic thing is that the rates are so low that most people are paying a huge proportion of their income on rent and therefore are considered by the government to be a high risk for fraud.

The Vice-Chair: Mr Christopherson, do you have a question?

Mr Christopherson: Thank you for your presentation. I can only hope that it's out of embarrassment that the majority of the government members have left and there's only one left. It's interesting to see when they're all here lined up, hanging off every word, and which presentations don't seem to warrant the same kind of attention.

The Vice-Chair: Mr Christopherson, it's out of order to refer to another member's absence.

Mr Christopherson: I didn't mention anybody's name, Chair. I stand by what you said, but I didn't mention any names deliberately; I wouldn't do that. But I am acknowledging they're not here.

When you talk about unfairness, hypocrisy and welfare fraud, I also wanted to bring attention to the fact that we've got an MPP sitting on the government benches—I'm not going to mention names, again, Chair, I warn you ahead of time—who was convicted, to the best of my knowledge, of tax fraud, but that person went on to become an MPP. It's OK for them to be here. But if for some reason, a set of circumstances, you're convicted of welfare fraud once, you're not only on the social scrap heap; you're thrown on the heap that's behind that.

The amount of money that a single mom with a child receives is less money than the increase in the MPP wages for the next Parliament. Now, I say that, to be fair, in the context of someone who supported Justice Evans's review. I can stand behind the results and the recommendations, even though I'm not running again so I won't benefit; but I stood behind that. But I find it absolutely incredible that members of the government can go to sleep at night knowing that this reality exists for them, and yet people, children, who are living in poverty had the income of their families cut eight years ago by 22%. Yet it's still OK to have everybody else march in here and want more tax cuts so they can live even better, while a woman died because she was basically under house arrest. I don't have a question, except maybe I don't know how you live with that, I say to the government members, knowing that this exists and where you get your priorities from.

The Vice-Chair: I must now turn to the government members.

1500

Mr O'Toole: Thank you for your presentation. I appreciate it, and I appreciate the work you do. I think Monte summarized it more at the level of the constituency, where you try to work with community partners. I would want to say that I am very impressed with the Salvation Army, and also the St Vincent de Paul of my area, who are very helpful in trying to work in partnerships.

I know that your statistics are all focused on the Kimberly Rogers thing, your item number two. I would like to see us deal with it in some other way, of the hardship to people. With a million new jobs we can argue about full-time, part-time, minimum wage and all that, but I think it's more important, in the sense of hope and human dignity, to have a job. It's not just rhetoric. I used to hear people say, "Gee, it's not worth my while getting off welfare. I get dental coverage and all the stuff," so they kind of lost the motive. There is to be a balance there and the right support. So I support that it's an ongoing reform that we need to pay attention to. There is more dignity and a sense of worth in feeling you've been able to, with the right supports, get yourself into some claim that you earn the bread you eat, and I think we should try to help people. But we are down to the ones who may be hard and difficult to place and to get their life in order for a lot of different reasons.

I wouldn't want to see people destitute to the extent that they would be banned for life. I don't support that at all, so I'd like to put that on the record too. At the same time, it doesn't deny us the responsibility of keeping some monitor out there, as objectively as possible saying that we individually have a responsibility, families and family members have responsibilities; it isn't just a societal kind of compartmentalization of individuals. When the family walks away, what's that about?

I'm just trying to rationalize how I've been characterized as being insensitive, uncompassionate and non-caring. It isn't true, totally. I would never want to be characterized that way.

The Vice-Chair: Thank you very much for your presentation. We do appreciate your advice and your suggestions.

CREDIT UNION CENTRAL OF ONTARIO

The Vice-Chair: The next group we have scheduled is the Credit Union Central of Ontario. Would you please come forward and introduce yourselves.

Mr Jonathan Guss: Good afternoon, Mr Chair. I'm Jonathan Guss, chief executive officer of Credit Union

Central of Ontario. Daniel Atlin is our director of public affairs.

We're very pleased to have this opportunity to appear before the committee. This committee and its individual members have been very good to us over the years. But I must say, on a serious note, that today we need help from the committee more than we've ever needed it before.

You have before you a small collection of documents. What I'd ask you to do is just hold on to them, and as I go through my talk I will refer to the individual exhibits we have made available to you.

You are aware that we are the only deposit-taking institutions in Ontario that are chartered and regulated by the government. At the federal level, where they oversee the banks, insurance companies etc, they have made constant changes to make sure the banks are competitive with financial institutions in other countries and are able to keep up with market developments. We absolutely need a broad range of changes here in Ontario for credit unions because the financial markets are constantly changing.

In many communities across Ontario you're also aware that credit unions are a force. While we are strong in Toronto, we're not as visible in Toronto, where there's so much competition. But outside of Toronto, in places like Oshawa, Chatham, London, Sarnia, Hamilton, across the north of Toronto—

Interjection.

Mr Guss: I missed Waterloo; sorry. Waterloo, Kitchener—some great credit unions.

We're really involved in financing people's day-to-day lives, but we're also very involved in small business lending, and that's very important.

Today I want to focus on a specific issue, and that is the proposed merger of our Central's financial operations with the financial operations of BC Central Credit Union. This is very important. It will strengthen our system in Ontario tremendously. We'll be creating a $5-billion organization with $300 million of capital to serve all the credit unions in both provinces. And it will help the national system as well. It will streamline us and in Ontario it will help us stimulate growth and opportunity across Ontario.

I want to read to you from the last budget. This was referred to in the last budget, on page 9, the third bullet point. It says, "The government will respond to plans by the credit union system to become more efficient and provide better service to their members on a national basis." It was a specific reference to what this proposal is. I've given you the proposal here, the business case consultation draft, February 9, 2002. It's been out with the government for a full year. Having put that before you, having had it referred to in the last budget, we are ready for action.

I want to give you an example of how this will help Ontario. Our system has developed what I call the syndicated commercial lending program. Since Mr Kwinter was the minister, Central has been greatly strengthened. The system's capital is now at 7%, higher than the banks and well above the 5% requirement in the legislation, and in the last couple of years we've put out $600 million through our syndicated program in commercial loans to small businesses across the province. We're especially strong in that outside Toronto where the banks are not so aggressive. After the merger, we will be multiplying the capital available for that program, probably tripling it. So we'd finally be the real competition for the banks that you're looking for.

We can't achieve that stimulus in growth without the merger. To achieve the merger, we need harmonization on some issues with the other provinces. Specifically, we need legislation that will bind our current members to participate in the Central banking facility. They are seeking a self-regulatory regime to bind them to Central and to the new Central that will serve both provinces and eventually serve all the provinces.

Credit unions in other provinces have said bluntly, "We won't make a deal with credit unions in a province where they don't have that binding legislative requirement." I've tabled the second item, which is the resolution from the BC board of directors, but this goes back much further than that. We've been talking nationally about bringing all the centrals together, and every province has said the same thing: "We will not deal with a province, we will not go into a Central in a province if members of that Central can pull out when we are bound by legislation to stay in." So it's very important.

We pressed the government to require all credit unions to be in a Central, and the civil service, giving us good advice, really suggested that the government may never do that. So we backed off, we compromised and said, "OK, simply bind our members." We went to our members, talked it over, and they voted 98% in favour of this on November 23, at a special general meeting. Again, I'll refer back to Mr Kwinter. You remember how fragmented the system was in the late 1980s, and we got a 98% vote of confidence for binding everyone to stay in. Some of the five who voted no came to me after and said, "If we were binding all the credit unions in the province, we would have voted yes, but we think everyone should be in, not just our 203 members. The other 20 should be in as well." So I think we'll have everybody come in and stay in.

Let's go on from there. The officials have raised other problems but have not put them in writing. They have promised to give us a list of their concerns but we have been waiting a very long time for that. We can't wait any longer. One of the issues they raised orally with us was a constitutional issue, and the next document I've given you is an opinion from Tory, Tory, DesLaurier and Binnington that makes it very clear that what we're proposing is not a constitutional problem. The province is clearly empowered jurisdictionally to deliver that. The Torys opinion is signed by somebody named Laskin and has been reviewed by somebody named Estey. It's very sound opinion. So I hope you'll read that with care and consider that you are on totally solid constitutional ground giving us what we are requesting.

1510

Obviously, time is of the essence. We've been talking about this with government for two years. We gave them our list of legislative and regulatory requirements last July. We gave them a final list after they requested some changes in September. This is a transaction. This has been in the planning stages. You can see the detail we went into in this document. It is prospectus-level detail to satisfy our very determined members, yet the government has not yet responded.

Time is of the essence. We have to close the transaction. We were planning to close the transaction at the end of June. We've now had to defer it to the end of December because we don't have an answer. We can't finalize the agreements until we know what the legislation and regs will look like.

For the government, there is no cost—no financial cost and now no political cost—to doing this, since we compromised. So we believe it should be in the budget. There is no question about it; we think the government should announce immediately that they will commit to give us what we need to carry this out.

Obviously it's a huge plus for credit unions across the province. They voted in favour. Even our non-members believe the merger would be good and would consider coming into the new organization. They want to make sure it's running well. They understand that once they come in, they would be bound.

Yesterday the government made an announcement about the sale of POSO. We don't object to the sale of POSO, we don't object to the sale of POSO to Desjardins, but we truly find it difficult to understand how the government could welcome into Ontario a competitor of that size and quality without taking care of us first, when they've known for two years precisely what we need. So, again, we expect an immediate response from the government. We expect an immediate statement that they will commit to deliver what we need to do this transaction. It's a huge plus for your ridings; it's a huge plus for Ontarians. I'm sure you can help us deliver on this. Thank you.

The Vice-Chair: We have some time for questions as well.

Mr Christopherson: Thank you for your presentation. I was just at an event in my riding with the teachers' credit union in Hamilton. Of course, they just had their big renovation and some consolidation, right near city hall, downtown—beautiful.

Mr Guss: An excellent $200-million credit union.

Mr Christopherson: Absolutely, and a real plus to our downtown too, just in terms of the presence of the building and the work they've done there.

You mentioned "two years ago." Was that when you formally notified the government that you were looking for this legislation, and if not, when would that have been?

Mr Guss: Two years ago we sat down with finance officials and walked them through the concept. I can't tell you the date of the first letter to the minister or ministry, but it would have been shortly after that. The real press from us started one year ago when we delivered this document.

Mr Christopherson: Maybe we'll hear something from the government members; I don't know. I didn't hear you mention anything about reasons why the government may not be acting. Being fair-minded people, if we asked the government, if the minister were here, again, in the interest of fairness, is there something there that they would say is a legitimate problem we should be thinking about, or are the banks intervening? In other words, is there any real reason for this not to go, that if we go through it, if we took the time to ask responsible officials, they would say, "Wait a minute, you're not hearing the other side of the argument"? To the best of my knowledge, there isn't anything like that, but I'm asking you to be fair-minded and put in front of us any legitimate concerns that the government may have, either directly or indirectly, which would explain why it hasn't been done so far and give a reason as to why it may not be in a comprehensive budget bill.

Mr Guss: Thank you for asking. We believe we've removed the impediments that have been raised. The first one, and the only one in the first few months, was our request that all credit unions be required, as they are in the other nine provinces, to be a member, a participant in a liquidity pool, which is what we are; we're a central banking facility.

We're creating a new central banking facility. It will have no trade association services. It will be a pure financial organization, so it really will be a central bank. We were saying that everyone should be forced to be a member of one of those; not ours, but one. They had real problems with that at the official level. That's why we compromised. We thought we removed the only problem. We were under the impression until then that if we compromised on that, it would slip through very quickly. They immediately came up with a constitutional issue. We said, "Show us your draft legislation," because they had promised to draft legislation for us based on our drafting points that they had asked us to submit. They said, "We haven't drafted the legislation yet, but we foresee a constitutional problem." We said, "Fine, we'll deal with that." We went to Torys, and we got an excellent opinion.

Since then, we've had meetings and they say they have a list of other concerns. They said that as recently as two weeks ago, but we have not yet seen the list. Frankly, I find it unconscionable that they have now announced the sale of POSO to Desjardins. Much as I appreciate Desjardins and their great strengths, to bring them in as a competitor when they haven't taken care of this request is totally unfathomable to my members and to me.

Mr Christopherson: I hear you. Thanks very much. Hopefully the government is listening.

The Chair: We move to the government.

Mr O'Toole: Thank you, Jonathan. I would say that I've been listening to Jonathan for quite a while, actually, and no disrespect to the member from Hamilton Mountain.

Mr Christopherson: Hamilton West.

Mr O'Toole: I have written to the minister, as you know, and met with you. Actually, I was going to ask you a question. To the layperson, which would include me by the way, this whole idea of a liquidity pool or access to a surety was basically done through a line of credit through the bank for most of those smaller credit unions that were not onside. I understood they didn't want to give Credit Union Central a kind of a monopoly. That was what I was told.

This thing all came up as part of the OSC-FSCO merger, the original discussion paper that I was involved in as PA for the Minister of Finance at the time. I felt there were two organizations, the co-ops and the credit unions, which were really focused on—the Ontario Securities Commission is a big, prospectus-driven environment. Personally, I didn't think the co-ops or the credit unions belonged there, and I felt that your proposal was to solve some of the liquidity issues. I have been and continue to be very supportive.

The question I ask is, was it perhaps the sale of POSO—I felt that credit unions should have made a bid on that. I can't be involved now, but I'm surprised that Desjardins bought it. It really would have allowed your industry to grow. It's got a $90-billion base. I'm sure they could have structured some payments. I see here there's really not a lot of cash up front. Do you think that's one of the reasons they were stalling on this thing—you work in this all the time, Jonathan—until they got POSO? Because it's more like a credit union deal.

The Chair: Let him answer.

Mr O'Toole: It's important.

The Chair: Yes. Let him answer.

Mr Guss: First of all, let me thank you for your help over the years, John. I admit you've been most helpful to us and very supportive. But at this point we need you to help us with your government to move on this.

On the monopoly issue, it's impossible to look at a co-op as a monopoly. You've raised this issue, and we've heard the word "monopoly." But a monopoly is where the owners of the means of production take advantage of the buyers. A co-op is owned by the customers. If the Central is owned by the credit unions and we are monopolistic and make too much money, we return it to the customers, because that's how a co-op works. So the monopoly argument against us is really, truly what I, being from New Brunswick, would call a red herring.

Mr O'Toole: Kent Williams from the Ministry of Finance—

The Chair: That's your time, sir. We move to the Liberal bench.

1520

Mr Kwinter: This is an issue that I have some experience in. I remember back in the mid-1980s when some of the credit unions were basket cases, where there was a mismatch between loans and interest rates and lots of problems with liquidity. I have to tell you that I think the credit unions are one of the financial success stories in Ontario. Just for the record, I should tell you that I belong to a credit union, and I have for many, many years. I think they serve a real purpose.

I'd also like to comment on Mr O'Toole's thing. I think the credit unions should have bought POSO as well, but that's another story.

I can't understand why they would not allow this to take place. I think that when you sort of get the economies of scale, when you get the financial strength of the combined entity, it can only help. We have Desjardins, the sixth-largest financial institution in Canada—I have a place in Florida, and right across the street from me there's a Desjardins financial institution, because there's a lot of French Canadians down there, they're used to it and they go in there and utilize it.

So I think this idea of borders and things of that kind—we are getting to the point where financial institutions need the kind of clout that size gives them. We see it in the attempt of some of the major banks that are trying to merge. I don't understand it. I'm totally supportive of what you're trying to do, and I wish you well in your endeavours. I hope it happens quickly.

Mr Guss: May I just comment on the POSO? A number of credit unions were interested in POSO, as individual credit unions. We also put together a consortium of 18 credit unions that wanted to buy it. I'm going to table with you a letter that we sent to CIBC Wood Gundy and copied to SuperBuild and the department of finance. The way they asked for the bids on that made it impossible for a consortium of credit unions to bid. We had a group of 18 that were very interested in pursuing the purchase and having a real good look at it, and when they read the way the bid was structured, it was the structure of the invitation to bid that rendered it totally impossible. They sent a letter regretting that they had to withdraw and weren't going to pursue it.

So here's the letter from the chair of the—

The Chair: Thank you, sir. We'll ensure that everyone on the committee gets it.

Mr Guss: Thank you. I appreciate it.

MUNICIPAL FINANCE OFFICERS' ASSOCIATION OF ONTARIO

The Chair: Our next presenter is the Municipal Finance Officers' Association of Ontario. Please state your names for the record, and welcome.

Mr John Bech-Hansen: I'm John Bech-Hansen, the executive director.

Ms Janice Baker: I'm Janice Baker. I'm the chair of MFOA and the commissioner of corporate services with the city of Mississauga.

Good afternoon, Mr Chairman and members of the committee. It's our pleasure to be here this afternoon to speak to you in advance of the province's budget.

Just to give you a bit of background about MFOA, we're an association, the Municipal Finance Officers' Association of Ontario, concerned with the professional interests of municipal finance officers and certainly the financial interests of municipalities across Ontario.

We certainly appreciate the opportunity to highlight some particular concerns to our members. At the top of the list is the property tax and assessment system, and my friend Mr Beaubien won't be surprised to hear that, I'm sure.

As you know, we are now in the sixth year of the new tax and assessment system in Ontario. What was promised when the system was introduced was more fairness, improved accountability, greater simplicity, less taxpayer confusion and lower costs of administration for both the province and municipalities.

Unfortunately, while we started out with those objectives in mind and, I think, a framework that by and large was putting us in the direction of achieving those, the introduction in 1998 of capping programs for commercial, industrial and multi-residential taxpayers has basically undermined almost every one of these original reform objectives as it applies to these property classes.

First, progress toward the attainment of fairness, that is, full CVA taxation, has slowed or stalled in many jurisdictions across Ontario. The current legislation imposes a 5% annual cap on assessment-related tax increases. Municipalities have generally funded these caps by withholding or clawing back assessment-related decreases on those currently paying too much tax.

The legacy of the provisions, which are currently in their fifth year of operation, is continuing large disparities in effective tax rates paid by highly similar properties within the same municipality. Moreover, for a variety of reasons, the percentage of tax decrease that is being clawed back from those entitled to decreases has been rising to as much as 100% in many municipalities. This means that from a perspective of these taxpayers, progress toward fairness has virtually come to a standstill.

Secondly, the mechanics that govern the operation of the capping regime and other aspects of the tax system have become almost unimaginably convoluted. Such is the system's complexity today that it is simply beyond the ordinary business taxpayer's power of comprehension and, I would even submit, beyond the extraordinary business taxpayer's power of comprehension. We know even some of the largest businesses have difficulty understanding it.

Thirdly, the system is extraordinarily labour-intensive and expensive to maintain. The cost of maintenance is borne on the backs of municipalities. We have done an estimate that it has cost municipalities in the province of Ontario millions of dollars to implement this system.

We believe the 2003 budget presents an important opportunity to bring the property tax and assessment system back on track and back into alignment with the original reform goals set out five years ago. We therefore recommend that the following be announced in the 2003 budget:

As an interim measure, we would ask that the province introduce an optional minimum dollar threshold for capped properties, whereby annual assessment-related tax shifts would be the greater of 5% or $1,000. One of the consequences of the current capping regime is that the current 5% cap must be calculated on some very small amounts. The introduction of a minimum annual dollar threshold in conjunction with the 5% cap would greatly accelerate the achievement of CVA. In one municipality that we've looked at, the percentage of industrial properties that are taxed at CVA, that is, taxed fairly, will rise from only 13% to 78% after the application of the $1,000 threshold. When there are municipalities out there that, after six years under this new regime, still only have 13% of properties paying the correct amount of tax, I think that will tell you there is a serious problem with the current system. We believe that the introduction of a minimum dollar amount would go a long way toward rectifying the problem. However, it will not solve the problem.

Secondly, we recommend that the province phase out by 2005 the current policy where newly constructed commercial, industrial and multi-residential properties are subject to capping protection. This policy was put in place notwithstanding that capping was intended to be a transitional measure, because it was felt that newly constructed properties needed to have the same capping protection as any neighbouring properties that are also protected. We believe there is no compelling rationale for this policy. Any business person knows going in what the taxes on a newly constructed property will be and, as such, can build their business plan on that basis. So that individual has the option of proceeding or not proceeding based on that knowledge. As well, any newly constructed properties really get to cherry-pick. They pay the lower of CVA or a capped amount, meaning that they cannot be part of the clawback pool, which gives them an unfair advantage over existing businesses.

Since we are now in the sixth year of the new CVA system in Ontario, surely this is sufficient notice to the property development community of Ontario's long-term commitment to the new tax and assessment system. The current new construction policy should be phased out so that all properties are taxed at CVA.

We strongly recommend the province replace the capping regime with a phase-in program to bring all properties across Ontario to full CVA by 2006. This would be the logical accompaniment to the introduction of the kinds of policies prescribed above. As noted elsewhere in the document, progress toward attainment of property tax fairness has stalled. It is time to get it back on track and to bring it to a conclusion with a firm sunset date.

1530

We also ask that the province commit to a review of the pending three-year rolling average policy. The original tax reform legislation introduced a requirement to move to a three-year rolling average assessment by the year 2006. MFOA believes this policy is redundant, since capping protection is already in place, and we don't need both. Rolling averages will add administrative complexity to an already intolerably complex system.

We believe, in conjunction with the review of capping, that the 2003 budget should announce a commitment to review the three-year rolling average with a mind to either eliminating it or at least putting it on hold until capping has been dealt with.

In November 2002, the parliamentary assistant to the minister, Mr Marcel Beaubien, issued a comprehensive review of the property tax assessment and classification system in Ontario. Much of what Mr Beaubien proposes is supported by MFOA, in particular his call to review the capping regime. There are a couple of recommendations that cause us great concern. I will highlight only two.

Mr Beaubien's recommendation that the multi-residential and residential property classes be combined is certainly of concern to municipalities. His recommendation arises from the observation that tax rates on apartment buildings typically range between two and five times that paid by condominium and single-family dwellings. Of course, that's seen as unfair in an affordable housing context. To address this perceived inequity, the report recommends that the multi-residential property class be combined with the residential class and that the municipal tax rate on multi-res properties be reduced to the residential rate.

While on the face of it we agree that tax rates on apartments are typically much higher than on homes, this has to be viewed in context. Houses are assessed on selling prices in an open market. In contrast, apartments are assessed by grossing up rental income. This is in turn artificially depressed by the continuing effects of rent guidelines, which limit the annual rental increase on continuously occupied units.

With this kind of apples-and-oranges situation on the assessment side, any attempt to compare tax rates clearly makes for a corresponding apples-and-oranges comparison on the tax side. We know from numerical analysis we've done that assessments on rental units are generally much lower than those on single-family homes.

On the issue of graduated tax rates, which is another of Mr Beaubien's recommendations, this option has been available to municipalities since the introduction of tax reform in 1997, but municipalities have historically not used it, and they've not used it by and large because it does not achieve the result sought, which is to assist small business. MFOA and municipalities strongly oppose the recommendation simply because you cannot define small business strictly on the basis of assessed value, and we've shown through analysis that graduated tax rates unfortunately just simply don't work.

In terms of supporting municipalities in respect of maintaining our property tax system, the province currently operates OPTA, or the online property tax analysis system. OPTA is a Web-based tool funded and operated by the Ministry of Municipal Affairs and Housing that helps municipalities manage the current highly complex tax system.

In the grand scheme of provincially funded programs, OPTA is not very large, but for hundreds of municipalities across Ontario it has become a lifeline in coping with the staggering complexity of the current system, and it will continue to be one until we can get rid of capping. However, the government's commitment to continuing to fund the operation of OPTA beyond 2003 has been a source of ongoing concern in the municipal sector for some time.

We note that the Minister of Finance's 2002 budget speech announced a government plan "to provide more stability and certainty for our public sector partners by moving toward a multi-year approach to budgeting and funding." As a program of vital importance to the province's municipal partners, OPTA presents an ideal candidate to demonstrate the promised commitment to predictable multi-year funding for this program in the 2003 budget.

I'd like to close with a few comments on the "new deal for municipalities" issue, which really revolves around the question of municipal revenue sources and whether they are currently sufficient to finance the full range of functions for which municipalities are responsible. We share with AMO and others the view that they are not and we support the AMO recommendations that I believe are coming before you.

At the August 2002 AMO conference, the Premier indicated that your government is "prepared to consider other methods of revenue sharing among municipalities, the province and the federal government, provided that they are equitable, make sense and are responsible to taxpayers." We applaud this commitment; however, we have seen little progress to date toward this goal, such as a formal response by the government to a significant amount of policy work that has already been completed on this subject.

We note that the provincial government announced a major public consultation on two other initiatives that were announced in the Premier's AMO speech—that of opportunity bonds and tax incentive zones. MFOA believes the government should use the 2003 Ontario budget to announce a consultation of a similar scale and scope on the new deal issue.

Given the complex interactions that any new revenue source will have with other existing taxes and grant programs, we believe that this review should also encompass the future of the community reinvestment fund and the future role of both the provincial, residential and business education taxes.

Thank you very much for your attention this afternoon. I'd be pleased to answer any questions you may have.

The Chair: Thank you. We have time for one question from each caucus. Mr Beaubien, since you were named in the report.

Mr Beaubien: Thank you for your presentation. It's nice to see you again, Janice. I'm not going to debate that report, but I want to make a comment on the record with regard to capping and the clawback. I realize that assessment is not a pure science. It's a complex subject matter. There's a lot of black and white, but there's a lot of grey also. With regard to the clawback and the capping—I think we've had discussions before—I certainly agree with the presentation that you made here this afternoon. I would even go further, I suppose. I would probably bypass the 5% and the $1,000. I think there are some municipalities—if I may say, probably 50% or more of the municipalities of Ontario—that could live very well without the clawback and the capping. I think there are ways and means that we could handle that. So just to be on the record that I certainly don't have too many disagreements with some of the issues that you've raised here this afternoon.

Mr O'Toole: If I may comment—

The Chair: I'm sorry, you're out of time.

Mr Phillips: Two questions, if I can, one that you didn't mention in your brief. I spend a little bit of time up in Haliburton, where there's a major issue of new construction not being assessed. There's a feeling that an enormous amount of people just aren't paying their property taxes. They have no property taxes because they haven't been assessed yet; it's running way behind schedule. There's a substantial inequity going on there, people with new homes not paying any property taxes. Second, I was interested in your comments on the multi-residential issue. If Ontario does proceed to one class, what are the financial implications for municipalities of that?

1540

Ms Baker: If I can address your first point with respect to delays in assessment of property, that is an issue affecting municipalities across the province. At the present time, the Municipal Property Assessment Corp is responsible for providing assessments. I think it's really a number of issues, one of which is the complexity of the system. We have experienced and continue to experience significant delays in getting new properties on the roll. However, I would point out that they eventually do come on to the roll, and under the Municipal Act we are able to charge taxes from the date that the property was constructed. So it's really a cash flow issue as opposed to a revenue loss issue.

With respect to the financial implications of the multi-residential change, I think municipalities would be concerned about the tax shifts that would occur. The reality is, unless you're going to have municipalities, particularly those that have a large multi-residential sector—so you're talking primarily about your large urbans—simply slash and burn their budget, then that revenue has to be recovered elsewhere. I know Mr Beaubien did suggest in his recommendations that the province provide some easing of the current caps on tax ratios to allow us to recover that revenue from all classes as opposed to simply the residential class, but the bottom line is that that tax burden will have to be picked up somewhere else, so there would be tax shifts in order to accommodate that.

Mr Christopherson: Thank you for your presentation. I'm sure that my hometown of Hamilton is, not unlike most other municipalities, going through a tortuous process of trying to come up with a new budget. Personally, I feel deeply for each of those members of council having to make some of the decisions they have to, because the perspective I bring is that they can't win. No matter what they cut, we're either not going to be putting the money into the infrastructure that has to be made or we're cutting back on quality-of-life services that every community needs to have the kind of heart and soul and compassion you need to be called a community.

My question is, if we don't get the new deal shortly, from either this government or a subsequent government, where are municipalities going to be as we head out in the next half-decade or decade? My sense in looking at Hamilton is that they can't survive this. It will not be a community, by any definition we use, if this continues for another five or 10 years. But that's just one community. I wondered overall, province-wide, what's your sense of the ability of municipalities to remain financially viable if there isn't a major restructuring in their relationship with the province?

Ms Baker: I think it's an issue of there being a balance that has to be struck, then, between how you provide services or fewer services. The costs are rising. Labour, in our case, for instance, is 60% of our budget today. Every organization is doing at least 2.5% or 3% increases. You have budget pressures that really just maintain the status quo. There are really only three options: you can raise municipal property taxes—I think it's an imperfect source of revenue for much that we have to fund—you can cut services, or you can compromise your infrastructure by not investing in your capital. Those are really the outcomes.

Mr Christopherson: Or user fees. That's your last—

The Chair: I'll ask you to wrap up.

Ms Baker: That was my answer, Mr Chair.

The Chair: Thank you very much. We appreciate your presentation.

ONTARIO NON-PROFIT HOUSING ASSOCIATION

The Chair: Our final presenter this afternoon is the Ontario Non-Profit Housing Association. Please come forward and state your name for the record. You have 20 minutes; you know that.

Ms Robin Campbell: My name is Robin Campbell. I'm with the Ontario Non-Profit Housing Association. Our association represents about 700 community-based non-profit housing providers across the province, owning and managing about 150,000 units of housing.

I'm here today to talk to you about how we think the province can best address the very significant and growing problem of affordable housing, particularly for low-income people in the province.

I want to cover four areas briefly: the need, first of all, for intergovernmental co-operation; secondly, our assessment of the direction the province has been to date; thirdly, talking about provincial-federal relations as related to housing; and finally, what we recommend in terms of budgets. But I'm going to just rip through those first five and get to the budget amounts.

I'm going to spend the least amount of time on the need, because I think you are probably very well aware that not only is there a huge gap in the amount of the rental housing supply that is available, but particularly for low-income people; we're actually losing more rental housing than we're building. Over the last decade, of the 24,000 new rental housing units being built, between condo conversions and demolitions we end up with a net loss of about 7,000.

In particular, there's not enough affordable rental housing for really low-income people. Just to put that in context, under currently affordable rental by CMHC, the definition that's being used with current programs is the average market rent. In Toronto, that's about $1,147 for a two-bedroom apartment, which is hardly affordable by almost any measure. It really requires somebody with $50,000 a year to pay that kind of rent. Again, I don't want to be too Toronto-centric, but just to take this city, there are 250,000 households with incomes under $19,000. Across the province, we have over 200,000 households sitting on social housing waiting lists; 100,000 are in the GTA, and those are not people who can afford $1,147 a month. So our association feels our primary role is in addressing that housing need for the lowest-income group.

The reason I want to talk about intergovernmental coordination is that there's clearly no easy answer to the affordable rental housing problem, and it's not helped by intergovernmental gamesmanship. Just to illustrate this most graphically, in the year 2000 the federal government put on the table for this province $245 million for affordable rental housing. This, mind you, was after they had already devolved to the province their responsibility for federal social housing. The provincial government has given the responsibility to the municipal sector to take the lead for affordable housing. As of 2003, the provincial government has said that it will sign agreements to allocate this federal government program to 20 municipalities. The province itself, instead of putting in matching money, is only putting in $20 million, saying the balance of that matching money has to come from the municipalities. Still, from a program announced in the year 2000, in 2003 we don't even have agreements to begin building housing, let alone seeing any housing that people can live in. This is just a wider problem of intergovernmental hot potato juggling. We see it in health; we're seeing it in housing.

The provincial position to date has really been, "Remove the barriers to the private sector to build rental housing. That is the solution to the problem." We're very supportive of removing the barriers for the private sector to get into the rental housing business, but a lot of those barriers have been removed and there has been no movement. But I think there's every evidence to say that you can remove all those barriers and there's still not going to be affordable rental housing for people at the lower end. That is where there needs to be significant government input in terms of dollars to bring those capital costs down, to provide rent-geared-to-income subsidies for those low-income people. Our posture would be that for that particular target, the best investment of public dollars is in long-term, permanent, affordable housing, which is the business the non-profit sector is in.

What has been proposed under this current federal-provincial program is putting in $50,000 per unit, with the end result being that you will have market rent housing—that's that $1,100 per month I'm talking about—affordable for 15 years. Now that seems to be a huge investment of public dollars, for 15 years, to not at the end of the day actually have a stock that's in the public domain forever and that's actually hitting your target group.

1550

I have a few points to make about working with the federal government. First, push them on the changes to the tax barriers for general rental housing. We strongly support that. Second, get on the bandwagon for a low-income tax credit that is the sort of financial system used in the US, which is a method that works well that will bring federal dollars in. Third, have the federal government take responsibility for housing for refugees. Fourth, the federal government has $500 million a year that it is putting into social housing in Ontario. Those agreements will be terminating over the next 20 years. We should be talking now about reinvesting those dollars. The first dollars are starting to come in five years. They're going to be withdrawing over time $500 million. Get them to agree now to retain those dollars for low-income, non-profit housing. Finally, the provincial government has to come to the table with matching dollars for the dollars that the federal government has already put on the table.

Now I'm going to move into what I think should be in this budget. There are two points to it: first, in terms of new affordable housing supply, and second, preserving what we have.

On new affordable housing supply, take the $245 million that's on the table right now. It's money that's there from the federal government. Match it directly with real dollars, not just $20 million which the province has put on the table, but $245 million. Put part of your contribution into permanent rent supplements targeted to low-income people. That will produce 10,000 units of housing for low-income people, 5,000 of which could be targeted for very-low-income people at a cost of $36 million a year by the province. Of this housing, make sure you have half of those 10,000 units targeted with rent supplements for low-income people delivered by the non-profit sector. It will mean that you'll have that in the permanent affordable domain forever, not just 15 years.

Second, the biggest program the provincial government runs now is the tax benefit for first-time homebuyers. That's a rebate on the land transfer tax. Currently, $120 million is going into that program and it has over the last four years. That has benefited 90,000 first-time homebuyers at $1,400 per buyer. Do you know what that means for the owner at the end of the day? It means $8.60 a month is the difference in what they're paying in mortgage payments. I can't believe that, at the end of the day, those same buyers would not be buying, given that all they're really getting is $8.60 a month off their mortgage payment. That same $120 million should be targeted to low-income people.

Finally, I want to talk about a very good program that the province has in place right now through the Ministry of Health. It had put $45 million in that program, targeted to people with mental health problems, the hardest to house. That's coming to an end. It has been a very successful program. Repeat it. Take $50 million, put it in the hands of those non-profit providers that are dealing with housing for mental health providers. That will create 3,000 beds; still not meeting the entire need but making a start.

Finally, victims of violence. There has been no money put into transitional housing for victims of violence. The policy position that the government has taken is to say that for every vacancy that comes up in social housing, the first opportunity has to be given to a victim of domestic abuse. What we've seen happening is that the victim of violence is moving into that unit and then the spouse is moving into that unit within a few months because there aren't adequate supports there. What you need is transitional housing as well as permanent, affordable housing for that group. Without transitional housing with the supports there, people will not break that cycle.

Finally, in terms of preserving the housing we have, this budget needs to see money being put into capital reserves for the social housing that the provincial government has liability for in terms of mortgage insurance. Under the condo act, there are very strict regulations in terms of what has to be put aside for future capital reserves. That's not there for social housing; it's not there at the levels it should be. The government has a report that says what those levels should be that has not been made public. Please make that report public and see those monies put in this throne speech.

Finally, for housing that the Ministry of Health and the Ministry of Community, Family and Children's Services have, there are 5,000 units of social housing in those two ministries that have fallen behind in terms of their inflationary increases to their base budgets by 14% since the year 2000. The provincial government has required the municipal governments to keep up with inflationary increases. It has not with its own stock, which it's responsible for. It's very little money. We're talking about less than $5 million a year. But that is very important for the government to address.

So just in my closing comments, on the new supply side, there's a very unique opportunity on the table now with the federal government, and the province should step up and play a leadership role.

Secondly, please preserve the stock that we currently have in place.

The Chair: Thank you, Ms Campbell. We have time for one question from each caucus. We begin with the Liberal caucus.

Mr Phillips: This is very comprehensive, and I thank you very much for it.

Maybe a question that's implied in here—what has sort of been the impact of the municipalities now taking over this area? It's throughout your document, but it was an area I think many worried about when the Who Does What process took place. I think Dave Crombie actually in the end recommended against it. But what's been your experience with dealing more now with municipalities, I guess, than you might have in the past, and less with the provincial government?

Ms Campbell: On the administrative side, the municipalities I think are doing a pretty darn good job. It certainly is not costing less in terms of streamlining of administrative costs. I think the municipalities are finding it's pretty costly to administer, but frankly they're doing a good job on the administration side. The issue will be the dollars they have to actually fund it. They don't have the dollars on the capital side in terms of capital reserve funding.

They are very vulnerable to mortgage rate increases. What we know is that at the moment interest rates are pretty flat. As soon as those interest rates creep up, the municipalities—they're already saying they're having trouble affording it, and they are extremely vulnerable should there be any fluctuation.

So I would say they're doing the best they can. They're very vulnerable on the financial side, but it certainly hasn't saved money in terms of streamlining administration.

I would be absolutely sure that if you tallied up the dollars the province was using to administer social housing versus the dollars the municipalities are paying, it would be a net increase in terms of the bottom line.

The Chair: Thank you. We go to Mr Christopherson.

1600

Mr Christopherson: Thank you for your presentation. It was excellent. Kudos for mentioning the money needed for the current stock. I know, again, in Hamilton that's the real big one: the inability to move forward with new construction because there just isn't the capital, but also what are they going to do about all these repairs. The money just wasn't there and it's just one more pressure.

Like everybody else, we've got sewers that need to be redone, we've got roads that need—our infrastructure is crumbling, and here we are handed something else that's about to be in a crumbled condition, and somehow we're supposed to magically come up with the money. So it's good that you mention that. It's something that's easily forgotten after the transfer has taken place. It's sort of out of sight, out of mind.

Two quick things. One is, it needs to be underscored that the feds put up $245 million and were asking the provinces to match it. This government came up with a pittance of $20 million, relative to what was given by the feds and relative to the problem, especially when you keep in mind—I'll check this number later, but I think we're at about $14 billion a year that the province doesn't collect because of their accumulated tax cuts. So all of these issues—

The Chair: Question.

Mr Christopherson: My question would be this. We had the home builders in this morning who were urging the government to stay with shelter allowances. That's all they wanted to do. I just wanted to give you an opportunity to underscore why that doesn't work for us as a society in the long run.

Ms Campbell: Shelter allowances will not stimulate new construction. So where you have a lack of affordable supply, a shelter allowance is not going to bridge the difference. First, it's not going to create more affordable housing. If you want to give universal shelter allowances and have people pay the difference between a low-income person and $2,200, $2,500 a month, which is what a market rent unit is going to be, I guess that's one route to go. It's not fiscally responsible. There's a mismatch in thinking that shelter allowances are going to result in an incentive to build affordable housing. There has just been no jurisdiction where that has held true. It's always worked in complement. If you look in the UK, if you look in the US, where they do have substantial shelter allowances, they also have very, very substantial affordable rental supply programs, frankly, that are executed at the affordable end toward the non-profit sector, whose interest is in building that very, very modest housing and keeping those rents at the lowest possible level.

The Chair: We move to the government side.

Mr Beaubien: Thank you very much for your presentation. I thought it was a good presentation until you mentioned the land transfer tax on new property. I would like to stress here that everybody who buys a new house is not rich. I have a son who tried to scratch 5% together to buy a new house, and I think he's entitled to do that and he's not rich.

I also share a not-for-profit building. We built it 18 years ago; I'm the chair.

Ms Campbell: Oh, great.

Mr Beaubien: We have 29 units. It's called Mid-Valley, in the town of Petrolia. I think one thing that we have not looked at is—the building is 18 years old, in a very good state of repair. We've maintained it. We've got a capital reserve, we've got a maintenance reserve. Our mortgage is going to be paid off in a few years and I think what we should be looking at—and I think there are a lot of complexes in the province that are in the same boat. We should be using the money that we are allocating to pay down the mortgage to build new buildings.

Ms Campbell: Oh, leverage that equity, absolutely.

Mr Beaubien: Basically, it's the same principle that Habitat for Humanity uses.

Ms Campbell: I think you're absolutely right.

Mr Beaubien: And I think we could—

The Chair: Question.

Mr Beaubien: I don't really have a question. I think that by going in that direction, maybe not today but certainly in the very near future, we could put quite a few more units on the market.

Ms Campbell: If you put the question, "What is the potential there?" we will see, over the next 10 years—most mortgages are still, and yours would probably fall into this, 35-year mortgages.

Mr Beaubien: Ours was 25.

Ms Campbell: Yours was 25. Well, let's say about 10 years left. We will be seeing that, absolutely; as soon as those mortgages are paid off, if there's enough in your capital reserves—first you have to make sure that you can reinvest in your own building to make sure it doesn't crumble. But I think there's lots of opportunity to leverage that equity. So it is a source and that would be precisely my point. If you're investing in non-profit housing, you have a renewable resource, because you build up that equity and that equity will forever be used for that purpose.

The Chair: Thank you, Ms Campbell. We appreciate your presentation today—nothing to be embarrassed about. Thanks for coming; we'll take that into consideration.

That concludes our delegations for today. We will adjourn until 9 am tomorrow morning.

The committee adjourned at 1605.

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CONTENTS

Wednesday 29 January 2003