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Jeudi 30 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
Clerk: Katch Koch

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Thursday 30 January 2003

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Jeudi 30 janvier 2003

The committee met at 0900 in room 151.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Joseph Spina): I call to order the meeting of the standing committee on finance and economic affairs for Thursday, January 30.

TORONTO BOARD OF TRADE

The Chair: Our first delegation today is from the Toronto Board of Trade. Welcome. We would ask that you please state your name clearly for the purposes of Hansard. You have 20 minutes. Any time left over from your presentation we will divide equally between the parties.

Mrs Elyse Allan: My name is Elyse Allan. I am president and CEO of the Toronto Board of Trade. With me is Terri Lohnes, our senior economist. We thank you for this opportunity to present our priorities for the 2003 Ontario budget.

The Toronto Board of Trade, as many of you are aware, believes strongly that it is cities that are the drivers of growth in our province and in our country. They pump revenues to senior governments and flow resources to regions across Ontario. They drive a substantial portion of our GDP and are the centres of our population growth. But it is our contention that these centres are at risk.

The Ontario government is the most influential player in determining the future of our cities. It is the most influential player in determining Toronto's future and helping to build the Toronto of tomorrow. The province must embrace its responsibility and deliver a budget that works for Toronto and, in turn, the province. Ontario must move past the platitudes on urban issues and take action where it is most needed to ensure that our cities thrive.

The Toronto Board of Trade has three main recommendations: first, target investment in urban infrastructure and enhance the Toronto region's global competitive advantage. Specifically, we recommend that you implement an integrated regional transportation system, stimulate the building of affordable housing, revitalize Toronto's waterfront for global impact and strike a five-year capital funding deal to help Toronto over the short term.

Second, to make our cities thrive, you need to establish long-term, sustainable and predictable funding for cities; and third, we need a continued focus on fiscal competitiveness.

Let me discuss infrastructure. We believe strongly that strategic investment in our infrastructure directly enhances our competitiveness. That is why our first main priority is for an infrastructure strategy that meets the needs of cities. Strong transportation infrastructure is critical to our competitiveness. Unfortunately, we have failed to see a coordinated plan for dealing with the GTA's growing transportation challenges. Clear priorities for investment and a vehicle to drive this prioritization are needed.

To accomplish this, we recommend creating a GTA transportation authority. Its role would be to oversee and integrate a regional transportation system, coordinate the funding and leverage investment. We believe the region's transportation system would be better funded if governments and business were able to partner through such an authority. This allows them to leverage their investments, authorize cross-jurisdictional projects and better prioritize regional transportation growth. We believe that local and GTA-wide transportation systems should grow in a seamless manner, which is more likely to happen if they are overseen by a single entity.

The province's infrastructure strategy must also include affordable housing. The signing of the affordable housing program agreement with Ottawa last May was a much-welcomed event. This is an important element in addressing a growing urban problem, a step that will also forge greater coordination of programs to build affordable housing. The province must ensure that this program leverages the capital needed and flows the monies in a timely manner.

Ontario's affordable housing strategy must include greater private sector involvement. A more favourable tax and regulatory environment and innovative access to lands for housing development are critical. For example, the Ontario Realty Corp could have greater flexibility to make surplus public lands available for affordable housing development.

Toronto's waterfront must also be a part of the infrastructure strategy. The Toronto Board of Trade is a tireless advocate in support of the revitalization of our city's waterfront. We believe strongly that this initiative represents possibly one of the most vital infrastructure

renewal challenges for the province and for the country. Leadership, funding and continued government commitment are critical to ensuring that this incredible asset is maximized to have global impact. It can be a hallmark of our province's commitment to innovation and to creating a world-class city.

The time to act is now. First, it is crucial that the province, in tandem with the city and the federal government, move quickly to approve the waterfront plan. Second, there must be continued financial support from senior government partners. We remain concerned that additional public funding required for site preparation and infrastructure may not be readily available. Such an outcome would effectively cripple the effort.

We believe that the corporation's financial plan clearly outlines the rationale for public investment in Toronto's waterfront. A three-to-one provincial return is a substantial incentive for investment. To this end, we advocate that the province, with the federal government, commit the remaining funds needed to implement the vision. We support the allocation of additional funding responsibility based on anticipated return.

Lastly, we are concerned that the city may not be able to meet its full funding commitment. In order not to jeopardize the momentum of the initiative, it is clear to us that Ottawa and Queen's Park must consider stepping in to fill this potential funding gap. Within the infrastructure strategy, the board is also recommending that the province partner with the federal government on a specific Toronto funding deal. We believe that if you invest in your greatest asset, your greatest wealth generator, your return on investment will include economic growth, job creation and enhanced prosperity for all Ontarians.

Toronto alone contributes significantly more to the provincial government than it gets back: \$1.6 billion in 2000, as calculated in our report *Strong City, Strong Nation*. Our city can continue to contribute a high return and grow that return if the government makes necessary investments in our infrastructure in the immediate term. We recommend that senior governments flow dedicated funds specifically to the city of Toronto for five years as a transitional investment to stem further infrastructure erosion. We believe the investment must be targeted at capital upgrades and expansion for the TTC, waterfront revitalization and the city's affordable housing stock. We are working with the city to finalize the immediate capital needs for this five-year period. We have also made this recommendation to the federal government.

I've talked about the need for provincial infrastructure strategy. I have also advocated for specific support for Toronto. But what drives both of these recommendations is the inability of our local governments to access needed resources. As you know, cities rely largely on the property tax system to meet financing needs. This tax does not grow with the economy and for Toronto is already too high. Other revenue sources must be considered. In our *Strong City* report, we explored the

idea of public finance reform and determined that the provincial government must be a leader in this discussion.

As a starting point, we believe there are three revenue options that could increase the resources available to cities. First, we urge the committee to recommend full PST exemption for municipalities. Not only would this provide greater tax equity in the treatment of municipalities; it would provide an enhanced source of revenue.

Second, we continue to support municipal access to gas tax revenues, specifically to support transit. The province should allow municipal access to these revenues while ensuring that the overall tax burden for consumers does not increase.

Third, the board also supports the introduction of destination marketing fees as a way to build Toronto's competitive strength. Several of our top competitor cities levy such a fee and direct the revenues to marketing their cities internationally. The PST for hotel/motel rooms in Ontario is currently 5%, three percentage points below the rate for all other PST-eligible goods and services. The board urges the province to permit destination marketing fees at the discretion of the municipalities.

0910

I want to close by reiterating the board's support for a competitive fiscal agenda to provide a solid foundation for urban economies. Protect the gains made on tax competitiveness and do not backtrack again. Ontario must meet the legislated tax reduction commitments and give reassurance that it is committed to providing a stable environment for business.

Certainty must also be maintained with respect to property taxes. The province must preserve the hard cap. Our members have told us repeatedly that their commercial and industrial property taxes are too high. More than half of those surveyed have indicated that they would leave Toronto if these taxes increased further. We need the protection provided by the province on this issue.

The hard cap illustrates the lack of a long-term solution for business property taxes. Simply put, the hard cap is not sustainable policy. The property tax clawbacks and continued inequity across the province further compromises the sustainability of the system. For these reasons we ask the province to establish a business property tax review panel similar in mandate and function to the government's previous business tax review panel. The property tax panel could review the current situation, consider the recommendations contained in the Beaubien report and develop a strategy that transitions the system to be more sustainable and equitable. The board would also look to be an active participant in such an initiative.

We support the government's intentions to deal with the capital tax and personal income surtax. We continue to recommend their elimination. We recognize that eliminating both will be costly and advise the province to

announce a multi-year strategy in the next budget that sets out the gradual elimination of these taxes.

The government must continue to reduce our debt obligations. Reducing our debt reduces our debt interest payments. This translates immediately into enhanced resources that can be applied to meet priorities important to Ontarians.

In summary: invest in infrastructure in the GTA; second, work with the federal government to find a solution to the long-term funding of municipalities; and third, continue to seek a competitive tax and debt environment for Ontario.

The Chair: Thank you. That leaves us about two minutes or so per caucus.

Mr John O'Toole (Durham): Thank you very much for your annual presentation to this committee. There is some consistency year over year.

I just want to make sure that I'm completely hearing you. I couldn't agree more with one of your priorities—that's the transit issue. We tried that with the Greater Toronto Services Board. That was its original mandate, as you know. I don't know why they can't get the transit thing going, not even in Durham. I'm disappointed and I'm saying it on the record here. We took back part of the transit capital issue, GO Transit specifically, and have invested tremendously, I think, in the subway expansion here in Toronto. But the transit issue is significant. I don't know how to solve it.

Everybody agrees with seamless transit within the GTA—everybody. But even in my riding, in Whitby and Oshawa, they still have their local transits and won't give them up; Ajax and Pickering are working on it. But I agree with you fully. The integration of public transit fits into the whole issue of Smart Growth in terms of how you plan and use resources and infrastructure most effectively. It takes transit to drive all of that: appropriate use of arterial roads, connecting roads and provincial infrastructure roads.

I just look at some of the initiatives we've done in the last few years, and I'm not trying to toot our horn, but if you look at the Smart Growth plan, it's the brownfields, it's the redevelopment, it's the waterfront issue, it's all those lands that are somehow lying there because no one wants to assume the liability.

There are others, the tax-free zones most recently, to focus on things like high-tech areas or sector-specific growth, whether it's the financial sector and the—that tax-free thing implicates all the stuff, whether it's PST, the hotels. All that stuff is part of that: the money to be used, and more effectively manage the resources, giving the municipalities a tremendous amount of input into starting up those strategies under tax-free zones or incentive zones.

The Chair: Is there a question here, sir?

Mr O'Toole: Actually, I'm just trying to provoke from her a response. Do you think we're on the right track? Starting with the Greater Toronto Services Board, which has since failed—and maybe you can answer why that happened. And then, do you think we're on the right

track with the redevelopment and the focus on growth and some of the tax issues I mentioned?

Mrs Allan: With respect to the Greater Toronto Services Board, I think at the time it was established there was quite a bit of concern expressed by many parties that it wasn't given the full mandate that people felt was important in order to make it really work. So while conceptually the idea was right, I think in terms of the implementation there were some weaknesses and, as a result, that led to its subsequent demise.

Mr O'Toole: Should we have forced them to do it?

Mrs Allan: I don't think it was a matter of forcing. You didn't necessarily provide them with the tools to do the job that one had hoped they would do conceptually.

Mr O'Toole: They couldn't solve the Mel-Hazel problem of bus interchanges and connections.

Mrs Allen: Certainly our interaction with the Greater Toronto Services Board wasn't around that. I think fundamentally the governance that was established and put in place maybe wasn't the most effective governance. Second, it wasn't given the necessary tools that it needed to really do the job. In greater Toronto the transportation authority that we and a number of groups are looking at and are supporting—we're looking at a very different structure, one that would perhaps be more a provincial crown corporation, one that would have much more authority to both be a pool for funding from the federal government and the provincial government as well as the private sector, as well as having the authority to allocate that. You have the ability to structure that and to set that up. You did not do that in the Greater Toronto Services Board, and that ultimately led to its demise.

Mr Monte Kwinter (York Centre): Unfortunately I've got two minutes. I agree with you completely that the Greater Toronto Services Board did not have the proper tools and the proper authority to make it work.

I used to be the secretary-treasurer of the Toronto Area Industrial Development Board, which was meant to market the whole GTA before it was a GTA. It fell apart for the same reason. Every little community was trying to protect their own interests and was not interested in promoting the area as a whole. I think that's a key problem.

The question I want to ask you is about the waterfront. I used to be the chairman of the Toronto Harbour Commission, so I'm very involved and aware of the issues on the waterfront. But I got the impression that during the Olympic bid everybody was gung ho; big announcement; the Premier, the Prime Minister and the mayor came in. It seems to me, and it's just my perception, that ever since the Olympic bid failed, there's less and less momentum on the waterfront development. Every day I read little bits about, "This guy isn't doing this." Do you really feel that Fung and his mandate have momentum to succeed? What is your feeling about that, and do you have any observations?

Mrs Allan: Certainly I think there's a tremendous momentum to support the waterfront from the private sector. That's certainly echoed by the events that the

board has had on the subject that have been sold out. The last one had well over 300 business people coming to say, "When is this going to happen, and how do we get engaged?"

The problem we continue to see is that when we have three equal partners, nobody seems to be taking the lead to help Fung and the private sector team move it forward. We have concerns at each level of government. Certainly provincially I think you have always been one of the leaders in trying to get this going, and we applaud that. But I think the leadership has perhaps been quieted over the past little while, and that's missed. The city needs to embrace a much greater vision, and I think the province could help with that.

0920

This is a win for the province; it's not a win for Toronto. We have an opportunity here to bring an incredible amount of economic development and growth to the province. I think the onus is on the province to help take the lead, because ultimately, as we know from even the investment analysis, they'll be one of the big beneficiaries of the return. I think they need to help provide some leadership to the city, which tends to look at it as a much more local planning issue and just isn't embracing the big picture behind the waterfront. I think the province could take much more of a leadership role to help with that.

Mr Kwinter: My feeling is that notwithstanding there is huge support in the private sector—they can see tremendous benefits for the region, for the city and for the economy—unless the governments get behind it, it's not going to happen, regardless of what the support is from the private sector.

Mrs Allan: I agree with that. The private sector needs the mechanisms created by government to get engaged. So if you don't flow the money and don't allow the zoning and the corporation to even begin acting, the private sector has no one to deal with yet. There's not even the corporation, officially.

Mr David Christopherson (Hamilton West): Thank you for your presentation. I'm just reading through it and I see the emphasis that you've placed both on affordable housing and other revenue sources for the city, which aren't traditionally the top priorities of the board of trade when they come in. I'm interested in having you expand on why you think those are so crucial, even from a business perspective, in terms of the future of the city of Toronto.

Mrs Allan: The affordable housing I have included in our budget submission for the past two or three years. It is important to us. It was a result of our task force work done about two years ago. We do have a second task force report coming out in the next month that will be giving more specific recommendations.

There are two critical issues around affordable housing and its importance to business. One is that we need to ensure that we have an employee population here that meets all the needs of a major urban environment. That means that with large hospitality and service

markets, we need to ensure a lot of entry-level jobs. We need to ensure that employees can afford to be here so they can service those entry-level jobs and that wide range of jobs. The risk with affordable housing right now is that we're having trouble getting those workers because they can't afford or find housing in the city.

Mr Christopherson: I would assume, then, by extension, that transportation, public transit in particular, and access to the centres of where the jobs are is also crucial. With the housing, you've got to make the link.

Mrs Allan: That's absolutely right. If you live up in north Etobicoke, try to get readily downtown. That goes back to the need for transportation funding. We still don't have the fundamental basics of transportation that link this city in an easy way so that it is easy to get from north Etobicoke to northeast Scarborough. Try to get there in a reasonable amount of time; it's just not doable. So affordable housing is important. The transit link is critical. We have to come to the province asking for the money, because we don't have the revenue sources ourselves, other than property tax, to take care of those issues.

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

CANADIAN PENSIONERS CONCERNED

The Chair: Our next group of presenters is Canadian Pensioners Concerned. Please come forward. Good morning.

Ms Mae Harman: Good morning.

The Chair: Please state your names clearly for the purposes of Hansard. Welcome. There are 20 minutes combined for your presentation and whatever time is left over for questions. Welcome.

Ms Harman: My name is Mae Harman, and with me is Gerda Kaegi. We are both past presidents of the Ontario division of Canadian Pensioners Concerned. Gerda is presently our national president.

Canadian Pensioners Concerned, founded in 1969, is a national, voluntary, membership-based, non-partisan organization of mature Canadians committed to preserving and enhancing a humanitarian vision of life for all citizens of all ages.

CPC is pleased to have this opportunity to present our views on budget planning. We would like to hope that in planning this budget the government will revisit and redress the many social injustices which have been imposed on so many people in the province and especially on those who are most vulnerable because of poverty, illness, disability, lack of access to education and training, aging, unemployment, abuse and lack of child support. In our written submission we have listed many of the hardships Ontarians are experiencing.

The Ontario government has the responsibility of seeing that the basic needs of all its citizens are met in a timely and courteous fashion and that everyone is encouraged and assisted to develop his or her potential to

the fullest extent. It is indeed time to put our emphasis on serving the people, who are our greatest resource.

We turn now to some special considerations.

Canadian Pensioners Concerned is totally opposed to the privatization of public services: health clinics, hospitals, hydro, highways, jails, water supply and testing of water, and the contracting out of home care. There is no evidence that private management is more efficient, effective and cost-saving than public management. Recent scandals in business corporations have revealed tremendous corruption and raw greed in many high places, with very painful consequences for stockholders, employees and the world economy.

Experience has shown that privatization of public services leads to the development of a two-tier system, where those who can afford to pay are first in line to receive service and those who cannot pay can wait for inferior or no service. Privatization often siphons off staff from public services, causing further delays and poorer services.

Private owners of a service are in business to make a profit. Often they cut corners to save money but deliver low quality of service and employ less-qualified staff, who work under more difficult conditions and with less pay.

We look upon taxation as a source of funding for governance that provides for a well-functioning society. We believe in a fair, progressive system of taxation, where the tax rate rises with rising levels of income. The trickle-down theory does not work. The provincial sales tax is a regressive consumption tax which has a greater impact on lower-income people with no discretionary income. It should be removed. We strongly oppose the rebating or cutting of taxes at the expense of needed services, such as welfare, housing, health services and education.

There should be no dipping into employee retirement funds by either government or employers, unless there is a previous written agreement with employees.

The Honourable Roy Romanow, as chair of the Commission on the Future of Health Care, did a superb job of listening to the people, who made it quite clear that they highly value medicare and want it to be continued and strengthened, with some additions such as home care and pharmacare. We must now move ahead with dispatch to implement his report.

Mr Romanow stressed the need for accountability to be upheld. It is essential that the provinces be accountable to the federal government and the public for all monies granted and that designated funds be spent on the services designated.

We strongly support the reorganization of primary health care, with accessible care 24 hours a day, seven days a week; publicly funded; delivered by interdisciplinary teams of health care professionals; care to be provided by the most appropriate provider, with community participation in governance and decision-making; and a strong emphasis on prevention and health education.

The many communities in Ontario that wish to organize community health centres must be assisted by the province to do so, and funding for all CHCs must be brought up to the same level as that of other health centres.

Home care has been overburdened by changes in the hospital system, which have sent people home sicker and quicker and with the need for more sophisticated care. In addition to acute care, the right must be ensured for the old and the handicapped to continue their lives in the comfort of their familiar homes and community settings.

0930

The new disability act, which requires that a plan for providing accessibility to public buildings be provided, offers only minor relief for the disabled. Accessibility includes not just admission to buildings, both public and private, but accessibility to transportation, health services and rehabilitation, training and education and employment, and also encouragement to the disabled to develop their full potential and play active roles in the community.

Chronic care facilities, rehabilitation services, retirement homes, nursing homes, mental health services and care for children with special disabilities are all in short supply and often short-staffed. Appropriate standards, regulations, inspections and follow-up are needed for such facilities so that residents can enjoy safety, comfort and dignity, and their families are not required to employ extra staffing and assistance in order to be assured that basic needs are met.

Our ecosystem is fundamental to our health and survival. It is essential that we protect and maintain our supply of water; prevent contamination of our air and soil; preserve our forests, wetlands and parkland areas; and stop the devastation of the Oak Ridges moraine and other similar precious resources. In the long run, conservation of our environment will benefit us all economically and health-wise and preserve the beauty and individuality of what has been bequeathed to us by nature.

As parents and grandparents, seniors have a special interest in the opportunity for a full education for all children. This opportunity has been severely limited by current cuts in budgets and the elimination of special programs and assistance for children with special needs. The atmosphere in schools and communities created by these cuts has lowered the quality of education and militated against the enthusiasm of both teachers and learners. This, along with the high competition for university and college entrance, the need to accommodate the double cohort, the high cost of fees and the prospect of years of debt, is discouraging many young people from striving to complete advanced education. Instruction in English as a second language for all age groups is more difficult to obtain, and this impedes many people from progressing in employment and communication.

Emphasis on using schools only for the teaching of curricula in the classroom has meant depriving

community groups from using schools for recreation, education, parent support groups, some preschool programs and community forums. We need to keep the lights on.

Property taxes alone cannot cover the many costs downloaded by the province on to municipalities, especially the larger cities. There is no rational division or sharing of responsibilities for the provision of essential public services to urban centres that corresponds to taxing and revenue sources; for example, public housing, roads, civic infrastructure, maintenance and renewal, daycare, education, welfare, transportation, services to immigrants etc. Current divisions of responsibilities do not reflect contemporary realities and are truly dysfunctional.

Investment in social or human capital is essential if our cities and communities are to survive and drive the economic future of the country. Cities should not have to go begging to the other levels of government for assistance. They should be guaranteed funding to cover the needs of their citizens, not just on a yearly basis, but with an opportunity to plan for the long term. This should be supported as a right and not just at the pleasure of other levels of government. Such support should not be withheld as a threat or punishment. The problems faced by our cities must be tackled quickly.

Everyone is entitled to a home to call his or her own that is affordable, accessible, safe and clean, with a significant degree of privacy. The provincial government must work with both federal and municipal levels to provide more shelters for the homeless, develop affordable housing for individuals and families at all levels of income, provide more adequate housing allowances to welfare recipients, encourage the development of co-operative housing and bring back rent control.

Working together with all other levels of government, Ontario could make a fairer distribution of resources and programs through a fairer tax system and effective and efficient management. We could make our province a leader in providing a truly caring, compassionate society, where all citizens may enjoy a good quality of life. We welcome your comments.

The Chair: Thank you, Ms Harman. We have a little less than two minutes each, and we begin with the Liberal Party.

Mr Kwinter: Thank you very much for your presentation. You've covered a lot of areas, and I don't have time to address them all. But the one area I would like to discuss is health care and your call for a need for accountability to be upheld to the federal government and the public for all monies granted—that it should be accountable.

We've had a statement from the Premier that he wants the money from the federal government but he doesn't plan to use it on health care. He wants to get reimbursed for what he says is money they've already spent. In your presentation, you're saying that there are huge demands in the health care field that are not being met, and these

can only be met by either improving the system or providing more funding to address these. Do you have any comments on that?

Ms Gerda Kaegi: We would say that the system has to be improved and, yes, there needs to be more funding, but clearly accountability has to be there, and I think the taxpayer across the country has become very suspicious of how monies have been spent. We are deeply concerned that certain sectors appear to get, or have better access to, the funding that's there, and other sectors are left out, such as home care or the money that needs to go into reforming primary care or chronic care. There are a whole series of areas that are underfunded. Health promotion, which we referred to in our document, gets a pittance. So we feel monies can, for good use, be reapportioned, and then there has to be accountability—clear accountability—as to where the money has gone. I hope that has answered your question.

Mr Kwinter: Well, it has in part. The point I'm trying to make is that you, representing your group, are saying that you feel it should be accountable, and the federal government, in their negotiations, which are going to take place in the near future, is saying, "We're prepared to provide money but only if it goes to health care and areas that are not currently being funded," not to reimburse provinces for monies they've already spent.

Ms Kaegi: Yes, we recognize that. But what they're saying on home care in particular and pharmacare is they're expanding on programs that already exist. But quite clearly, we accept the argument that money should not just disappear into filling what the province might want, in terms of its past expenditures. There should be new expenditures to expand home care, to expand pharmacare. So we support that.

The Chair: We move to the NDP.

Mr Christopherson: Thank you for your very comprehensive presentation. I get a sense, listening to the overall message and the picture that you're painting, that as our society is evolving, both here in Ontario and across Canada, we're not putting ourselves in a position of, first of all, adequately addressing the immediate needs of seniors and the disabled, and that if we don't start putting these things in place with an aging population, at some point our local communities are going to be dysfunctional.

The sense I got from listening to you and reading the report is that you've taken a look at all the key determinants of quality of life in our communities, touched on each one of them, and at this point a lot of them are coming up short. And again, if we don't do something that puts us into a stronger position, at least a little bit on all of these issues, we're going to be in even bigger trouble than we are right now. Am I exaggerating? Is that a bit over the top, or is that where you're at?

Ms Kaegi: No, that's very much where we're at, and we were delighted to hear the Board of Trade touch on some of these same areas.

Mr Christopherson: I agree.

Ms Kaegi: It's wonderful to find the community in all sectors coming together and saying, "We have to address these issues."

Mr Christopherson: Specifically—do I have time?

The Chair: Quickly.

0940

Mr Christopherson: I attended a public meeting in my home town of Hamilton dealing with transportation needs specifically targeted to the disabled. We've got huge problems. In effect, what we're doing—I'm assuming it's the same in other communities—is creating prisoners in their own homes, because if they don't have their own personal, private means to get out and the public isn't providing anything, in the kind of weather we've been having, you have no choice but to stay home. Is this hitting the mark with you?

Ms Kaegi: Absolutely, and this is common across the province. People with disabilities are really marginalized in so many ways, and transportation is critical because, as Mae has pointed out, transportation is essential to be able to participate in the community, to be employed in the community, to share in community life. It's tragic. With the cutbacks in funding that have had to happen, in municipalities in particular they've just cut the eligibility lists. So fewer and fewer, especially of the older people, are able to qualify for that kind of transportation. But everyone is suffering.

The Chair: We move to the government.

Mr Rob Sampson (Mississauga Centre): Thank you very much for your presentation. You're fairly critical of some of the reforms in health care and education of late. I happen to represent the Mississauga part of the GTA, and I'll tell you that if it weren't for some of those reform initiatives, I wouldn't be going on Friday to help the Premier put a shovel in the ground for a regional cancer care clinic. My residents would be coming to Toronto for their cancer treatment, and I don't think that's appropriate. It took a lot of courage to move those funds from Toronto areas, frankly, to where people are now living. We used to have kids in portables. Up to a third of our kids went to school in portables because most of the money in education went to the Toronto school system. That's totally unacceptable to people whom I represent. Now we're building brand new schools because of a courageous investment in a funding formula.

I want to say that I do agree with you about your comment around—what do you call it?—health promotion. The health care system is really a sick care system.

Ms Kaegi: Yes.

Mr Sampson: We don't spend anywhere near enough money encouraging people how to stay healthy so that they don't get sick, and I think we need to find smart and innovative and courageous ways to do that, because unfortunately you never see the payback. That's why you spend the money, so that you don't get sick people—

The Chair: Question.

Mr Sampson: —and it's politically difficult to do sometimes.

On the issue of accountability, everyone agrees to be accountable for taxpayers' money, but I don't want to sign up to a health care plan that works in Manitoba and doesn't work in Ontario. Ontarians have different health care needs, as I'm sure you would recognize as you go across the province, and I don't think we need to be tied to a plan that works in Manitoba or Saskatchewan or wherever but doesn't work for people who are paying the bill and living in this province. I think that's what the Premier is trying to do when he says, "We'll be accountable, but let us design a health care system that works for Ontarians, not for the people in Manitoba."

The Chair: Any quick response to this? Otherwise—

Mr Sampson: Sorry. I didn't give it to you in the form of a question.

Ms Kaegi: I'm not sure I can find the question, but we have never opposed the development of cancer care centres in northern Ontario and any other part of Ontario. In fact, we support that. So I don't know quite how you could find us criticizing that. Furthermore, on the money going into education, we certainly support the development in the communities. But what has happened in the city of Toronto around property taxes is that tax money that citizens were willing to pay to have a good system that met the needs of the very strong multicultural community is going outside the city. If we in the city of Toronto at the time were willing to pay in order to have the school system we need, we no longer have that and our schools are being closed because of the formula. But you have the reports on that.

Accountability is an issue. We're not saying everybody should have a standard system. I read Romanow; we all read Romanow very, very carefully. What he was recommending and what we hope the federal government is picking up is that on home care there will be different systems. I've lived in Manitoba. I grew up in Quebec. I've lived for many years in Ontario. Yes, the systems are different, but within that context there should be more money going into home care, meeting the needs of the people in those provinces. I think the federal government, in negotiations with the provinces, surely can stop fighting and come to an agreement that, yes, it's obvious we need accountability. I mean, everybody agrees accountability is a good idea.

Mr Sampson: I don't know anybody who doesn't.

The Chair: Thank you, Ms Kaegi and Ms Harman. We appreciate your input, as always, to our committee.

I've given this group a little bit of leeway because our 9:40 presentation from the Toronto and York Region Labour Council has been withdrawn. We do have a gentleman in the audience, Mr Raha, who is the vice-president of finance and administration at Mohawk College. He has asked if he could present. I'm asking the committee. We require unanimous consent to permit Mr Raha to do a 10-minute presentation. Is it agreed? Thank you.

DICK RAHA

The Chair: Mr Raha, please step forward, state your name for the record. Welcome, sir.

Mr Dick Raha: Thank you, Mr Chair. I'm sorry; I was not sure about the format. I mentioned to Dave, but I will make a presentation detailing why we have problems in the college system.

Just to give you a little background on how Ontario colleges are now doing and the vision which started 35 years ago when the community college system was first established: it serves the needs of 200 communities; it has produced over a million graduates; it educates and trains more than one million Ontarians every year in credit, non-credit, distance and contract training activities; and it also obviously plays an irreplaceable role in supplying the job-ready people this province needs to sustain a competitive economy.

The problem is the threats to community colleges. The funding has fallen seriously short. The total operating grant from the province dropped by about 9% from 1991 to 2001. In the same period, enrolment increased 34%, from 102,000 to 140,000. In terms of per student funding, colleges receive approximately 45% less per full-time equivalent student than they did a decade ago, from \$7,552 in 1990-91 to only about \$4,379 today.

Ontario's college funding is not competitive. Between 1995 and 1998, nine out of 10 provinces and 43 of the 50 US states increased financial support to post-secondary education. Ontario was the only province not to increase financial support for post-secondary education.

Just to give you an idea why they need even more people—everybody knows about the double cohort. It's kind of ironic that most people think in terms of the universities. But just to let you know: these spiking enrolments because of the double cohort as well as demographic trends in the next 10 years are affecting us as well. From the statistics and from the research we produced, by 2010 there is a projected enrolment increase due to the double cohort, increased participation rates and demographic changes. By 2006, the peak of the double cohort, enrolment is projected to grow by 33,000, with an additional increase of 5,000 by 2010.

Now, the difficulties are obviously the operating deficits, as we mentioned, as well as the innovation technology deficit. Because we train the students to join the skilled labour force, there is always a need for increased sophistication of equipment. Digitization of previously manual operations has made existing equipment obsolete, increasing delivery costs for colleges. Colleges can't afford to innovate or invest in technology necessary to produce highly skilled, job-ready workers.

0950

Deferred maintenance of facilities: funding shortfalls have forced most colleges to defer maintenance costs; in fact, the government of Ontario estimates that deferred maintenance needs system-wide to 2006 will be in the order of \$600 million. Government investments in

deferred maintenance have fallen short, and the extensive capital investments of SuperBuild are significantly exacerbating the problem, given there are no operating dollars to support the expansion.

The threat to Ontario's economy: there's a skills shortage which, if not met now, means Ontario's economy will falter.

Some facts about the skills gap: the Ontario government has committed to double the number of apprentices over the next three years, from 11,000 to 22,000, to meet Ontario's needs. The Automotive Parts Manufacturers' Association projects that between 1998 and 2007 more than 34,000 new apprentices will be needed and only 20,000 will be available. The Conference Board of Canada's publication, *Performance and Potential 2002-03—Canada 2010: Challenges and Choices at Home and Abroad*, released in October 2002, states, "Unless we can correct the skills shortage we have now and access untapped and underutilized human capital, we will limit our economic potential and incur unnecessary social costs."

So first to Ontario's college students: the regular programs will be limited because of the lack of necessary funding. New programs designed to keep pace with developments in our economies will not be created. Underfunding has decreased student services, and leading-edge technology and equipment, fundamental to the learning process, won't be available.

So what are we urging? Investing in college success: we know there is a new charter now—that's the first step—but it is now time to invest. We have some estimates. We feel that each of those areas—for example, we need, for the operating grants right now, to keep the 2003-04 funding commitment, which represents an investment of \$545 per student.

Quality for student success: we feel that each college would be able to increase strategies to improve student retention through remedial programs, financial counselling—to that extent, to allow dollars for that.

Educational technology is the big one. Colleges require basic and sophisticated equipment to meet the needs of the digitized workplace that supports innovation and productivity for the knowledge economy. Colleges require additional funding to support these growing information infrastructures. For example, upgrade technology-enabled classrooms—we need dollars to do that—upgrade teaching labs, upgrade teaching software and the infrastructure.

Instructional equipment: most college programs require equipment to provide a quality learning experience. Last year, the government did start with the \$10 million for equipment per year for the system. We feel that should be increased by another \$10 million per year.

Program development and renewal costs needed are estimated at about \$12 million per year. Each college would be able to develop or revise four to five programs every year.

Last but not least, faculty hiring, orientation and renewal: colleges could hire up to 200 people.

The Chair: One minute, sir.

Mr Raha: OK. As well as the skills shortage, as we talked about, an investment in the above category will definitely support colleges in addressing the emerging skills gap. The apprenticeship area: we need money—the workforce development strategy and KPI. So basically what we are talking about to sustain the college system is to produce the graduates for the skilled labour force required to grow in Ontario's economy. That's basically what we need from the government.

Thank you for giving me the chance.

The Chair: Just for your information, the association of community colleges did a major presentation yesterday, and the generic information you provided had been provided by them. But you gave us a specific perspective from Mohawk College, so we thank you for that, sir.

Mr Christopherson: It's never truly complete until we've heard from Hamilton, anyway. So you've completed the process. Thank you.

The Chair: Campaign 2003 has begun. Thank you, Mr Raha. We appreciate your time.

ONTARIO CHAMBER OF COMMERCE

The Chair: Our next presenter is the Ontario Chamber of Commerce. I believe they're here.

Please be kind enough to state your names when you speak, for the purposes of Hansard. You're familiar with the 20-minute time frame, I think. Any time left over from your presentation will be used for questions and answers.

Ms Mary Webb: My name is Mary Webb. I am a senior economist-manager with Scotiabank in their economics group, but I am also chair of the finance and taxation group for the Ontario Chamber of Commerce.

Mr Atul Sharma: My name is Atul Sharma. I'm the vice-president of policy development for the Ontario Chamber of Commerce.

Ms Webb: We're very pleased to be invited to make a submission to the standing committee on finance and economic affairs. As many of the members of this committee are well aware, our chamber is a federation of 156 chambers across the province. We represent over 57,000 businesses. I'm going to quickly go over the overview and our budget priorities, and Atul is going to follow up with our tax recommendations.

1000

In terms of outlook, after 3% to 3.5% growth last year, forecasters have been marking down forecasts recently, reflecting the current geopolitical climate and the softening in the global recovery.

We're still looking for real growth that's approaching 3%. Very interestingly, when we did our members' survey—we always do a pre-budget survey—the results were very optimistic. This may reflect that we have a number of small and mid-sized businesses that are less

sensitive to the softening in the US and European economies than our larger Ontario businesses would be. But essentially, nearly 50% felt that the economy in 2003 would perform at the level of last year, and almost 33% felt that the economy would be somewhat stronger or very much stronger.

When you look at 2004, almost two thirds of the respondents expected the economy to be somewhat stronger. The respondents were even more optimistic about their companies' performance in 2003 and 2004 relative to 2002. Essentially, what they were saying was that 56% felt their company would perform somewhat stronger or much stronger this year. In 2004, we had seven out of 10 respondents expecting an improved company performance, with one out of five expecting substantially better results.

In terms of capital investments, we were encouraged to see that approximately 57% were looking to improve their investment in technology relative their technology investment in 2002. This is particularly encouraging; we think that it keeps Ontario industry on the leading edge and perhaps reflects an effort to improve unit costs in a very competitive environment.

With respect to other capital investments, the results were significantly more split, with 46% indicating no anticipated change from last year's investment and 44% indicating a modest or substantial increase.

In terms of changes in the workforce, the respondents, however, were significantly more cautious: 53% expect no change in the workforce, and only 38% indicated that they might increase hiring.

Looking forward, the OCC's priorities for the budget are, first, to balance the books and then debt reduction; to reinstate the delayed tax cuts, as Finance Minister Ecker committed to in your hearings on Monday; initiatives to enhance a predictable, encouraging environment for business; and smart spending on priority programs.

Time and time again, our membership comes back to us with the response that debt reduction is extremely important to them. It was canvassed at both our governing council and our annual general meeting last year. In the survey this year, as you can see, close to 50% again are saying that debt reduction is somewhat or most important as a budget priority. When we did our house survey, the same result came back: 44% of the respondents indicated that government debt had a negative impact on their competitiveness.

The chamber has long stated a goal that we'd like Ontario to reduce its debt-to-GDP ratio to 15% by 2010. Another concern we have is the ongoing borrowing that's being undertaken by related agencies, including universities, colleges and school boards.

Mr Sharma: I just wanted to outline a couple of the tax recommendations and recommendations in the area of spending that our members have asked us to bring forward.

The OCC has long encouraged the province to promote economic growth by working toward low and equitable taxation alongside efficient and effective

regulation. Within this framework, the OCC is making some specific recommendations with regard to taxation. Number one, as you've heard, is that we'd like to see the government immediately reinstate the tax cuts delayed in the last provincial budget. We welcome the comments to that effect.

The minister has also talked about a multi-year program for future tax reductions, and we believe that profit-insensitive levies have to be a key focus of that program. Of course, the examples of profit-insensitive levies are the corporate capital tax and the corporate minimum tax. To reassure investors, the government must provide a multi-year plan for the reduction of the capital tax, to a point where it's eventually eliminated. The government has consultation which it engaged in on tax incentive zones. We spoke to our members at great length on this issue. We believe that tax incentive zones should be established for northern Ontario, and we believe that there are specific brownfield sites in southern Ontario which should also qualify as tax incentive zones. We believe that industry-specific challenges should only be reviewed on a case-by-case basis, and that a grow bonds program should be established for northern Ontario to promote economic growth.

The OCC recognizes the government's current fiscal constraints and the need to set priorities. There are, however, a number of tax reforms that should be kept on the back burner and brought forward as the province's fiscal situation improves. These include ending the small business CIT clawback, moving toward lower common non-residential education property taxes, and harmonizing the GST and PST. A number of these recommendations were brought forward in a policy paper which we released in April 2001, and those recommendations continue to be very valid today.

We have worked closely with the Red Tape Commission and surveyed our members on the issue of red tape and spoken to them about it. They have brought forward a couple of suggestions which we would like to bring forward here: reviewing the retail sales tax to streamline administration, increasing the accountability and transparency of property assessment practices, and streamlining business information overall. We believe the government should adopt one identification number, similar to what has been adopted at the federal level.

On the issue of WSIB, we believe that WSIB coverage should extend only to individuals who are not covered by similar or superior employer plans.

On the issue of the Kyoto Protocol, because we believe that's something that will have a great impact—although it's a federal initiative, we believe it will have great impact here in Ontario—prior to Ontario's ratification of the protocol, we urged the federal government to develop a made-in-North-America climate change policy, and we urged the provincial government to take an active role in negotiating with Ottawa and the other provinces a viable implementation plan for the protocol. At stake is the importance of reducing the

uncertainty facing investors and the competitiveness of Ontario's industry versus the United States and Mexico.

We also looked at a number of spending areas and looked at efficient and effective spending on targeted social priorities. We asked our members what they would rank as the priorities within a balanced budget scenario. These were the priorities that they felt should be addressed: health, 62%; elementary and secondary education, 29.4%; post-secondary education, 28.7%; and transportation infrastructure, 24.4%. These are the percentages of people who said that this was the most important priority for the government to pursue within a balanced budget.

On the health care side, 64% of our respondents indicated that they believe the health care system is a competitive advantage for Ontario business. We believe the government should find a way to leverage this competitive advantage. From the same survey, 47.8% indicated that they believe there should be a greater role for for-profit private sector care providers. We believe the government has taken some good steps in that direction but that there should be a greater discussion on that.

On the issue of the double cohort, the OCC believes the provincial government needs to ensure that proper resources are allocated on an urgent basis to address this problem. Of concern is the reality that the double cohort will pressure our post-secondary education system for several years.

1010

Ontario, again, remains the only province that has not signed a training agreement with the federal government, and we're quite concerned about this fact. The lack of an agreement lessens the resources the province has committed to training in Ontario.

The other issues are transportation and urban infrastructure. These are issues which we believe have great impact on Ontario's competitiveness, and we have consequently established two task forces. The first will direct the issue of Ontario-US border crossings, and the second will concentrate on GTA and Golden Horseshoe issues, starting with transportation—specifically major highways and public transit.

There are a number of concerns regarding Ontario border crossings that are in need of immediate enhancement to ensure the free flow of goods and travellers across the border. Immediate action is required to begin addressing the difficulty at the world's busiest border crossing: Windsor-Detroit. We understand the government has a number of proposals before it that are currently being reviewed, and we recommend that the government proceed as quickly as possible with a project to ensure that capacity is added in a timely manner.

With regard to major highways and public transit in the GTA and the Golden Horseshoe, much needs to be done immediately by way of improvement, planning and integration. The Ontario chamber is still of the view that a transportation authority which includes all levels of government and the private sector working together on

these issues is the best way to properly address, define and deal with these issues. This was first suggested in early 2001 by the Ontario Chamber of Commerce and is especially important now, especially in the GTA and Golden Horseshoe areas.

In conclusion, for many years our overarching recommendation to the Ontario government has been one of establishing a fiscal and economic goal as the most competitive jurisdiction in North America. In the current environment of significant uncertainty and fiscal restraint, it is critical that the province remain focused on Ontario's competitiveness.

Thank you. We are prepared to take some questions.

The Chair: That leaves us with just a little over two minutes per caucus. We begin with Mr Christopherson, of the NDP.

Mr Christopherson: Thank you again for your presentation and for the warm reception at your annual general meeting when I spoke there last year in Burlington.

I notice that again there's an emphasis on municipal infrastructure in terms of making cities work, and in this case making sure they work for business. Recognizing that in terms of business property tax is the least progressive, because it has no relationship to profitability, and recognizing again that you've got an emphasis on tax cuts, also saying that there has to be some participation by senior levels of government in terms of municipalities, some sort of new revenue funding—because there's nobody coming in so far from the right, the left or anywhere in between who is arguing that cities are just whining and if they would just do the job they're elected to do, things would be just fine. There's a universal recognition that municipalities, left on their own, right now, the way they are, is a recipe for disaster.

I'm just wondering, first of all, how you would make the case to the provincial and federal levels of government that they have to step in, that they've got an obligation to provide some assistance; that this is no longer about blaming municipalities, which the government has done a lot of, I'm afraid, over the years—forget all that; that this is about making sure our cities work in the future for our citizens and for the business component within those societies. Would you just expand on that in terms of why, from a chamber point of view, it makes sense economically for senior levels of government—federal and in this case provincial—to provide greater assistance to municipalities? While you're still saying that tax cuts are important, at the same time you're also arguing that this new money has to be found for municipalities. Can you just expand on that for me?

Mr Sharma: You're going on the presumption that giving greater assistance will fix the problem. We're actually working with the Ministry of Municipal Affairs. As you know, in the new Municipal Act, there is a provision for municipal governments to look at innovative ways of bringing revenue in without

increasing property taxes. We've certainly been involved in that discussion, and one of the ways they're looking at is establishing corporations of which municipalities would be the sole shareholders, which would then go out and provide certain services. So I think there are a number of different and creative ways to look at where municipalities, where they need more revenue, can bring in more revenue. It's not necessarily just the governments coming up with more assistance for them.

Mr Christopherson: I wasn't arguing that it's the only source, but I was making the point that so far—unless you're backing away or you have a different view—everybody is saying that there has to be greater participation. You can do all these things you're talking about, but at the end of the day we have water mains breaking in Hamilton and water shooting up and flooding entire neighbourhoods, and that's happening across the province, and we can't deal with it internally any more than Toronto can or any other community. So you can tinker within all you want, in my sense, but at some point there has to be that money. Now, if that's not what you're saying, maybe I need to hear it a little clearer.

The Chair: Thank you, sir.

Mr Christopherson: Can we get a quick response?

The Chair: A quick answer, please.

Ms Webb: Two quick answers. The transportation authority that the OCC has been recommending the establishment of since early 2001—we saw three levels of government at the table and three levels of government contributing. We fully agree. I think this is a governance issue. It's not only in Ontario; I think it's in the four major urban areas of Canada—greater Montreal, Vancouver mainland—where this is happening. So it's a governance issue as well, and yes, we do need money, so there are things like the strategic infrastructure fund. It seems to be slow in materializing.

The Chair: We move to the government side.

Mr Ted Arnott (Waterloo-Wellington): Thank you for your presentation. It was excellent. We appreciate your advice every year.

I wanted to ask you about the issue of debt retirement. Again, this is something that I've had an interest in for some time. In 1997 I had a private member's resolution that I brought forward in the Legislature which received unanimous support, I'm pleased to say, from the opposition parties as well, calling upon the government to commit itself to a long-term debt repayment plan. I suggested that over 25 years we should set a goal to try to pay it off, like you would pay off a mortgage.

I was pleased when, in 1999, as part of our Blueprint—our election document or platform—we committed to a significant debt repayment, which we've exceeded, in fact. I think we committed to \$2 billion in terms of debt repayment, and right now we've paid down, I believe, \$4.5 billion. If we don't balance the budget, of course, we're going backwards again in a way we don't want to.

You have articulated a goal, suggesting that we should set as a goal for ourselves to reduce the debt-to-GDP

ratio to 15% by 2010, and I commend you for that. Do you know where we are now in terms of our debt-to-GDP ratio? How far would we have to go to get to that 15% level?

Ms Webb: Just less than 10 percentage points.

Mr Arnott: It requires sustained fiscal discipline in order to achieve that over the long term, and a belief that we have to leave to our children and our grandchildren a stronger financial base as a province.

Ms Webb: Yes, and it's much easier to accomplish if we have stronger growth. So it all becomes a virtuous circle. With stronger growth, it becomes easier to reduce the debt burden relative to our economy's size.

The Chair: We move to the official opposition.

Mr Kwinter: As always, I welcome the presentation of the chamber.

I don't know whether you've tracked this or not, but one of the things I've always sort of wondered about the chamber and the CFIB—they canvass their members and ask their opinions. Do you ever chart to see how accurate their opinion is, looking back at what they think is going to happen and what really happens? I mean, how valid is this opinion?

Ms Webb: Last year we would have been well heeded to have taken the survey results. Because domestic demand was so strong in Ontario, the response of small and mid-sized business being optimistic last year—they were more optimistic than the forecast would lead you to believe, and they were right. A year ago we were hoping that Ontario's growth would be 2%. It has turned out to be in the 3.5% range. So the survey was more accurate.

This year I have a few concerns just because we've seen so much domestic demand. We've seen such a huge surge in housing and vehicle sales that it's hard to see that same kind of growth continuing. That doesn't mean that housing and retail sales don't remain at a very high level, and continued moderate growth in retail sales, but it's just hard to see explosive growth each year. The survey was more accurate last year than our forecast.

1020

Mr Kwinter: You were here the other day wearing another hat, for the Bank of Nova Scotia, and here you are for the chamber. Your views as spokesperson for the bank were a little different from the views of the chamber. When you look at their expectations, the chamber says that 2003 should be a better year than 2002.

Ms Webb: That's right.

Mr Kwinter: And when you're wearing your hat at the bank, you're saying 2003 is not going to be as good as 2002.

The only reason I'm asking is that when you get the chamber—and as I say, I'm totally supportive of the chambers. I think they do a great job, but they represent a specific segment of the economy. It's almost like their wish list of what they think they would like to see. I just want to get this correlation, because someone looking at this in isolation will think, "Well, the chamber of commerce knows what they're talking about, so I'm

going to make my projections saying things are going to be at this level." Then you take a look at the Bank of Nova Scotia, and you say, "Well, the bank must know what they're talking about." They're going in different directions. How do you rationalize that?

Ms Webb: When I prepare the bank's forecast, I do it by each segment of the economy. When I'm looking at the different segments, particularly our export sector, I have to stumble on the fact that US growth is not strong—and we had a very disappointing fourth quarter report this morning. Therefore I have to downgrade specific aspects such as exports; hence the tone of the banks, which was, "Yes, we think growth could be slower in Ontario this year, and we're concerned about all the uncertainty out there." So we were trying to leave a definite message to leave some prudence for the uncertainty this year.

Many of the respondents to the OCC survey are looking at it just from the business they get in. If they're a small business, retailing or whatever, what they see happening in their community is what they're reporting back to us. So they're reporting very optimistic feelings in their community. That's positive.

I think what you want to do as a committee is just balance the two. You have one economic modelling input that is raising a few risks for this economy going forward, but you're getting a survey that is showing a domestic economy that is still very upbeat.

The Chair: Thank you, Ms Webb and Mr Sharma. We appreciate your input.

CANADIAN MENTAL HEALTH ASSOCIATION, ONTARIO DIVISION

The Chair: Our next presenter is the Canadian Mental Health Association, Ontario division. Please come forward.

Dr Everett, I'll ask you to please state your name carefully for Hansard. Welcome, ma'am.

Dr Barbara Everett: My name is Dr Barbara Everett. I'm with the Canadian Mental Health Association, Ontario division. We represent 33 CMHA branches across the province. We serve thousands of people with mental illness and their family members per year.

I wanted to bring to the attention of the group this morning the fact that the mental health system has been under reform for at least 14 years, starting with the Graham report in 1988, followed by Putting People First in 1993, Making it Happen in 1999 and now a full battery of recommendations from nine implementation task forces from across the province.

The Minister of Health is on record as stating that for the last 30 years all governments are guilty of not addressing the needs of the mentally ill and their families in Ontario. The Provincial Auditor, who is famous for shaking his finger at people who spend too much, identified the fact that community mental health agencies have been underfunded for at least 15 years. We haven't had an increase to our base budgets since 1992.

The task forces say, "Invest in services now." A coalition of Ontario associations, including the Ontario Medical Association, the Ontario Hospital Association, the Ontario Psychiatric Association, the Ontario Federation of Community Mental Health and Addiction Programs, the Mood Disorders Association of Ontario, and the one that doesn't have an "O" attached to it, the association of general hospitals of psychiatric services, say, "Invest in mental health services now."

We obviously are patient people, but it's starting to tell on our mental health, because there is a serious urgency in this province for investment in mental health services. There is a criminalization of the mentally ill occurring, where nuisance offences are on the rise. In London, Ontario, the police are reporting a doubling in their budget related to addressing people with mental illness. People are going into jail rather than getting help there. They've discovered in a two-year period that fully 81% of people arrested are re-arrested because they can't access appropriate services. There is a victimization occurring because people with mental illness are disorganized and psychotic, living in unsafe conditions. Each time you open your paper, you're seeing what is going on. Also, the rate of suicide is appalling. We have 175 people on the waiting list for services in Ottawa, and one half have attempted suicide while they are waiting for services. There is a level of urgency that is serious.

The other thing that happens when you bring large groups of stakeholders together is that they tend to disagree and argue about things. Over the 15 years we've been planning for reform, the level of agreement is remarkable. There have been some targeted investments through the present government's activities, and we're really grateful for those and it has helped us research what occurred there. We're finding evidence that further underscores the need for investment in services now. When people receive appropriate help in the community, there's a 60% reduction in visits to emergency rooms. For any of you who are in health care, and when you hear from health care, people in emergency rooms will tell you they're filled up with mental health clients.

There is an 86% reduction in hospitalization, and I'd like to draw your attention to the figures. If you keep somebody well supported in the community, it costs \$96 a day. If you have them in a psychiatric hospital, it costs \$468 a day. What we do works, and our job is very straightforward and very clear. We get people out of hospital and we keep them out of hospital. I would argue that it's a no-brainer. We need to invest in mental health services now.

You'll see before you our "three priorities" paper offered from the Canadian Mental Health Association. Housing is always first among equals, but we also want to outline investment in self-help services, which are particularly useful when it comes to mental health. We need an immediate increase to our base budgets. Many of our agencies are holding things together with string and chewing gum, and we can't keep the lights on and we can't pay the rent. We've got our executive directors

working night shifts because they can't hire staff. We need to do something.

We want you to invest in the technological infrastructure that would assist us to do our job. You're going to hear this an awful lot. There's a proposed registry of mental health services, a 1-800 number, Internet access 24/7. It's been fully researched, all the consultations are done, and we hang fire for the tune of about \$1.5 million a year. That's all it would take. We need to do the full data collection system. We recognize in health that that's a problematic and difficult thing, but it needs to be done and somebody has to have the will to set that in motion.

We'd like you also to reward innovation, to put an innovation fund in place that supports creativity and new ideas. A lot goes on in mental health that, if it's not sitting next to a health sciences centre, doesn't get researched. It's a very creative field, and we need to capture those kinds of activities and reward them. Innovation drives change in the direction that you'd like it to go and we'd like it to go.

Finally, we'd like to evaluate whether or not these changes have been useful. We're not in the business of serving people just to maintain them. We're in the business of helping people recover and do well, and we'd like to know what works and what doesn't, rather than just opinions. Lord knows we have a lot of those.

We're asking for \$389 million, which is in fact a doubling of the budget, to community mental health. We can quibble with the figures, but the reality is that that's about what it is going to take to put a system on the ground that actually works.

Next year I'd like to come and see you and I'd like to make my presentation very short. I'd like to offer you two words, and those two words would be, "Thank you."

I'll end there, if you have any questions for me.

1030

The Vice-Chair (Mr Ted Arnott): Thank you very much for your presentation. We do have some time for questions. I'll turn first to the government side.

Mr Sampson: Thank you very much for your presentation. I want to pick up on just one of the many comments you had, and that's around the data collection. There was an article in the paper this morning from the federal privacy commissioner saying we collect way too much data; it's been blamed on 9/11, and yadda, yadda, yadda. We have another story of an alleged theft or loss of the hard drive of some computer that's got health records.

I think I'm with your side of the issue that we need to find smart ways to collect this data so that we can better manage the cases, better manage the information that those cases tell us about: recovery models, whether they are effective or not effective. Get away from the theoretical stuff; let's just see what actually happens. How are we going to do this? How are we going to struggle against those who say, "That's private information. We don't need to collect it"? If we want to help somebody, we're going to have to find smart ways

to do this. Can you give us some advice on how break this log-jam?

Dr Everett: Yes. One of the things that I've always maintained is really important—mental illness, being a stigmatized disorder, has worked under legislation for eons. We know how to collect information on private issues and we have signed forms. We cannot move one piece of information from one agency to another without signed forms from the individual. There are ways to manage the privacy based on consent that we've already worked out. In fact, we are running an electronic health record in Timmins, through the CMHA for mental health clients. It's working marvellously. It can work.

I think we have to target what we need to collect and what we don't need to collect. You're right: garbage in, garbage out. Also, none of us talk to one another, so all the proprietary software in the hospitals, which has cost a bundle, doesn't relate to anything else and there's no way to roll it up and find out what's going on. The sorry state right now is that in the community mental health system, which as you know is a narrow segment, we don't know who we're serving, we don't know where we're serving them and we don't know what we're doing to them.

Mr Sampson: Even in my riding, I've got two hospitals. You can go into one emergency room and they ask, "What's your name? Let me see your health card. Where do you live?" You walk out of there, go right down the road to the next one that's a five-minute drive, and, "What's your name? Where's your health card?" It's like you came from another planet.

Dr Everett: Yes. If they can figure out your reservation in Hong Kong at the Holiday Inn, why can't they do it across town? I think it's doable.

Mr Sampson: From your sense, is the health community prepared to look past the obstruction of some of those who think that private information is private information and that's the way it should always be? There's a lot of political opposition to what you and I are talking about. A lot.

Dr Everett: Yes. I think the health care community knows it has to go there. They also know they fax your records all over the place, to God knows where—space. They know what's going on right now, and they know there is no way as appropriate for privacy as an electronic environment that is highly protected. It's public perception that if your stuff goes electronic it ends up on a VLT down at Eaton's or something like that, but this is not true; this is not the case.

The Vice-Chair: I need to turn to the Liberal caucus now.

Mr Kwinter: Thank you very much for your presentation and for bringing to us what I think is a crisis in health care, and that is the mental health issue. You talk about how one out of every five people will experience a mental health problem during their lifetime and you talk about how close to 50% of all of the time-off sicknesses are due to some mental condition.

I think the major problem is the stigmatization. People don't want to talk about that. I think there's a really

dramatic case in point right here in Toronto: the Prince Edward Viaduct. People have been jumping off that thing for years. It's the second highest-suicide point, I think, in the world, next to the Golden Gate Bridge in San Francisco. While they were putting up this barrier, four people jumped off during that period of time.

Dr Everett: That's right.

Mr Kwinter: When you look at the people who are committing suicide, unless they're diagnosed, unless someone knows about it, they appear to be somewhat normal.

Dr Everett: That's right.

Mr Kwinter: Is it a matter of education? I'm not talking about their education, but educating the public as to what the issues are and how to try to identify these issues in order to raise the awareness of the problem. I don't think the awareness level is there.

Dr Everett: Certainly my organization's job is to do just that. We personalize it. There is nobody in here who doesn't know somebody with mental illness, and there's nobody in here who doesn't know somebody who has committed suicide. Do we talk about it? No, we don't. When I visit the Minister of Health, he says, "What parade are you in front of, Barbara?" I need the citizens of Ontario to stand up and say we absolutely need these services and we must have them.

To be honest, since September 11 there's been a sea change in the opinion around mental health. Suddenly the whole of the citizenry is understanding that every body has a head, and it really matters how that head is working. I think the time for mental health to come out of the closet is now. I think we're getting somewhere finally; it's been a long haul. But it depends on people like yourselves and the constituencies you represent to speak out and to lobby, frankly, for the kinds of services that we need, because it is a crime.

Mr Kwinter: When you talk about mental health, I think the average person feels that this is someone who has to be institutionalized, and we can deal with those, but how do you deal with the people who are at the other end of the spectrum, who are suffering depression, when it's not perceived by a lot of people that this is a mental health problem?

Dr Everett: Depression can be very serious; 15% of people with chronic depression die by suicide. What you'll see here is that mental health is the poster child for two-tier health care, so whenever we're arguing about two-tier health care—we deal with it all the time. Anybody with mental health problems purchases their services. They buy private therapy. They get it through their work, through EAP, all of those kinds of things. It's quite privately developed. Any time you go to a spa, what do you think you're doing? You're going for your mental health. You take a day off; it's called a mental health day. Businesses are starting to wake up to these kinds of things because they're bleeding from the bottom line.

So you're right, we have two sets of languages. I myself am under stress, and the homeless person is

mentally ill. Well, guess what? A homeless person has a lot more problems than I have.

Mr Christopherson: Thank you for your excellent presentation. It was very effective. I have two points I want to raise. One is this whole notion of the criminalization of those with mental illness. I'm sure that Mr Sampson, also as a former minister of corrections, will appreciate that the numbers hold up. I wanted to put it in the context that in the late 1980s as an alderman in Hamilton, I chaired a task force looking into this issue from a municipal perspective. One of the things we identified was the revolving door syndrome, where people were going from the streets to the emergency ward to the prisons to the streets. At that time, I was limited to just a viewpoint from the city. When I became the minister of corrections, all it did was emphasize and support that view even more, with what I then was able to see from the vantage point of being the minister of corrections.

From everything I've seen, it's just getting worse. It was bad in the late 1980s, it got worse in the 1990s and if ever anything deserved to be called a crisis going into the new millennium, it's where we are now with that. I'll leave that with you, if you want to comment.

The thing that struck me is that it's not often we see numbers this dramatic, but you emphasized in the presentation what happened in Windsor, about reducing the reliance on hospitals and emergency rooms by changing the way you do primary care as it relates to those who have mental illness. Again, if I can, Chair, the stats bear repeating. The hospital stays were reduced in Windsor by 75% over the past year—that's a phenomenal number—and the number of days spent in hospital was reduced by 79%. Then in emergency room visits—and I would hope the government would pay particular attention to this—there was an 84% decrease in that population's use of the emergency room. If you think about all the dynamics involved in what happens in those emergency rooms, that is just an absolutely mind-boggling number. Also, 75% have a decreased use in crisis centres, which means there's less acting out, which means people aren't going to into an acute state, that they're somehow managing to deal with day-to-day activities with a little more relationship to what we would call a normal existence, if I can use those words. Those are dramatic changes. Is there any reason why those kinds of results can't be transported into other communities?

Dr Everett: None whatsoever. This is what we do for a living. This is why I like my job: what I do works. Twenty per cent of people in jails are exhibiting some sort of mental illness. We've had clients who broke an \$80 window and ended up in jail for three months, often in solitary confinement because they're so vulnerable in the jail population that you have to put them away where they're going to be safe. Now what does that do for their mental illness?

The idea of having nurse practitioners in community mental health agencies hasn't proliferated, but this is one

case—one case in the whole province of Ontario. The impact that woman has is astounding. She finds people who have not been examined by a GP for years with lumps in their breast. She saves lives. It's an astounding contribution that that woman has made. In fact, she received our award of the year this year because of what she has done.

Mr Christopherson: You've made a very effective presentation. Thank you very much. Keep up the good work.

The Vice-Chair: Yes, and thank you very much for your presentation. We appreciate your advice.

1040

CO-OPERATIVE HOUSING FEDERATION OF CANADA, ONTARIO REGION

The Chair: Our next group is the Co-operative Housing Federation of Canada, Ontario Region. I understand there are representatives of that organization here. Welcome to the standing committee on finance and economic affairs. Could you please introduce yourselves for the purposes of Hansard?

Ms Lori-Anne McDonald: Absolutely. My name is Lori-Anne McDonald. First, I'd like to thank you for the opportunity to make this pre-budget presentation on behalf of 125,000 residents who live in co-op housing in Ontario. I'm vice-president of the Ontario council for the Co-operative Housing Federation of Canada. With me today is Harvey Cooper, who is manager of government relations. Harvey has worked and been involved in the co-op housing sector for some 25 years now. I myself have been on the Ontario council since 1998, and I'll tell you that my commitment to housing is a very personal commitment, because when I found myself a single mother of two young children making close to minimum wage and I needed affordable housing, I was told that there was a six- to seven-year waiting list, and that's absolutely unacceptable.

Today I want to talk to you not about me but about two key concerns we have: the urgent need for new provincial funding to develop affordable housing for low- and moderate-income households and the need to protect our current Ontario existing stock of housing by increasing the provincial funding for the capital reserves that housing providers need to fund the future replacement of their major components.

In housing, co-ops are proud to do our share. Our co-op members are working hard to take advantage of the very limited opportunities that exist to expand the supply of co-op housing. On January 27, the Margaret Laurence Co-op in downtown Toronto opened up an additional 16 apartments, developed by converting two elevator shafts that were not being used and adjacent lobby space. This added to their existing 133-unit apartment building. Households in these 16 apartments will receive rent supplement assistance, thus ensuring access to low-income people. Four of these units will be offered to clients of the Toronto People with AIDS Foundation.

Financial assistance for this development was provided by the builders, Canada Mortgage and Housing Corp and the city of Toronto.

Another example of our members' commitment is an initiative by the Co-operative Housing Federation of Toronto and its 161 co-op members to give a priority on their waiting lists to homeless families living in temporary shelters to move into permanent housing in our co-ops.

Throughout Ontario, co-ops have applied for many of the 5,000 new rent supplement units that the province announced in January 2000 as part of the homelessness initiative. With this new money, which came, it should be noted, from surplus federal housing dollars, our members will be able to offer a home to even more low-income households.

Unfortunately, there's very little improvement in Ontario over 2002. Very little real progress has been made in the past year to address the critical shortage of affordable housing for Ontario's low- and moderate-income tenants. There has been a minor easing of critically low vacancy rates, but many years of low vacancy rates and rent increases higher than inflation have altered the market fundamentals for those unable to afford ownership. For these tenants, relief has not appeared; it's not there. It would take many years of rising vacancy rates and flat or declining rents to create significant improvements.

One concrete development, though, is that Ontario's Ministry of Municipal Affairs and Housing is finally ready to implement the new affordable housing program that was initiated by the federal government. However, the program, as announced by the ministry, has very serious flaws. The provincial funding falls so far short that the program will deliver almost no benefits to low-income tenants unless it is redesigned and significant funding is added. Most of our recommendations today deal with the need to improve this program.

Before commenting on the program, however, we want to touch on the highlights of our overview of the continuing affordable housing crisis faced by Ontario tenants. Please consult our written presentation for the full details, but here are some stats: vacancy rates improved slightly, rising from 1.7% to 2.3%, but failed to achieve the 3% balanced market norm. However, the greater availability of apartments was in the expensive range. In Toronto, apartments over \$1,200 had a 3.2% vacancy rate, but those under \$800 only had a 1.6% rate.

Recent years of dramatic rent increases slowed slightly in 2002, with the average rent increasing by 2.3%. However, the combined increases over several years far outstrip inflation.

New rental production is very low: 3,800 units in 2002, compared to average annual levels of more than 10,000 units in the early 1990s. Meanwhile, rental demand for an additional 16,000 new units annually is nowhere near being met, and the cumulative gap over the last decade between new units built and the demand is almost 80,000 units.

Meanwhile, from 1991 to 2002—this is key—Ontario lost more than 24,000 existing conventional rental units, and the most recent consensus has documented a further loss in the last five years of more than 40,000 rental units in the secondary rental market; that is, rented condominiums, basement flats etc. We're losing housing stock.

Provincial funding for new affordable housing: CHF Canada has joined with the Federation of Canadian Municipalities, FCM, in calling for a long-term national affordable housing strategy, with Ontario as a full partner.

We were encouraged when the federal government announced in Quebec in 2001 that \$680 million in funding—\$245 million is Ontario's share—would underpin a new federal-provincial cost-shared program. However, the final 10,000-unit program announced by the province last month is a huge disappointment. Major flaws in the program include the following: Ontario is only providing \$20 million of that \$245 million share, 8%, leaving municipalities to cover the rest of the province's share. The program will only produce market rent housing. Not a single person will be taken off the municipal waiting lists for affordable housing.

Capital contributions under the program on a per unit basis are far too low to produce affordable rents given the lack of provincial contribution. Funding levels overall are also far too low. The program, if fully delivered, would meet only about 20% of the annual production targets for affordable housing established by the FCM. Program benefits are short term, 15 to 20 years, compared to the long-term benefits of non-profit and co-operative housing.

Ontario has no excuse not to pay its full matching share under the affordable housing program. Even before the 1998 downloading of social housing funding responsibilities to municipalities, Ontario had cut over \$300 million annually from its housing expenditure level in 1995. This leaves the province more than enough spending room to fund its full share of the federal-provincial program.

Improvements are needed to the affordable housing program. Here are our recommendations, and this is the key to my presentation today.

(1) Please increase capital funding. The Ontario government should guarantee annual capital funding of at least \$50 million to match the annual federal funding under the new affordable housing program starting with the 2003 budget. If you don't do that, failure to do so will only increase the municipal burden.

(2) Provincial funding for rent supplements must be added to the program. Provincially funded rent supplements should be provided for at least half of the 2,000 units to be developed each year under the program. For the program to serve low-income tenants now on municipal waiting lists, the province must provide significant new supplement funding. The average market rent in Ontario last year for a two-bedroom apartment was \$836 but the income of half of Ontario tenants is less

than \$23,000, which leaves them \$580 a month or less to spend on rent. Where does that difference come from?

(3) Half the units should be targeted to co-operative and non-profit housing. At least 50% of the units funded under the new program should be designated for co-op and other non-profit housing to ensure the long-term affordability for low- and moderate-income households and to achieve the recognized benefits that are provided by these forms of community-based housing.

The program only requires that average market rents remain affordable for 15 years. At their option, municipalities can extend that to 20. In the case of private sector proposals, this is a large public investment to make on housing that will cease to be affordable after only 15 years. Meanwhile, non-profit and co-op housing are an option that provides permanently affordable housing. CHF Canada is calling on the province to set aside at least half of the units in this 10,000-unit program for non-profit and co-op housing.

(4) Improve the project selection process. The rigid tendering process currently planned should be more flexible, and provisions that prevent municipalities from giving priority to projects that offer lower rents and longer periods of affordability should be removed.

1050

The selection process designed by the province is badly flawed. The strict tendering rules require that the lowest bidder, using the least amount of public subsidies, be selected. Non-profit and co-op housing proponents would be penalized for drawing on all the available subsidies in order to produce the lowest rents possible for low-income residents. Those are the ones we need to target.

Equally problematic is the provision that the tendering process cannot favour projects that offer longer-term affordability. That's ludicrous. The guidelines must allow municipalities to give priorities to projects with the longest term value for the taxpayers.

The rigid tendering process imposed by the province works against a community-based development process. In the 1960s, much public housing was developed under a provincial tendering model. The result was many projects that were insensitive to the needs of both the tenants and the surrounding community. We have a responsibility not to repeat that part of housing history in Ontario.

(5) Our last recommendation is to protect the viability of existing social housing. The Ontario government should provide funding in the 2003 budget to top up the capital reserves of all social housing downloaded to municipalities to a level that will enable them to pay for the future replacement of their capital assets. Municipalities and social housing providers share a serious concern about the long-term viability of the social housing stock now funded and administered by municipalities.

While still under provincial administration, the province imposed a moratorium for several years on the funding of capital reserves for co-ops and other housing.

These reserves were used to pay for the replacement of major building components. Putting that moratorium on the fact that they were underfunded to begin with has created serious underfunding of capital reserves. This deficit was passed on to the municipal sector as a part of the provincial downloading.

The Minister of Municipal Affairs and Housing knows that capital reserves are seriously underfunded. A series of studies by the ministry has shown this. The ministry's most recent study was commissioned two years ago and has long been completed. The ministry refuses to release it, however, because it shows the funding gap. Several municipalities have done their own studies. One by Peel region, for example, reveals a shortfall in the capital reserves of housing providers in the area of \$100 million.

Housing providers cannot pay for capital replacement out of their already stripped-down operating budgets, but the work will still have to be done if we're going to protect the asset. If the province does not fix the problem it has created, the cost will fall to municipalities. This will place a huge new burden on the property tax base, already hard hit by the cost of social housing. The province must deal with the problem in this year's provincial budget, and I certainly hope you take that into consideration and do so. Thank you.

The Vice-Chair: We have a moment for a question from each caucus. I'll start off this time with the Liberals.

Mr Kwinter: Thank you very much for your presentation. You really put the focus on some major problems. In my constituency office there isn't a day that goes by that I don't have people coming in who are waiting to get into affordable housing. They're on waiting lists at the Metro housing authority, and they tell them it's going to be six years, seven years, eight years. These people are in their 80s and they're saying, "How am I going to do that?" When you talk to the city, they say, "This stuff was downloaded to us. We don't have the money to really deal with this. It's going to be a crisis." So I really take your point.

The other question I wanted to ask, or make a statement on, is, we had the senior economist from the Bank of Nova Scotia here. She was here today in another role. I didn't get a chance to ask her, but I was taken by the fact that a lot of people feel there are a lot of investors who are buying condos and then renting them out and that's taking some pressure off the rental market. She said—and as I say, I didn't get a chance to question her on it—that that is no longer the case. People are buying condos and moving into them, which means it's only going to exacerbate the rental market because there are going to be more people fighting for the same spaces. Do you have a comment on that?

Ms McDonald: That was exactly our comment, that in fact we are losing rental housing stock. The condominiums were mentioned as a secondary market, and the basement flat restrictions and the people who are living there. So we're actually losing housing stock. When the province got out of providing funding for housing, it was assumed that the private sector was going

to pick up the slack and that there wasn't going to be a problem. That has not happened. We've lost housing stock, especially for low- to moderate-income households.

Mr Christopherson: Thank you for your presentation, as always. I want to declare probably the greatest conflict of interest anyone can have: my mother is a proud resident and advocate of co-op housing, actually served as president of the co-op, has been a founding board member and was active in this federation. So I declare that total conflict of interest, and anybody who thinks they're not going to do what their mom tells them is crazy, no matter how old you get. So, Mom, I'm here fighting for co-ops again.

Ms McDonald: We know her well.

Mr Christopherson: Yes, I know. Everybody does. She does love her co-op, the women's co-op in east Hamilton. Certainly she's done everything she can as a citizen to try to push for this so that other people can enjoy the benefits. She's already there. Her fight has always been to make sure that other people who are in similar circumstances to her get the same opportunity. Unfortunately, in many ways we're going in the wrong direction on this.

You'll be pleased to know, and you might want to actually get a copy for yourself, the Toronto Board of Trade again mentioned the fact that affordable housing is a key part of the future of all our municipalities—and I'll quote from their presentation just this morning. "The province's infrastructure strategy must also include affordable housing." Having said that—and it's good that you raised this, and I want to give you the opportunity to expand on it—they then go on to say, "The signing of the affordable housing program agreement with Ottawa last May was a much-welcomed event. This is an important element in addressing a growing urban problem, a step that will also forge greater coordination of programs to build affordable housing." Again, unfortunately, that part of it sounds more like the government's spin in terms of what they've done rather than the reality. If we take them at their word, and I do, that they see affordable housing and the transportation links that go with that, and if you're going to put people in the cities, then you'd better take care of the air—all these things come together, but if they're serious about that, then we'd also better be realistic about what this agreement is and, more important, what it isn't.

So, again, could you emphasize and maybe compare what Ontario has done with what some of the other provinces have done to set that stage?

Mr Harvey Cooper: Thanks very much for the comments, Representative Christopherson. Certainly we're aware this isn't the first year that the board of trade has called for more affordable housing. Very briefly, on this new modest affordable housing program that's been announced, I guess the biggest gap is it's supposed to be a matched funding program between the federal government and the provincial governments. For example, the province of Quebec has matched the

funding and topped it up. The province of BC has matched the funding. The province of Ontario, their share over the five years, roughly \$50 million a year or \$245 million over five years—they've contributed \$20 million, which is a small amount—\$20 million over the whole five years, \$2 million per year, which is 8%. I think all serious observers of both the rental market and the need to build affordable housing—the reason nobody's building it in the private sector is it costs money. Nobody can get the return.

The government, whatever the programs—incentives to private developers, non-profit programs—has had to fill that gap for 25 and 30 years. The province is not stepping forward to fill that gap. They're downloading that funding commitment to municipalities, and we fear very few units will be built and those units that will be built, the market rents won't be low enough for low-income and middle-income Ontarians, especially if there aren't, as we mentioned in our presentation, provincial rent supplements available. So it's certainly a good-news program, but the details, frankly are—

Mr Christopherson: It's also rather shameful for the richest province in the nation. Thanks for your presentation.

1100

The Vice-Chair: The government caucus.

Mr Sampson: Thank you for your presentation. Years ago, when CMHC was set up, I think it had two objectives. One was to provide some loan support for those big, bad banks when people basically leveraged their house higher than the "normal" rate, whatever that is. The second was to actually participate in retooling and refunnelling money from new housing construction into sort of affordable—I think there were different words at that time, but the equivalent of affordable housing. We had the home builders come before us—I think it was yesterday or the day before; I can't remember—basically saying Ontario has had this massive housing construction over the last number of years because of the interest rates, which has generated a lot of CMHC revenue.

The reality is that the majority of that CMHC revenue that's generated from Ontario economic growth and Ontario construction isn't coming back to Ontario; it's getting spread to other provinces of the country. Do you support that, or would you like to see CMHC's revenue generated in Ontario come back to Ontario uses?

Mr Cooper: Certainly anything that could be used to build more housing, particularly affordable housing, such as surplus revenue from CMHC, by all means we would support that. What I fear, and I'm not suggesting this is part of your question, Representative Sampson, is we've heard this issue raised before in terms of issues between the federal and provincial governments and who has to make what contribution. We think both levels of government should sit down and look at that issue very seriously, but that shouldn't forestall Ontario's contribution to the modest program that's already on the table—and sure, let's see if CMHC can make further contributions.

Mr Sampson: I'm not trying to pick a fight with the feds. The problem is I just don't think it's fair that you've got this massive growth here in this province and that money is being used, frankly, to build affordable housing in BC, and they go to the taxpayers of the province and say, "Oh, and by the way, we want you to contribute more to the money that's been siphoned to another part of this country," when that was not the intent of CMHC to begin with. So I don't mean to have a fight; I just think it's unfair. We've had presentation after presentation before us saying, "Fix the inequities in the health care system, the education system." Let's fix the inequities that the taxpayers of this province are getting. I don't think that's fair; otherwise, why bother to generate economic activity in this province? Let's all become have-not provinces and look for the have province to pay us.

The Vice-Chair: Thank you very much, Mr Sampson. I have to draw this round of the discussion to a close.

I want to thank you very much for your presentation. We appreciate your advice and your good counsel.

ONTARIO FEDERATION OF AGRICULTURE

The Vice-Chair: I'd like to call forward next the Ontario Federation of Agriculture representatives, who I know are in the room. Welcome to the standing committee on finance and economic affairs. Could you please identify yourselves for the purposes of the Hansard record?

Mr Ron Bonnett: Yes, I'm Ron Bonnett, the newly elected president of the Ontario Federation of Agriculture, in November. I'm glad to be here.

Mr Christopherson: Where's Jack?

Interjection.

Mr Bonnett: Jack of the world. Yes, that's right. They said I was going to have to shave my head to take over this job, but I haven't done so yet.

Mr Ted Cowan: I'm Ted Cowan. I'm on staff with the federation of agriculture. I'm a researcher for them.

Mr Bonnett: Thank you for the opportunity to make a presentation to you. We actually sat in on a workshop earlier this week with the minister and went through some of the items we're going to present to you at this time.

One of the things we'd like to do is give a bit of an overview of where agriculture is right now and then go on to some specific recommendations that we have with respect to the upcoming budget.

One of the things that farmers are looking at now is the latest census figures that show that 5,000 Ontario farms disappeared over the last census period. I think this is reflective of a number of things. What has happened to the farm community in ways of declining incomes has had an impact on the number of people who chose to stay on the farms. But this is a lot broader than just the impact on farms; it has a great impact on rural communities. A lot of those farms are the ones who are providing the

spending for the local hardware stores and the local retail outlets, so strong investment in farms also is a strong investment in rural communities.

They want to basically at this point enlist the support of the Ontario government in making sure that we do build a strong, stable agricultural industry in Ontario. That's not to say there aren't some bright spots. Even with the declining number of farms, there are bright spots in the agricultural industry, but what we do need is public investment to make sure that we maintain and grow those bright areas.

Agriculture and related processing employs over 600,000 people in this province, and the economic impact of agriculture exceeds \$22 billion in Ontario every year. Farming has always been a source of investment and output in Ontario because the government of Ontario and Ontario's farmers have worked together. Ontario farmers work hard to keep themselves in business and contribute to the growth in Ontario.

If you take a look at our productivity growth, we estimate that at 18% per year in total factor productivity growth. That does give an indication about the kind of growth, but it masks an underlying problem, because a lot of this growth now is being financed by off-farm jobs. People are maintaining their farm operations, making productivity increases, but they're doing that at the expense of having to go off-farm, in many cases, to support their farming jobs.

The other factor that comes in is that rural youth are not seeing the agricultural community as the prime area of economic growth that they once saw, and they're not coming back to the farms. I think what we need is investment in the agricultural community that will encourage youth to continue looking at farming as a preferred choice by which to make their living.

You'll see, as we go through this, that there are several areas of focus, but one of the more immediate areas of focus is Ontario farmers and the environment. With a number of issues that have come up over the last number of years with respect to air quality and water quality, farmers have been increasingly asked to play a more important role in protecting those environmental features.

The other aspect of our presentation deals with the safety support networks that deal with things like adverse weather or adverse markets. We need government support to make sure that we have coverage so when things do go off the rails, we have at least a baseline to know where we're going to be.

I guess some of the measures we're looking at are somewhat different than what they've been in the past. There's been some ongoing investments, but what we're looking for now is some strategic, long-term programs that'll assist farmers, and some of these are based on some key principles that we have to establish.

If you move into the environmental sector, one of the key principles we have to look at is the fact that a lot of the environmental benefits to Ontario society are provided by the farm community. We are the ones who have the land base that can make or break the difference

in water quality. We are the ones who have the land base who can do things to improve air quality.

In the past year, Canada has signed the Kyoto accord, and in Ontario the Nutrient Management Act has been signed. These two legislative pieces present opportunities for farmers, but they also bring new financial responsibilities.

I think one of the things we'd like to mention is that Justice O'Connor, in his report, did recognize that farmers' efforts to maintain the environment cannot be borne by farmers alone. One of the things in his report was that the government should take some portion of that cost, of making sure investments in the environment are public investments.

We get into the first recommendation that we have toward this year's budget: the public at large should share fully in environmental benefits and costs for on-farm environmental improvements, and this would be a founding principle of the provincial government.

I think that as you look at nutrient management and watershed improvement, there could be substantial capital costs on individual farmers, and there's no direct mechanism that farmers have to pass on those costs.

We're asking that support be made for new costs arising from Bill 81. I think we've had a number of public meetings over the last several weeks where one of the number one issues coming from farmers was, "If I have to make capital improvements because of Bill 81, where am I going to recover that money?" I think there's going to be a lot of uncertainty until that question is answered. I think the sooner the government can step forward and give some details of how that funding will work, the sooner we'll get things moving ahead.

One of the other things we're asking is to look at a number of other initiatives on the environmental side. I know there have been some initiatives around biodiesel, but we're looking at methane digestion, wind energy, things like that that could have environmental benefits. I think the farm community is willing to look at that. We'll have to take a look at cost-sharing arrangements and research that would lead toward those developments being moved ahead.

1110

Another thing that has been extremely successful over the last number of years on Ontario farms is an environmental farm planning process. In this process, farmers go through and evaluate environmental risks on their farms and identify some of the key areas they would like to improve. One of the problems has been having available funding to make the improvements. We are asking that the provincial government become a partner in making funding available for those improvements. This is broader than just nutrient management improvements; this looks at things like pesticide storage, fuel storage and other issues related to environmental risk.

Under tax measures, we have had as part of our policy for a number of years the concept that we should be paying the same retail tax as other jurisdictions. At this

point we're asking the provincial government to do a study to compare what we have retail sales tax exemptions on versus our competitors in Quebec or in other provinces. In some of those areas there has been a lot of work to harmonize with the GST. There are a number of items in Ontario that we do not get sales tax exempted that they do in other provinces. It becomes an issue of competitiveness. We're asking that a study be done to identify those areas that could be changed.

Another key area with respect to retail sales tax exemption is trying to streamline the process for how those exemptions are done. Right now, forms are filled out with businesses to get the exemption. It would be a lot simpler if we could use the farm business registration program that is already in place. Every farmer in Ontario has a farm business registration number. If that were used as the identifier, it would simplify the process for both retailers and farmers. We have already made this presentation to the small business advisory committee, and it's one of the things that has moved forward. So we'd like to see that moved ahead.

One of the other items, which may not seem like a big item, is land transfer tax. Currently, if land is transferred from a corporation to a corporation there's no land transfer tax incurred, yet if that same land is transferred from one family member to another family member, a land transfer tax is incurred. We estimate that there would likely be about \$5 million in costs per year. It's just one of those things: when a new farmer takes over a farm, all of a sudden they have a bill for land transfer tax. It's one thing that could be done to encourage young people to stay on the farm.

Credits for conservation: again, this ties in a wee bit with the environmental initiatives. There are certain lands that are being set aside for conservation purposes and identified as conservation land. We believe there should be a tax credit of \$100 an acre for those lands set aside for that process.

Property tax and assessment measures: over the last years there have been a number of shifts in property tax assessment with respect to farms. I think this relates in some ways to the fact that many farms are seeing their value go up because land values have escalated dramatically in areas around the GTA. A lot of those people who sell that land still want to farm. They go to buy property in an adjoining area, and they want to move that money fairly quickly to get into farming again, because they've received quite a pocket of money from the sale of the development land, but what it has done is artificially driven up the price of that adjoining land. So it means the assessed value of that farm property bears no relation to its productive value. Basically, what we're asking for is that a comprehensive assessment be taken with a view to developing some method of assessing farmland which looks more at its productive value than at its assessed sale value. The assessed sale value has nothing to do with what can be produced on it. We could look at using things like crop insurance records, leases

and things like that to determine what an appropriate base would be to file tax on.

Farm income support: this being joint provincial-federal jurisdictions, I know conversations are taking place late this week with the Ministers of Agriculture. But one of the things we want to emphasize is that we need a set of farm safety net supports that are flexible to deal with Ontario's needs. There has been quite a push lately to remove some of that flexibility from the federal-provincial agreements. We're asking that that flexibility be maintained. I think a good example would be the horticultural industry. It is very difficult to develop production insurance programs for crops like horticulture. And the self-directed risk management program that has been supported by Ontario in the past has really done a good job of filling in that hole. We want to make sure we still have that flexibility to do that. We would try to make sure that all parties in the provincial government are pushing to make sure that flexibility is maintained.

We support the intent of long-term programs. The five-year agricultural policy framework talks about long-term programs. But in order to do that, I think we need an extra year of existing programs so we can get the details right. We don't want to sign a deal until we get the details right. So what we're asking the provincial government to do is support the extension of existing programs for one year until we get the details right.

Relative to that, we have one-year bridge funding still coming on risk management. Last year with that bridge funding the government went to the farm community and asked them what the most appropriate method would be for distribution. We would support that approach again.

One of the other points we would like to raise is around the issue of food inspection services. We would like to make sure there's an ongoing base of funding, and we ask that the Ontario government give its commitment to review and audit Ontario's food inspection service to look at further program changes that may be needed and that funds be set aside to meet those needs. I think one of the things we want to be sure of is that confidence is maintained in the food system in Ontario.

In addition, we are making recommendations that the Ontario government invest in preventive HACCP-type programs for on-farm food safety programs. That would assist in providing reassurance to the public. Again, this falls into the same niche as environmental investments. Food safety investments are public good investments, and we feel that the public should participate in those types of investments.

The final point is around the area of research. I think it's fair to say that Ontario's agricultural community has been very successful in the past mainly because people have the wisdom to invest in research, and we want to make sure that continues. There are a couple of areas that we think you should look at. Number one is the partnership agreement with the University of Guelph. Currently a long-term agreement has been put in place; however, there are fixed levels of funding and we believe

there should be allowances made for inflation in that agreement so that we have the dollars to invest in research. We don't want to see a collapse in the research infrastructure. It's the thing that keeps us at the edge.

The other aspect of research is with relationship to Bill 81, the Nutrient Management Act. We want to see if there are new ways of managing nutrients. We want to see more science behind the uptake of nutrients, especially in the horticultural crops, and it's going to be necessary to have research in that area.

In summary, I'd like to say that Ontario farmers are prepared to meet the challenges of creating economic activity and jobs in the area. What we want to do is build on a partnership with the province of Ontario to make this happen. I guess one of the key things we have to remember is that there has never been a prosperous, stable and flourishing society that depended on others for growing their food.

With that, thank you for the opportunity and I look forward to any questions.

The Vice-Chair: Thank you very much, for your excellent presentation, Mr Bonnett. Unfortunately, we haven't got a lot of time, so I'd ask each of the members to keep their questions and comments very brief.

Mr Christopherson: I note you were looking directly at me, Chair, when you were making that request. Thank you for your presentation. Where did Jack go?

Mr Bonnett: Jack is actually international federation president now. So he could be anywhere in the world. We're calling him Jack of the world.

Mr Christopherson: Jack of all trades. Good luck, because he certainly left big shoes. He was very impressive. Let me just say that you're off to a great start. I wish you well in your term.

Mr Bonnett: Thank you.

Mr Christopherson: One of the things that is happening to a number of us as a result of amalgamation is that even though we're urban—and I'm about as urban a boy and a city boy as you're going to get—large farmland areas and rural lands and lifestyle are now a significant part of the new city of Hamilton. So we need to be a lot more involved and a lot more aware.

I'm going to ask a question that's a little different than usual. Usually I ask what the province can do, because I say the cities are doing everything, but in this case all this is geared to the province. What do you think could be done at the municipal level, given the current powers and responsibilities that cities have, that would be of assistance with the goals you're trying to achieve here?

1120

Mr Bonnett: I think there are a number of aspects. Number one is making sure that they have meaningful agricultural input into policies. There are two things that can be done with that. One is make sure they've got a very active agricultural advisory group and provide some funding to make sure that input is given. The other is, if there is ward restructuring taking place, try to make sure they design the wards so that areas of common interest are kept together. If there is a core area that has

agricultural people in it, if you can keep that together as a ward, it does help to make sure the messages get dealt with.

The other thing I think would be, especially with discussions around nutrient management at the present time, to make sure that municipalities respect the ability of the provincial government to provide the regulations under the Nutrient Management Act so that there is consistency across the province.

Mr O'Toole: Thank you very much, Ron. Good to see you again. Good luck in your challenging year ahead. I appreciate your excellent summary. As I said, I do come from an ag riding and I do meet with them. I recently listened to Brian Doidge on nutrient management and food policy framework. You've covered pretty well everything. Yes, we are in horticulture and market revenues—some of the problems, lack of flexibility. I'm confident that you have a very good ear with Helen Johns. I know that for a fact; I'm on that with Toby Barrett. Keep up the good work. Be assertive, because there are some very important concerns that are under the umbrella of the environment, technically. It's good practices and healthy food and a healthy planet, Kyoto and alternative fuels, all those things. It's an extremely good report.

I'm meeting Monday with a group of young, intelligent, well-educated agricultural youth from my riding, and this will be helpful to me. There are tax and succession rules, the land transfer tax rule and the ongoing assessment problems on farms. I've got some input on that, and I think you've got a good idea here that I've heard before. Our own caucus talked about land transfer tax with provisions that it can't be some kind of flip or name only. Work very closely because you're close to, I think, getting more attention ever than I've heard in the last several years in agriculture because of the work the federal government has done in trying to develop a five-year policy framework and where the support programs click in.

One question I'm going to ask, though: do you agree with three-party support, meaning federal, provincial and producer; they've all got to be involved?

Mr Bonnett: I do, yes.

Mr O'Toole: I was at the region 4 meeting and I couldn't believe—these are 1,000-acre-plus people who were at this meeting. They were saying, "I don't go for the insurance hassle," planning to fail and all that stuff. Half of them were mad at me for saying that. I said I thought it should be a three-party system and find out some rules for withdrawing money, whether it's NISA—

The Vice-Chair: Thanks, Mr O'Toole. I've got to keep it moving.

Mr Bonnett: I believe everything has to be done in partnership, because if you do it in isolation, then you run into a number of other problems because everyone isn't in the partnership both as—

Mr O'Toole: Who gets the disaster relief, yes.

Mr Bonnett: Yes.

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

Mr Kwinter: Could you just explain to me, of these 5,000 farms that have disappeared in that five-year period, have these families just got out of farming or have these farms been consolidated or are they just sitting there vacant?

Mr Bonnett: Actually there are a number of factors. Basically, the land base has not decreased that much, but what you're seeing is that a number of the smaller operations have disappeared. Some consolidation has taken place—all of the things that you mentioned. But the more disturbing fact that we see in the Statistics Canada stuff is that the age of the farmer is increasing. That's a worrisome sign, because normally, if you can keep your age at a fairly stable base, you know that things are revolving. The most disturbing factor we have is the fact that the age of farmers is increasing. We see ourselves, as the baby boomers are going through—and I'm one of those—there's no one stepping up to take over those farms at the present time.

The Vice-Chair: I wish we could carry on this dialogue longer, but we have our schedule. I want to thank you very much for your excellent presentation.

Mr Bonnett: Thank you, Mr Arnott.

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

The Vice-Chair: The next group I will call forward is the Ontario Confederation of University Faculty Associations. Welcome to the standing committee on finance and economic affairs. Could you please identify yourselves for the purposes of our Hansard record?

Dr Henry Jacek: Good morning, Mr Chair and committee members. My name is Dr Henry Jacek. I'm the president of the Ontario Confederation of University Faculty Associations, OCUFA for short. I'd like to introduce Henry Mandelbaum, OCUFA's executive director, and Amy Dickieson Kaufman, who is our policy analyst. Some people may recognize Amy; she was a legislative intern here two years ago for Dr Doug Galt and Frances Lankin. She's now a policy analyst with us, and we're happy to have her.

I'd like to acknowledge some of the members of the committee who have been here and whom I've talked to in the past. This is my third time here, and it's my last time here because I'm stepping down as the voluntary president of this organization. There'll be a new face here next year. I'm happy to see Mr Gill here, because I know he's very interested in university education; and Mr O'Toole, whom I normally have an interesting dialogue with at these meetings. I know he's very interested in university education. I'm pleased to see both of them here. Mr Kwinter I know, of course, and David Christopherson, whom I'm delighted to see here. I note with some regret that he will not be running in the next election. He has represented Hamilton West, and I believe McMaster University is the largest employer in

his riding. I'd like to thank David for his work on behalf of the university.

Interjection.

Dr Jacek: He may be my mayor next year. I will note that. Anyway, it has always been a pleasure to be here. I will miss coming here.

The Ontario Confederation of University Faculty Associations represents over 11,000 professors and academic librarians in Ontario's universities. We're pleased to present our main points to the standing committee today. We make six recommendations, and I will briefly describe them.

The current provincial government has committed to this: operating capital funding will follow student demand. We think that's great. The problem is that we don't think there is enough follow-through on that commitment. If we look at the preliminary application numbers for 2003, we see that over two thirds of students are interested in arts and sciences. They attract the most demand, and it's our concern that those areas are not being funded as well as they ought to be. We did a survey earlier this month, which we released a couple of weeks ago, in which we asked the people of Ontario what they think of when they think of quality education. Actually, I think we were a bit surprised. We had a number of interesting items that we thought were important, but people keyed on the idea that a broad university education for Ontario students is the number one indicator of quality. We were delighted to see that, but I must say I was surprised at the great support for that. But that pleases me. So I'd like to ensure that government funding also follows the public's view here and the applications that students make to Ontario universities.

What's the problem? The problem has been that SuperBuild, for example, demands private sector participation, which is fine. Unfortunately, the private sector likes to put money into things like the business faculty, engineering and health matters in the universities, which, again, are all great, but they generally don't like to put money into the basic sciences, the social sciences and the arts. I've talked to a number of business persons, and they often say to me, "That area of the university should be financed by the provincial government. That's not our responsibility. We may like to do special things in engineering, business and health, but arts and basic sciences facilities should be met by the provincial government." It's not being done, and we're very concerned about it. We'd like the provincial government to put more money in that area and help the universities out.

The second item is the unfunded basic income units. Seven per cent of Ontario enrolment is not funded currently by the provincial government. We recommend—this is our second recommendation—that the provincial government commit to funding that enrolment, and that will cost approximately \$100 million a year. I would point out that that is less than what we'd likely spend each month on subsidizing electricity rates in Ontario. I would argue that when that's consumed, it's

gone, but investment in 7% of the enrolment in Ontario universities is an investment in the future.

1130

The third point I'd like to make is that I think the Ontario government needs to increase the base operating support for Ontario universities now by \$200 million. I would like to see that taken out of the contingency fund. We need \$200 million in next year's provincial budget.

We are having a dramatic growth in student demand, one that was not anticipated in last June's budget. There was an undercount of 8,000 to 12,000 university students for the first year, 2003, and that's not provided in the budget. We need money to try to provide for those students right now. We need to improve the quality of their educational experience and make sure they have adequate resources when they come. Faculty, librarian and support staff resources are really critical.

A common measure of university quality is the student-faculty ratio. The student-faculty ratio is the worst in Canada; the Ontario one, that is. It's increased by 25% over the last 10 years, and it's 10% higher than in other provinces. It is much higher than peer jurisdictions in the United States. These increasing student-faculty ratios mean less attention to students and less contact with faculty. Study after study has shown that contact, close individual contact, between a faculty member, academic librarian and staff with the students increases the quality and educational attainments of our students in universities.

Two days ago, you had before you the president of McMaster University, Peter George. He said that the ratio at his university—and my university—was up to 24 to 1. If you look at the quality American universities, it's 10 to 1. It's a dramatic difference between the quality American universities and quality Ontario universities.

The situation is made worse by the growing shortage of faculty. You have heard, from more than one person, I'm sure, that one third of current faculty members are between the ages of 55 and 64, like myself, and will retire within a decade. If we look at the shortage of professors alone for next September, taking into account the undercount of students we have seen over the last little while, we are short, right today, 550 faculty for next September alone. As President Peter George said, we need over 13,000 faculty to be hired over the next 10 years because of the growing student numbers we will have over this period, because of the decreasing quality and because of the massive retirements we're going to have.

One of the things we're going to have to do—we're not going to be able to rely on our own production, our own graduation of PhD students; we simply don't have enough, and they need to be supported. We're going to have to go outside of Ontario, outside of Canada, and one of the things we're going to have to do is try to bring back many Canadians who have gone outside of the country. I know this is an issue that Mr O'Toole is interested in. We would like to bring those people back,

but we need to have the money for their salaries and for their research facilities.

Quite simply, the competitive challenge for Ontario is very dramatic. The average state university in the United States has 50% more revenue per student; that is a big gap for us to overcome. There are faculty shortages throughout North America. There's stiff competition for high-quality staff, the best and the brightest, and that competition is getting stiffer. The longer we wait, the worse our competitive position becomes.

Our fourth point is that between 1995-96 and 2003-04 there will have been a 20% reduction in operating grants for full-time-equivalent students when adjusted for inflation and projected employment increases. We call on the provincial government to add an inflation adjustment to the university operating grant calculations. This was recommended by Dr Rozanski for primary and secondary schools in his report in December. We believe that the Rozanski inflation adjustment should also be applied to Ontario's universities.

Not only that, it's important to recognize that if anything the inflation problem is worse for universities. The university inflation index is much higher than the regular CPI. For example, in 2000-01 the non-salary price index for Ontario universities was 6% compared to 2.9% in the general CPI. The reason is that we have to buy a lot of lab equipment, machinery, books and journals abroad, outside the country, where they may have higher inflation, and we have to also deal with currency problems.

An interesting way of also seeing this is that we need to adjust the basic operating grant for full average grant funding to take account of this inflation. We have had the same number, approximately \$6,800 per student, over the last two years. So we really need to have an index built into that basic operating grant number.

The fifth point: we are calling for an immediate freeze on tuition fees, accompanied by a review of the impact of tuition increases on accessibility and quality of current policies. One of our big concerns is that although students are coping in some fashion with the increases in tuition at the undergraduate level, we're now starting to see that students who may graduate with bachelor's degrees and who want to go on to professional schools now are balking, particularly if they come from middle-income and lower-income families, because they don't want to take on a large additional student debt to go to professional schools. We're seeing that in our medical schools, we're seeing that in our law schools and I suspect we're going to see that, if we do the studies, in schools of dentistry and pharmacy, those kinds of schools. Students from those families are daunted by leaving professional school with debts that may perhaps accumulate up to \$100,000 at this point. In fact we have heard of cases of people leaving professional schools with that type of debt already. So for people from lower-income families, that is daunting. We may lose students who are very good from lower-income and middle-

income families who say, "I just can't afford to take on more debt to go to professional school."

Our sixth and last point is, we call on the Legislature and the government to establish a longitudinal quality audit of universities—we would like to see all parties involved in this, all stakeholders. We're willing to commit to this—to take a look at what is happening to the quality of our universities. This is an issue which you probably have heard already that the university presidents are very concerned about. We at OCUFA are very concerned about it. We are still high-quality universities, but we are slowly declining, as we don't have enough resources, given the large number of students who are coming. We're falling behind the United States.

We have to do something, because competitively we depend on high-quality universities. A lot of our economic growth and quality of life that we have here today is because of the wisdom of decisions that were made a generation ago by the public officials of this province. If we do not address the quality issue and infuse money into the system now to ensure that the present generation of students gets a good quality-education, then five, 10, 20, 30 years down the road, we can expect the quality of life and the quality of our economy to be on the decline. I think we owe it to the next generation and to the present generation of students to have the same quality of life, or better, economically and otherwise, that we have now.

The Chair: That leaves us just under a couple of minutes for each caucus. We begin with the government.

Mr O'Toole: I do appreciate hearing the perspective of the faculty, for sure. It's absolutely critical. We've had several good presentations.

I hate to go off into a bit of an observational mode, but you didn't mention the words "double cohort." Maybe it's getting too much media.

Dr Jacek: On the double cohort—indirectly I mentioned it, that we have undercounted, between 8,000 and 12,000 students, how many students are coming.

Mr O'Toole: I know Dianne Cunningham has worked very hard to find out how come there are more subscribing students. You hear the number that 12% of graduates go on to university and that kind of stuff; now they're using the number 25%. Nobody really knows. Look at Dr George, by the way. In my view, we are saying a number in the certain thousands and you're saying a number. I think it's all part of this "Give us more money" argument.

Dr Jacek: Well, we think it's valid.

Mr O'Toole: I believe what you're saying is correct and I support on the record here today that they should fund the students based on enrolment, on the per capita formula, whatever that is. We shouldn't be carrying students who aren't funded. I agree totally with you on that. I think you need to be pressing that argument totally.

As far as the capital side, I would encourage the government to continue to work in partnership. There are lots of arguments today, as you know, as a professor, that

say that a full undergraduate arts education is of high value. Those who are specifically educated, like the engineering one, with the adaptive world we have, possibly the arts degree—lots of academics and professionals say that today; much more versatile, ready to adjust to the knowledge-based economy, more intellectual interpretation of the world, as opposed to purely a system interpretation. How do you respond to that, and how do you sell that and fund the arts-based education?

1140

Dr Jacek: We just look at the employment rates and the career patterns of people who have graduated from basic science, basic arts and basic social sciences. The Statistics Canada data on their careers, the money they make and their advancement show that they are very successful and contribute a great deal to the economy. The data are out there, and we just have to constantly put it out to people. I know there are many people who believed—unfortunately, my father was one of these; he always wanted me to be an engineer. But as I pointed out to him and I'll point out here, engineers, when they go to university, have to spend half their time studying in the humanities, the social sciences or the basic sciences. The best engineers are those who essentially know how to communicate, know how to write, can work on a team, are problem-solvers—skills they learn outside the substantive engineering classes. But certainly engineers are very important. I recognize that many business people want to put money into engineering, which is great.

The Chair: Thank you. We now move to the official opposition.

Mr Kwinter: Thank you very much for your presentation. I should tell you that as of October I am a member of the international advisory board of McMaster University, so I have an opportunity to be on the inside to hear about some of the problems.

It seems to me that we've got this double cohort and we've got SuperBuild providing funds to build the physical facility, and then there is some money, I assume, to man these facilities, to bring in the staff. There's a real shortage of qualified people. How do you, as a faculty association, address that, and what is your recommendation of how to do that?

Dr Jacek: What we have to do increasingly is try to seek out the best people. You heard Peter George two days ago. Just to recall, he pointed out how hard my university, and it's true of the other universities, works to try to bring back Canadians who are outside the country, who are professors in the United States or in Asia or in Australia. We have to do that. We have to try to have our best and brightest educated here and prepare them to take the place of those of us who are retiring. We have to try to bring the Canadians home who are outside the country.

Quite frankly, if we could start a university the size of the University of Toronto and if we could staff it with all the great Canadian researchers and professors outside Canada, it would be better than Harvard University. It would be the equivalent of a Harvard or a Princeton. There are outstanding Canadians, and we have to bring

them home. One of the problems, if you want to bring a basic scientist home—a young Canadian scientist, if they take a job at, say, Florida State or any other state university, will probably be given over \$200,000 to equip a lab to get going in their first year. Ontario universities are lucky if they can provide half of that to a young scientist. If you're a young scientist, you want to establish your career, you want to have a good lab, you need a head start. If you look at what you're offered by an American state university and what you're offered by an Ontario university, you're going to say, "My career will advance much faster and I'll be much more productive if I work in the United States." That's the type of thing we're up against, not to mention the fact that that scientist will probably make 25% more in salary in an American state university.

The Chair: Thank you. We move to the NDP.

Mr Christopherson: Professor, welcome. Both of us are here for our swan songs. Do you want to join us next week? We're going across Ontario, wonderful northern Ontario in February. You've got to love it.

I just wanted to pick up on a key thing you mentioned, and that was that for the last couple of decades we've been living off the dividends of the investment made in the 1960s and 1970s. To his credit, Howard Hampton has been making the argument for a long time that a lot of the fruits we have now are the dividends, but they're running out, and if we don't make the reinvestment, they're not going to be there. I would draw to your attention comments today and yesterday, specifically yesterday, by Mary Webb, who is an economist with Scotiabank and also is chair of the finance committee of the Ontario Chamber of Commerce. She acknowledged the point—you hear New Democrats saying it all the time; I mention Mary because it's important to hear the other side making the same point—that we as a society and as a nation, and therefore as a province, cannot afford to base our competitiveness solely on the notion that whoever pays the lowest wages makes the most profit, that we can't win that game. I have pointed out that even in Mexico, where we lost a lot of jobs, even out of Hamilton directly to Mexico, you have southern Mexican workers undercutting northern Mexican workers. Chinese workers of course are now undercutting the southern Mexican workers. We can't even enter that game, let alone win it. She emphasized that at the end of the day, the value added for us is education, that that's the one area where we have all the pieces to constantly remain competitive.

I'm going to pick up where Mr Kwinter did, because it seems to me that this whole business of the shortage of skilled people goes all the way from carpenters and bricklayers to professors.

The Chair: Question, please.

Mr Christopherson: Yes, I know.

We have a shortage of doctors, a shortage of nurses, a shortage of teachers right across the whole system. I guess it's more of a statement than anything. I'm just supporting what you're saying, that there are other voices

making the same argument. I'll just give you a chance to comment, if you can.

Dr Jacek: When we did our survey, we asked people what they thought about the priority of investing in our universities. They said it's a very high priority, and they said they were disappointed that the government didn't give it as high a priority. That's probably my basic message here: move university investment up on your priority list. Make sure we are educating our best and brightest so that we can have a good quality of life in this province for the next generation.

The Chair: Thank you, sir. We appreciate your input, all of you. We'll take it forward in our considerations.

TORONTO DISASTER RELIEF COMMITTEE

The Chair: Our final group this morning is the Toronto Disaster Relief Committee, as it's titled. Please come forward and state your names clearly for the purpose of Hansard. You have up to 20 minutes, including your presentation and any questions that we may have time for afterwards. Welcome.

Ms Cathy Crowe: My name is Cathy Crowe. On my left is Carly Zwarenstein, the administrative assistant with the Toronto Disaster Relief Committee. On my right is Michael Shapcott, our research coordinator. I'm going to say a few words briefly, and then Michael will follow. Then we'd love to have lots of questions.

As you may know, I'm a street nurse and I'm on the steering committee of Toronto Disaster Relief Committee, which was formed in 1998, when we issued a declaration declaring homelessness a national disaster. That certainly was in response to what I and other people were seeing on the streets. We are also the secretariat for the National Housing and Homelessness Network and are in the process of launching a national 1% campaign which results in additional staffing. You will be hearing lots about this image and our 1% campaign, which is targeted federally but also provincially.

I want to give you a snapshot of what I and my colleagues are seeing on the streets of Toronto right now, just to tell you exactly where we are. It certainly applies to other communities.

Today in this city, as you know, shelters are full. I walked here today from downtown Toronto, and there are sleeping bags and lumps of people all over the city. They are men and women. They are elderly. Many have serious chronic illness, including cancer, chronic obstructive lung disease, heart disease, HIV and tuberculosis. Many are here from other communities. I rarely meet somebody born in Toronto. Just like any other setting that you're in, many have migrated here for work or other reasons—perhaps not enough services in their own community.

Tonight on the streets there will be close to 1,000 people still sleeping outside. It's shocking, but outreach workers in all the vans that go out agree with that number. They are all describing a horrific crisis that we are unable to resolve in any fashion without housing.

Men and women beg me to tell you that they are dying and that they desperately need shelter, but they also desperately need a housing policy, contributed, obviously, by the federal government but also by the province.

Men and women are dying and being born on the streets. There are 300 births that will happen among homeless women this year. The most sensational one happened recently right at our Nathan Phillips Square. It is estimated that hundreds of men and women die homeless every year in the city of Toronto, and Dr Stephen Hwang from St Michael's Hospital has done research that shows that.

1150

I just want to tell you that and to say that a group of 30 street nurses met last week in Toronto. Sometimes I find it's hard to be shocked, but at that meeting I was shocked. I was told by these nurses that they are giving chemotherapy to people with cancer in shelters, that they recently encountered a man with what's called a Cook's lock in his neck, which is for haemodialysis. They are frequently seeing people with serious, serious illness, and you should know that tuberculosis has returned and is actually classified as a micro-epidemic in Toronto. We've had 16 DNA-linked cases, three deaths and we are moving into inquest in the next few months into one of the deaths. So that's the snapshot. It's not an exaggeration. It's actually a minimization of what I see and hear. I'll turn to Michael now to talk about the solution.

Mr Michael Shapcott: I think the two questions that need to be asked after hearing how desperate the conditions are on the streets of Toronto and throughout the province are how did the situation get so bad and what can be done about it, and our specific recommendations to this committee.

I do want to point out that our submission to this committee is very short and to the point. I hope we get some credit for being very direct in terms of making very concrete suggestions and very specific observations.

How did we get to the situation we're in now? Ontario's housing policy since 1995 has really been de-housing Ontarians. On page 3 of our submission we talk about three very significant policies that have contributed to the housing crisis and homelessness disaster that Cathy has sketched out.

First of all the government, starting in 1995, slashed social housing and other affordable housing programs, starting by cancelling 17,000 social housing units that had been approved for development. Then it cancelled 3,000 rent-geared-to-income social housing units, starting in 1995, and then 3,300 rent supplement units in privately owned buildings, again starting in 1995. If you add that up, plus the units we've lost because the government stopped funding new social housing in 1995, we've had a cumulative loss of over 52,000 units and counting. The objective behind this decision to cancel social housing was that the government wanted to encourage construction of new private rental housing by removing

the so-called competition from co-op and non-profit housing.

Second, government policies since 1995 have been to gut rent control and tenant protection laws to allow rents to rise to “natural levels.” In fact, rents in most parts of the province are rising; they’re rising very rapidly, in most cases at the rate of inflation or double the rate of inflation. Last year, for instance, tenants in Ontario paid \$154 million more to their landlords than they did in the year 2001, yet tenant household incomes are stagnant or in some parts of the province actually declining. Rents are rising; tenant household incomes are stagnant or declining. Again, the policy objective behind this on the part of the government was to generate more money through higher rents and have that money invested in new private rental housing.

The third policy this government has pursued since 1995 is to offer public subsidies to private landlords, a package including direct rents, tax preferences and rent supplements. But private landlords haven’t been taking up these handouts that are being offered by the government. Indeed, the government’s own policy experts, the Ontario Housing Supply Working Group, in a report released just a couple of months ago said that while they wanted to have even richer public subsidies for private landlords—and I’m quoting from the report—“none of [these] measures ... would be sufficient to result in new rental projects which are affordable to tenants with very low incomes.” So we’re providing expensive subsidies for new housing but it’s not reaching the people who need it the most.

I think the best way to judge the success of the Ontario government’s housing policy since 1995 is to look at what they said they wanted to do and what’s actually happened. The very first Minister of Housing in the current government, Minister Al Leach, said in December 1995 that once the government had fully implemented its housing strategy, there would be 20,000 new rental housing units in Toronto alone plus many thousands more throughout the rest of the province. Minister Leach was of course very wrong. Not only has there been a net loss of private rental units in Toronto and across the province, but we can in fact quantify that very exactly. Canada Mortgage and Housing Corp in numbers released last November has shown that Ontario has lost 13,258 private rental units since 1995. So all these policies designed to encourage new private rental development have in fact led to fewer units in the province. Then when you add the cuts to subsidized units by the province, which I mentioned earlier, we see why we have such a severe province-wide housing crisis and a homelessness disaster.

The Ontario government, of course, has announced that it will provide a very small contribution to a federal-municipal housing program that was announced in November. Ontario will be paying about \$4 million a year over five years as its contribution to that program, but that is a very minor contribution.

We’re still seeing a problem in terms of supply and affordability. So specifically, our recommendations to this committee are that we urge this committee in its pre-budget report to the Ontario Legislature to recognize that the housing policies that have been pursued by the government since 1995—the facts show that they have made affordability and supply problems worse for renter households throughout the province. They need to be reversed, and in particular, Ontario needs a new social housing supply program.

We’re recommending 13,000 units at a cost annually of \$650 million; the province provide full matching share to the affordable housing program—that would be \$49 million as Ontario’s contribution annually—the province reassume funding for existing social housing, \$850 million annually; the province provide rent supplements for tenants moving into new social housing and other units, \$50 million annually; and finally, the province provide new rent supplements for tenants living in existing units, at a cost of \$136 million annually.

We’re also recommending, although we don’t have a dollar amount to put on this, that the province increase its per diems to municipalities for homeless shelters, because as Cathy has said and as we know, the conditions in many homeless shelters are below standards set by the United Nations. The exact amount of the per diem should be based on consultation with shelter operators, municipalities and community-based groups.

Finally, we’d like to urge this committee to urge the Legislature to adopt the recommendation of the coroner’s jury in the Kimberly Rogers inquest to increase social assistance to realistic levels, to the actual cost of housing, the cost of food and the other costs that Ontario Works and Ontario disability support program recipients actually have to pay.

Because of the cuts of the government to welfare in 1995 and no increases since then, welfare recipients have faced dramatically increasing rents and increasing costs of food and other necessities. We’ve estimated that it should be about \$850 million to bring welfare to a more appropriate level. We’re not sure if that’s an exact number, but that’s our best estimate at this point.

Those are our recommendations. We’d be happy to answer any questions.

The Chair: Thank you. We have just about two minutes each, beginning with the official opposition.

Mr Kwinter: Thank you very much for your presentation. The stereotypical view of the homeless is some figure with a blanket lying over a grate in the street. But in my riding I’ve got probably one of the largest concentrations of seniors in Ontario. I have people coming in to see me regularly. These are people who have been contributors to society, are now elderly and find that they can’t pay their rent. They may be getting a pension, but the rent is utilizing 70%, 80% of what they get. They’re saying, “Pretty soon I’m going to be out on the street.” They’re not just using that as sort of a figure of speech. They’re saying, “I am literally going to be out on the

street.” These aren’t, as I say, the people you’d normally think are homeless.

Do you have any figures as to how many of these people are literally just hanging on by their fingernails and are going to be in that kind of a situation?

Mr Shapcott: There are numbers that have been generated through a study called Where’s Home? Many municipalities across the province have done studies on homelessness and people who are close to being homeless, and what they find is that typically about one in every four tenant households in the province of Ontario is about one rent cheque away from being homeless.

What we see, though, in many homeless shelters like in Brampton, in Mr Spina’s home community, or in Oshawa and other places—we’re hearing reports that between one third and one half of the people who are in homeless shelters are working people, people with jobs who simply can’t find housing that’s affordable with the paycheque they have.

In the city of Toronto, there are over 400 seniors who are homeless. There are 300 pregnant women who are homeless. We’ve all witnessed the tragedy that happened last Sunday of a pregnant woman giving birth in Nathan Phillips Square in Toronto. This province was unable to provide that woman with any kind of housing or any kind of support or help before her pregnancy, but now she seems to be getting some assistance from the police in terms of being charged and hauled in front the courts and possibly jailed. I think that is indicative as well of the kind of misplaced priorities. If the housing and specific supports are in place, then we could deal with some of these situations.

1200

The Chair: We move to the third party.

Mr Christopherson: Thank you for your presentation. Mr Hugh Mackenzie was in here the other day as one of our expert witnesses and advised that the cumulative amount of the tax cuts to date is about \$14 billion. He mentioned parenthetically that \$700 million of that was to carry the debt to pay those tax cuts when the budget was still in deficit. But \$14 billion. We had five or six years of the biggest economic boom that North America—not Ontario but North America—has ever seen, and of course the argument during the good times is that we need to have these tax cuts so we can ride the wave and be on the cutting edge and win in competitiveness. They’re all wonderful arguments. The problem is that the money then goes into the tax cuts rather than going into health, education, affordable housing, the environment etc, all the things that make society worth living in.

Now we’re getting into the bad times. The same folks are coming in, wanting more tax cuts, only this time the argument is, because the economy is doing so poorly, now we’ve got to have the tax cuts to have the incentives and to remain competitive. Again, to some degree there’s an argument there, but in both scenarios, the money goes into the tax cuts but it never finds its way back into

society, which is what the tax cuts were supposed to do, based on those arguments.

I want to give you an opportunity just to give a couple of short sentences to those people—very honest, legitimate, good people—who believe that the tax cuts are the way we’re going get ourselves out of all these issues. Make the pitch to them that this doesn’t work for us.

Mr Shapcott: The argument we’re putting forward is what we call the 1% solution. It’s based on an observation that back in the early 1990s, governments used to spend about 1% of their overall budgets on housing. We’re saying that government should double that, add an additional 1%. It’s a modest amount of money, set against the overall scale of things, but what that money buys is significant amounts of housing. We’ve mentioned the numbers: 15,000 units of housing annually, which is about what Ontario was building in the years up to 1995. It will deal with the huge social deficit that is here in this province. So the overall proposal is very modest in the scale of things, and it’s certainly very affordable when we begin to see those kinds of numbers in terms of how much money is being put into tax cuts versus social programs.

The final thing I want to say is that I know the Ontario government does a lot of polling, because I see some of their polls, and I know that the national government does polling, because they share some of their polls with us. All the polls show that the majority of Ontarians and the majority of Canadians want governments to do something about housing and are prepared even to spend additional tax dollars to solve the housing problem. There’s a huge amount of goodwill in this province to deal with the housing problem, and I know from private conversations I’ve had with Mr O’Toole and others from time to time that many government members and others recognize that people across this province want the government to take some positive action involving the housing and homelessness disaster.

The Chair: We now move to the government for the final two minutes.

Mr O’Toole: I’ll probably make a statement, sort of supportive in some respects. I just preface it by saying I’m kind of a fundamentalist guy. I believe that you’ve got to have the economy to have the quality of life. It’s that simple. I look at Afghanistan, and they have no economy, so everything else is in disarray: struggles, tribalism. It’s bad. I’m a Conservative because I believe in the economic principles of order and stuff like that, so we might fall apart on some of what I call the precipitous problem you’ve described. I don’t disagree with any of it. The cause? There aren’t single causes; there are multiple causes. In the unfortunate case of the child being abandoned by a mother, there were a lot of different reasons, I’m sure.

This is the second presentation. Your co-producers the other day, who are called the Canadian whatever; they live at the same address as you and had the same message. What I’m saying is that the landlords aren’t building, even though Al Leach said they would. So I

ask, why aren't they building? Well, they're not building because there's no money in it, so they're finding other ways and other places to do it. Building in my area is going through the roof. The people who can get out, get out, and you get the precipitous decay. Social costs increase, whether it's the homeless patrols, more shelters, more money for shelters. The precipitous is that you've got to raise the taxes to pay the bills, eventually, to pay the public servants who are, in good spirit, doing all their things. So you raise the taxes and you make the problem even worse, because affordable housing is now ratcheted up because of the cost of the taxes—

The Chair: Quickly, please.

Mr O'Toole: My point is that it's precipitous. My question to you is, how do you stop it? I have children who work in Toronto. They couldn't afford to live here.

The Chair: Is there a question?

Mr O'Toole: The question is, how do you stop the precipitous—who would ever build affordable housing in Toronto except government?

Ms Crowe: You should be building it. If it had been built, we wouldn't have gotten to where we are. The mother who delivered her baby at city hall was abandoned not just by the city but by this province. People have to realize that your government is being recognized as one of the few governments in the western world that does not build social housing. You'd better start doing it—

Mr O'Toole: All the money that's in social housing—

The Chair: Let Ms Crowe answer.

Ms Crowe: —because people cannot get jobs or go to work unless they have a place to live.

The other thing is, I just want to point out, because it seemed a bit sarcastic when you mentioned the other group that has the same address—

Mr O'Toole: No, no. I agree working together is a positive.

Ms Crowe: Many organizations have addresses in other Cadillac Fairview buildings. For example—I would like to know the name of the group you were referring to, because it seemed very offhand and disrespectful.

Mr O'Toole: No, no, it was just—

The Chair: Perhaps that could be resolved after we conclude.

Ms Crowe: I'd appreciate it, because I felt that if they're here—

Mr O'Toole: Canadian Pensioners Concerned.

Ms Crowe: That's a pretty reputable group, speaking of Mr Kwinter's comment. Thank you.

Mr Shapcott: Could I just quickly say something to Mr O'Toole? Your comment about your children not being able to find affordable housing is of course more than just a personal situation for your family. Canada Mortgage and Housing Corp analysts say that one of the key reasons we can have an Ontario rental vacancy rate that's increasing—somewhat slightly, but increasing—yet at the same time have a huge affordable housing crisis is that young people who used to leave home at a certain age, get a job and get their own place to live are

no longer able to do that because there's no affordable housing for them.

I know, Mr O'Toole, that you and I have talked about this issue. Many of your colleagues in many parts of the province have said the very same thing to me, that in their communities young people are finding a problem and seniors are finding a problem.

The solution is very simple. The solution is not to make it either/or—either we have a good economy or we invest in good-quality social housing—but to have both. In this very rich province, in this very rich country, why can't we have a government which recognizes there's a priority for taking care of people who have affordable housing needs?

The Chair: Thank you, sir, and thank you, Ms Crowe. We appreciate your presentations.

That concludes our presentations this morning.

Mr Sampson: On a point of order, Mr Chair: We've had a number of presentations this morning and yesterday. We're going to hear some this afternoon and then go on the road around the province. We have this so far, which is kind of a mind-boggling assembly of presentations. I think you are receiving some presentations that aren't even coming before the committee. I'm wondering whether we can get the research officers to condense these into some charts, if they can. I would like to know the names of the presenters, with a brief description of the issues they're raising—and many of them have dollar amounts attached to them. I would like to have that, and cross-referenced. If we have two different groups making the same pitch, I'd like to have that boiled down into issues as well. Do you see what I'm saying? So by name and then by issue, and if I can have a dollar amount. I've lost track of how much people have asked us to spend so far, and I'd like to be able to get a handle on that.

We're going to be asked to make some recommendations that will require some choices to be made. I don't think there's anybody in this province who believes we have—a current number—\$20 billion to spend on additional expenditures in this province. That's my current rough tally that I've been using. All of us, the members opposite and here, are going to have to make recommendations that reflect some choices.

I'd like to have that, and as a member of this committee I think I would be entitled to that in order to justify and be able to come up with my opinion and my input when we do our report writing.

The Chair: To verify this, I just want to paraphrase it and then I'll give you a chance, Mr Christopherson.

You'd like a summary of presenters and the dollar tab, also broken down by issue, and the overlap eliminated between presenters as long as it addresses the same issue.

Mr Sampson: No. I'd like to have both. I'd like the presenter, the issue that's being addressed—for instance, we just saw one here. One of theirs was—

The Chair: Yes, and then broken down by issues and a tally.

1210

Mr Sampson: The number, and then a cross-reference for issues. This group has come forward on homelessness and the pensioners came forward with it, so it's two groups saying the same thing. They might have different numbers. It would be nice to see if their guesstimate of that number is different. I don't know how anybody in this committee can mindfully and properly make recommendations without that information.

The Chair: I think we have the gist of your request, sir.

Mr Christopherson: I hear what the member is saying and I suspect very strongly that this follows on nicely Mr O'Toole's comment the other day about all the barking dogs, which of course was his label for people who come in and say that certain investments need to be made. That's fine; we understand that game. If we want to pull those things together, fair enough. They're really happening.

But I would also ask that on the other side of the ledger there be the same kind of accounting and the same kind of tally as to what the total is and will be for all the tax cuts that all the groups are coming in here asking for too. As you well know as a former parliamentary assistant, as I was, to the Minister of Finance, a tax cut is as much an expenditure as investing in education or affordable housing. In terms of accounting, a tax expenditure is a tax cut. So if we're going to go down that road, fair enough, but I would like the other side of the ledger to be total and complete, using the same rationale and the same thinking that's going into the other expenditure requests that are being made.

Mr Sampson: To follow on that point, I didn't say we should pick one presenter over another. I said all of them, and I do mean all of them. If somebody has come forward with a tax cut suggestion to the extent that either they've priced it or research has some knowledge that we don't have, let's see it. I think we need to balance all of them. How can you do that unless they're in front of you?

The Chair: I appreciate that. I'm going to allow the researcher to explain his position here.

Mr Larry Johnston: We do have an agreement coming out of the subcommittee meeting that research will provide a summary of testimony that will be available the first week after the hearings have finished. In the normal course of events, that would arrange the recommendations by topic, identifying the presenters who have made recommendations. Typically, for the purposes of brevity, we will group together presenters who have made identical recommendations into a paragraph. We did do last year for the committee a tally of the spending requests and a tally of the tax cut requests. We did that last year and we can do that again this year.

Mr O'Toole: Mr Chair, I agree, and I recall last year that it was very helpful. I do keep all this stuff; honest to God, I keep it. I think it's the most important thing we do. I'm not just grandstanding. They are the position

papers of those provincial organizations, whether it's agriculture, housing or whatever. I need the definitive paper. I keep this stuff.

My point is that a summary is not what I want. I want it very simplified, similar to Mr Sampson, and I have it. I do it on my own schedule sheets. That's how I do it. I try to boil it down to what their issue was. What's missing is the dollar thing.

The Chair: Then clearly you should have a sample of last year's report as well.

Mr O'Toole: Yes, I do. I still have it.

Mr Sampson: I think I'm asking for more than just last year's report. I need this on an ongoing basis. I don't need it two weeks after people have come before us. I need that as they come forward. Mr Kwinter has been doing a good thing in keeping the banks and their economists honest by saying, "You said it was 3% and the guy next to you said 2%." My brain is not smart enough to do that. I need a little help in doing this. If we can have that ongoing information and start off the tour of the province on Monday, so that when people come forward—I need to have this. I'm asking the committee Chair to instruct the researchers to do that for us.

The Chair: OK. Thank you.

Mr Christopherson: I sort of got my oar in the water, but I expected that once we heard from the research officer, common sense, if you will, would prevail.

The reports we've gotten in the past—and I understand that maybe this is your first go-round, Rob, but a few of us have done this a lot of times, and as confusing as it is and difficult to stay on top of, there are eventually trend lines. As we move through the communities we hear a micro-version of the health issue we heard, we hear a micro-version of the tax issue in, say, agriculture that we would hear province-wide here and we might hear something specific when we're in Thunder Bay next week. The report, at the end of the day, does pull all that together so that we're not attempting to do that. Our job is to try to focus on each of these presentations.

Here's my concern. My concern is that the reason is—and maybe not you specifically, but you made the recommendation—that it's a nice little political tool so that when somebody comes in with another proposal, say, for a community health program when we're in Sudbury, you can say, "Wait a minute. We've already had—my goodness, look at this—\$2 billion worth of requests." Obviously, that is meant to tell individuals and their recommendations that they are just one more barking dog, to quote Mr O'Toole.

Interjection.

Mr Christopherson: You made that comment; you've got to stand by it. That's the way it works around here. You made that comment. You called them barking dogs.

That's my concern, Rob. It's not that you don't want a useful tool but that it may be used in that fashion. We do have a report at the end of the day that has worked so far over the years for each of the caucuses, and I would

worry about what the real intent is. I would tell you, the amount of staff labour involved in staying on top of that kind of thing, on a daily basis yet, is incredible. Given the fact that this is our last day in Toronto and we've got four days on the road, I think to change the process halfway is equally problematic.

The Chair: I'm going to stop this debate right now and ask Mr Johnston if he has any further comments to make on this issue and whether he can do it.

Before he does that, I want to remind the committee that our purpose here is to listen to the input of the organizations that come before this committee. It is not our role to engage in great debates to do what you specifically indicated, Mr Christopherson, and say to a group, "Look, we've already had requests for \$2 billion. Why are you asking us for X amount in your community?" or whatever. It is not our role to get into that debate with these individuals. It is our role, I remind the committee, to receive input from all of the deputants. Then we can get into the debate as to what we choose to put into the report in our recommendations to the minister.

On that note, I will ask Mr Johnston if he has any further comments to make.

Mr Johnston: I would just point out the difficulty of turning around the material on a daily basis, for a couple of reasons. One is that there are written submissions coming in, so while I'm here making notes and listening to the presenters that are happening here, there are other things coming in through the clerk's office that I then have to incorporate at a later point. The other thing is that sometimes requests come through in the course of the questioning between the members and the presenters and, to be fully accurate, sometimes I need to have access to Hansard to be able to make sure I'm reporting correctly what was said, and that's going to take a day or two.

It's not usual for us to provide a summary on a day-by-day basis, particularly in this kind of setting. We could try to put a summary together of the first week before we go on the road, but then the problem is, when we're on the road, that we don't have the same access to resources when we're in hotels. I just draw those things to your attention in terms of the difficulties this may present.

The Chair: Thank you. I indicated that was all the debate I would engage in. Thank you very much, ladies and gentlemen. This committee will recess until 1 o'clock.

The committee recessed from 1219 to 1303.

The Chair: Good afternoon. This committee will come to order. We apologize for the delay. We were a little tardy in recessing, and it became a little bit of a challenge to try to have lunch and return phone calls etc.

CANADIAN LIFE AND HEALTH
INSURANCE ASSOCIATION

The Chair: We welcome the Canadian Life and Health Insurance Association. I would ask that you

please state your names for the purposes of Hansard. You have up to 20 minutes, including your presentation and any questions thereafter.

Mr Mark Daniels: I'm Mark Daniels, president of the Canadian Life and Health Insurance Association. With me today is my colleague Jim Witol, vice-president of taxation and research for the association.

At the outset, I'd like to thank the committee for providing us with the opportunity today to participate in your pre-budget consultations. The committee is clearly an important resource for the finance minister in terms of better understanding the economic and social priorities of Ontarians in the context of provincial budget planning. In this context, we hope our submission and comments—it's this blue document here—will provide a constructive contribution to your work.

Before I address the main points of our submission, I thought it would be helpful to provide the committee with a brief overview of the life and health insurance industry in Ontario. The head offices of 79 life and health insurers are located here in the province of Ontario. The industry directly employs 58,000 Ontarians. Life and health insurers protect the financial future of 9.6 million Ontarians. Total annual benefits paid to Ontarians are \$20 billion—that's a little over \$50 million a day. And the industry has over \$110 billion invested in the province. These figures help to underscore the fact that our industry is a major economic and social contributor to the province.

At the outset, we'd like to take this opportunity as well to commend the government for having maintained a balanced budget since 1999 and also for having paid down provincial debt by over \$4 billion. These are extremely important measures that have undoubtedly contributed greatly to the province's continued economic growth over recent years.

I would like to now touch briefly on some of the key recommendations contained in our submission to the committee.

First of all, Ontario imposes a 2% tax on premiums for supplementary health, disability and life insurance. Furthermore, Ontario and Quebec are the only two jurisdictions in North America that impose a retail sales tax—8% in Ontario—on premiums for group insurance, which includes supplementary health, disability and life insurance. In total, these two taxes—the premium tax and the retail tax—add \$950 million to the cost of supplementary health insurance, disability insurance and life insurance annually for Ontarians.

In light of the time available today and the health reform challenges with which Canada's governments are presently grappling, I would like to focus my remarks on the negative impact these taxes have on supplementary health care plans.

Supplementary health insurance plans are an absolutely key component of Ontario's health care and health financing system. In 2001, they provided over \$6 billion in financial resources to meet the health care needs of Ontarians not covered by Ontario's public health system.

They also play a major role in reducing cost pressures on Ontario's hard-pressed public health insurance system. One component of this role was \$2.4 billion in prescription medications for Ontarians. Another component was cash payments of about \$600 million to Ontario's hospitals from supplementary health insurance plans.

As Minister Ecker noted in her remarks to this committee on Monday, the financing of health care remains a particular challenge to Ontario and other provinces across the country. In the context of the challenge identified by the minister, it makes no sense whatsoever for Ontario's tax system to put financial disincentives in place which raise the cost of, and discourage the use of, supplementary health insurance. The total burden of Ontario's premium and retail sales tax on supplementary health plans is about \$520 million annually. By contrast, Australia provides a 30% tax credit to encourage the purchase of supplementary health insurance.

It should be noted that Ontario's premium and retail sales taxes also make disability income protection less affordable at a time when disability income needs are increasing and CPP disability income benefits are increasingly difficult for Ontarians to qualify for. Eliminating this \$220-million tax burden on disability insurance would make protection more affordable.

We therefore urge the committee to recommend that the premium and retail sales taxes on health, disability and life insurance be eliminated. This would make these plans much more affordable for Ontarians.

One final issue that we would like to draw to the committee's attention is capital taxes. This is a familiar theme, I'm sure, in this forum. Ontario, as you know, is one of only four Canadian provinces—the others being Quebec, Nova Scotia and Manitoba—to impose capital taxes on life and health insurers. It is widely recognized that financial institution capital taxes are a tax on solvency that impairs the safety and soundness of our financial services sector. Indeed, the Ontario Business Tax Review Panel concluded in 2000, "The capital tax serves as a deterrent to attracting international investment," and recommended that Ontario eliminate the capital tax. We urge this committee to recommend that the government take action to eliminate the capital tax that applies to life and health insurers.

1310

To sum up, we recommend that Ontario take steps to eliminate premium tax and retail sales taxes on group insurance premiums, and capital tax. If fiscal constraints make it difficult for the government to take these worthwhile measures immediately, then partial rollbacks of the taxes, such as on health insurance premiums, or phased-in rate reductions, as was done for the retail sales tax in the case of auto insurance premiums, should be considered.

This concludes our opening remarks. I'd like to again thank you and your colleagues for providing the industry with this important opportunity to contribute to your work. We're prepared to explore in detail any areas which may be of special interest.

The Chair: Thank you, Mr Daniels. If that is everything, then that leaves us about three minutes for each caucus, and we begin with the third party.

Mr Christopherson: Thank you very much for your presentation. I think you've been here before—certainly your organization, many times.

Mr Daniels: I have, yes. We've been before this panel before.

Mr Christopherson: I knew the organization had and I thought you had, but I didn't want to be too presumptuous. The reason I mention that is, because you've been here before and your organization has been involved in these kinds of consultations for quite some time, you're familiar with the kinds of presentations we generally get. By now of course, the fourth day into the hearings, we've heard an awful lot about the crisis that exists in health care and education and environmental protection, affordable housing, and the list goes on and on. Given that your recommendations involve tax cuts, which would mean less revenue, I'm going to assume—and you can correct me if I'm wrong—and that you wouldn't recommend that we cut those areas that are being identified as in crisis any further, that leaves us with only one alternative, and that is a one-off, meaning that if you're going to cut one tax and you're not just going to cut an expenditure somewhere else, then you've got to raise a tax somewhere so that it's revenue neutral. I wonder if you could help us identify what taxes you think we should increase to offset the ones that you want decreased.

Mr Daniels: Yes, I have been in this forum before and others like it. Of course, whenever industry officials get in they recommend that a tax be reduced. It's perfectly reasonable for you to come back and say, "OK, how are you going to finance this?" I frankly would resist, and always have, the idea that I'm going to put the finger on some other sector of the economy. I think there are other ways to deal with that, and that's expenditure reduction. I mean, it's not just tax increase. I, by the way, agree with you—I think we all would—that education and health are key elements of provincial concern and a big chunk of the budget.

Our concern is to point out to this committee that the supplementary health care plans are an extremely important component of Ontario's total health care package, and the idea that we're ripping an additional \$1 billion a year out of that sector—and it comes out of the hides of both employers and individuals, because a lot of these are group plans. We are simply saying that in that overall mix it doesn't make a whole lot of sense to us in the current environment that we would be taxing that group as heavily.

I simply pointed out in the case of the retail sales tax, which is virtually unique except for Quebec in all of North America, that this government decided, I guess a couple of years ago, to start phasing out that retail sales tax on auto insurance premiums. We're saying fine, we recognize the revenue scramble governments are in right now, but one way to do this is at least start moving in the

right direction. That's my answer, and I'm not recommending a particular tax that you go after.

Mr Christopherson: I appreciate that, but you do realize the dilemma that leaves. At some point somebody does have to do that, and if you spent some time here and heard some of the things we have, I think you'd appreciate why I'm asking the question. We were hearing about people literally dying on our streets, and that's not over the top; that is happening right here in this city where we're holding these hearings. So, to be fair, when you want further tax cuts and you say, "Well, I don't think we should raise a tax to offset it," fair enough. Then you say it should come out of expenditures but not health and education. Well then, really, where do we go? I'm assuming that you don't want us to go into deficit to pay for your tax cut, and that leaves us with, what, environment, the Ministry of Labour, the Ministry of Agriculture? Where do we go to give you the tax benefit you're seeking today?

Mr Daniels: Excuse me again, Mr Chairman; let's be clear it's not the industry that's seeking this benefit. It's the people who use these health insurance plans who are paying for them.

Mr Christopherson: I'm sorry; with all due respect, you're the first one to come in and ask for these reductions.

Mr Daniels: This tax benefit doesn't accrue to the industry. It's paid by the customers of supplementary insurance plans.

Mr Christopherson: But the cheaper they are, the more you'll sell.

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

Mr O'Toole: First, I just wanted to speak respectfully, Mark, to the work you're doing in this industry and how important this industry is. I think you mentioned a couple of things on the importance of the sales tax. Of course, we have heard that in the past. Some of these are repeat recommendations. In fact, let me check the date here—

Mr Daniels: I'll send a recording next year.

Mr Christopherson: I won't be here next year, if that helps.

Mr O'Toole: Yes, but the city of Hamilton has a lot of—

Mr Sampson: You might be actually arguing for the tax cuts next year.

Mr O'Toole: Exactly, because you'll be the payer.

Mr Sampson: Let's not go there.

Mr Christopherson: Don't hold your breath; I want infrastructure.

Mr O'Toole: Let's go another route, because—

The Chair: Can we stick to the topic?

Mr O'Toole: It's true. He may not even be the mayor. So there you go. Then he'll be back here as a lobbyist.

The payroll issue: how could we most effectively help to create jobs? That's ultimately what this government tries to think it's creating: opportunities for people. Some of these things are specifically payroll issues.

Mr Daniels: I think, Mr O'Toole, you've almost given the answer. It's an employment tax, and employment taxes certainly discourage employment. They put up the cost of adding employees on the payroll. That's a very clear indicator. You'll hear that from business groups on almost any kind of payroll tax. The reason we focus on this particular—I mean, we don't like any of these retail taxes on employment, but on the health care front in particular we think you get a double-barrelled problem because supplementary health care is such an important piece of the whole equation for health care in Ontario.

Mr O'Toole: I just have two more points. First, on the capital tax side, on your investment side of your business, I guess, we had the CFIB tell us that we pretty well hit that utility factor on capital tax, that Quebec's plan is probably the best one. It's where it's all new capital, if you don't put capital tax on. You can respond to that one, just on the new part. Let the existing business plans work themselves out, because they established their plan based on the current rules. The other part, though, is when a person buys supplemental health insurance—I didn't think there was any private health in Canada. The Prime Minister of Canada said there's no private health. I almost fell off my chair during the last federal election, because he is either ignorant or lying. As the Prime Minister he's either ignorant or lying. I'm on the record here saying that. Because 40% of health care is private, through insurance: dental, auditory, vision, drugs. I've got it all through work. It's insurance. WSIB is all private money, it's insurance money—

The Chair: Question, please.

Mr O'Toole: And this—you're adding more to it; 50% of the money in health care is private. Am I right or wrong there?

Mr Daniels: I'll let Jim handle the capital tax issue. I'll just say your number at 40 is a bit high, but the third-largest payer in the country on health care is the private insurers. The biggest payer is the province of Ontario. The second is the province of Quebec. The third are the insurance companies. Of the total \$100-billion bill that's paid annually roughly on health costs everywhere, \$13 billion is paid by supplementary health care plans. About 20% is paid by individuals for out-of-pocket—

1320

Mr O'Toole: So that would be private health—

Mr Daniels: That's private, but the 20% is people buying Aspirin and stuff, so that comes out to a third, and the rest is government.

The Chair: We move to the official opposition.

Mr Kwinter: I just want to pursue a situation. At the present time, about 80% of Ontarians have supplementary health insurance. Is that a correct number?

Mr Jim Witol: Between 70% and 80%.

Mr Kwinter: Of that number, how much is paid for by employers and how much is paid for by individuals? There are individuals who get supplementary plans, and they pay for that. What is the ratio?

Mr Witol: About 90% of the costs are paid by employers.

Mr Kwinter: The reason I'm asking that question, because it really illustrates your point, is that it is a tax on employment.

Mr Daniels: Sure it is.

Mr Kwinter: It isn't as if these people are going out and paying—if you're not working, very few people, relatively speaking, get supplementary health plans. Really, if it's part of their employment package, they have it; if it isn't, it isn't. So I agree with you. I think this tax is really a tax on employers, and it's not of benefit to the insurance companies, because that's money that would be forgone by the employee if they didn't have to pay it.

Interjections.

The Chair: Allow the gentleman to answer, please.

Mr Daniels: Well, only because—you've hit the nail on the head. Of course, what's happening with rising drug prices and rising supplementary costs and so forth is that prices of these services are going up. The benefits consultants, who are basically the intermediaries between the employers and the insurance companies, are trying hard to repackage benefits. You find that the prices are going up to the employers anyway, and on to this you whap an additional \$520 million worth of taxes. What it means is that you find shaving back; benefits are being shaved here and there. On the whole, I think it's moving in exactly the wrong direction, notwithstanding the very legitimate question Mr Christopherson asks: who's going to pay for it? What are you giving up?

Mr Kwinter: The auto insurance sector was in here the other day, and they showed a very dramatic increase in premiums, so dramatic that it's actually impacting on the rate of inflation.

Mr Daniels: Yes, it is.

Mr Kwinter: How does that relate to your industry? Are you having the same sort of thing occur, or is it not as great?

Mr Witol: It's not as great. There are portions of the overall bill that are going up that fast, such as prescription drugs, but there are other parts of the bill, dental and other things, that aren't growing as fast.

Mr Daniels: Autos and general insurance have had a particular set of issues in the last few years, indeed through a good part of the last decade, and have seen costs going up for a variety of reasons. We haven't experienced the same but, as Jim said, the one area where we're seeing double-digit increases is in the cost of pharmaceuticals.

The Chair: Thank you, Mr Daniels and Mr Witol. We appreciate your input today.

ADVOCACY CENTRE
FOR TENANTS ONTARIO

The Chair: The next presenter is the Advocacy Centre for Tenants Ontario, if you would please come forward. I would ask that you please state your names

clearly for the purposes of Hansard. I think you are aware of the 20 minutes, including your presentation and questions. Welcome.

Ms Kathy Laird: Thank you. I'm Kathy Laird, legal director of the Advocacy Centre for Tenants Ontario. With me today are Mary Todorow, who is our researcher and policy analyst, and Jennifer Ramsey, who is our advocacy coordinator.

The Advocacy Centre for Tenants Ontario is a community legal clinic that's funded by Legal Aid Ontario to do test-case litigation and advocacy for low-income tenants and the homeless across Ontario. I want to highlight for the committee members today two housing issues that we believe must be addressed as priority areas for investment in the 2003 budget.

The first issue will be no surprise. It is the well-documented need for more affordable housing in Ontario. The Where's Home? Study, released in 1999 by the Ontario Non-Profit Housing Association and the Co-operative Housing Federation of Canada, estimated that the province was facing a rental housing deficit of 74,000 units at that time. This estimate was based on a CMHC report that indicated that between 12,000 and 20,000 new units would be needed annually between 1996 and 2001, and 20,000 units annually every year thereafter. The Centre for Urban and Community Studies at the University of Toronto estimated that 18,000 new units are needed a year. The numbers vary, but the picture is the same. There's a huge gap between the demand for and the supply of rental accommodation.

There has been little new accommodation built since the cancellation of Ontario's social housing program in 1995. In addition, the supply of existing rental units has been decreasing. Between 1991 and 2001, Ontario lost over 24,000 private rental units to demolition and conversion, resulting in a net loss of over 7,000 units. This means that, on average, Ontario is losing almost 50% more private rental housing than is being built each year.

The rental housing supply that remains is increasingly unaffordable. Average rents across Ontario rose by 26% between 1995 and 2002, outpacing the 15% increase in the consumer price index. In the Toronto CMA, where 44% of Ontario's tenants live, the average overall rent increase was 32% between 1995 and 2002. That's more than double the rate of inflation.

The dismal fact is that tenants are spending more and more of their income on rent and are cutting back on other necessities. We'll soon have the updated census information from 2001, but the figures from the last census show that almost one in four tenant households in Ontario is paying more than 50% of their income on housing. That's putting them at considerable risk of homelessness.

On average, renter households in Ontario have half the incomes of homeowner households. The after-tax median household income for Ontario renter households was \$23,000 in 1999. That's virtually unchanged from 15 years earlier. The gap between the median income of

homeowners and renters grew by 22% in the 15-year period between 1984 and 1999.

ACTO operates a tenant duty counsel program at all locations of the Ontario Rental Housing Tribunal across Ontario. Day in and day out through that program, we see tenant households ordered out of their housing on the basis of relatively low debts to their landlords. In 2001, landlords filed over 60,000 eviction applications. In those applications, the median rent owing was \$726. That's less than the monthly average rent, which was \$815. So it's a relatively small amount of money, and it's resulting in record numbers of evictions.

How can the province begin to turn around this bleak scenario? Only by a serious commitment to building new housing that will be affordable even to those with the lowest incomes. This can't be done without adequate funding, starting with full matching funding, new-dollar contributions to the full extent of the \$245 million available to this province under the federal-provincial affordable housing program. The Ontario Alternative Budget Working Group, which was here earlier, has indicated that \$49 million would cover the full provincial share of this program. Even if fully implemented, however, this would only generate 2,000 new units a year over five years, and that's much less than the numbers that CMHC has told us are needed. In addition, the rents for those new units won't be affordable to our clients, to low-income Ontarians who need it most, because "affordable" for the purpose of that program is defined as average CMHC market rents. And of course, there is no long-term guarantee of affordability in that program.

ACTO agrees with the recommendations made by the Ontario Alternative Budget Working Group and supported by the Housing and Homelessness Network in Ontario that other measures are also needed, and I'll set those out: first, a new unilateral Ontario-funded social housing supply program to provide capital subsidies for 13,000 new units annually. That would cost \$650 million. The province should reassume from municipalities the cost of financing existing social housing. The cost of that would be \$850 million. Third are rent supplements for 10,000 new units, at a cost of \$50 million. And finally, new rent supplements for 27,000 existing units, at a cost of \$136 million.

1330

Addressing the affordable housing crisis in Ontario is going to cost money. That's a fact, and the government's own housing supply working group in the fall of 2000 emphasized that in its report, stating, "no one—not the private sector, the government nor the non-profit sector—can build new housing which will be affordable to those with the lowest of incomes, unless significant subsidies are provided." Those are their words and of course they are no surprise to anyone who's been studying the rental housing market in Ontario for many decades.

I would ask the government and the committee to question whether we can all afford the growing social and economic costs associated with Ontario not having

anywhere near the adequate supply of affordable housing: rising evictions, homelessness, family breakdown and dislocation. Children are being raised in shelters and motel strips in this city and across the province. I want you to think about all the loss of productivity and potential as people's energies are drained just to keep a roof over their heads.

The second housing issue I want to address here today is the inadequacy of the shelter allowance component of social assistance, particularly for recipients of Ontario Works. The shelter allowance portion of welfare cheques has not changed since 1995, when Ontario cut welfare rates by 21%. Rents have increased dramatically since then, forcing welfare recipients to use the food portion of their cheques to pay for their rent.

Members of this committee may not be aware that 95% of Ontario Works recipients are tenants but only 18% of recipients live in subsidized housing. In other words, the vast majority of people on Ontario Works live in the private rental market. Currently, a single mother with two children who lives in Ontario receives a shelter allowance of \$554 a month. That's the maximum. You can compare this to the average rent in Toronto for a two-bedroom apartment, which is \$1,047, the highest average two-bedroom rent in the country. There is a dollar gap of \$493 between the maximum shelter allowance and the average rent. Back in 1994, before the welfare cuts, the shelter allowance for this same family was \$707 and the average rent for a two-bedroom apartment in the city was \$784. In other words, the dollar gap was only \$77 in 1994, compared to almost \$500 today.

What does the dollar gap mean to people who are on the receiving end? In the last few weeks we've been meeting with welfare mothers across the city and talking to welfare mothers in other parts of the province, and we've got a picture of what that is like. Mothers and children are living on after-rent incomes of \$100, \$200 or \$300 a month in many, many cases. That is all the money these mothers have for food, clothing, transit, school expenses and everything else. So I'm asking you to think about what life would be like for those mothers and children and to consider again the social costs of forcing thousands and thousands of families to live in this kind of really overwhelming poverty.

We're urging the committee and the government to move forward on the recommendations of the coroner's jury in the Kimberly Rogers inquest to increase welfare rates, both for Ontario Works and Ontario disability support program beneficiaries. We urge you to ensure that the benefits reflect the real cost of housing. The Ontario alternative budget working group has estimated the cost of this at \$850 million. That would bring the shelter allowance portion of the cheques up to a more appropriate level.

When the finance minister spoke to this committee on Monday, she reported that provincial tax revenues have increased by \$14 billion since 1995 and that this money has been used to reduce debt and to invest in priority programs that support prosperity and quality of life. The

minister also reported that Ontario's economy is growing at a rate faster than all of the G7 countries. As the finance minister said, budget preparation is about adjustment and reallocating to accommodate priorities. We strongly urge this committee and the government to make investment in housing a clear priority once again. Thank you.

The Chair: That concludes everything?

Ms Laird: Yes.

The Chair: We have about two minutes per caucus, and we begin with the government side.

Mr Sampson: I lost my colleagues, I see. Thanks very much for your presentation. The presenter before us was speaking about life insurance premiums and how they wanted us to roll back the tax on life insurance premiums and disability plans etc. My colleague across the floor said, "How you are going to pay for that?" Fair question, I guess. We've had numerous people come forward with some fairly good ideas on where we need to reinvest in social services and various programs. But the reality is that I need to ask that question I guess a little more often. I tried to see if we could get a summary of those requests. Where do we get the money? The Liberals have their education plan now that's going to spend tax cuts that don't exist. In reality, you're talking \$1.5 billion here.

Ms Laird: Maybe \$1.7 billion.

Mr Sampson: Actually, it's \$1.7 billion; sorry.

Ms Laird: We added it up. We thought that question would come up.

Mr Sampson: I hate to say this, but I think my tally is now up to \$20 billion in requests so far that have come before this panel.

Ms Laird: The minister has said there is \$14 billion in growth, you're planning \$3 billion in additional cuts—you could stop those right now—and you've taken \$14 billion out of your budget since 1995. I don't know; there's a lot of play there, and I think there's a lot of play when you have people dying on the streets, as was mentioned earlier.

Mr Sampson: I don't mean to downplay the seriousness of the issues you raise, as well as the seriousness of the issues other people have raised. But the reality is, for all intents and purposes, that the budget is balanced now. We keep hearing that from the finance minister, and that will be the plan going forward. There has to be some give in the system to put another \$1.7 billion—I thought it was \$1.5 billion—into those programs.

Ms Laird: According to the auditor's report, approximately 50% of the corporate taxes in this province have not been collected. So that might be one place to look.

Mr Sampson: Right.

The Chair: We move to the opposition.

Mr Kwinter: Of course, there have been several groups. As a matter of fact, I would say that the most dominant theme we've heard in these hearings is the lack of affordable housing. It would seem to me that for any government, regardless of their political ideology, their first responsibility, absolutely the first responsibility, is to make sure their citizens are housed. I don't think that just

applies to Ontario; it applies to any country in the world. The first thing you have to do is make sure your citizens have a place to live.

I think it's a really critical problem, and what we have now—you're talking about in the last decade there were 16,855 new private rental units built. Of those 16,000-odd rental units, how many were affordable?

Ms Laird: The city of Toronto stats were that—what?—35 units were affordable over the last year.

Ms Mary Todorow: I would say not very many. I can get those figures, if you would like.

Mr Kwinter: I just wanted you to confirm that in fact the rental units that are being built today—

Ms Laird: Are not affordable.

Mr Kwinter: Not only are they not affordable, but most of them are at the very high end of the market, because they want to attract people who want to rent only because they don't want to be bothered owning, for whatever reason—their lifestyle choice, whatever it is. They want to be able to live in good accommodation and they don't want to have any of the responsibilities of owning and that's it. So what you really have is no affordable housing being built.

Ms Todorow: That goes back to the fact that rental housing costs money to build, and now—we mentioned that. You'd have to have a subsidy. So the private rental units, because there is no social housing program, have to be at those higher rents. It's just an economic fact of life without government spending. It's a fact.

But I do want to point out that that building is going to stimulate economic growth. One of the big factors in economic growth in this country and in Ontario has been new home construction, and that's been mostly in the home ownership area, not rental housing.

Ms Laird: Those are good jobs for you. That could pump up the economy.

The Chair: We'll move to the third party.

Mr Christopherson: Thank you for your presentation. Just by way of preamble, to offer some other thoughts there, let's keep in mind too that so far we've had all the advocates, Mr O'Toole's so-called barking dogs, coming in and pointing out where the crisis is and where the need for new funding is. In this instance, unlike the previous presenter and other tax cutters, we haven't had the other side come in and say they support the tax cuts, but we have had the board of trade come in here and say that affordable housing is a fundamental part of the future of Toronto and every other major urban centre in the province. I really think there's a distinct difference between this issue and just coming in and asking for more tax cuts because you think you can get away with it

1340

The other thing, too, is that the government has to wear a lot of responsibility here. They're culpable. They're the ones who cut the income of the poorest of the poor by 22% back in 1995, and we've had a 15% increase in inflation since then. So those children are in deeper poverty at the same time the government's rich

friends are richer. That's the context for this issue. Not only that, but the federal government came along and, to their credit, showed some leadership and put up \$245 million; they offered that and said, "All you have to do is match it." Usually, governments love matching funding from senior levels of government. Why? Because you get a full buck for 50 cents. What did this government do? They put in a mere \$20 million. They put it in there just so they can say they actually did something, whereas other governments that are serious about housing are actually meeting their commitment and some of them are exceeding it, from what I understand, and topping up further with their own money.

My question to you is, based on all of that—and you pointed out clearly the increased gap between the shelter allowance and what it's actually costing people in the open market. Then you say, "I ask you to think about what life would be like for those mothers and their children." Paint that picture a bit. How are they surviving?

Ms Laird: One of the things we're finding, in talking to these women, is that their workers are saying, "How are you surviving? I think you must be cheating." How do you prove that you're not cheating? How many times can you go to the food bank in a week? It's been remarkable to us in talking to the women how many times they say, "My worker says I'm cheating. I don't even know how to cheat."

We've been talking to very young girls who got pregnant by mistake, we've been talking to new immigrants, we've been talking to older women who've had bad luck, whose husbands have walked out. We know the workers themselves can't figure out how they can do it, and they're accusing them of cheating. Whereas what they're doing is going to the food bank, every food bank, as often as they can. Sure, their mother comes over and brings them some food. That kind of thing happens. That's the way they're getting by. With the young mothers, we found that they were always—no one can rent an apartment in this city for \$500. At first we thought, when we talked to them, that we'd go and visit them and they would be living in horrible slums. Well, they're not living in great places, but they all are determined to spend their food money to make sure they have basic housing at \$700 or \$800 a month. That leaves them \$200 for food.

It broke our hearts time after time, and we weren't really prepared for what we were going to find when we started talking to women. The numbers are really startling, particularly in this city and in Ottawa, where rents are high, but right across the province. In rural districts it's the hydro, it's the heat, it's oil and it's having to have gas for a car to get out and get some food. So it's a dismal picture. The money that you spend on lunch is having to last someone else all month.

The Chair: Thank you, Ms Laird, and your organization. We appreciate your input.

ONTARIO ASSOCIATION OF NON-PROFIT HOMES AND SERVICES FOR SENIORS

The Chair: Our next group is the Ontario Association of Non-Profit Homes and Services for Seniors. I would ask that they please come forward.

While they're getting prepared, I would like to remind anyone in this room—members, public, media alike—that I don't want to hear any cell phones go off. If they do, you'll be removed from the room immediately.

Welcome, Madam. Please state your name for the purposes of Hansard. Go ahead; you have 20 minutes.

Ms Donna Rubin: I'm Donna Rubin. I'm the chief executive officer of the Ontario Association of Non-Profit Homes and Services for Seniors. Thank you very much for once again inviting OANHSS to speak to you about the very real issue of appropriate and adequate care for Ontario's seniors.

OANHSS, as many of you know, is a provincial association that has represented not-for-profit providers of long-term-care services and housing for seniors for over 80 years. Members, which include municipal and charitable homes for the aged, non-profit nursing homes, seniors' housing projects and community service agencies, operate over 25,000 long-term-care beds and close to 5,000 seniors' housing units.

I'm sure most of us in this room know someone who is living the reality of caring for, or finding care for, an aging parent, relative, friend or neighbour. This is no easy task. It is an emotionally difficult and draining experience for everyone involved. There is no shortage of research pointing to the guilt, stress, confusion and anxiety families and their elderly loved ones feel when it comes time to make decisions regarding care. At the very least, those going through this process should be able to take comfort in knowing that they will get the care they need.

Right now in Ontario this is not the case, but this can be fixed. The purpose of my presentation today is to leave you with our suggestions and recommendations for alleviating the funding crisis in long-term care to ensure that seniors in our province receive the care and services they deserve.

Looking specifically at long-term-care facilities—homes for the aged and nursing homes—funding has not kept pace with the changing needs of residents. The average age now is 86, compared with 73 two decades ago. Residents often have multiple chronic illnesses and require special care. More than half suffer from dementia and other mental health illnesses, and over three quarters require rehabilitation to maintain their level of functioning. The reality is that since 1993 the acuity levels in long-term-care facilities have risen by almost 20%.

Simply put, residents no longer walk in the door of our facilities as they did years ago. They are coming from hospitals, psychiatric facilities and crisis situations in the community. Intravenous treatments, gastric feeding tubes and oxygen are regular parts of the care that is given.

Residents suffering from dementia require a high staff ratio to meet their very complex and challenging needs. This is not reflected in the funding facilities receive to the extent that these people deserve, but to their credit, the staff in our homes do a remarkable job in difficult circumstances.

You are no doubt familiar with the level-of-service study, commissioned by the Ministry of Health and Long-Term Care, which found that Ontario ranked dead last out of 10 jurisdictions in meeting the needs of long-term-care residents. Conducted in 2001 by PricewaterhouseCoopers, the study concluded that residents in Ontario receive the least amount of nursing and therapy services. This is very damning evidence of the crisis in our sector.

In his 2002 annual report, the Provincial Auditor included the level-of-service study in his review of long-term care. He stated that they had found no evidence to indicate that the ministry had addressed the results, and he outlined recommendations for ensuring that, “the funding provided to long-term-care facilities is sufficient to provide the level of care required by residents and that the assessed needs of residents are being met.”

Last summer’s announcement of \$100 million in new operating funding for facilities was a much-needed infusion and a very good first step in addressing the funding shortfalls that have plagued our sector for years. We fear, however, that the perception at Queen’s Park is that long-term care is now OK. Things are not OK, not by a long shot.

Long-term care remains underfunded by \$430 million a year. I’ll make mention here that you may have heard of other figures slightly higher. We’re basing this on 63,000 beds in the system, not on 77,000 coming in the future. What is needed is an \$18-per-day increase, from \$70 to \$88, in the government’s share of the per diem for each long-term-care resident. This is in keeping with our long-standing request for a \$25 per diem increase. The \$100 million investment represents \$7 of the \$25. A further \$18 is desperately needed. We recommend that this be spread over two years with an investment of \$215 million, or \$9.35 per resident, in the upcoming fiscal year and then the same in 2004-05.

This funding will make a very real difference in the lives of residents. More dollars will mean trained staff who understand the struggles of someone living with dementia. More dollars will mean that residents who can benefit from therapy can get it. More dollars will mean residents get more than 15 minutes of care a day from a registered nurse. More dollars will mean that staff have the time to give people more than the briefest attention.

1350

Let me share with you some startling realities. On average there is one registered nurse looking after up to 100 residents—that is on the night shift—and we have heard as high as 200. Despite the enormous number of residents with dementia and behavioural problems, fewer than 6% receive any professional intervention, and only 10% of the residents with the potential to benefit from

rehabilitation actually receive any physical therapy. And isn’t it a sad day when a member of the Legislature feels it necessary to introduce a motion to ensure that residents receive a minimum of at least a bath a week?

But perhaps the most telling example of the need for increased funding and something we can all relate to is the food allowance. Facilities are expected to feed residents on a budget of \$4.49 a day, and this amount has increased by only 23 cents, or 5.4%, since 1993. Put aside for a moment the fact that for three meals a day plus snacks, this is unconscionable, and consider that for this paltry amount providers are expected to produce ground, minced and pureed versions of each meal and numerous special diets such as diabetic, weight loss, weight gain, lactose-intolerant, wheat-free, reduced salt, and on and on. They must also offer a second choice for each meal and each diet. And after all is said and done, the hope is that the meal is enjoyable for the resident, because for many, eating is quite simply the highlight of the day. I challenge any of us to feed our families on \$4.49 a day.

A financial crisis of another sort has had a slow and insidious impact on homes for the aged. Funding for long-term-care facilities is not equitable. A succession of government policy decisions has created funding inequity within the sector. Our analysis has revealed that nursing homes receive on average 10% more government subsidies through supplemental funding initiatives than the typical charitable home for the aged. The estimated additional amount going to nursing homes can be as high as \$6 per resident per day, which represents about \$70 million a year.

The provider associations—OANHSS, the Ontario Long Term Care Association and the Association of Municipalities of Ontario—have come together and have reached agreement on a solution which we presented to the government in December. We are anxiously awaiting a response, and it is our assumption that it will be through the budget that this will be alleviated.

It is critical that the province take immediate steps to rectify this inequity and level the playing field to ensure that residents are funded at the same level of care regardless of which type of facility they live in.

Long-term-care facilities are but one part of an entire network of services for seniors in Ontario, all of which are sagging under the weight of an aging population that has increasingly more complex care and service needs. Substantial investments are needed at all points along the continuum: home care, community services, supportive housing and facility care. The effectiveness of any one of these components is dependent upon the strength of the system as a whole.

We urge the government to make good on its 1998 commitment of \$551.8 million for home and community care, which includes important services such as home-making, respite care, adult day programs, visiting health services, meal programs, supportive housing and others. Based on a recent calculation, there is \$257 million that has not yet been allocated. This is money that is

desperately needed by a sector that, if properly funded, will go a long way in taking the pressure off more costly components of the health sector.

In conclusion, it has been said by some that long-term care is the Cinderella of the health sector. We work hard to provide care, but we do not have adequate resources. This can and should be fixed.

In summary, our recommendations are:

(1) An \$18 increase in the per diem paid by the province to address the \$430-million funding shortfall and bring long-term-care facilities to more appropriate levels of care and services. We recommend \$215 million, or \$9.35 per resident, in 2003-04 and a further \$215 million in the following fiscal year.

(2) Implement the recommendations from the provider associations to address funding inequities. Funding for long-term-care facilities needs to be equalized to ensure a level playing field for providers and consumers.

(3) Address the significant underfunding of the community sector by flowing the \$257 million remaining in the government's 1998 commitment of \$551.8 million for home and community care—\$170 million in 2003-04 and the balance in 2004-05.

Achievement of these recommendations will ensure that the entire network of services for seniors in Ontario remains healthy and sustainable. We urge you to take this message forward when you are advising the Legislature.

The Chair: We have about a minute for each caucus. We begin with the official opposition.

Mr Kwinter: Thank you, Ms Rubin. It's nice to see you again. We have discussed this issue, if you recall.

Ms Rubin: Yes, we have.

Mr Kwinter: Last summer's injection of \$100 million: is that \$100 million a year or is that one-time?

Ms Rubin: It went into the base, so it's not one-time. It will continue to be there this upcoming year.

Mr Kwinter: Even including that \$100 million, you're still short about 400-and-some-odd million a year?

Ms Rubin: Yes, because that \$100 million represented \$7 per person per day more, and we've been saying for years that you need about \$25 a day. We estimated that on a full complement of beds. The number is not insignificant. A couple of years ago we were saying over \$500 million. So \$100 million got us a good first step but there's still such a gap left.

The Chair: We move to the third party.

Mr Christopherson: Thank you for your presentation. On page 3 you mention that it's a sad day when a member of the Legislature feels it necessary to introduce a motion to ensure residents receive a minimum of at least one bath a week. I'd like to give you a chance to advise the committee, in case there is anybody who doesn't know, why that was necessary.

Ms Rubin: Certainly the resources in our facilities require that, to typically bathe every resident in a 100- or 160-bed home, it may take upwards of a week to do that. You have to put people into special equipment, you need two individuals sometimes to lower people into a tub, and it takes resourcing to do that. We would hope to say

that you could get at least a bath a week in any of our homes. Some homes can't deliver even on that. We think if people want to have a bath a week, they should have the right to have that. I'd like to be able to say people should be able to have a bath every day if they would like one, because that's the standard I live by, and we can't provide that right now.

Mr Christopherson: The other reason, of course, is that the legislation in the Nursing Homes Act used to say that they had to provide one once a week. That has been removed, and the minister's answer to "How could you do that?" was, "Well, they could give more if they want." But they removed the bare minimum that guarantees a citizen at least the dignity of one bath a week. That's no longer guaranteed by law. It was.

If I have a moment—

The Chair: You have seconds.

Mr Christopherson: The \$257 million they promised came from a commitment in 1998. That's money they committed but it still hasn't been spent.

Ms Rubin: That's right.

Mr Christopherson: Did it go to other services for these seniors?

Ms Rubin: No. By our figures, that's still money that is owing on that promise.

The Chair: We move to the government side.

Mr R. Gary Stewart (Peterborough): I'm very interested in your presentation, because one of these days I assume I'll become a senior.

Mr O'Toole: You are.

Mr Stewart: No, not yet.

Ms Rubin: Eighty-six is the average age in our homes.

Mr Stewart: Oh, I'm getting close.

Do you feel a means test should be done for seniors going into nursing homes?

Ms Rubin: Income testing?

Mr Stewart: A means test.

Ms Rubin: No, we don't.

1400

Mr Stewart: Can you explain to me why people don't mind paying rather large dollars to go into retirement residences where you get some care yet they go into a nursing home and they don't want to pay?

Ms Rubin: Well, they are paying, sir, a copayment.

Mr Stewart: I know, but they don't pay the dollars that are going to be paid in the other places.

The other question is that you're suggesting that Ontario is dead last out of 10 jurisdictions. If you look at it in Canada, where are we in Ontario, in comparison with the other provinces, as far as costs to the resident? Where I'm coming from is, many of the residents coming into nursing homes over the next few years are on pensions and many of them have good investments etc, not like the ones over the last three or four years who are having difficulty now. Where are we on that stand?

Ms Rubin: In terms of our copayment, it varies across the province, but our per diems are among the lowest in the country. I would suggest that from our perspective,

long-term care is health care now. Yes, people are paying a portion for what's deemed to be accommodation. We speak to a lot of people, particularly couples, where they have a home and there is an individual now in long-term care, and there is already hardship in terms of cost. We see the need for people to take some responsibility and pay part of it, but it is now getting very close to any other part of health care.

Mr Stewart: But some of them have some very large investments and properties—

The Chair: Thank you, Ms Rubin. That concludes your time. We appreciate it.

CITY OF TORONTO

The Chair: Our next presenter is the city of Toronto, I believe represented by Councillor Chow. Welcome, Councillor. We'd ask that you clearly state your name, for the purposes of Hansard. You have 20 minutes for your presentation, including any time left over for questions.

Ms Olivia Chow: I'm Olivia Chow, city councillor and also the city of Toronto children and youth advocate. I'm here to talk about \$113 million. I'm here to ask specifically what you're doing with the 113 million federal dollars that was transferred to your government through the federal early childhood development initiative funds. Your minister said very specifically that there is \$113 million of unallocated funds.

Let me give you an example of what children in Toronto are going through, and Toronto is not alone. I want to stress the point that I'm also a member of AMO, the Association of Municipalities of Ontario. When I raised the issue of children and the care of children, and child care specifically, I heard from different councillors and mayors across Ontario. They said to me that in order to wait for child care, you need to make sure that while you're pregnant, before your baby is born, put your name on to some kind of waiting list, because it's going to take a long time to get any child care services.

So let me give you an example of what's happening in Toronto. We have 45,000 children participating in wonderful child care regulated by your ministry and ourselves. More than 22,000 receive subsidized care every year. We know that it works. It's accessible, it's high-quality, it's licensed. It helps families work. They can study. It fights child poverty. In 1997, you said to us, "Hey, municipalities, provide and manage and help fund this child care." We said, "OK, we'll do that," except what has happened is that the Ontario government has not kept its part—your part—of the bargain. Because of that, child care systems across Ontario, and especially in Toronto, are at serious risk. You have cut our annual base funding in Toronto child care programs by \$11.8 million, and the downloading caused us lots of problems. Let me list the problems.

For some reason, you have not recognized that there is inflation, so your per diem rates have not gone up. I don't know why you don't understand there is inflation. There

is inflation. As a result, at the centres, whether it's the rent, the telephone bill or hydro costs, everything is going up, but the funding for them has not. You haven't expanded any child care spaces since 1997, and 1,616 subsidized spaces in Toronto alone have been lost since the beginning of 2002. In Toronto alone, the waiting lists grow by 500 per month, so 500 kids per month are actually waiting for child care—new kids coming in, OK? And you're in the middle of cutting 200 child care spaces through the Ontario Works initiative. While there is 500-per-month growth, you're cutting 200. If you continue this way, another 500 spaces are going to be cut.

And there are all the problems of new provincial standards for playgrounds. You won't cost-share the playgrounds. You have new standards; who's going to pay for these playgrounds? I don't know; we can only have so many bake sales. Repairs, maintenance, retrofits of the child care centres: again, who is going to do that? More bake sales, I guess. Because of that, centres are facing closure if we don't do something right now. We are in a desperate situation.

As I said, there is funding in front of you. You do have \$113 million. The federal government launched, in the year 2000, a five-year program: \$2.2 billion. The first year is \$300 million, the second is \$400 million, and this is the third year, \$500 million. Starting on April 1, you're getting another instalment of \$153 million. I ask you, what are you doing with this money? It comes directly to you, and your share of these funds, of the entire \$2.2 billion, is \$880 million, and yet you have something called ABC: anything but child care policy. You have not explained to us why that is the case. We want you to invest somehow the federal dollars—not provincial dollars; federal dollars—to benefit children. We desperately need it at this point.

Your own government, your former Premier, Mike Harris, appointed the Honourable Margaret McCain and Dr Fraser Mustard. In their report they said very clearly that you have to invest in children, and one part of that is early learning and child care. In fact, I was with the Honourable Margaret McCain this morning. We were at an event. We were joined by several other people; allow me to tell you who they were. They included Charlie Coffey, who is the executive vice-president of RBC Finance Group, the president of General Motors of Canada, and CAW president Buzz Hargrove. We were joined also by the Atkinson Charitable Foundation and the two co-chairs of the Toronto District School Board, Donna Cansfield and Shelley Carroll. We came together to say that we have a model for you, that investing in child care and early learning opportunities, especially if they are in a school, if they are supported by your government and the federal government, is a really good investment. We have a model and we want you to seriously look at that.

1410

We are in fact saying to the federal government that if the federal government is to develop a national child care plan, we want to have strings attached so that the funds

would be accountable and that they would be used in a way that is beneficial to our kids. We presented a model called Toronto First Duty. If you're interested, I can give you some details of this model, but the core of this model really is child care. We built support services, and whether it's the toy library or whether it is the drop-in centre or kindergarten, we've developed all that around it. That is one of the things we are proposing. We are also proposing that you integrate the Early Years Centres that you're establishing into the existing child care centres and the family resource centres so that there is a comprehensive early learning and care service for children and their families.

Third, we are asking you to immediately allocate the \$18.6 million, which is our share of the federal dollars that were transferred to you, to stabilize the child care system so we do not have to cut 1,800 child care spaces from the system this year. In fact, Toronto property taxpayers and the entire council are saying that if you pay your 80%, we will cost-share every step of the way. We have put aside \$3 million. If you put in your \$12 million, we'll put in our \$3 million and we will have 2,000 spaces. Any time you want to do that, we're there with you. Some \$7.9 million would stabilize the service level and protect against future erosions, and \$10.7 million would restore lost spaces. It would also be helpful if you had an annual increase of \$12.3 million to fund long-term expansion and development.

Something quite absurd is happening. There are empty spots in the child care centres in Toronto. Kids tomorrow, if we give them subsidies—and their families—would be able to take that service. They can't because they don't have the subsidies that are needed.

If you're able to increase funding, we would be able to protect the existing child care system, we can restore the spaces that are being lost, we can invest in minor capital funding, we wouldn't have to worry about playgrounds being safe or not safe and we can meet demands. In fact more families can go back to work and your Ontario Works numbers would be even better because there will be fewer people on social assistance. So we all win, and we all know that. Your economists tell you that for that dollar you invest, you get \$4 back, because investing in children, according to Dr Fraser Mustard and your expert the Honourable Margaret McCain, is a good investment, is good for the future, is good for families in Ontario. So I hope that you make the right decisions and recommend that a big portion of the \$113 million of unallocated federal dollars be spent on affordable licensed child care services for the kids in Ontario.

The Chair: Thank you, Ms Chow. That leaves us just a little bit over a minute each. We begin with the NDP.

Mr Christopherson: Welcome, Olivia. Congratulations, first of all, on the win on the weekend. I just wanted to first of all point out that the current government was—I don't know if it still exists or not, but it certainly was home to a unique group and gathering known as the family values caucus. It's interesting how they define what family values are. What we've seen so

far, in addition to the issues you've raised—very similar to that is that the child care benefit that the federal government provides to families with children on social assistance is clawed back dollar for dollar from what they receive from the provincial government. The millennium fund, which is for students to go into post-secondary education when they don't have the funds and need loans, is deducted from money available from the provincial government, so the gain isn't there for them. There's \$245 million that the federal government was, again, prepared to put up for affordable housing and only asked the government to match it. So it would have been 50-cent dollars, which as you know are hard to come by in this day and age; they put in a mere \$20 million. Now you're underscoring the early childhood development initiative where, again, the money has been flowed from the federal government to the province, and the money sits there.

You really have to ask yourself where the family values are in denying money to children in poverty on social assistance, students who want to go to school but don't have rich parents, families that need a decent home to live in but the government says no to federal money and now direct funding for child care. Having said all of that, my question to you is this: what will the status be for children in terms of child care services in Toronto, say, five years hence if they don't do something?

Ms Chow: I think some of the centres will collapse. We now have fewer kids using our child care services than we had in 1992. It's the lowest number in a decade. We're not even asking the provincial government to cost-share the federal dollars. That would be ideal. If they want to do like Quebec, \$5 a day, wonderful. We're not even asking you to be part of the solution; we're just saying don't be part of the problem, because right now you're part of the problem. The money has been pocketed, \$113 million. Flow it to the kids who are on the waiting list, who are waiting and waiting and grow up before they even get care.

In some ways some of the families, because there's no choice, go and buy a teddy bear and put a videocam in it to make sure the babysitter is not doing the wrong thing. Maybe that's a form of child care.

The Chair: We move to the government side.

Mr O'Toole: Olivia, you've had a very busy media month or more. Congratulations on the weekend. You spoke very well for Jack on the CBC. I'd like to see you take a run for mayor. I'm quite serious. You're on a roll here. That's not exactly the topic, but it may explain why you're here today. Who knows?

Mr Christopherson: Give her the money.

Ms Chow: I'll go away and—

Mr O'Toole: That's really not the point—I'll just try and respond to a couple of very serious questions you raised. I think there are two or three of them here. The province does spend considerable money. Most of the federal transfers, as you know, are spent directly on children's programs, and the pressures, as you might know, are onerous. It would probably be best to start with

the Quebec plan, the \$5-a-day thing. Have you looked into that at all? How successful is it?

Ms Chow: Very much so. It's so successful. It's so popular. Expanding it—

Mr O'Toole: It's absolutely dismal. You should look into it. There was a report on it. It's in complete disarray. I think the program will be cancelled. I think the Liberal plan is a copy of it, but you'll probably hear it from Mr Phillips.

Ms Chow: But I notice they got re-elected because of that program in the last provincial election.

Mr O'Toole: I understand your argument for regulated daycare.

The Chair: Would you let Ms Chow answer the question.

Mr O'Toole: I clearly understand that, and I'm sort of clarifying. The Ontario Works numbers—you had three points here. Actually, the number of people on welfare is down, the numbers are down, so the number of people taking advantage of Ontario Works is down.

The money we're spending from the federal government—I'm going to list it, with your indulgence: \$20 million for autism; \$5 million for infant development; \$12.8 million for children's mental health; \$4 million for learning, earning and parenting; \$46.6 million for Ontario Early Years Centres; \$5 million for early literacy; \$15.4 million for the Early Years challenge fund; \$4.6 million for program effectiveness measures and child outcome measurements as well. There are a number of programs as well, like the Healthy Babies initiative—

The Chair: Not quickly enough, sir. That constitutes your time, Mr O'Toole. Thank you very much. I'm sorry.

Ms Chow: A 30-second answer?

The Chair: Did you wish to make a quick comment before we move to the Liberals?

Ms Chow: Yes. If you use my calculator and add it all up, it's \$153 million that you just added up. You got \$266.8 million for 2001-02. If you subtract \$266.8 million from the list that you added up—

Mr O'Toole: You get—

Ms Chow:—you have \$130 million that you haven't used.

The Chair: Thank you very much. We'll move to the Liberal caucus.

1420

Mr Kwinter: Thank you very much for your presentation. I don't think there's any question: Dr Mustard and Ms McCain have said from the beginning that one of the most critical components of a child's development is those early years. It has to be more than just warehousing these kids somewhere; there's got to be some meaningful child care. Can you explain why this money that has been provided by the federal government has not been allocated?

Mr O'Toole: It has been.

Mr Kwinter: He says it has; you're saying it hasn't.

Ms Chow: You do your math. That's a very good question. We're not alone in asking. We're joined by all sorts of people. The Royal Bank knows how to do its

math, I think; they have come to you also. The city of Toronto has done a commission on children. We had Charlie Coffey as the commissioner and the Honourable Margaret McCain as the second commissioner. Together they said to this government that it is critically important that we make sure parents have a choice, whether to stay home or to go to work, and if they go to work they need family resource centres and child care services. Ontario has a proud history of having really good child care services. Look at some of the schools. You have these amazing child care centres in the schools that are perfect. We just need more of them. We need to make sure they're comprehensive, they're good quality. We know what the solution is, and somehow maybe ideologically—as I said, ABC is pretty dominant, and I do hope we can get over that and understand that 70% of mothers work and they need support from the government.

The Chair: Thank you, Ms Chow. We appreciate your contribution here today.

SOCIETY OF MANAGEMENT ACCOUNTANTS OF ONTARIO

The Chair: Our next presenter is the Society of Management Accountants of Ontario. Please step forward. Please state your name for the purposes of Hansard. You have 20 minutes. If any time is left over from your presentation, we'll try to squeeze in questions and answers as best we can.

Mr David Hipgrave: Thank you very much, Mr Chair. My name is David Hipgrave, and I am the president and CEO of the Society of Management Accountants of Ontario, also known as CMA Ontario.

I am pleased to be here today to participate in the committee's pre-budget consultation process. We also appreciated the opportunity that was given to us earlier this week to participate in the Minister of Finance's pre-budget stakeholder roundtable discussions. We hope our contribution to your deliberations will be valuable as you prepare advice for the government in advance of the 2003 budget.

Let me just take a moment to give you an overview of my presentation today. I'll spend the first few moments giving you some background on our organization and then highlight four key areas and our recommendations that we believe are important for the provincial government to be aware of and address in the 2003 budget to improve Ontario's long-term economic performance. These include: completing public accounting reform; improving corporate board governance, performance and transparency; addressing the nationwide small business management deficit; and establishing a management training partnership between CMA Ontario and the Ontario government.

We have prepared a package of information, including a copy of these remarks, and I believe those have been circulated to you. I'd be pleased to answer any questions following my remarks.

The Society of Management Accountants of Ontario, or CMA Ontario, is the self-governing professional association responsible for the accreditation, regulation and continuing professional education of certified management accountants in Ontario. We currently have 15,000 certified members and 3,500 candidates in the province. We are an integral part of CMA Canada, which has 43,000 members across Canada and around the world.

We are the only organization in the province specifically dedicated to furthering the development of management accounting practice, and we grant exclusive rights to the CMA designation. We are recognized leaders in management accounting in Ontario and around the world. Our management accounting guidelines are recognized internationally, and our education, examination, practical experience, practice inspection and disciplinary standards are second to none.

CMAs are financial and strategic management professionals who combine financial expertise with professional management skills to provide leadership, innovation and an integrating perspective to organizational decision-making. Our members are found in senior positions in every sector of the economy, including manufacturing, financial services, retail, communications, utilities, consulting and indeed in government.

I'd like to outline the four key areas and recommendations that we would like to see addressed in the 2003 budget.

The first is public accounting reform. Last December, the Ontario Legislature passed framework legislation that served to modernize and strengthen the governance of public accounting in Ontario under the Public Accountancy Act. We applaud the government's decision to proceed with public accounting reform in Ontario through this legislation. As one of three professional accounting bodies in the province, CMA Ontario is pleased to be involved in the development of new, rigorous accounting standards that are internationally respected and reflect the high expectations of the business community, investors and our trading partners.

Yesterday, we had the opportunity to meet with Professor Ron Daniels, dean of the faculty of law at the University of Toronto, who was appointed by the government to coordinate consultations and make recommendations on establishing a more modern, effective and transparent public accounting licensing regime in the province. We shared with him our standards, guidelines and procedures for ensuring that our members are highly qualified to perform all aspects of their work.

In our view, the reform of Ontario's public accounting system is a provincial budgetary matter in the sense that its completion is essential to ensuring confidence among investors, business and the general public in Ontario's economy, given the perception created by recent international corporate failures.

To address this perception, it is crucial that Ontario's public accounting system be transparent and that it contain strict rules governing both standards and

licensing, including a requalification process to ensure that licensees maintain the highest levels of competency and expertise. Our message to Dean Daniels yesterday reflected our commitment to working with the government, the other two professional accounting bodies and stakeholders to make this new regime a reality in Ontario.

CMA Ontario believes that protection of the public interest should be paramount in public accounting reform. We are committed to working with the Attorney General of Ontario to ensure that rigorous standards govern the broadened access to and practice of public accounting in this province.

The second area we would like to address is that of corporate governance. Improving the performance of senior managers and corporate boards of directors is an area in which the CMA profession is very active. In 2002, CMA Canada published a guideline entitled *Measuring and Improving the Performance of Corporate Boards* to advance the fields of both corporate governance and strategic performance measurement. The guideline clearly defines the roles and responsibilities of corporate boards, identifies elements of superior board performance and outlines approaches for monitoring and evaluating corporate board and senior management outputs and outcomes.

According to the guideline, organizations can improve corporate governance in several ways: establishing processes to ensure boards are getting the right strategic performance information to determine whether the corporation is on track to meet the expectations of stakeholders and shareholders; improving the quality of information provided to boards, such as information about alternative strategies considered by management, as well as best-, worst- and most-likely case scenarios that will enable boards to independently assess the level of risk involved; expanding the skills and knowledge of board members to encompass financial literacy, strategic formulation and a strong understanding of the company they are directing and the industry in which it operates; developing education and training programs for board members to ensure they have the required skills and knowledge to assess strategic performance; establishing screening and selection processes for potential board members to consider broader competencies; and ensuring that compensation for board members is commensurate with their responsibilities and workload.

1430

As a framework for improving the measurement and performance of corporate boards, CMA Canada's guideline represents an important step in the process of moving a corporation toward improved accountability. The framework's principles can be applied to all organizations in the not-for-profit sector and, indeed, in government. By improving the performance of boards in all sectors, public trust, investor confidence and the overall effectiveness of organizations will be enhanced. CMA Ontario encourages the Ontario government to review our management accounting guideline and con-

sider options for disseminating it and integrating it into government departments, agencies, boards and commissions.

Thirdly, CMA Ontario believes that a management deficit exists in the small to medium enterprise sector across Canada, including Ontario. Evidence of the deficit can be found in a number of recent studies conducted on the sector in Canada, including the following: a 1999 Statistics Canada study into the failure rates of businesses in Canada concluded that the probability of failure for a new business venture was 23% in the first year of operation, 40% in the second year and 75% by their eighth year of operation. As well, small businesses fail more often than medium and large organizations, in part because medium- and large-sized businesses have better human and financial resources and can more easily manage their growth in the competitive marketplace.

In January 2000, Professor Michael Porter published *Canadian Competitiveness: Nine Years after the Crossroads*, an update of his 1991 study, *Canada at the Crossroads*. He found that the government has done a good job in addressing the macroeconomic needs of the Canadian economy. However, the same cannot be said for the microeconomic business climate, which remains in need of significant government attention if Canada's productivity and innovation levels are to rise to the level of the US, which has led the G7 throughout the past decade.

A 2000 survey of its members by the Canadian Manufacturers and Exporters identified management skills as their single greatest need, before IT and engineering skills. A survey in the summer of 2000 of our own members working for or with small businesses rated small business management skills as the greatest business deficiency and identified the lack of business management acumen as the primary cause of poor business performance and a prominent factor in business failures.

Finally, a recently released report entitled *The Path to Prosperity: Canada's Small- and Medium-sized Enterprises*, prepared by the RBC Financial Group, Canadian Manufacturers and Exporters and the Canadian Federation of Independent Business, recommended that a priority be placed on providing SME managers with increased value-added business information and that SMEs be encouraged to take advantage of new technologies and improve their performance.

The SME sector is important to Ontario's economy. The Ontario government provides a number of programs and services to promote growth and success in this sector, including small business enterprise centres and business advisory services. However, the ongoing management ability of small business leaders and their business teams remains a concern to CMA Ontario and small business leaders themselves. While we recognize that SME managers are ultimately responsible for equipping themselves with management skills, given the sector's importance to the Ontario economy, we believe that the government can build on its current initiatives to bring further benefits to the province. CMA Ontario is

offering to work with the Ontario government to review the current SME environment in Ontario and to develop incentives to provide and improve the business proficiency and skills development of Ontario SME managers.

In a recent submission to the House of Commons standing committee on finance, CMA Canada recommended that the federal government provide tax incentives to SME managers to help them access consulting services; invest in the education of their employees; acquire computer, manufacturing and processing equipment; and keep capital in the SME sector.

The last area we would like to address today involves the development and implementation of a management training partnership between CMA Ontario and the Ontario government in an effort to improve government decision-making performance. Enhancing performance management and resource allocation decisions are core competencies of the certified management accountant. Accordingly, CMA Ontario is uniquely qualified to work with the Ontario government to develop and deliver customized training in financial and strategic management for middle and senior managers in the Ontario public service. We are interested in developing a training partnership with the Ontario government to help it hone the financial and strategic management skills of its middle and senior management group and improve overall performance.

In summary, on behalf of the members of CMA Ontario and the management accounting profession, I appreciate the opportunity to be here today to give you an insight into our organization, our profession and the issues that we would like to see the government consider as the 2003 budget is prepared. In acting on these recommendations, we believe that the government will help restore public trust and investor confidence in Ontario's economy and enhance the quality of its SME sector and government decision-making.

The Chair: Thank you, Mr Hipgrave. That leaves just about a minute for each caucus. We begin with the government.

Mr Sampson: Thank you very much for your presentation. I'll just focus my comments on one thing, and that's the accounting rule changes that have been brought forward. It was not an easy decision to make. There were different perspectives, you can understand, but I always hearken back to the comments I got from many of my constituents when I sort of polled them on what they thought about this issue. They really didn't understand the difference between the various accounting designations. They see an accountant as an accountant as an accountant and couldn't understand what the difference was, if there was one, and why there should be one. I think—

The Chair: Quickly, sir.

Mr Sampson: —that to the extent your discussions with Mr Daniels can help clarify that, the better, because those are your customers.

Mr Hipgrave: Thank you.

The Chair: No response? Then we move to the official opposition.

Mr Gerry Phillips (Scarborough-Agincourt): Again, only having limited time here, on improving board governance and your advice to us on government boards and agency governance, you don't mention conflict of interest. I'll give you one specific example where a former government minister is on the board of directors of the 407 corporation, and that's SNC-Lavalin; nothing wrong with that. He's paid a \$100,000-a-year retainer to be on SNC-Lavalin's board; nothing wrong with that. But the government's appointed him to be the vice-chair of GO Transit. So you have this individual who's on the board of the 407 and SNC-Lavalin. SNC-Lavalin owns a big chunk of the 407. SNC-Lavalin is one of the Union Station consortium—

The Chair: Question, sir?

Mr Phillips: —and a Union Station major tenant is GO Transit. Is that the sort of thing we should be looking at to improve the conflict-of-interest guidelines on boards and agencies?

Mr Hipgrave: I think that conflict-of-interest guidelines are things that should be certainly reviewed. I believe that in the document we have submitted there are, not certain situations where there may be specific conflicts of interest, but certainly there are guidelines for setting up boards themselves and committees of boards. It does talk to some extent about some of the principles in that document. So I think there are general guidelines that are referred to in there, and it also makes reference to the Sarbanes-Oxley Act in the US, which is very much a part of those kinds of issues.

The Chair: Thank you, sir. We move to the third party.

Mr Christopherson: Thank you for your presentation. Very simply, on page 12 you talk about one of the incentives that you want to offer to small business operators: how to improve their management skills. I'm just curious: what kind of training do you provide for what skills?

Mr Hipgrave: General management training, decision-making skills, financial analysis skills, resource allocation decisions—how you make those decisions, what's involved in making those decisions, the elements that contribute to those decisions, skills in all the functional areas of management and how you use those in coming to decisions. So for all of those things we have training programs that we can impart to managers and provide either through direct one-on-one training or through Web site facilities or capabilities.

The Chair: Thank you, Mr Hipgrave. We appreciate your presentation today.

1440

CAMPAIGN AGAINST CHILD POVERTY

The Chair: Our next group is the Campaign Against Child Poverty. Please come forward. I remind you that there's a 20-minute time frame and any time left over

will be for questions. I think you've been here before, and I know you know the story. I would ask you to please state your names for the purpose of Hansard. Welcome.

Ms Jacquie Maund: Good afternoon. My name is Jacquie Maund, and I'm the coordinator with the Campaign Against Child Poverty.

Mr Gerald Vandezande: Gerald Vandezande. I'm a volunteer spokesperson for the Campaign Against Child Poverty.

Mr Walter Pitman: Walter Pitman. I'm the same.

Ms Maund: I don't know if you have copies of our presentation. It's on green paper so that it may stand out.

Just to introduce briefly our organization, we are a national non-partisan coalition of citizens from faith groups, social justice groups, charities, child welfare organizations, business and professional organizations, and we come together to assist governments in a clear commitment to end child poverty. As you may recall, in 1989 the federal government committed to end child poverty in Canada by the year 2000. That was an all-party resolution and that was part of the impetus for this group coming together, to see that that goal is met.

We often do public messages in newspapers, and on the last page of your package you will see one that we did recently, speaking to the federal government and raising a number of promises that we feel should be moved on in order to commit to this goal of reducing child poverty.

I'll move right into our recommendations, if I may. Earlier this week, Minister Ecker spoke, and we read her speech and learned that indeed the economic growth rate is extremely strong. Apparently it's more than the 3.5% indicated in this presentation. Ontario's economy is growing more rapidly than any G7 nation, with a low unemployment rate and a fiscal surplus predicted for 2001-02. What the minister didn't talk about and what does not appear on the Ministry of Finance Web site are other images and information, statistics and facts about the other side. One would think that this is purely a very robust economic growth. But there are other statistics we're aware of that speak to the real-life experiences of many of our supporters, and I'd like to just briefly speak to some of those.

The latest statistics indicate that in 2000 there were over 390,000 children in Ontario who were growing up below the Statistics Canada poverty line. Many of those were living far below the poverty line. On average, two-parent families needed an additional \$10,500 per year just to bring them up to the poverty line. Even among working families, the most recent data from 1999 indicate that over 205,000 children lived in families where their parents were working full-time but they still lived below the Stats Canada poverty line.

In terms of income security issues, one that we're highly concerned about is the clawback, the fact that the Ontario government claws back the national child benefit from families on social assistance. This means that on average those families lose \$1,250 a year because of the decision of the current Ontario government.

The minimum wage has not been increased since 1995, so if in fact one is working at minimum wage full-time, one is living below the poverty line.

I know you've had earlier presentations that have talked a lot about housing issues. One statistic I wanted to point out is that the province loses almost 50% more rental housing than is created each year.

Food banks: I don't know if you've had a presentation from the Ontario Association of Food Banks, but from their last report in March last year, about 295,000 people were served by Ontario food banks. About 41% of that number were children. In fact, their research has indicated that overall about 5% of Ontario children live in such acute poverty that their families cannot afford sufficient food to eat.

Finally, a point on child care you heard earlier from Councillor Olivia Chow, that 70% of Ontario's children have mothers in the paid workforce but there is in fact regulated child care available for less than 12% of those children. We have a specific concern with regard to the early childhood development initiative which this province signed in the year 2000 with the federal government. None of the funds that were set aside and given to Ontario have been spent on child care. Perhaps that is part of the reason why in Toronto alone over 15,000 children currently sit on the waiting list for subsidized daycare. They've been there for years.

Those are some of the statistics that people we work with bring to light for us. I'd now like to pass it on to my colleague Walter Pitman to talk about some of the recommendations we'd like to put forward to this committee.

Mr Pitman: I'd like just for a few seconds to place our submission in a global context. What we've seen happen in the last 20 years has been the extraordinary expansion of well-being for the few and an extraordinary loss of position for the many. Poverty throughout the world is a major issue, and any one of us who doesn't think there is any connection between what is taking place right now—we're on the brink of another war which may very well be the central feature of the 21st century—and the socio-economic change that's taken place in the last 20 or 30 years simply is not, I think, thinking very carefully about what is transpiring.

I'd like to put that in the situation we're talking about right now. If we don't think that having tens of thousands of young children in poverty is going to affect the civil behaviour or the sense of well-being, the safety, the priorities of the future—are we going to build more jails; are we going to have more policemen? Is that the way we're going to, in a sense, look at our well-being in this century? That, I suggest to you, is the same on an international basis, where we're looking at more and more terrorists as a result of what has taken place in the last 20 or 30 years. I would suggest that you've got exactly the same situation internally when you allow poverty to exist in what is essentially a society of high well-being.

This seems to have at least reached the federal government, at least at a rhetorical level. The Prime Minister said in September 2002, "The government will put in

place a long-term investment plan to allow poor families to break out of the welfare trap ... it will again significantly increase the national child benefit for poor families and will work with its partners to increase access to early learning...."

I do a lot of teaching. A great many Americans come up and I teach them about Canada, about Canadian culture, and especially about the nature of the city of Toronto. They are appalled, just amazed, at the number of poor people there are on the streets. They're just absolutely unbelieving when I tell them the kinds of statistics that Jacquie has just brought to your attention.

We think this can be done only on a three-pronged basis. If you don't take all three of these seriously, then the stool falls over. You can't take one. It's not a simple nor a simple-minded way of dealing with the situation. It's a complex problem and it has to be dealt with in all its features.

The first one is obvious: income security. Certainly the government of Ontario simply must stop the claw-back of national child benefits for those on social assistance. These people now are the poor, the very poor. Some of them are the working poor. Some of them are the kinds of people we look up to. They have jobs, they are trying their best to look after their families and they are failing. It comes down to, "Do we feed the kids or do we pay the rent? We can't do both." In spite of the so-called flood of well-being that's gone on at the top and all the expansion that has taken place over the last 10 years, very little has trickled down to these people at the very bottom, as Jacquie has pointed out.

The second leg of that stool is affordable housing. I'm going to say very little about that except that the province of Ontario must fully match the federal government's \$245-million commitment under the affordable housing framework agreement. It's absolutely essential that this city not be known around the world as one where you find people on the streets with their hands out. Perhaps today, being a very cold day, is a good day for this committee to put its attention to that particular item.

1450

Third, of course, is the need for early childhood education. There was a time when all of us had a sense that this is surely something that's on the periphery; that is, whether kids get looked after by their parents or whether they get looked after by somebody else is neither here nor there, certainly not a concern of legislators. What we realize now as never before is that what happens to children between the time they're born and the time they're three or four years old is the most essential point in their learning lives. They never recover if they have not had a good learning experience in those years. If they aren't looked after by people who know how to bring those opportunities and those experiences to young people, they do not catch up. The windows close.

I went through a teaching career in which I thought the schooling system was largely a rehabilitation system. You sort of looked after all the things the parents had failed to do in the first five years. Well, it doesn't work.

It never has worked. That commitment to early childhood education may be one that we older people think is peripheral, but in every real sense if you want good, productive, decent, compassionate citizens, then you have to take a look at that issue.

I would say this to all three, to demand the attention of this committee: it would be marvellous if this committee made a report that in fact brought it to the attention of all political parties; we might well turn this country around, not because a Prime Minister wants a legacy, but because it's the right thing to do because these are the kinds of citizens we want in the future. All of us depend on that. I want my grandchildren growing up in a province that has a decent attitude toward everybody, not just those who are well-off. I don't want to see social programs being limited and underfunded in order to give more advantages to those who already have. I want to see a province in which every young person has an opportunity. May I pass it over to my colleague?

Mr Vandezande: What Mr Pitman has just said ties in completely with the six points of Finance Minister Janet Ecker's set of questions put to this committee, where she asked, "Which sustained, balanced, long-term, multi-year tax relief to support growth and prosperity should we adopt?" The poor, the homeless, the vulnerable children and families need a multi-year tax relief and tax support program that addresses the problems that both my colleagues have addressed and that numerous people have brought to your committee's attention. A multi-year plan fitting within the negotiations that have been completed with the federal government regarding childhood services and child care indeed means a multi-year commitment by the government to provide the kind of support to vulnerable families and children and the homeless so there's a consistent, comprehensive, life-affirming framework that puts these people on the road to recovery and to being able to participate meaningfully in the life of our society and in our communities.

Our hope is that you will make that a unanimous recommendation and that the multi-year plan indeed addresses the needs of people. I notice that in this document no reference is made to people, only to institutions, to banks, to businesses. Let's keep in mind that at the heart of our society are people—citizens, families, neighbourhoods. If we want to be pro-family and pro-life or whatever, then let's make sure they can live with dignity and enjoy life meaningfully.

The Vice-Chair: Thank you very much. We have a bit of time for questions, and I'll turn first to the Liberal caucus.

Mr Phillips: Thank you, and it's good to see the flame burning so strongly in all three of you, particularly the two who are more my age than the one in the centre.

The two federal programs that you indicate where the money is not being passed on, the national child benefit program and the \$114 million and \$153 million in early childhood development, on the early childhood development money, was that money that was available and not taken up, or was it money—

Mr Vandezande: It was available. It was transferred. It disappeared in the general treasury of the government. It wasn't used for the designated purpose, namely, child care and related services. It was used to finance other activities by the government, but none of it went to subsidize child care.

Mr Phillips: Would that also be the case with the \$1,250-a-year national child benefit program?

Mr Vandezande: You mean the clawback?

Mr Phillips: Yes.

Mr Vandezande: The clawback, to our knowledge, is not used to help the very families it was designated to assist. So the result is that the provincial government gets money from the feds then uses it for purposes for which it wasn't intended. That's why we hope, in the next agreement with Ottawa surrounding housing, child care and related services, that there be mutually acceptable standards and public accountability that is transparent so that the money is spent for the purposes it was given.

Ms Maund: We also hope that all political parties will commit to not clawing back that money.

Mr Christopherson: Thank you again for your presentation. It's unfortunate that you're back here every year, because if the issue disappeared you wouldn't need to be here and we, as a society, would have won.

One of the things you're not supposed to do is ask a question you don't already know the answer to, but I'm going to anyway. I could be dead wrong here, but wasn't the issue of child poverty raised in the United Nations and Canada, the level of child poverty in the context of the wealth of our country? Has that not been addressed by the United Nations?

Mr Pitman: In a United Nations report, yes, it has. Your initial point is well taken. It was in 1989 that the proposal was put forward in the House of Commons in Ottawa, supported by all political parties, that by the year 2000 child poverty would be eliminated. As we can see—it's 2002 that I quoted—we're still making promises but we're not coming through. I guess that's what we're anxious to see happen.

One of the things that really bothered me was when the Premier said he was going to treat the new money in the health area as, in a sense, a repayment for past debts. If that is a position that's taken by all the provinces in Canada, then the country is really in deep trouble, because it means that you can't do anything new; all we can do is rearrange the financing in such a way that we fill the coffers of the provinces or at least allow provinces now to go off in their own directions, in fact even sending cheques out to their citizens, as opposed to really doing something basic about the needs of the people we're here representing.

Mr Vandezande: In answer to your question, the issue of child poverty was put on the international agenda by Brian Mulroney when he was Prime Minister and pushed hard and got international agreement universally that Canada should meet its obligation, we should commit ourselves to the 0.7% of the GDP, and that of course also applies provincially. We need to meet our

obligations, otherwise governments should go out of existence.

Mr Sampson: I'm going to ask a question I don't know the answer to; I don't mind doing that. I'm asking this because it's come up a couple of times. I just don't know what the answer is. Is there any other province clawing back the national child benefit?

Mr Vandezande: Not to our knowledge. Ontario's the only one. It's the only one that takes the money from poor people and makes them still poorer.

Mr Sampson: I didn't ask a partisan question, so let me try another one.

Mr Vandezande: This is an objective answer.

Mr Sampson: Right. So the answer is, as far as you know, nobody else but Ontario—

Mr Vandezande: Nobody else is.

Mr Sampson: And you say that one of the other solutions will be to increase the minimum wage to some level. Is there any evidence that the provinces that have a higher minimum wage have a lower child poverty rate? Is there any statistical information or otherwise? I understand how it will help people.

Ms Maund: No, but there is obviously a correlation between the cost of living and the minimum wage. It's a lot more expensive to rent accommodation in Toronto than in most other places in the country. So obviously if you're not earning above minimum wage, you're still living below the poverty line.

Mr Sampson: But even that would say that if you went to a province that had a lower cost of living—surely Ontario has a fairly high cost of living, given most of the other provinces. If there's another province that's at a higher minimum wage level, their child poverty rate should be sizeably lower, if you drew that direct analogy, shouldn't it?

Mr Vandezande: Just on that, the child poverty rate in Quebec is lower, the minimum wage is higher and the general conditions socially and economically in Quebec are better than in Ontario, because there is a more equitable distribution, there is more generous support of daycare, there is more adequate provision for people who are in desperate situations. So I suggest that we become the leading province within Confederation and follow for once Quebec's example on the social justice front.

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

1500

INFORMATION TECHNOLOGY
ASSOCIATION OF CANADA
FOR ONTARIO

The Vice-Chair: I'd like to call forward our next group, the Information Technology Association of Canada for Ontario. Welcome to the standing committee on finance and economic affairs.

Mr Bob Horwood: Thank you very much, Mr Chairman. I have a number of copies of our submission here.

The Chair: The clerk will take care of them, sir. I'd ask you to please state your names for the purpose of Hansard. You know you have 20 minutes, and any time left over will be for questions from the different caucuses. Welcome, and please proceed.

Mr Horwood: My name is Bob Horwood. I have with me my colleague Cyndee Todgham Cherniak. We are here from the Information Technology Association of Canada for Ontario, more colloquially known as ITAC Ontario. I wish to put before the committee this afternoon the concerns that we have regarding the Ontario retail sales tax as it relates to computer programs and related services.

I might begin by pointing out that the Information Technology Association represents companies in the IT field in Ontario. I'm sure most of you are aware that the IT industry in Ontario is the third-largest employer, after the food and automotive industries.

We are concerned about the retail sales tax as it applies to computer programs, and I'd like to explain a little bit about this. Of course, when our vendor community of the Information Technology Association is selling programs and services to other buyers, a recent change which originated in 1997 required that sales tax be charged, particularly on services and certain computer programs. This put the vendor community who were selling these programs in the position of being tax collectors on behalf of the government of Ontario. The people we sell our software and services to are in fact the taxpayers.

The difficulty has arisen with regard to the sales tax on computer programs and services because, first of all, it was not widely publicized when the changes were made in 1997. Not only was it not widely publicized, but indeed there was no, or very little, attempt to audit the firms to see whether this tax was being properly collected and remitted. The result was that there was a passage of time, about three to four years, before the IT industry became aware of this particular tax. They became aware of it largely because of auditors arriving on the doorstep and declaring that the tax should have been charged to various people to whom programs were sold or services provided, and that tax was now due and payable. The fact then was that a number of these primarily small firms were hit with very large tax bills where it was impossible to go back to the customer, due to the passage of time, and recoup that tax.

This has caused a great deal of difficulty within the industry. In fact, there have been a number of the smaller firms that have been put out of business by the fact that they were hit with large assessments. I should point out that what happens is that once an auditor provides an assessment, the amount of that assessment is due and payable on the spot, no matter whether or not an appeal would be launched afterwards or a dispute takes place. With smaller firms, this of course means that there isn't money within the firm to be able to collect it, and that results in firms being put out of business.

Furthermore, the difficulty with the tax is that it's ambiguous and confusing. It depends in a large measure on the kinds of definitions of the services and programs that are being offered, and the information technology industry is notorious for the fact that those definitions and the terms they use in their business change rapidly. So the definitions are always somewhat out of date.

In the submission, I've enumerated a number of the circumstances that are having an adverse effect on the economy of Ontario. Rather than go into each one of those, we note that it is a problem, particularly in certain cases where firms are deciding to locate outside Ontario, Alberta and Quebec being two principal locations. This is having an adverse effect on the competitive aspect within the province itself. We're now competing on a global basis, and we have to encourage business to take place in other jurisdictions and other locations.

An example of this would be what is called an application service provider on the Internet. If a company is selling services or the use of a program based on a piece of hardware located in Ontario but to a customer located in, say, the United States, technically, according to this tax, they should be charging the tax to that customer. But if you reverse that process—imagine now a company in California that is selling the service here in Ontario—that tax should also be charged, but in fact it's impossible to collect it off the company in California. I offer that as an example of the kinds of difficulties that are taking place.

In the budget of 2002, there was a reference made to the fact that there are problems with this particular tax and that an attempt would be made to simplify the tax. Subsequently, this December, in the omnibus bill, there was reference to changes that would be made to the retail sales tax, but that the essence of the changes that would be required would be left to the regulations. Currently, we are working with the Ministry of Finance to attempt to come up with definitions that might solve some of these problems, and it's proving to be extremely difficult to do so. One of the reasons for that, of course, is that even within the information technology industry, some of the terms and words used to describe particular things, which the staff of the Ministry of Finance is now attempting to define, have different meanings for different practitioners within the field.

We think that the answer to this problem is not to tinker with it further, not to tinker with the definitions, but in fact to try to find a more reasonable approach and a different approach with regard to retail sales tax in this particular area. So we would like to see changes, and we would recommend that changes be made to that tax, which would assist business.

At this stage, I'd like to turn to Cyndee. I'm not sure whether you have anything you'd like to add to this.

Ms Cyndee Todgham Cherniak: My name is Cyndee Todgham Cherniak, and I'm from Goodmans LLP. But today I am going to be speaking on behalf of ITAC Ontario, as I assist them in this matter.

We have come up with a possible solution that solves much of the difficulty that has been experienced since 1997 when the computer software rules came into effect, and it is this: impose a tax on computer software; impose a tax on computer-related services; however, provide an exemption for businesses.

1510

One of the reasons we throw this out as a possible solution is that by allowing an exemption for businesses, you can create a situation to assist with the solution of the underground economy. If a business is registered and in the Ministry of Finance's database and system either as a registered vendor, which is a vendor who charges sales tax on some of its services or products—but you can also create a category of vendors who are not vendors for the purposes of the Retail Sales Tax Act. You have two categories. It's businesses like my law firm—we don't charge PST right now on legal services. So you'll have both categories in the system. It would enable the Ministry of Finance to go and audit these companies and look at their books and records. If you want to take advantage of this exemption, you must be in the Ministry of Finance's system. If you want to remain in the underground economy, you're going to be paying retail sales tax on your purchases of computer programs and any computer-related services rather than splitting hairs, which is what we are doing now.

I'm dealing with computer programs first. We now have a situation where all computer programs are subject to retail sales tax. That's the rule. Exemptions are allowed for custom computer programs, which are programs that are designed and developed for a specific user. There are additional exemptions for computer programs that are prewritten but modified, with a series of rules and tests to take place. The computer-related services, as a result of the July 19, 2002, draft amendments which were partially put in place in the legislation but most by regulation that are still outstanding—we need a definition for “installation of a computer program,” “configuration of a computer program,” “modification of a computer program” and “upgrade of a computer program.” Those are the terms we're having difficulty defining. Even the definition as written now has changed, so it's not necessarily in sync with what the IT industry considers to be falling within that definition. It's the IT industry, and often the smaller companies within the IT industry, that are having the problems.

Our solution is, tax it all, except allow an exemption for businesses so that consumers pay the retail sales tax, but businesses that flow that through will attract businesses to Ontario. It will attract IT businesses to set roots here in Ontario. It will attract foreign companies who service the US market. They call them “near offices.” India, for example, sets up near offices in Canada in order to service the large US market because we have lowered our income tax rates and lowered our payroll taxes and because it is cheaper to have labour in Canada. Right now we say, “Go to Alberta, go to

Quebec, go to the Maritimes, because you will not get stuck with this tax.” Alberta doesn’t have a PST. Quebec has a Quebec sales tax, so businesses are entitled to input tax credits. The Maritimes have harmonized with the GST, and they’re entitled to an input tax refund. So that is our suggested solution to this problem.

Mr Horwood: Mr Chairman, that’s our submission. I’d be prepared to answer any questions. We don’t want to overstay our welcome.

The Chair: We have about two minutes for each caucus. We begin with the NDP.

Mr Christopherson: Thank you for your presentation. There’s a lot of detail on that.

Mr Horwood: There is a lot of detail. I’m sorry. It’s a complicated matter.

Mr Christopherson: It is. It’s hard to grasp all the nuances in one run-through, no question. But it sounds like a legitimate, non-partisan finance issue. Common sense should dictate how this thing gets unfolded.

Could you just run through the benefit again in terms of offsetting or discouraging participation in the underground economy? Go through that one again for me, please.

Ms Todgham Cherniak: We would discourage it by bringing people forward into the system. If you want to get the exemption, you have to be in the Ministry of Finance’s database. That is how you get around—so you help with the underground economy issue because companies are coming forward, saying, “OK, I will start to charge and collect taxes. I will make myself known to the government of Ontario because I want to buy my computer software and I want to save the PST.”

Mr Christopherson: Just to ask the question, is there enough incentive there to offset the incentive of remaining in the underground economy? Obviously, there’s a huge incentive. Is this big enough to be in there?

Ms Todgham Cherniak: We believe there very much will be, because so many companies are now using computer software in a variety of ways to conduct their businesses and some of them need to purchase software that is quite expensive. So we’re not talking about someone who only uses Microsoft Office; we’re talking about restaurants and bars, for example. They track their spillage, they track their spoilage and they track their inventory by specialized computer programs. There is the possibility that it’s going to actually be of assistance.

Mr Christopherson: How much revenue stream are we stopping in terms of revenue into the province, do you think?

Mr Horwood: It’s increasing now, because the businesses that are contemplating locating in Ontario are now just becoming aware of this tax and the problems that arise from it. The problem that arises, I want to stress, really stems from confusion and ambiguity. If this was a simple matter of taxing something, in the sense that I go into the store and I buy a box of something and it goes through the cash register, there’s not any problem with that sort of tax. The difficulty comes from—let me try to explain in a sense where Cyndee has talked about

custom software versus what we might call shrink-wrapped software.

If you do custom software for someone, it is not subject to sales tax. So if I do a program for you and it’s intended just for you, then there’s no sales tax on it. But if, for example, I were to discover that this same piece of software might be useful to Mr Phillips and I sell it to him, it’s not custom software any more, because I’ve sold it to two people. I didn’t intend to at the beginning, but now I should have charged you sales tax. Those two transactions might have taken place three, four, five years apart, and yet the auditor comes in and says, “Whoa, you sold this to two people. This is taxable.”

Mr O’Toole: Thank you very much, Robert. I’ve listened to you before on this issue, clearly when I was in Finance. I heard it even down at the point of writing the budget—I heard it; I didn’t have any direct input—and also through the Red Tape Commission.

It appears to me even as you describe it now and, Cyndee, your explanation as well in commercial law—I like your solution number 6, the new approach, looking at infrastructure and business. From the point of view of business, the way Quebec handles it sounds like a more realistic solution. This approach of creating a new registry and everybody has to pay and then everybody gets to file for a refund—there must be some other way of doing this.

I worked in systems most of my life.

The Chair: Quickly, sir.

Mr O’Toole: I guess my question is—you’re right: even programs that are installed, or installed programs, and there’s some little glitch because I’ve got an operating system that’s different, ultimately are custom to a large extent unless they’re off-the-shelf installed. If there’s a service interface involved, it’s custom.

Ms Todgham Cherniak: According to the retail sales tax rules, it’s not necessarily custom, and that’s where the problem is: is that transaction custom or isn’t it custom? But I would suggest—

Mr O’Toole: How do they audit? It probably costs them a fortune to enforce this thing.

Ms Todgham Cherniak: Absolutely. So we would suggest the alternative, which is even better than the Quebec model, of paying the tax and claiming an input tax credit. The Ontario model can be the best system, besides Alberta, which doesn’t charge tax, in that you don’t pay it up front and there’s a paper trail that is auditable. It’s a simple solution to what is a problem in Ontario, British Columbia, Saskatchewan and Manitoba. All the provinces that have a retail sales tax have this same problem.

The Chair: We’ll be moving to the official opposition now.

1520

Mr Kwinter: I wish you luck in implementing that kind of a program. I had first-hand knowledge, and I raised it in the House a couple of years ago, where a constituent of mine who sold computer books that included software was audited. The retail sales tax

auditors came in and said, "Over the last five years you didn't collect the sales tax, and we're going to assess you something like \$200,000," which would effectively put him out of business. He called me to see if I could help. He sent me a copy of the book, and the book had the software to teach people to use computers. It's like teaching someone to drive a car without a car: you need the software to do it. So I went to Chapters and bought a similar book, and they didn't charge me the sales tax. I went to the University of Toronto Bookstore and bought a similar book; they didn't charge me the sales tax. Here the auditors are coming in and charging this guy a couple of hundred thousand dollars for selling the same kind of book.

I raised that in the House. I brought the books in as examples. I sent them over to the Minister of Finance, who at the time was Ernie Eves. He said he would look into this thing. I have to tell you I've never heard back. So hopefully in this situation, in your group that is working on how to do this, you will come to a solution. Do you have any comments?

Ms Todgham Cherniak: It's still a problem.

Mr Horwood: It's an ongoing problem because of the complexity. I think the difficulty we run into with the staff who are working on this particular problem is that the solutions they come up with or can come up with are within a very narrow definition. Any time we try to recommend to them that it needs a fresh and new approach, of course that's not within their mandate. So here we are, trying to figure out definitions again, and every time we ask a programmer or some other practitioner, "What does this term mean?" we get four or five different terms. That means it's impossible, from the point of view of the auditor; the auditors simply don't have the training or any understanding of that.

The Chair: Thank you for your presentation. We appreciate it.

CANADIAN FEDERATION OF STUDENTS

The Chair: We move to our next presenter, the Canadian Federation of Students. Will a representative please come forward? Welcome.

Mr Joel Duff: My name is Joel Duff. I'm here on behalf of the Canadian Federation of Students, representing our 235,000 college and university student members. I'm not here today to appeal to your social conscience. I'm here to tell you what parents and students are going to be thinking about if we have anything to do with it in the upcoming provincial election.

In 1996, the Ontario government withdrew \$400 million in annual funding from post-secondary education. Ontario's system of higher education has yet to recover from this cumulative \$2.8-billion withdrawal in core operating funding. Our institutions have been making do with less, accommodating more students with fewer dollars. This funding crisis has caused university and college administrators to push for leverage to increase

private funding, both through students and parents, but also through the private sector. As a result, dramatic tuition fee increases now threaten accessibility for many low- and middle-income students, creating a crisis that has been compounded by the Ontario government's 1998 decision to deregulate graduate, professional and post-diploma programs.

However, tuition fee increases have not translated into greater financial resources for post-secondary education institutions, because government cuts have outstripped added tuition fee revenue. Today, students are contributing close to half of the operating funds of our colleges and universities. That's up from the 21% of institutional operating budgets that we paid in 1991, and it's even above the goal of 35% that was set by this government back in 1999. All of these factors have conspired to create what we believe to be an unparalleled crisis in accessibility and quality at our colleges and universities.

There is an enrolment crisis. All of the evidence over the past few years has pointed to the inevitable intersection in fall 2003 of the demographic impact of the baby boom echo, the two graduating classes of the double cohort and the growing importance of post-secondary education in today's employment market. This intersection has been met by the government's neglect and mismanagement of the situation and has produced the enrolment crisis that is haunting students and their families across Ontario.

Preliminary figures released by the Ontario Universities' Application Centre show that there has been a 316% increase in the number of applications to universities since 1996. Training, Colleges and Universities Minister Dianne Cunningham has stated that she requires an additional \$50 million—a figure that we believe is unrealistically low—for higher education to accommodate the enrolment challenges facing her. Yet this government has not even made this commitment available, and now Ontario institutions are short as many as 7,000 to 10,000 spaces, and many institutions are increasing entrance requirements as a means of reducing student demand.

Instead of heeding the projections of stakeholders, the Ontario government has consistently underestimated the size of the enrolment boom while repeating their mantra that every "willing and qualified" student will find a place. As it stands, it could well be that one out of every seven qualified students will not find a place at an Ontario college or university.

Our solutions to the enrolment crisis are simple: universities need an additional \$200 million immediately, and colleges need an additional \$127 million.

There is also an access crisis. The impact of increasing tuition fees can no longer be ignored by this government. At an average of \$4,634 in 2002-03, undergraduate arts tuition fees in Ontario are the second-highest in the country. This figure represents an increase of more than 150% since 1996.

In fact, tuition fees for some programs have increased by more than 800% since 1998. The tuition fees for law at the University of Toronto are set to increase to \$22,000 a year over the next three years. This has resulted in the Black Law Students' Association of Canada and the African Canadian Legal Clinic formally filing a complaint with the Ontario Human Rights Commission that tuition fee deregulation is a discriminatory practice because it disproportionately negatively affects people from marginalized backgrounds.

As has been documented to this government before, there is growing evidence that tuition fees are squeezing out middle- and lower-income students. This is especially true in deregulated programs like medicine, law and dentistry, but evidence is now emerging that shows that across the board, students from lower- and middle-income backgrounds are pursuing higher education at a lower rate than their wealthy counterparts—likely half the rate. In fact, in deregulated programs at the University of Toronto over the past year alone, participation rates among students from family income backgrounds of less than \$50,000 have dropped by 11%.

Here are our solutions. In Ontario, we recommend that \$190 million be allocated to immediately freeze tuition fees as a first step toward restoring access to post-secondary education—the Liberals have committed to it as of today, and the NDP has committed to a reduction—and that you systematically reduce tuition fees, with a special emphasis on deregulated programs.

There's also a financial aid crisis. During their first term of office, this government changed the definition of "independent student" so that in order to be independently assessed for student aid, a student must have lived away from home for five years rather than four. This government lowered the family income threshold for student loans and disqualified part-time students from receiving student aid. At that time, and consistently thereafter, the federation warned that these kinds of changes introduced by this government would create a crisis in access to student financial assistance. We take no satisfaction in noting that yet again our predictions were borne out in practice.

Last November, internal government documents demonstrated that the Ontario student assistance program has experienced a 40% decline in the number of students accessing the program. This has occurred at a time when post-secondary education has been experiencing the greatest growth in the past 30 years. This does not represent an overall decline in the actual number of needy students, as Cunningham seems so convinced to reiterate. On the contrary, student financial need has never been greater, but dramatic tuition fee increases coupled with unreasonable restrictions on student loan eligibility have conspired to squeeze some of the most needy students right out of the system.

Despite this reality, the Ontario government has continued to mismanage millennium scholarship dollars that were intended to provide student debt relief beyond that provided by already established provincial funds. In

Ontario, millennium scholarship allocations have reduced student eligibility for debt reduction. As a result, the Ontario government has saved more than \$65 million. Rather than reinvesting this money in the creation of new financial aid initiatives, the Ontario government has rolled a substantial portion of its savings back into the provincial coffers.

1530

As solutions, we argue that students need substantive measures to reduce the amount of student debt. We do not need any more ways to help us cope with larger debt loads. The Canadian Federation of Students recommends that \$135 million be invested immediately to improve student aid and to provide upfront needs-based grants to Ontario students. We reiterate our call for full disclosure of the use of any savings from millennium scholarship dollars and that such money be used to establish new programs that directly reduce the unmet financial needs of students.

There is a quality crisis. Because of deep government cuts, the past seven years of tuition fee increases have not translated into any improvement in quality. Dwindling faculty numbers and crumbling infrastructure are just two of the symptoms of the quality crisis in our colleges and universities. What limited funds have been made available for infrastructure have come with such conditions that they have not gone toward solving old problems and, instead, have created many new ones associated with an increasingly market-driven orientation to post-secondary education.

In fact, Ontario has the worst professor-student ratio in Canada. The Ontario Confederation of University Faculty Associations, whom you heard from this week, has estimated that about 15,300 new faculty will be required to meet today's enrolment challenges, while the Association of Colleges of Applied Arts and Technology has estimated that between 2000 and 2005, nearly one third of current staff will be eligible to retire. The staff and faculty shortage, combined with the current enrolment expansion, poses a serious threat to the quality of the educational experience offered at Ontario's colleges and universities.

Two years ago, the government's own Task Force on Investing in Students estimated that the costs associated with building maintenance that had been neglected as a result of financial constraints could be as high as \$1.2 billion. The fact that buildings have not been adequately maintained means that Ontario students are studying in substandard learning environments.

This government's insistence on increasing private influence and control of public post-secondary education through the SuperBuild fund and through the introduction of private, for-profit degree-granting institutions has meant a thorough entrenchment of market-driven values in building, program and curriculum development at many Ontario colleges and universities.

To solve the crisis in quality, Ontario needs to meet the national average for professor-student ratios. That's a fairly modest demand. Our universities and colleges need

\$450 million and \$150 million respectively for deferred maintenance. The Canadian Federation of Students recommends the replacement of public-private partnerships with unrestricted core funding for colleges and universities and that existing private institutions be integrated back into the public system.

Ontario needs to chart a new course for itself. This crisis has touched every aspect of post-secondary education, from the faculty shortage to the lack of student spaces, from crushing student debt to the doubling and tripling of tuition fees and from decrepit buildings to inadequate library facilities. It is plainly obvious why most families in Ontario now give this government failing grades for its handling of post-secondary education. Chronic government underfunding is at the root of all these issues. Even if the above demands are met, the system would require an additional \$400 million every year to maintain the system at 1996 levels. This basic recommendation underscores all the other financial recommendations.

Recently, Dianne Cunningham, Minister of Training, Colleges and Universities, attempted to deflect the genuine anger students and their families are feeling by pitting the needs of the health care system against the needs of our education system. The Canadian Federation of Students believes that were the Ontario government to find the political will to change its priorities, there would be plenty of funds available to properly fund both health care and education. For the record, we do not accept that core funding for one must come at the expense of the other.

The Chair: Thank you, Mr Duff. That leaves us with just over a minute per caucus, and we begin with the government.

Mr O'Toole: Thank you very much for your presentation. We have heard a number of different points of view on the importance of the double cohort. I guess you'd have to admit that the minister, Dianne Cunningham, is very committed. In fact, some would say she sort of overstepped her authority by committing yet another \$50 million.

Mr Duff: She committed that, but Ecker has not suggested that money will be forthcoming.

Mr O'Toole: I'm only making the point that I think the minister is committed. You can refute her statement and the statement by the Premier that every willing and qualified student—I'd just put it to you this way. As a parent of five children, I think there is a fair amount of responsibility to look at that whole aspect of the affordability, but even what you said doesn't really flow through. You're saying that tuition deregulation is a barrier. Really, that's what you said in the first part of your introduction, that the increasing tuition was a financial barrier, yet now we've got all this double cohort and everybody's going—the numbers are up. The penetration numbers have gone up from 12% to 25%.

The Chair: Quickly, sir.

Mr O'Toole: So I hear what you're saying. It's an extremely important investment, and it's an investment in you. I think there has to be a shared responsibility.

Mr Duff: What I would suggest to you is that any money that has come through from this government for the double cohort has been very late in the game, so it's going to be a very difficult stretch—

Mr O'Toole: We've worked on it since 1995.

Mr Duff: —to hire faculty in about five or six months and build the spaces that are required.

Mr O'Toole: We've worked on it since 1995.

The Chair: Please let Mr Duff finish.

Mr Duff: If you don't mind me just finishing, with respect to deregulation, I don't think it's an issue of shared responsibility. Post-secondary education is a requirement in our society to become a middle-income earner, and that opportunity should be available to everyone regardless of their financial circumstances. We should pay for our education through a progressive system of taxation after graduation.

Mr Phillips: Thank you for your presentation. This is a government document, *Doing Business in Ontario*. These numbers are old now, but it proudly states how our tuition fees are dramatically lower than in the US and the great advantage that is. That was before the dramatic fee increases.

I was caught by your comment here—and I remember the government election platform in 1999 was that we were going to have tuition fees cover roughly 35% of the costs, because that's fair and equitable and affordable. I now gather it's dramatically higher than that. I think you quoted a number. Why would it have been fair and equitable at 35% in 1999, and why would they have allowed it to get to—what was the number you quoted?

Mr Duff: It is on average 41%, but at some institutions as much as 50%. That's a great question, I think, that we should pose to our government, because the fact of the matter is that they have consistently overachieved with respect to shifting the responsibility from the public sector to the private sector for funding post-secondary education, shifting it from public, government dollars on to the backs of students.

Just to come back to your point about the United States, the fact is that the United States system isn't less accessible than ours. At most state colleges, tuition fees are actually quite comparable, and average student debt in the United States is quite comparable to what students are graduating with here. The fact is that our system thrives by an investment of public dollars, unlike that which is offered in the United States. But we need to have a universally accessible system to have a flourishing economy, in my opinion.

Mr Christopherson: Thank you for your excellent presentation. You clearly know your stuff.

Just to get at the root of the government's mindset, I want to take you back a bit to the millennium scholarships. In particular, this message is for anyone who happens to be watching and who is either thinking of going to university themselves or is the parent or

grandparent of someone who is going to be going to university. If you could just take a second to outline exactly how the \$3,000—there's only a \$1,000 benefit and this government is \$65 million ahead at the expense of students.

Mr Duff: Thanks for that question. Essentially, the Millennium Scholarship Foundation provided a grant of up to \$3,000—

Mr Christopherson: That's from the feds.

Mr Duff: —from the federal government to students in each of the provinces. But in Ontario it is duplicating funding for students who are already receiving from the provincial government for loan remission. What that meant was, because it was duplicating an existing program, the provincial government was saving what we have discovered is \$65 million. Under the act for the Millennium Scholarship Foundation, that money was supposed to be reinvested in the public education sector. The goal of the Millennium Scholarship Foundation was supposedly to reduce student debt. This government took the money and used it to underwrite existing infrastructure costs and programs in the education sector and then pocketed the difference, which is probably around \$30 million. So, frankly, I'd like to see some accountability, and I think you would too.

1540

Mr Christopherson: Thank you. Well done.

The Chair: Thank you, Mr Duff. We appreciate it.

Mr O'Toole: Mr Chairman, on a point of order: I must clarify, with your indulgence.

The Chair: I'm listening.

Mr O'Toole: The federal Canada student loan is not underwritten—

Mr Christopherson: That is not a point of order.

Mr O'Toole: No, he's giving the wrong information. It's not underwritten by the federal government, and the provincial student loan is.

Mr Christopherson: It's not a point of order.

Mr O'Toole: So you should start telling the truth at these hearings.

Mr Christopherson: Mr Chairman, on a point of privilege: I think he should be directed by you to take that back.

Mr O'Toole: That's the point. I'm correcting some information that's wrong.

The Chair: Please withdraw that, Mr O'Toole.

Mr Christopherson: Apologize.

Mr O'Toole: The information is wrong. As a student, he should know that.

The Chair: Mr O'Toole, stop.

Mr Duff: As a student, I've done my homework, thank you.

The Chair: Thank you, Mr Duff. We appreciate your presentation.

Mr O'Toole: You haven't. I'm disappointed.

The Chair: Mr O'Toole, enough. Thank you.

Thank you, Mr Duff. We appreciate your input.

ONTARIO TEACHERS' FEDERATION

The Chair: Our next presenter is the Ontario Teachers' Federation. I apologize; I almost said it was the preachers' federation. It is the Ontario Teachers' Federation, and I would ask that you please state your name clearly for the purposes of the record. You know you have 20 minutes.

Ms Phyllis Benedict: Thank you, Chair. Phyllis Benedict, president of the Ontario Teachers' Federation. With me today is executive assistant Kathleen Devlin.

The Ontario Teachers' Federation does welcome the opportunity to present its views to the standing committee on finance and economic affairs as part of the annual pre-budget consultation process. As you may be aware, OTF does represent 144,000 elementary and secondary teachers who work in the publicly funded schools of our province.

Last year when OTF appeared before this committee, we addressed two issues: the government-promised review of the funding formula and the shortage of qualified teachers in Ontario schools. Since that time, the Education Equality Task Force, chaired by Dr Rozanski, has been struck and has reported, and we know more about the shortage of qualified teachers. Today what we'd like to do is draw a connection between these two issues.

I compliment the Minister of Education for taking the initiative, recognizing that there was something wrong with the funding formula and moving forward to start to rectify that.

We did have the opportunity, as OTF, to meet with Dr Rozanski several times, and we also had a representative who sat on the stakeholder advisory committee. In our presentation, we made the following points:

We need a functional model for the distribution of public funds for elementary and secondary schools. Although it's not sufficient in and of itself, it would move toward ensuring equality of student learning. We know that public education is a shared public good. It is essential to have a model for its funding that is understandable and that the recipients be accountable if the implicit contract with Ontario's citizens is to be maintained.

We also know and put before Dr Rozanski that the best accountability is that which is a clear and open reporting of expenditures in ways that are understandable. Attempts to control decision-making through excessive regulations often do nothing more than produce new distortions and other unintended and unexpected consequences. We know that we need sufficient new money allocated to education to provide a genuine ability for school boards to respond to local needs and public expectations. We've seen around the world in other jurisdictions, such as Britain, that they have experienced large-scale reform and are finding it necessary to increase their education investment.

And we know that no model is perfect in design. It needs regular review and adjustment as new information

and new situations evolve. So the process of review and adjustment must be shared between government and those responsible for the day-to-day operation of our schools, with significant community and stakeholder advice.

We were impressed with Dr Rozanski: with his openness, his willingness to listen to all stakeholders, and with the recommendations he brought back. As we know, some of them he signalled to the government were urgent. We do appreciate that the government did move on those recommendations from Dr Rozanski. However, as the committee heard yesterday from People for Education, these actions only represent about 30% of the \$1.8 billion in spending that Dr Rozanski says we need in our education system.

We told Dr Rozanski that adequacy is a critical issue in this funding formula. The funding has not kept pace with inflation or with enrolment growth. One of the government's own documents that was authored by Elizabeth Witmer and Dianne Cunningham, *A Blueprint for Learning in Ontario*, acknowledged that the government of the day was spending \$14.2 billion on elementary and secondary education, but that was in 1992. In the budget that was presented to the Legislature on June 17, 2002, the government allocated \$14.3 billion for elementary and secondary education. We know that at the same time we had dramatic increases in student enrolment and we also had serious and severe inflation that was not addressed. Again, we agree with Dr Rozanski: the model works; there are just not enough funds.

What he did was reignite a hope for the supporters of public education. We heard again from the minister that there is a commitment of this government not to put this report on the shelf and let it gather dust. We saw the flurry of announcements that followed Rozanski's report, but we firmly believe that this should not be a strategy that is used for election purposes. We need substantive implementation of all of the recommendations, not just sound bites for the evening news.

If you look at what is contained in the report that still needs to be addressed, the benchmarks are a very important aspect of the funding model. They need to reflect the actual costs of running your schools, not best guess and certainly not lagging years behind the reality. The government did announce \$340 million for salaries, representing a 3% increase of the salary benchmarks. However, there is a long way to go to bring up all of the benchmarks, including salaries, to August 2002 actual costs. We believe the funding model will not work efficiently until the fundamental flaws that have led to this discrepancy are repaired. Especially egregious is the use of averages to set the benchmarks. The use of averages as a proxy for standards inevitably produces a benchmark that's below levels of expectation. As someone I know recently said, "Considering the yearly average of temperature, you don't need a winter coat in Timmins, but it would be nice to have one in mid-January." The Rozanski report allows three years to bring the benchmarks up to date, but we believe the government needs to

and must move sooner. The benchmarks are constantly losing ground.

Six of the 33 recommendations deal with the learning opportunities grant. A move to increase these grants would significantly accommodate addressing the diversity of the communities in our province and assist with meeting the needs especially of those communities that are high-poverty or in areas of high immigration. In order to determine the appropriate magnitude of this increase, we must gather, as Dr Rozanski suggested, further data and research, and we believe it must be done immediately to have an effect on the upcoming school year.

The local priorities grant is the only mechanism our school boards have of responding to those local needs. Recently, OTF awarded one of the Queen's Jubilee medals to a woman called Mary Gordon, who is one of the pioneers in parenting courses in a program called *Roots of Empathy*, which teaches our youngest children how to become better citizens and care about each other.

1550

Minister Witmer was there the day we did that, and she complimented the work. But these school boards cannot have parenting courses because they're not covered anywhere other than in the local priorities grant, and it's not enough money. To educate a child is holistic, and we need to help everyone—parents, teachers, the community—to get the best from our children.

In the 2002 report, the Provincial Auditor criticized the method of funding for special education, declaring it to be inadequate to meet student needs in an effective and timely way. Waiting times for assessment, often due to lack of appropriate non-teaching personnel support such as psychologists or psychometrists, is one consequence of the funding to a benchmark based on an estimated average.

We need to support what is in the current funding model. The two-part model is sound. However, we need to ensure that we have the personnel in our schools to deal with the mountains of paperwork, that special education and resource teachers do not spend hours and hours away from students, only to find that some of those reports are rejected. They need to deal with the students on a day-to-day basis.

The data acquired through the detailed documentation process to develop a weighted grant based on incidence patterns is a provision for a periodic review that has, again, been suggested. We have the data. Let's move forward to protect and support our most vulnerable children.

Within our province, transportation is not a new issue—how to meet the needs of ever-growing costs—and I do compliment the school boards that have moved to find innovative ways of doing so. However, recently I heard that during one of the cold snaps we had, some children stood for a long period of time waiting for a bus that was cancelled after they left for their walk to the bus stop. Safety issues for our students are paramount. One of the things Dr Rozanski suggested was that we have to continue to find innovative ways of dealing with trans-

portation. Yes, we need money, but we need to find more efficient, more effective and safe ways of getting our students to our schools.

With students at risk, we seem to hear of more and more students who start to slip through the cracks. We can't allow this to happen. Early intervention is paramount and there are very many ways of doing it, starting with reducing class size at the elementary level. This would enhance literacy and early numeracy efforts, but we also know that we need to have sound professional development provided by school boards to make sure our teachers are most current and that the programs they have access to will definitely help our students.

For over 20 years, we have talked here in this province about an integration of services to meet the needs of children, and we haven't yet done it. This is a government that continues to talk about the bottom line fiscally. Well, perhaps if we didn't have duplication of services, we could then take that money and put it into programs that our students desperately need. We heartily agree that Ontario needs to keep pace with the rest of Canada, looking at the needs of aboriginal students and the aboriginal community. We hope that we will find some funds in order to move forward on that.

When you look at school board governance, the dedication of our trustees for \$5,000—that hasn't changed over the years—almost makes that position one of a volunteer service. However, we need to retain the dignity of that duly elected process and those individuals and support them in the very significant role they make.

I said I was going to tie it briefly to the issue of teacher shortage, which we have looked at very seriously. OTF has worked on a workgroup with the Ministry of Education since 2001. We will be holding a symposium on February 10 and 11 with the directors of CODE to look at what we need in order to recruit and retain teachers in our province. We know their salaries, benefits and working conditions are an issue. We need a mentor program for beginning teachers. We need opportunities and support for the employers for professional learning. We need a reliable infrastructure, and we need to have an effective system of governance and administration. We need to put these together to ensure we have the best teachers and that we keep the best to ensure our students' success.

Beginning teachers' salaries don't attract people to our profession. If you look at the beginning salary for engineering graduates, for example, it's \$49,000. Entry positions for graduates with degrees at both the provincial and federal civil service appear to have starting salaries that range between \$45,000 and \$55,000. Entry salaries for teachers here in the Toronto area are \$35,000 to \$38,000. We need to make the profession attractive.

In conclusion, for the past six years OTF has appeared before this committee and reported on the desperate state of funding for our public schools in Ontario. This is not a time for "I told you so." This is a time to do the right thing, to do the smart thing. It's time to reinvest in the

future of Ontario, because to do anything less for our students is an absolute travesty.

The Chair: Thank you, Ms Benedict. We have time for basically a single question from each caucus, if you look at three minutes. We'll begin with the official opposition.

Mr Phillips: Just to give us an idea of your recommendation for this upcoming fiscal year and the following one, what do you feel is required in provincial grants? I realize it's always challenging, because there's the property tax issue as well. But what has to happen just in provincial education spending, in your judgment, next year and the following year?

Ms Benedict: We do support, as many of the other groups that are calling for it, the \$1.8 billion, but we've rounded it to \$2 billion because we know that circumstances happen during the school year where school boards cannot meet the needs or cannot meet the increase—a crisis, for example, in fuel costs, in heating buildings. It would be forward-thinking for the budget to include some monies to look at the types of consultation and the types of research that would be necessary in order to act on the recommendations that came out of the task force. So we would agree with \$1.8 billion but we would prefer to see \$2 billion.

Mr Christopherson: Phyllis, thank you again for your presentation, as always. With only one question, it's difficult. In Hamilton, we're still living under the dictatorship of an appointed supervisor. Our elected trustees have been denied their democratic right to assume their position. As a result, we've got massive school closures. We've got parents in total outrage over the redistribution of the boundaries. I just wondered what the position of your organization is with regard to trustees who—normally you're on the other side from them. Given the fact that in my view, and certainly in Hamilton, those trustees were standing up for the kids, standing up for teachers, standing up for the education system, and for that reason they were fired, I wondered what your view is of that situation and the position the trustees took.

Ms Benedict: I think we see in all three of the school boards that have supervisors that trustees who had continued to make the right decisions because they're the right decisions for the community and, more importantly, they're the right decisions for students—I guess we go back to the days of the very first Minister of Education we had with this government, who called our students "widgets." They will find out, unfortunately, through losing kids, closing communities and ripping things apart that should be put together, that maybe these decisions that may fit the bottom line in a budget certainly do not meet the needs of elementary and secondary students, and that elected officials should be allowed to do the job.

The Chair: We move to the government side.

Mr Arnott: Thank you for coming in today. We do appreciate your advice, the suggestions you brought forward and the observations you've made. I know you're aware that the Minister of Education currently does not see the students as widgets and that she is fighting for

everyone in the system. We're certainly trying to put the interests of the students first and to support their opportunities for achievement.

If we don't have a lot of time, perhaps I should just leave it at that. Thank you again for your willingness to work with the minister and your co-operative approach. We appreciate that very much.

The Chair: Thank you, Ms Benedict, and to the federation for coming forward once again. That concludes your presentation.

I remind the committee that we will be travelling. For those who will be flying in the aircraft, you should have a schedule that has been put on your desk by the clerk outlining the itinerary for next week's travel. Because the flight is at 9:15, we ask that you be at the Skyservice hangar no later than 8:30 so they'll have time to board us and the luggage. Also, the clerk's cell number should be in your package. That's 416-953-0810. For those who

don't know where the out-of-town hangar is, I think the map was distributed to you just afterwards.

Interjection.

The Chair: A new cellphone? Was that an error in terms of the number?

Mr Christopherson: I don't know. It depends how many calls you generate. You just put it out across the whole province, so I would imagine Katch is going to be a popular guy: "You tell that damn committee"—

The Chair: Well, it's the clerk's office. Anyway, you're right.

For those who are travelling with the aircraft, if you'd be kind enough to make it on time, we'd certainly appreciate it.

This committee is adjourned to London on Monday, February 3, at 9 am.

The committee adjourned at 1602.

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CONTENTS

Thursday 30 January 2003

Pre-budget consultations	F-253
Toronto Board of Trade	F-253
Mrs Elyse Allan	
Canadian Pensioners Concerned.....	F-256
Ms Mae Harman	
Ms Gerda Kaegi	
Dick Raha	F-260
Ontario Chamber of Commerce.....	F-261
Ms Mary Webb	
Mr Atul Sharma	
Canadian Mental Health Association, Ontario Division	F-264
Dr Barbara Everett	
Co-operative Housing Federation of Canada, Ontario Region	F-267
Ms Lori-Anne McDonald	
Mr Harvey Cooper	
Ontario Federation of Agriculture	F-271
Mr Ron Bonnett	
Mr Ted Cowan	
Ontario Confederation of University Faculty Associations.....	F-274
Dr Henry Jacek	
Toronto Disaster Relief Committee	F-278
Ms Cathy Crowe	
Mr Michael Shapcott	
Canadian Life and Health Insurance Association	F-283
Mr Mark Daniels	
Mr Jim Witol	
Advocacy Centre for Tenants Ontario	F-286
Ms Kathy Laird	
Ms Mary Todorow	
Ontario Association for Non-Profit Homes and Services for Seniors.....	F-289
Ms Donna Rubin	
City of Toronto.....	F-292
Ms Olivia Chow	
Society of Management Accountants of Ontario	F-294
Mr David Hipgrave	
Campaign Against Child Poverty	F-297
Ms Jacquie Maund	
Mr Walter Pitman	
Mr Gerald Vandezande	
Information Technology Association of Canada for Ontario.....	F-300
Mr Bob Horwood	
Ms Cyndee Todgham Cherniak	
Canadian Federation of Students.....	F-303
Mr Joel Duff	
Ontario Teachers' Federation.....	F-306
Ms Phyllis Benedict	