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Tuesday 9 December 2003

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des débats
(Hansard)**

Mardi 9 décembre 2003

**Standing committee on
finance and economic affairs**

Fiscal Responsibility Act, 2003

**Comité permanent des finances
et des affaires économiques**

Loi de 2003 sur la gestion
responsable des finances

Chair: Pat Hoy
Clerk: Katch Koch

Président : Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Tuesday 9 December 2003

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Mardi 9 décembre 2003

The committee met at 1002 in room 151.

FISCAL RESPONSIBILITY ACT, 2003

LOI DE 2003 SUR LA GESTION
RESPONSABLE DES FINANCES

Consideration of Bill 2, An Act respecting fiscal responsibility / Projet de loi 2, Loi concernant la gestion responsable des finances.

The Chair (Mr Pat Hoy): I call the meeting to order. Welcome, everyone. This committee will be meeting today from 10 am to 12 noon and from 4 to 6 pm in this room for public hearings on Bill 2, An Act respecting fiscal responsibility, and tomorrow, same time; however, the room will be 228, for clause-by-clause. Members take note of the room change, please.

SUBCOMMITTEE REPORT

The Chair: We have a report of the subcommittee on committee business. I would entertain a motion to adopt subcommittee report. It would be good if it was read into the record as well.

Mr Mike Colle (Eglinton-Lawrence): Mr Chair, I move adoption of the subcommittee report.

The Chair: Would you care to read it for us, please.

Mr Colle: Yes, Mr Chairman.

Your subcommittee met on Monday, December 8, 2003, to consider the method of proceeding on Bill 2, An Act respecting fiscal responsibility, and recommends the following:

(1) That the committee meet in Toronto on Tuesday, December 9, 2003, to hold public hearings on Bill 2.

(2) That the Minister of Finance be invited to appear before the committee on Tuesday, December 9, 2003, from 10 to 10:40 am to make a presentation and answer questions from the committee members.

(3) That members of the subcommittee provide the committee clerk with lists of who they would like to appear as witnesses.

(4) That witnesses be allotted a maximum of 20 minutes in which to make their presentations and answer questions from the committee members.

(5) That the research officer prepare a summary of the proposed amendments heard.

(6) That the amendments be filed with the clerk of the committee by Wednesday, December 10, 2003, at 9 am.

(7) That the committee proceed with clause-by-clause consideration of Bill 2 on Wednesday, December 10, 2003.

(8) That the clerk of the committee, in consultation with the Chair, be authorized, prior to the adoption of the report of the subcommittee, to commence making any preliminary arrangements to facilitate the committee's proceedings.

The Chair: Are there any comments?

Mr John O'Toole (Durham): Just with respect to subcommittee report item number 6, this doesn't leave us very much time to contemplate significant amendments to the bill, which needs amendment. I gather we have to file those by tomorrow morning. So if we're meeting till later today, I may have to consult with legal counsel Laura Hopkins.

The Chair: I would mention that at the subcommittee meeting Mr Miller agreed with and put forward this timeline.

Mr O'Toole: Thank you.

The Chair: Any other comments? Does the motion carry? Agreed? Carried.

MINISTRY OF FINANCE

The Chair: Members will have an agenda on their desk. It is also on the back side with other information; a two-sided agenda. What we have this morning is the opening, as the subcommittee report suggested. I want to welcome the Minister of Finance to the committee. The minister has 40 minutes for a presentation and/or answers and questions.

At this time, I welcome the Minister of Finance, Mr Sorbara. The committee is in your hands for the moment.

Hon Greg Sorbara (Minister of Finance): Mr Chair, members of the committee, it has been a long time since I have participated in a committee hearing and a very long time since I participated in a committee hearing as a member of the executive council and as a presenter or a sponsor of a bill. If I am a little rusty this morning, I'm sure my friend from Durham will—

Mr O'Toole: Hold you to it.

Hon Mr Sorbara: —hold me to account, but with some temperance.

Interjection.

Hon Mr Sorbara: He said, "Respect as well." I appreciate that.

Bill 2 is, in some respects, the beginning of the reconstruction of the financial and fiscal viability of this undertaking called the province of Ontario. It is the first step in re-establishing a more appropriate balance between the revenues that we collect as a government and the expenditures we make as a government.

Bill 2 is about creating sustainable government in Ontario. It's about, as our party said during the campaign, living within our means. There has been a great deal of interesting rhetoric in the Legislature about these tax measures. The only one I find somewhat troublesome, if not to say offensive, is the suggestion by some members, and frankly some commentators, that the new Liberal government is not living up to what it said during the campaign in respect of taxes.

I think we were clear about everything during the campaign, but if we were clear about one thing only, we said without equivocation that we would be rolling back the previous government's corporate tax cuts to the levels that they were in 2001. We said that because we knew, from the moment those measures were put into place, that those tax cuts were unaffordable, that they did serious damage to the revenue base of the province, and if they were allowed to continue, they would put the province into a serious deficit situation.

We said as well that we were going to maintain personal income taxes at the levels they were at the time of the election, and this bill does that as well.

We said during the campaign, with clarity and sense of purpose, that we must not proceed with the equity in education tax credit, or whatever it's called, because it represented an ill-advised and inappropriate shift of public funds from a public school system that was bleeding very badly to a private school system that is beyond the purview of government's responsibility to fund. We said that very clearly: "We're not going to go ahead with that. We're going to cancel that. If you want a private education tax credit, vote for the other folks."

1010

We said as well during the campaign that we were going to repeal the seniors' education tax credit, not because we weren't concerned about the circumstances of seniors, particularly those living on fixed incomes, in an environment where property taxes are going up, but because the tax credit was ill-conceived, completely out of whack in terms of equity and, at this stage of the province's financial life, totally unaffordable. I'm going to get into that in somewhat more detail during the course of my remarks.

One of the other things that we made very clear during the campaign was that we were going to deal with tobacco taxes, and we have been able to include our first step on that issue in Bill 2 as well.

Finally, I think, subject to going through my notes, we have extended the GO Transit development charges system that we inherited upon forming the government, to continue to desist on where development charges in GTA municipalities could be levied in order to fund GO Transit. I was particularly pleased to work that measure

into the bill, because had we been forced to delay any further, that development charge would have simply expired, putting in further jeopardy the development of the growth of public transit in Ontario. I think that members of this committee, even those who are not representatives from the greater Toronto area, know the issue of transit in this community, in the GTA, is serious and urgent. We'll be having more to say about that over the course of the next months and years.

I just want to spend a moment or two on Erik Peters's report and what we discovered subsequent to our collective swearing-in as a government. I think the broad terms of Peters's report are now well known. His mandate was simple and clear: Please compare the financial circumstances of the province today with the financial circumstances of the province when the budget was presented in March this year. His analysis, straightforward and objective, indicated that, on the current course, the government would be facing a deficit of some \$5.6 billion. What wasn't in the report, because it wasn't commissioned, was that the course we were on, in the absence of tax measures or expenditure constraints, would result in deficits next year and the year after approaching \$7 billion, \$8 billion and \$9 billion. That's what economists call a structural deficit.

Although the possibility of a structural deficit is not as severe as during the period of 1990-91, I say to my friend from Beaches-East York, when the New Democratic Party was in government and encountered a very serious recession that had a horrible impact on revenues, the structural deficit we inherited from the outgoing government was and is very serious. Just by way of contrast for members of the committee, if I might, and not to be an apologist for the period when the New Democratic Party was in government, their serious deficit problems were attributable, at least in significant part, to a recession/depression that afflicted the North American continent and had at least one of its epicentres in Ontario. That affected property—it affected all the major components of the Ontario business sector.

In contrast, the structural deficit we inherited, coming into power on October 23, arose notwithstanding that over the course of the past eight and a half or nine years, Ontario participated in an historic period of economic growth for the North American continent. I don't want to give anyone credit or give anyone grades on that period of economic growth. Some will say it was just a matter of the demographics of the North American continent: The baby boomers were at their most productive during that period, and a revolution in high-tech and certainly in auto and housing was historically strong throughout that period.

Was it sound economic policies from the Clinton administration? Was it the sound economic policies of the Chrétien government and his finance minister, the soon-to-be-sworn-in Prime Minister-designate, Mr Martin? Was it because of a wide variety of factors? The simple truth is there was significant economic growth in Ontario, in concert with the rest of the continent, between 1995

and 2003. Notwithstanding that economic growth, we inherited a situation where the province's balance sheet was in what I can only describe as a horrible mess. That's our starting point.

Before we go to questions, I now want to go through the major elements of Bill 2. I recall criticisms in the Legislature, particularly allegations from Conservative members about this bill being, my friend from Durham says, "The mother of all tax bills." I want to put on the record that it's a significant tax bill. The rhetoric about the largest tax grab in history is OK for Parliament, I guess, and it's OK for political jibing, but the practical reality of this bill is that it is significant and does go some significant way toward repairing the balance sheet of the province on the revenue side. It does not bring us back to a state of AAA health; a lot more work is going to have to be done in order to get there. But it is significant and there's no toying with that. These are significant tax measures.

1020

What do we do in Bill 2? First, we cancel the equity in education tax credit, effective January 1, 2003. That is plainly consistent with the proposals we brought to the people during the campaign, which were broadly supported. I still hear people saying to me on the street, "You're doing the right thing with the private education tax credit."

I want to make very clear that this is not a criticism of the wonderful private school network that exists in Ontario. All six of my children went to a modest and very effective private school, the Toronto Waldorf School in Richmond Hill—I don't know why they call it the Toronto Waldorf School if it's in Richmond Hill, but that's what it is. It's in no way a comment on that system. We need a good private education system in Ontario. It has flourished over the past 130 years of Confederation, and it will continue to do so. The single most important point to be made here at committee once again is that we cannot use public, taxpayer dollars to pay for that private system. In particular, we can't do it at a time when the public education system has been so destabilized, I say, by policies of the previous government. I think the issue you're going to be hearing about during these committee hearings is the effective date of the cancellation of that credit. It was the government's determination, given its financial circumstances, to make it effective January 1, 2003. That means there will be no credit paid in respect of participation in the private system during the current calendar year. I think you're going to be hearing quite a bit about that from those who make deputations and those who make submissions to this committee.

Under this bill, we are going to repeal the Ontario Home Property Tax Relief for Seniors Act, 2003, a bill that I believe was passed by the Legislature simply for the purpose of enhancing the Progressive Conservative Party's chance of re-election in the election of October 2. It was a bad bill, it was bad business, and I must say there was a cynical element in it that I always found very offensive. I noted during the campaign how many seniors

said to me that they were doing the wrong thing with this bill. But as a very practical matter for me, the worst thing about this bill was the extent to which it was so regressive in tax terms. My friend from Perth-Middlesex, a good financial expert, knows very well what we mean when we describe a tax measure as regressive, but let's go over it here in committee.

A regressive tax measure is one that provides the greatest amount of benefit for the person who needs it the least and the least amount of benefit for the person who needs it the most. So, take two seniors who live in Vaughan. One of them owns a home that has a value of, let's say, \$100,000. You can be sure that senior is living on a fixed income and is finding difficulty paying his or her hydro bills, water bills and perhaps the bills associated with just putting food on the table. So, senior number one: \$100,000 value under the great MPAC system. Across the street, another senior did very well in his or her life. The house is valued at \$1 million. Under the Ontario Home Property Tax Relief for Seniors Act, 2003, the individual with the home that is valued at \$100,000 gets a tax credit of approximately \$350. It's not going to make a great deal of difference in the life of that senior or that couple, particularly because in order to get the \$300, you lose the other seniors' tax credit that had been applicable before this legislation was brought into place. By the way, we're re-establishing that under this act.

Now go to the other neighbourhood. The senior who lives in a \$1 million home and probably spends a good deal of the wintertime down south receives a tax credit of \$3,500. As I told a reporter during the campaign, "Imagine my situation. If I'm 65, I need that property tax credit like I need another cheeseburger." It was way out of whack, and it is extremely important that we kill that initiative in this bill before any of the many seniors in this province actually has any benefit. I just want to put on the record that no credit has been paid under this act. There were a few applications. Those who applied have been notified that there is an initiative in the Legislature to eliminate the bill, so don't expect to receive it.

I want to now go to the corporate income tax changes, raising the tax rate for large corporations to 14% from 12% and to do so effective January 1, 2004.

I want to put on the record before this committee that this initiative would never receive my support if I thought that raising these large corporation tax rates would affect the competitiveness of Ontario businesses. We can't afford to do that any more. I continue to hear by way of an echo the complaints about the government that I was part of between 1985 and 1990, the complaints about the government that was in power between 1990 and 1995, complaints about excessively high tax rates. We can't afford to do that. We must not replicate that. We must ensure that our corporate and personal income tax rates allow us to compete vigorously in a North American and global economy.

I want to tell you that I am personally satisfied that raising these rates at this time does not compromise our

competitiveness. In fact, most of corporate Ontario had already contemplated this change in rates over the course of the past year. Indeed, before the election, one corporate public board that I sat on certainly anticipated that our party would win the election, that these rates would go up and that they were manageable and appropriate.

My own experience during the campaign, and I met with lots of business people, both from Ontario's large and public companies to small business people, was that while I wouldn't say to a person, there was general consensus that Ontario needed these additional revenues to start to return the province to a level of sustainability.

Also in Bill 2 we maintain the small business tax rate of 5.5% for 2004 and subsequent years. I want to make it very clear that the adjustments to the small business tax rate, which are complicated and need not be the subject of careful analysis in this committee, have a neutral impact on taxes. There are some small businesses—I think the number is 5,000 or so—which actually will have a somewhat lower tax rate than they would have had, had it not been for the application of the bill. One of the things we do is that we increase the small business threshold to \$400,000 effective January 1, 2004. That in itself is important for a certain number of small businesses. "Threshold," for those members who might not understand it, is the level at which a certain tax rate kicks in.

A few other measures incorporated in the bill—and I'm going to deal with these very quickly—simply maintain personal income tax rates at the level that they are right now. There were some allegations that we were not continuing with—I'm searching for the right title for it—tax reduction, that part of the program of the previous government that took those at the lowest levels of income off the tax roll. We have not changed that, and this bill does not have significant impact in that regard. It is important to put the very smallest amount of tax burden on those who earn the least in this province. We continue with that policy, and I think it has been the policy of governments of all stripes over the course of the past 20 years.

1030

A couple of other small things and then I'll wind up.

We extend in this bill until March 31 the retail sales tax rebate for certain Energy Star appliances. This was a program that was brought in by the previous administration which eliminated for a period of time the retail sales tax that is paid on highly efficient—in energy terms—home appliances. We're going to continue until March 31 next year.

Finally, a note on the tobacco tax increases. We will be continuing in this March the rate that was selected of \$2.50 a carton, although the intricacies of how that is calculated are something nobody in this committee will ever want to know about, if you have your wits about you—so effectively \$2.50 per carton. A trade-off here was increasing the level of taxation, with a view in mind of reducing consumption, but also not creating an environment for a new black market in tobacco products.

I remember when the national government, after having raised taxes very, very high, had to take steps to lower tobacco taxes in order to dampen the black market, not to say absolutely kill it. We have to be very sensitive to that, but we will be continuing with our tax measures in that regard.

Finally, the bill provides for borrowing authority of up to \$7.1 billion to allow us to make debt payments and invest in our programs. I've been asked about the significance of that \$7.1 billion. There is no particular significance to it other than that it provides a sufficient cushion for all eventualities. The government will be borrowing this year in order to finance the current deficit. In my economic statement before Parliament rises for the holiday break, I'll be saying more about the level of that deficit.

In any event, sir, thank you very much for your attention and the attention of the members of the committee. I'm available for questions at your pleasure.

The Chair: Thank you, Minister. We have approximately four minutes per caucus.

Mr Toby Barrett (Haldimand-Norfolk-Brant): Thank you, Chair. Congratulations on your appointment.

Our minister has summarized what I consider a dizzying array of measures to remove money from the people in Ontario. You've made mention of cancelling the seniors' property tax credit, eliminating planned income tax cuts for individuals, scrapping the tax break for parents who send their children to independent schools, jacking up tobacco taxes and dinging any farm or mining company or logging company that's incorporated.

You made mention of Erik Peters's report. There was also the Fraser report during the election which made mention of a deficit and advocated two things: Lower taxes and make reductions in unnecessary spending. Minister, are you taking any action at all on those recommendations?

Hon Mr Sorbara: The answer is no and yes. I appreciate why the Fraser Institute might carry on the mantra that further lowering of taxes, for them, is one avenue out of the problems the province has. Frankly, our analysis and my own analysis over the past eight years in this jurisdiction and others is that a policy of simply lowering and lowering taxes cannot get you out of the kinds of problems that Ontario faces.

On the other side, expenditures, the answer is yes. We have to take a hard, careful and continued look at how to recast our expenditures and reorganize government so that it becomes affordable again. But this bill answers your first question. For the time being, given our circumstances, lower taxes are not possible. Down the road, yes, that's our objective, certainly it is; but for right now, no. Expenditures: absolutely, we have to look at every single expenditure to determine whether or not we're getting what we are paying for.

Mr John R. Baird (Nepean-Carleton): I just have two questions. One is, did you do any calculations with respect to how many people would go back on, or would not come off, the provincial income tax rolls in terms of the lowest- and modest-income families in Ontario?

Hon Mr Sorbara: I don't have those calculations in front of me but I am satisfied, if memory serves me well, that we are not bringing more people on to the tax rolls by way of these measures. The tax reduction program of the previous government remains in place.

Mr Baird: I'm talking about what would have happened as of January 1 with this legislation. Would you be willing to share that with the committee this afternoon or tomorrow morning so that we can have that?

Hon Mr Sorbara: Certainly, we'll get some information to you.

Mr Baird: My second question: With your increases in tobacco taxes, how much reduction—you said one of your objectives in doing this is smoking cessation, which we all support. I'm a non-smoker. How much less in tobacco sales are you budgeting for with the new revenue that you'll get from these tax increases?

Hon Mr Sorbara: Again, we'll get you some hard data from the ministry on that later on. I just want to say, in general terms, that this is an inexact science. Some people, by virtue of the fact that the government says it's going to raise cigarette taxes, just say, not particularly because of the money, "I think I'm going to quit." There is a wide variety of factors that go into the overall policy agenda of all levels of government to reduce smoking. I think the measures that we look for down the road and that the Premier has spoken of will have a greater impact, but this will have a significant impact. We'll get you some more data directly.

Mr Baird: On the money side, just to clarify, I was particularly interested in how much less in sales and how much revenue you expect to bring in. That will be helpful. Thank you so much.

The Chair Now to the NDP. You have four minutes.

Mr Michael Prue (Beaches-East York): I have four questions, and hopefully they're all one minute each. How much money do you propose to be saving by the cancellation of equity in education? There was a lot made of it during the election: It could be \$100 million, \$500 million; numbers were floating everywhere. How much precisely do you see that saving today?

Hon Mr Sorbara: This year we will save \$165 million or thereabouts and next year in the order of about \$450 million. If that's incorrect, I know that ministry officials will send up paper later on, but I think those numbers are in the right ballpark—\$165 million this year.

Mr Prue: Same question on the repeal of the seniors' tax credit.

Hon Mr Sorbara: Tom, do you want to come up and talk about that for a second? You have those numbers.

Mr Tom Sweeting: Yes. My name is Tom Sweeting. I'm assistant deputy minister, office of the budget and taxation in the Ministry of Finance.

Mr Prue, the minister is correct: \$165 million is the estimate that finance has provided for the elimination of the equity in education tax credit this year on an ongoing full-year basis; \$195 million is the estimate of what that would save on a full year's basis. The senior estimate is \$340 million, I believe, for this fiscal year and \$450 million on an ongoing basis.

Mr Prue: Corporate tax rates: How much is that?

Mr Sweeting: On a full-year basis, we're looking at about a billion dollars for 2004-05, next fiscal year.

Mr Prue: That's a billion dollars extra?

Mr Sweeting: Yes.

Mr Prue: OK, and the tobacco tax increases? I know this is not exact, because I think people are quitting smoking as a result.

Mr Sweeting: Yes. Again, there was an earlier question which, as the minister said, we will respond to in terms of a little more information, but we are looking at about \$140 million, again full-year, next year from the \$2.50 increase.

Mr Prue: If I do fast math, I'm looking at somewhere under \$2 billion on a structural deficit of \$5.6 billion and perhaps going up. That's a long way from where you're trying to go. I assume the rest is going to be reduced expenditures if you're going to try to balance the budget at all.

Mr Baird: Or they could just continue to blame us.

Mr Prue: No. Are you going to try to balance the budget this year or are you going to reduce expenditures?

Hon Mr Sorbara: We're going to be saying more about the government's financial plans in my economic statement. I should tell you that the provisions of Bill 2 were never designed to completely repair all the damage that has been done. Overall, in one fiscal year, all of these measures together should represent about \$2.9 billion in revenues to the province. If you just apply that to this year, it's about half the \$5.6-billion deficit, so clearly there's a lot more work to do in terms of recasting and reorganizing our expenditures. Also remember that we are in a growing economy and some of the solution will revolve around increased and vibrant economic growth.

1040

The Chair: Thank you. We'll move to the government caucus.

Mr Colle: Mr Minister, in terms of this concept—and I heard Mr Prue just mention the structural deficit. I've heard you talk about the fact that there's a \$5.6-billion deficit. I think you then also talk about a structural deficit. Could you give an example or explain what this structural deficit is?

Hon Mr Sorbara: I think economists use the word "structural" because it refers to the foundations. We have problems at the foundations. If nothing else changes in the way we do business in Ontario, a structural deficit means that on an ongoing basis, expenditures continue to grow faster than revenues, so the two lines never meet. It's called "structural" because it refers to the program commitments already made in the organization and the revenue base that already exists in the organization. "Structural deficit" means that there is no easy way, without significant change, of living within a balanced budget.

Mr Colle: Just briefly, we talk about the deficit. What has happened to the provincial debt? Where is it at, as we speak, at this point?

Hon Mr Sorbara: Around \$130 billion, if we add in the debt that we carry from Ontario Hydro, and that debt has increased over the course of the past eight and a half or nine years, in the order of \$22 billion to \$24 billion.

The Chair: I want to thank the minister for making his presentation available to the committee this morning.

Hon Mr Sorbara: It was a pleasure being here.

Mr Tim Peterson (Mississauga South): Mr Chair, can I ask another question?

The Chair: We have other presenters and we're trying to adhere to a time schedule that was decided by the subcommittee.

ONTARIO ALLIANCE OF CHRISTIAN SCHOOLS

The Chair: Would the Ontario Alliance of Christian Schools please come forward. I welcome the witnesses and remind you that you have 20 minutes for your presentation. That can be made up of questions, if you so desire. I would ask you to state your name and organization for the purposes of our committee as well as for Hansard.

Mr John Vanasselt: My name is John Vanasselt. I'm director of communications for the Ontario Alliance of Christian Schools. I'll let my colleague open for me.

Dr Adrian Guldmond: Good morning, Mr Chairman. My name is Adrian Guldmond. I'm the executive director of the Ontario Alliance of Christian Schools. I would like to begin by addressing the committee on the bill before you. After I finish with an introduction, Mr Vanasselt will make some additional comments and handle the questions from the committee.

We thank you for this opportunity to address you on that portion of Bill 2 that amends the Income Tax Act to eliminate the equity in education tax credit. It is our position that the equity in education tax credit is good public policy for the following reasons, and that is why are asking you to recommend to retain it.

In our view, this particular bill establishes official recognition for the independent school sector, and so builds a bridge to the public school education system. Secondly, we believe it is good public policy because it creates accountability mechanisms through public disclosure requirements. Furthermore, in our view, it also settles the discrimination issue, which is a question in this province because the province wholly funds Catholic schools and does not fund the other faith-based schools in this province. We believe that by retaining the credit, you will be putting Ontario into the progressive group of provinces in this country, which have an inclusive educational policy for all families in the province.

We would like to take a moment to explain something about our schools. I believe you have other groups speaking this afternoon. We believe that the schools we represent reflect a mosaic of this province. The 13,000 students we represent come from all backgrounds, all denominations, all demographic and socio-economic levels, including single mothers who are on welfare and

for whom we provide tuition assistance. Our graduates have a very high level of acceptance in the universities of this province. Our teachers are certified and qualified, and 60% of them are members of the College of Teachers of this province. It's our view that we are a regular part of the educational mosaic of this province and, as such, deserve to be included in the system.

The organization we represent has been in existence for 50 years. Over the past 30 years, we have been pursuing what we believe to be an equitable justice goal, and we thought we had sort of achieved that in the preceding number of years. So we believe that it would be really good for the government to probably review that particular small clause in Bill 2.

Our fundamental vision on which our own principles are based is fairly basic to all Canadian schools that are operating in this province, and I would like to highlight that for you by reading a section from the old Canadian Bill of Rights, and that has been part of our operating premise, in which the Parliament of Canada agreed that this country is "founded on the principles acknowledging the supremacy of God, the dignity and worth of each human person and the position of the family in a society of free men and institutions; affirming also that men and institutions remain free only when freedom is founded upon respect for moral and spiritual values in the rule of law." It is our view that that respect for moral and spiritual values is the reason why we believe a government policy supporting independent schools is in fact a just one.

I would like to have my colleague speak to a number of educational issues.

Mr Vanasselt: One number: I've checked with CCRA with respect to the anticipated cost of this tax credit. We've done some research in our organization, and we know a little bit about other independent school organizations in the province. Our estimate is, based on actual numbers that came to our families, that last year the tax credit paid out between \$25 million and \$30 million, which this year would double to between \$50 million and \$60 million. That's based on research in our own organization. That's the only number I'll probably raise here, but it's worth mentioning that CCRA has said they have not distributed the number that Mr Sweeting raised earlier.

We believe the tax credit is good public policy. We believe that it encourages parents to become involved with the education of their children. There is no discussion about that fact, that parents ought to be involved with the education of their children. There was a teachers' survey at the College of Teachers this past summer: 98% of the teachers said students' education improves, their performance improves, when their parents are more involved. We believe that any policy that strengthens the family is good for Ontario. This tax credit was a policy that strengthened the family.

1050

We agree with the Alberta task force on funding of private schools in that province where they said that

funding independent schools and parental choices is a public good. This tax credit provided the most benefit to low- and middle-income families, and Statscan tells us that well over 70% of the people who choose independent schooling in this country are from low- and middle-income brackets. The right people benefit.

The irony here is that if this tax credit is removed, ostensibly for financial reasons, if parents have to return their children to the public school at the cost of \$7,800 per student, it will in fact cost this government more to educate those children in the public school system than if this tax credit had been allowed to develop to its maturity.

It makes good educational sense. There's increasing evidence from all over the western world that school choice improves all education. The majority of Ontarians—I have a poll from this past summer, where a majority of Ontarians, on an Ipsos-Reid poll, state and agree with the view that, "If parents could freely choose the school for their children, all schools would improve." A majority of Ontarians believe that.

Independent schooling provides reference points for the public system. Research from British Columbia suggests that improvement from within the system can come from choice within the system. There are Harvard studies that say that as you increase choices, everybody's performance increases in ratio. The requirements of the tax credit provided parents with more information about their schools, their teachers, their programs, their evaluation techniques and the financial operation of the school than any public school parent gets. That's the regulation of the tax credit.

With this public disclosure, it's an excellent solution between a voucher system on the one hand, where you give parents money but require nothing of the school, and the associated school model, which is in Edmonton, on the other hand, where you don't give the parents the money, but you take away the integrity and the autonomy of the independent school in order to receive the education.

Thirdly, the tax credit ensures Ontario's good reputation. It has already been mentioned that the United Nations Human Rights Commission ruled in 1999 that this was discriminatory: not to fund all religious-based schools if you're going to fund one system. This to me is a deliberate return to that discriminatory situation, state-sponsored discrimination, I guess it is.

There are many more arguments that can be made. There are volumes on school choice coming out of reputable universities around the world. In jurisdictions where school choice is a fact of life—which, by the way, is most of the western world—a growing body of research confirms its validity.

We urge this committee not to take a step backwards, which is what will happen if this tax credit is repealed. We urge the government to implement the tax credit as it was legislated and to get busy with your planned reforms to public education. School choice and public education are not mutually exclusive. It's happening all over the

world at the same time. Ontario's children deserve no less, both those who attend independent schools and public schools.

The Chair: Thank you. We have just slightly over two minutes for each caucus, and we'll begin with the opposition.

Mr O'Toole: You have worked very hard over the years, and I'm sure you'll continue to work to achieve equity as you so described it. I just want to focus on one area briefly. If I look at this, it's retroactive to January 1, 2003; it's the retroactivity, a rather punitive measure. That could have said, "OK, the rules have changed." I understand that. I may not agree, but I understand, and there was an election. I'm wondering, what's your response to the retroactivity and what will it do to the plight of single parents and others that you've described in your opening remarks? Will it in any way diminish the parental choice option that you provide?

Mr Vanasselt: I know for a fact that for a number of low-income, including single-parent families, the retroactivity will cause them great pain, to the point where they may have to go out and borrow money that they were expecting to receive from the tax credit in order to pay the tuition. They planned their lives on what they thought they could count on. School boards, in turn, always grabbing for money—independent schools, all needing the money, probably even raised their tuition fees and their budgets to some degree. So now these parents get dinged at both ends: They get less money coming in and they have to pay higher fees.

Mr O'Toole: Do you think it will affect them during this time of year specifically, with this bill going through just prior to Christmas, that perhaps they'll have to cut back—

Mr Vanasselt: I would think it's tremendously demoralizing. Grinch comes to mind.

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

Mr Prue: I'd just like to hammer down here and get a little bit better idea. You said that the cost to the taxpayer would be between \$25 million and \$60 million. You used those two figures and they were in stark contrast to what the minister said, \$165 million this year and \$450 million next year. Also, there was a number thrown in by the assistant deputy minister of \$195 million as well for this year; I'm not sure exactly. Who did your assessments?

Mr Vanasselt: Those assessments are based on research in our own organization, checking with parents who received the tax credit based on the tuitions they pay in our organization. We've determined that in our organization parents received an average of \$280 per student last year. That number was to have doubled this year, all other things remaining equal.

Mr Prue: That's your organization?

Mr Vanasselt: Yes.

Mr Prue: So that does not include Jewish schools, Muslim schools, private schools, academic private schools. This is just your organization.

Mr Vanasselt: It's our organization. We also know that in many of those organizations tuitions are as low as

they are in our schools, which is what results in the tax credit.

Mr Prue: I'm trying to get down to the cost to the taxpayer. If it's somewhere between \$25 million and \$60 million for Christian schools, then is the number \$165 million for all private schools correct?

Mr Vanasselt: No, sir. The number for Christian schools last year was three and a half million.

Mr Prue: Just three and a half, OK.

Mr Vanasselt: For our organization, yes.

Mr Prue: Where did you get the information from the other schools, the Muslim schools, the Jewish schools, the other religious schools?

Mr Vanasselt: The information is word of mouth, as to: "What do you charge for tuitions? What are your average tuitions?" Once you know that, you can extrapolate and say you can claim up to 10% of that tuition. We know, for instance, that there are a great number of ACSI Christian schools where the tuition is under \$3,500. The maximum those people can claim is \$350 if the tuition is \$3,500.

The Chair: We'll move to the government caucus. Mr Colle.

Mr Colle: I think Mr Prue brings up a good point. In your estimates of what the cost is, you are not including the Havergals, the Upper Canadas, which charge \$20,000. You're not including the Jewish day schools. You're not including the private business schools. Are you or are you not?

Mr Vanasselt: That's an issue, but the maximum they could still claim would be \$700 per student; is that correct? No matter whether tuition was \$20,000 or \$30,000, the maximum they could have claimed last year per child would have been \$700.

Mr Colle: We're talking about projections over the year. But just again, in your statistics, when you quote up to \$65 million, you're not including a survey of all the private schools that exist in Ontario. Are you or are you not?

Mr Vanasselt: We're guessing.

Mr Colle: OK.

Dr Guldemand: We did a survey and that is our estimate of what that benefit would have been, including those schools.

Mr Colle: You did a survey of all the schools in Ontario?

Dr Guldemand: Yes.

Mr Colle: And you came up with \$65 million tops?

Dr Guldemand: Yes.

Mr Colle: Surveying all the schools, private, independent—

Dr Guldemand: Now, that was also using the number of eligible schools. Not all schools are claiming the tax credit. The other factor that needs to be added to this calculation, for example, is that for all the religious schools, there's also a federal tax credit that gets subtracted up front, so that lowers the amount. The majority of independent schools are faith-based schools that claim

that federal tax credit, so that reduces the sort of the hypothetical 300.

Mr Colle: Could you share that survey with us that you did of all the schools in Ontario?

Dr Guldemand: We'd be happy to show you how we got the number.

Mr Colle: Thank you.

The Chair: Mr Wilkinson, if you have a very quick question.

1100

Mr John Wilkinson (Perth-Middlesex): Just to be clear, you are not under any requirement with the way the system is right now that you have to teach the public curriculum, you don't have to have publicly qualified teachers, you're not publicly accountable other than to the families who send their children there, and you don't have to take every student. You can deny some students access to your school. I guess the fundamental question I have is, why should public money be going into a system that is able to operate beyond what normally the public requires in regard to accountability for curriculum, teachers and access for students?

Dr Guldemand: The basic answer is that all of our 14 high schools issue the Ontario secondary school graduation diploma. They are inspected by ministry inspectors and the program follows the provincial curriculum, and our graduates are accepted in every university of this country. As far as we are concerned, we in fact follow the public education norms.

Mr Wilkinson: And any student is welcome? I thought their families had to attest to the faith statement that is the basis of the school, which is understandable.

Mr Vanasselt: No, there's a distinction between what a parent needs to attest to to become a member of our society. We have a society that operates a school and the parent needs to attest agreement with the basic statement of faith. Enrolment of a student is made on the basis of educational reasons: Is there space? Do we have the teachers? Do we have the programs? Do we have the special resources that are needed for that particular child? Now it stands to reason, in the same way as students would choose to go to a Rainbow program or a native schools program, once you recognize what the program is, presumably you only get the people who are interested in that particular program.

The Chair: Thank you for your presentation before the committee this morning.

CHILDREN FIRST: SCHOOL CHOICE TRUST

The Chair: I would call forward Children First: School Choice Trust. Welcome to the committee. You have 20 minutes for your presentation. As you may have noted, some of that time can be used for questions, if you so desire. I would ask you to state the name of your organization and your name for the purposes of our committee and for the Hansard record.

Ms Virginia Gentles: I am Virginia Gentles. I am the program director of Children First: School Choice Trust.

Mr Chairman and members of the committee, I'm here today to speak about Bill 2's retroactive cancellation of the equity in education tax credit, also known as the EETC. A lot of my comments will echo the comments you've just heard from the Ontario Alliance of Christian Schools, but I do think that I have a unique perspective to offer.

I have heard Premier McGuinty refer to the EETC as the "reckless private school tax credit." The Premier and the Ontario's teachers' unions claim that the tax credit "drains dollars and hope away from public education."

What the tax credit really does is provide a financial lifeline for the many thousands of Ontario families who depend on it for their children's education. As you know, when fully implemented, the EETC would have offered Ontario parents a refundable tax credit of 50% of up to \$7,000 in independent school tuition. That \$7,000 is the average cost of independent school education in the province, an amount that's significantly less than the more than \$7,800 it costs to educate a child in the public system.

With the tax credit's cancellation, many lower- and middle-income Ontario families will struggle to provide their children with an independent school education, and that's what I think is really disappointing and it's why I'm here today. I am concerned about the lower- and middle-income families and the impact this cancellation is going to have on them.

The tax credit was introduced to provide families with the financial assistance necessary to afford their school of choice. These families choose independent schools for a variety of reasons. It's important to note that it is a wide variety of reasons and they're all very legitimate. They include religious or academic concerns, a desire to protect their child from being bullied, which is something I hear a lot, or because their child has a special need and could not flourish in the public school classroom. The families know how to choose the school that is best suited for their child; they just need the financial support.

Families of all incomes utilize the EETC, and because it is a refundable tax credit, its cancellation will have the greatest impact on the pocketbooks of lower-income and middle-income Ontario families.

I want to reiterate the Ontario Alliance of Christian Schools' citation of Statistics Canada's report that most families choosing independent education for their child are from these low- and middle-income brackets. I think the figure was somewhere around 70%. It's quite high.

I work with these low-income families in my role as program director of a new independent tuition assistance program for Ontario families called Children First: School Choice Trust. I think you've heard about us.

Children First: School Choice Trust is Canada's first and only privately funded program to help Ontario families improve their educational choices. We offer tuition assistance grants to lower-income parents who want to send their child to an independent elementary

school, but can't afford it. The program, which is currently serving 150 children in 81 independent schools across the province, funds up to 50% of tuition costs, up to a maximum of \$3,500 a year, for children from junior kindergarten to grade 8. We're taking these kids all the way through elementary school. We award our grants based solely on financial need, not on academic merit or past marks.

One of our grant recipient parents, Allison James, told us, "I make significant financial sacrifices in my budget in order to cover my children's tuition. Without the tax credit, it will be difficult to provide my daughters with the education they need." I think that Mrs James would have liked to be here today, but we did find out about this at the last minute. She really wants to make sure you understand her concern that the cancellation of the tax credit will deepen the inequity in opportunity for school choice that exists between wealthy and lower-income Ontario families. As a low-income single mom, this is really upsetting to her.

Parents currently sending their children to independent schools are not alone in their support for equity in education. As you just heard, a recent poll found that three quarters of Ontario residents polled agreed or agreed strongly that, "parents' satisfaction with education would increase if they were able to freely choose the school that their child attends." That's an incredible figure. Three quarters of Ontario residents are supportive of school choice, and just over half of Ontarians believe that "If parents could freely choose the school for their children, all schools would improve." What we can all agree on is that we want all schools to improve.

The parents across Ontario choosing to send their children to independent schools are expressing satisfaction with their choice. We've sent out a survey to our participating parents and are getting incredible feedback from them. They are just thrilled with their independent school and quite happy with the way it meets their child's very particular needs. This trend with parents' satisfaction is consistent with research that shows that when funding follows children to their parents' choice of school, parental satisfaction, academic achievement and educational opportunities improve.

The teachers' unions and public education establishment, who will be here later today, should not view the tax credit and the 870 independent schools in the province, of which only 5% fall under the old-fashioned category of elite, as a threat. Studies show that competition from independent schools is often a key factor in fostering high student achievement. When faced with competition for student enrolment, public schools respond both by providing a greater choice of programs and by paying more attention to student achievement. I think we see that already in Ontario, with the increase in public school programs, offering magnet programs, offering advanced placement and international baccalaureate programs—special programs designed to meet the unique needs of children in the province.

Thousands of Ontario families applied for Children First: School Choice Trust tuition assistance grants. The

application numbers we received were phenomenal. We received 4,300 applications for 150 spots when we announced our program at the beginning of this year. These thousands of families who applied for grants when the program was announced last winter revealed the overwhelming demand from lower-income families who cannot currently afford even the modest tuition charged by many independent schools. Now that they have our financial support, these first grant recipients have chosen independent schools with an average cost of \$6,300. They were able to shop around in the market of 870 independent schools and find schools that fell below that average of \$7,000. This is a stunning figure. The average household income of our participating families is \$26,500. These are truly low-income families.

As we can see, independent school education in Ontario is not exclusive or elite. We're not talking about Upper Canada College or Havergal; we're talking about schools with tuitions of \$6,300 and families with incomes of \$26,500. The equity in education tax credit is clearly not a tax giveaway for the rich.

Programs like Children First and the equity in education tax credit provide families who are eager to choose their child's schools but are sometimes overlooked. Parents of all incomes are eager for greater educational opportunities for their children and will suffer with the cancellation of the tax credit.

Mr Chairman and members of the committee, I appeal to you on behalf of the Children First tuition assistance grant recipients and the thousands of other low-income families in Ontario desperate to send their child to independent schools: Please do not cancel the equity in education tax credit.

The Chair: Thank you. We have about four minutes per caucus. We'll start with the opposition caucus.

1110

Mr Barrett: Ms Gentles, I commend you and your organization for setting up this privately funded tuition assistance program. My neighbours down the road attend the Jarvis District Christian School. There are many families that cannot afford this. Given the number of applications you have received, that bears this out. One question that I have is, did you or your organization receive any notice, a public notice, from the Chief Election Officer with respect to the elimination of this equity in education tax credit?

Ms Gentles: No, we weren't contacted at all.

Mr Barrett: There was no notice, to my understanding. Did you receive any indication, perhaps during the election, from Dalton McGuinty or any Liberal candidate, that the elimination of this tax credit would be retroactive to January 1 of this year?

Ms Gentles: No. I think that we're all stunned by that, really horrified by how that's going to affect families' budgets. They're obviously operating on very tight budgets. We're making the assumption that they were going to have this tax credit, so the retroactive nature of the tax credit we find is vindictive and quite surprising.

Mr Barrett: Yes. That goes back nine months from election day. Are you aware of any other tax increase in the history of Ontario that's been levied retroactively?

Ms Gentles: I've been following the debate of Bill 2 and I have read that this is very unusual, and also that the federal government of Canada shies away from retroactive taxes.

Mr Barrett: Much of your work is assisting people with tuition. Are you aware of, for example, all these tuition programs or university tuition programs where students are informed that they're going to lose benefits or actually are going to pay more, going back, say, nine months or a year?

Ms Gentles: I think you make a good point. Our program is very focused on elementary education, so I'm not familiar with those higher education ones. But certainly we'd hear a huge outcry if something like that did happen.

Mr Barrett: Essentially, it's a hike in tuition. Those are my points.

The Chair: Thank you.

Mr Prue: I listened intently, and I was trying to go through your package here and I can't quite find it, so I'm going to have to ask the questions. Was your poll, where three quarters of the families supported choice in education, choice within the public education system or choice within the private school system?

Ms Gentles: That was an Ipsos-Reid poll. I'm not sure how they worded the question. I can read you the exact quote: "Parents' satisfaction with education would increase if they were able to freely choose the school that their child attends."

Mr Prue: All right, so in my community, if someone were to say, "I freely choose that my child go to Monarch Park Collegiate or Malvern Collegiate, and I choose Malvern," just as an example, that would answer—

Ms Gentles: If you were given that choice. In many school boards across the province you don't have that option. Your child falls within a certain catchment area and therefore goes to the public school assigned to the children residing in the catchment area.

Mr Prue: But what I'm trying to figure out is, how does this bolster your argument for private schools? To me, it means that the choice would be, perhaps within the public school system, that those people were answering.

Ms Gentles: Certainly I'm very supportive of the idea of public school choice. I think it's wonderful. The example I gave of public schools introducing magnet programs, IB advanced placement, that sort of thing I think is great news and clearly a response to competition that they're receiving. The public school choices program is a good thing and I'm supportive of that as well.

Mr Prue: My last question: I note from looking through the brochure here that I do not see a charitable number. Therefore, people don't donate to your organization in terms of a charity, in terms of getting tax rebates. Where do you get your money from?

Ms Gentles: We are a charity. We have one donor at this point and that's the W. Garfield Weston Foundation. They've provided the funding.

Mr Prue: OK, one donor. How are you a charity without a charitable number?

Ms Gentles: We do have a charitable number.

Mr Prue: You don't put it on any of your brochures.

Ms Gentles: I can provide it to you. We are a charity.

Mr Prue: Thank you.

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

Mr Ernie Parsons (Prince Edward-Hastings): I have quite a number of Christian schools in my community that do an excellent job. I have no hesitation in saying that. I've also served many years as a school board trustee, and here's my concern I need you to comment on.

It isn't school choice for everyone in my community. For example, for a parent of an autistic child or a deaf child or a deaf-blind child—the private schools don't serve them. I can understand that they don't have the resources to serve them, but not every child has the option of going to a private school, because of a lack of services at that private school. I'm a strong believer that for both these students who have special needs and for the advanced student there's great merit in them being together or sharing a classroom or sharing a school. I don't see that every parent has the option of choosing a private school.

Ms Gentles: Actually, what we've found quite exciting is that even within our small pool of 150 tuition assistance grants, the first families starting with us, a number of them have special-needs children. They're finding that they were falling through the cracks in the public system. For some reasons those services weren't matching their particular needs. They have now found independent schools that are designing programs specifically for them, they do have the resources and those needs are being met. A number of our applicants called in to our program and said, "My child has a hearing problem, and the noise in these large classrooms in the public system is just too much. She can't hear. I need to put her in a small, quiet Montessori environment. Can you help me?" So, among our applicants and grant recipients we have a lot of special-needs cases. Even the Christian schools have been meeting those special needs. Faithway Baptist school is a participating school. They have one of our grant recipients and are doing a phenomenal job of putting together a program for her.

Mr Parsons: I've not seen any of the private schools running programs for the developmentally handicapped.

Ms Gentles: It's out there. It's amazing.

Mr Wilkinson: My concern is the retroactive nature about the tax credit that you are counting on that you haven't received yet. The Leader of the Opposition at the time, now the Premier, on the day that EETC was announced said that if he were to form the government, he would repeal it. That was on the record from day one. I received letters prior to the election, all during the election and subsequent to the election from families concerned that the tax credit would be repealed, and the parents who sent their children to them knew that there would be an election, they knew the polls and they knew

that we were very clear. So I'm just a little concerned about somehow this is a surprise. If I receive literally dozens and dozens of letters and deputations as a candidate—now to say that this is a surprise.

You can't have it both ways. This is either a surprise, or all the work you were doing to try to change our policy prior to that, and perhaps supporting other parties, was based on the fact that you knew we would do this. We are being very consistent. That's the thing that kind of concerns me, and the fact that the current tax credit doesn't make any difference between Havergal and Upper Canada College and Lakefield and what a lot of faith-based schools are doing, which again causes us a great deal of concern about what is good public policy, because you're lumped in together. Your comments on that?

Ms Gentles: My comments on your first point are that I think we're making the assumption that families are as engaged and interested in politics as maybe those of us in the room are, and that's not the case. I think a lot of families, particularly lower-income families, particularly single moms, are just trying to get through, day by day, and are just trying to figure out what's best for their kids. They're not out there reading the papers, figuring out what a political candidate is saying. They'll probably vote, but they're not following the debate, the polls, all that sort of thing. They're just there trying to provide the best education for their child. They found out about the tax credit as they were talking to schools, as they were talking to their neighbours, and they then found out about our tuition assistance program and figured out, finally, that they can afford the school of their choice. I think if Premier McGuinty was saying things 10 months ago, they weren't hearing them.

What was your second comment?

Mr Wilkinson: I'm just saying that we were very consistent. So if a school were in that type of private system, where people come and they get to decide what school to go to, you're saying that these families were able to finally arrange to afford to go to that school. Was that school under no obligation to mention to them, financially, "Oh, by the way, if there's a Liberal government elected—and there will be an election and they're leading in the polls—this tax credit you're counting on is going to disappear because that's the stated, clear, consistent policy of a party that is seeking government in this province," and it subsequently won an election? That information wasn't shared with the parents?

1120

Ms Gentles: I'm the program director of Children First: School Choice Trust. I don't know what the school correspondence with the parents was. I'd imagine, because it would have been such speculation—who knows what's happening with polls and what might change?—that wouldn't have been a huge focus of their newsletters. The schools, and a program like ours, are just there to help the parents, to serve the parents. If there's a tax credit in place, then everyone's under the obligation to let low-income parents know about this

opportunity, because clearly they're struggling to try to put together the tuition money.

As far as your concern about the tax credit treating all parents equally is concerned, whether they're sending their child to Upper Canada, a small Montessori school, a Waldorf school or a religious school, I think the fact that it's refundable is not really treating them equally. When you have an income of \$26,500, money in your pocket, a refund of \$700 is a lot of money. That \$700 is not the same to somebody who is of a higher income. I don't think it's actually lumping everybody together.

Mr O'Toole: On a point of privilege, Mr Chair: Mr Wilkinson mentioned he had numerous pieces of correspondence from parents and deputations raising the issue with him. I would assume he responded. I wonder if I could ask for copies of those.

The Chair: That's not a point of privilege.

Mr Wilkinson: I did so publicly—

The Chair: I want to thank you for your presentation this morning before the committee.

Ms Gentles: Thank you for the opportunity.

Mr Wilkinson: Could we get a copy of that Ipsos-Reid poll for the committee?

The Chair: We will look for it and provide it to the committee.

C.D. HOWE INSTITUTE

The Chair: Our next presentation is by the C.D. Howe Institute. Good morning and welcome to the committee. You have 20 minutes for your presentation. That can be used in total as presentation, or you might leave some time for questions. It's entirely in your hands. Perhaps you would state your name and organization for the purposes of our Hansard recording.

Mr Jack Mintz: Jack Mintz, president and CEO of the C.D. Howe Institute. First of all, I want to thank the committee for inviting me to come here. I was asked yesterday and I was very pleased to try to make time in my schedule to do so.

In looking at today's agenda, the private education tax credit seems to be a significant part of the agenda. I thought I would step back and raise three points about the current bill before you, Bill 2, An Act respecting fiscal responsibility. I think some of the comments I'm going to have will either make all sides happy or all sides unhappy, in terms of some points I wish to raise that I think are very important.

First of all, given the size of the Ontario government deficit, personally, if I were the Minister of Finance, just coming in at this time, I would suspend tax cuts that were being generated in the future, mainly because I have always been very much a hawk on deficits and debt. I'm particularly so with the demographic changes that are occurring in Canada and in Ontario. I worry a lot about the burden on the working population that is only two decades hence. I think that at this point it would be appropriate to suspend tax cuts and I agree with a significant part of the bill in that sense.

On another plane, I am very concerned about the long-run future of the province. In particular, I worry about competitiveness. It's an issue I've studied in my field, public economics, for many years now. I see that Ontario is fiscally non-competitive today. It's not just fiscally non-competitive relative to many jurisdictions in the United States, but it's fiscally non-competitive relative to Alberta and to many countries around the world.

In fact, in the work I've done, even taking into account subsidies in health care, education and other things that help offset the impact of taxation, I've shown that Ontario is particularly off base when it comes to capital taxation. When I say capital taxation, I'm talking about all taxes as they impact on capital decisions. It's not just the corporate income tax rate, which often people tend to concentrate on, but it's all the aspects of corporate income tax systems: capital taxes and sales taxes on capital inputs and non-residential property taxes. All those things impact on capital decisions today, and Ontario's is very much off base. It's a concern that I think this government should have, as well as this Legislature, in the future.

There are some good and some bad tax cuts. As some of you might know from my own writings, I was never enamoured with the idea of mortgage interest deductibility. I think that would have been a bad tax cut for a number of reasons. I was not particularly enamoured with eliminating property taxes for elderly people, although I think there is an issue to deal with in terms of helping some elderly people deal with their property tax payments, and there are ways of approaching that.

But I do think that we'll have some significant problems in the future that we must address. One is on the business investment side, which I talked about. The other is that there are very high marginal tax rates for relatively low-income people in Ontario. These are calculations that we often do at the C.D. Howe Institute—my colleague Finn Poschmann. But when you look at the combination of personal income taxes, payroll taxes, clawbacks on all sorts of income-tested benefits, actually the very high personal income tax rates are not at the top end but in income ranges like \$30,000 to \$35,000. You know, when you have a working mother with two children, this is a tremendous burden. For example, if I give a bonus to one of my employees who's in that income range, that person can only keep maybe \$300 out of a \$1,000 bonus. It really does have a very significant impact on relatively low-income individuals in Ontario. That's an issue that really has to be addressed. I can go on with a number of other distortions in the tax system, but I do think that they need to be addressed.

Let me just make one final point, and that's in the short-run aspects of the particular changes. First of all, as some of you know, I very much think it's been a mistake to raise the corporate income tax rate from the current level of 12.5% to 14% and the general rate and the manufacturing rate from 11% to 12%. Although the federal government will be continuing with its corporate income tax cut next year, on January 1, and therefore,

Ontario is clawing back some of the benefits of that rate reduction at the federal level, we have to remember that manufacturing itself is going to be particularly hit since the federal rate does not fall on manufacturing and processing income. Therefore, that industry is actually going to face an extra tax burden. Given our very poor investment behaviour in Ontario relative not just to the United States but to many other jurisdictions, including even Alberta, which is far better off in terms of investment decisions today, this is a concern that I think people should express.

The other thing is that people forget that raising corporate income tax rates does not generate the kind of revenue that people believe there is. In fact, even assuming no behavioural change, the rate increases will generate in the order of \$400 million at most. This is based on Department of Finance, Ottawa, corporate-income-tax-based statistics and doing some adjustments. But when you take into account income shifting, and that's the ability of businesses to shift income in and out of jurisdictions from high to low tax jurisdictions, raising the rate is just shooting ourselves in the foot in Ontario, where we won't get that kind of revenue pickup as one expects. In fact, businesses will shift to lower tax jurisdictions and Ontario won't get the revenue they think they're going to get. That's another argument about corporate tax cuts. They actually don't generate the kind of losses that people think.

Then, finally, on the private education tax credit: I can go on about school choice and other issues too, but I do want to say that I think the retroactive change in the provincial education tax credit is a very significant mistake. I think, even based on the question I heard before, that there's a really key misunderstanding about retroactivity and the expectations that people have vis-à-vis government changes.

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If people always believe that every party who could potentially become a government—one doesn't know that—is going to raise or claw back past benefits, once making decisions in the past, we would have a very sorry tax system altogether and it would be a significant problem. For example, it is well known that the corporate tax rates were going to be rolled back as a position of the Liberal Party before it became a government, and certainly we did not see corporate tax increases coming in in last year's investment regime. I think it's a mistake to do that and that retroactivity is a very significant problem. I would urge the government to write out a clear statement of when they will bring in retroactive decisions, or not.

I think this is something that taxpayers must understand; otherwise it will create significant problems in the future where people will be afraid to invest. People will be afraid to save money because they'll think the governments might claw back some of the benefits they have been given after they made their decisions. I think that retroactivity is a very serious problem and one that should be addressed before the bill is changed.

The Chair: We have slightly more than three minutes per caucus. We'll start with the official opposition.

Mr O'Toole: You do come to the table with a great deal of respect and expertise. It's a pleasure to have you here this morning. I certainly want to recognize the fact that you were fair-minded in your opening comments to say that during times of difficult revenue there are difficult decisions. We've always put forward the argument that reducing taxes—and I think you ultimately made this argument yourself—where it generates opportunity investment, really increases revenue. I'd like briefly for you to comment on that. Second, tie that into the longer-term investment strategy of any investor or corporation with respect to the capital tax strategy, which we know nationwide is a very punitive tax during times of difficult revenue for a company that could be closed, and they're still paying the tax on the capital portion. Could you, with your experience, respond to the first issue, that the tax strategy of lower taxes creates better competitiveness and more investment, and how does that tie into the capital tax strategy, which I believe are both failed policies? The future will tell if some of that investment does desert Ontario and go elsewhere.

Mr Mintz: Very briefly, first of all, when you look at various economic studies, if you do cut taxes on capital—when I say taxes, I'm talking about not just the capital taxes as we call them in Ontario but all taxation as it affects capital decisions—that does generate new investment. As I mentioned, the income shifting impact suggests that the cuts, especially on the corporate income tax rate, where it's very easy to shift profits without moving a person or a machine, mean that the revenue cost associated with corporate income tax rate cuts is not very large because of that income shifting. There have been a number of economic studies that are now showing that.

I do think we have a problem. When I look at the Canadian system versus the US system, the areas we're particularly out of whack with, and this is where the problem is—we do have an advantage on the corporate income tax rates, the statutory rates, which is about three or four percentage points, the difference between that and the average in the US. On the other hand, Ontario has capital taxes, and you don't find many capital taxes in the United States—only in Massachusetts and a few other states. Second, the deductions given for businesses in the United States for depreciation on capital and inventory costs are much more generous under the US system compared to the Canadian system, and Ontario's as well. Third, you actually have higher sales taxes on capital inputs in Ontario compared to what you would find in the United States.

Mr O'Toole: That's a very good argument, if I may indulge for a moment on that. When I hear Mr Phillips, whom I have a lot of respect for, say that we are already tax-competitive—in fact, he uses the phrase “25% lower”—he's not looking at the entire tax load, whether it's on relief, on depreciation or other policies with respect to taxation. I think that, combined with this notion

of retroactivity, however a slippery slope that is—retroactivity, for someone who is building capital investment, going forward to reversing the discussion on that, which, as we've seen, is a nationwide discussion—in fact, the federal government now, with Mr Martin soon to be the Prime Minister, is very pro dealing with the capital tax situation to encourage investment, encourage job creation and the rest of it.

I'm just wondering if the other point of your expertise is tax shifting. If we all look at Alberta as a growing economy, many of the decisions as to where they declare the profit are made to move it to Alberta. Is that not correct? My understanding is that a lot of—not just TransCanada PipeLines—resource sectors are moving to the Alberta economy for that very reason. All of these policies together, with respect to tax shifting and depreciation: Do you feel to any great extent, professionally, that we're on the wrong side of the equation to grow this economy and the revenue?

Mr Mintz: First of all, I have talked to Mr Phillips in the past, I admire him a great deal, but in a way I feel like a professor who's failed to teach his students very well. I have always emphasized that you cannot just look at the corporate tax rate; you have to look at all the base provisions and other aspects of the tax system in order to understand how capital investment can be affected. That's the kind of work I always put out, actually over the past 20 years, not only here in Canada but all over the world, in terms of the work that I do.

With respect to Alberta, certainly there are some interesting stories to tell about Alberta, because everyone thinks about the importance of the resource industry, which is clearly important there. But actually, Alberta has picked up a lot of other types of businesses that have moved to Alberta. Also, a lot of businesses will shift income into Alberta, where the corporate rate is lower. The rate is expected to go down to 8%. The other thing is, Alberta is eliminating the differences between manufacturing, processing, resource and other income, getting rid of a complexity in the tax system.

Ontario is the only major province in Canada that will still have that distinction. Quebec already eliminated it, and the federal government is completely eliminating it by next year for manufacturing, processing income and other income. We're also giving up in Ontario some important tax reform elements.

As many of you know—I didn't mention this is my opening remarks—I would have much preferred, if we are going to raise corporate taxes, to go after a lot of ineffective and ineffectual tax credits in the tax system here in Ontario. I can go on with a huge list of these things. I know that many people have heard my remarks about municipal bonds and the exemption under the personal income tax. That's not exactly one of my favourite proposals, in terms of effectiveness and the correctness of that.

I really think we need tax reform in Ontario, and we are going to need to address especially the issue of capital taxation. That's really important for growth in the

economy: productivity. I used to try to teach people that it's a business tax system—stupid. That's most important in terms of how it affects business decisions and how it affects productivity in the economy. It's the one that economists always hammer as the most significant one in terms of affecting decisions.

The Chair: We'll move to the NDP.

Mr Prue: I was just checking the time. Do I still have three minutes?

The Chair: Yes.

Mr Prue: A couple of questions, and I'd like to commend you. You started off by saying that it is necessary, given the economic climate, the deficit or the proposed shortfall this year of \$5.6 billion, that tax cuts be suspended. I'm quite shocked to hear that from the C.D. Howe, but thank you for that.

You went on to talk about the retroactivity provisions of the private school tax credit. I can understand where you're coming from on that. But then you went on to round out that the budget needs to be balanced. If the \$165 million, as the staff and the minister say, is taken out, or the \$60 million that the private schools say are being removed from the system, where is this shortfall to come from if not from business? That was a billion dollars that the minister set out by raising the rate from 12 to 14. Where's the money to come from?

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Mr Mintz: You're talking about the current year.

Mr Prue: Yes.

Mr Mintz: First of all, let me remind you that I really think retroactive taxation is a very bad idea on a tax system. It undermines confidence and it undermines trust, and that's something you just don't do. The federal government has a very clear document that states they will not do retroactive taxation, and they make it very clear what the rules are in terms of defining retroactive taxation.

I just want to reiterate that I think that was a big no-no on the tax policy side. I would never recommend that any country do that. Believe me, I've worked with all sorts of countries around the world where they've had tax holidays, which in my view are one of the worst incentives to put into the tax system. They never do it retroactively. The countries that did get into deep trouble with the private sector because no one wanted to invest there after that, because they couldn't believe the government would play by the rules of the game. It's very important to have confidence in the government, that they're not going to do things retroactively.

Where would the money come from? I could probably think of a few things. There are all sorts of potential subsidies sitting out there right now that could be cut, even in the next few months, and for the amounts that are involved, I think you could actually do some carrying on the expenditure side, which I don't think is as difficult as one thinks, but it does take a little bit of discipline.

Mr Prue: I'm more interested in the subsidies that are being given that could be removed. Could you elaborate or could you send us something?

Mr Mintz: As you probably know, I'm not very enamoured with all sorts of tax credits and business subsidies that get targeted, particularly to failing businesses that we don't need to keep in the province, because those are the ones that are going to undermine our productivity. We've had a lot of those in the past. I think there are even some new ones that have been recently announced. I think there's even money in the budget to continue doing some of these things. This is where I think, with some proper pruning, you can easily find a couple of hundred million dollars, even just for the next few months.

Mr Colle: Thank you, Mr Mintz, for taking the time to come here. We all know you're well respected. Sometimes we may disagree, but you are certainly well respected. It's very appreciated.

The question I have is that the previous government for eight years essentially had one mantra, and that was that tax cuts solve everything, so in budget after budget they had a regime of tax cuts. I think they followed a lot of, if not the detail of the C.D. Howe Institute's philosophy, certainly in principle followed it. Yet after eight years we have an infrastructure deficit of \$60 billion, everything from OPG to transit. We have a social deficit that's looming. We have an education infrastructure that's in desperate need of funding. Our health care system: Our hospitals are running an \$800-million deficit.

Where did they go wrong? Did they not follow the sort of, let's say, conservative approach to fiscal policy or did they go too far? What happened, and aren't they perhaps the first neo-conservative government that purely demonstrated that tax cuts essentially do not solve problems, that they just give away hard-earned money to other groups?

Mr Mintz: First of all, let me say that I'm not sure there is a C.D. Howe philosophy. The institute is a forum for debate. Certainly I have a philosophy and I express that. Partly that's my own expertise anyway. I also wear a hat as a University of Toronto professor, and I'm sure every time I speak people don't say that's the University of Toronto speaking on that issue. So I just want to say that I have a very particular view.

I think if you go back to many of the things I've written, what I've tried to impress upon people is that we've ramped up taxes in Canada. This is really where I'm coming from. It's really more where we historically are today, as opposed to a deep-rooted view in terms of, we should just cut taxes for cutting taxes' sake.

We've ramped up taxes over the past 28 years because of significant mismanagement, both at the federal and provincial levels. In fact, taxes in Ontario really did go up quite a bit during the late 1980s and early 1990s. Even the Liberal Party in the 1995 election recognized the importance of cutting taxes because of the fact that we had increased a very significant burden on the population. People forget that 30 years ago Canada and the US had about the same size public sectors, about 30% of GDP. But what happened was that we ramped up

expenditures in Canada to over 50% of GDP by 1991 and our tax levels had increased to over 40% of GDP. We had a very large deficit at that point. We did deal with the deficit, much to the credit of federal and provincial governments. We also dealt with bringing down some of that debt today, which I think is also a credit to all levels of government.

Mr Colle: The debt has gone up in Ontario to \$130 billion, though.

Mr Mintz: Yes, and that's something which—I think many of you have heard my views in the past—I was never enamoured with. In fact, we have a significant problem with the stranded debt. Let me just say that I do think that's important, but we also have to remember that we've ramped up taxes a lot. If you look at taxes and non-tax revenues as a proportion of the GDP in Canada today, it's close to 42%. That is still at an all-time high. We have not really cut taxes in this country. I don't know where anyone gets that. We haven't really done it. Governments are taking a very significant share of the economy out in terms of taxes and other non-tax revenues. My view is that we did go overboard, and then we turned the corner—and I'm particularly talking at the federal level—on our fiscal mismanagement and did a much better job in the 1990s. I think today the reward that we're getting is much improved economic well-being. I think we have benefited from that good macro-management. But the one area that we have not really dealt with is the tax system, because we ramped up taxes so much. We can't give up on that, because down the road the demographics are going to suggest even higher tax levels in order to fund benefits for the working population. I think we have a significant problem there, and I don't think we can lie back and say, "We've succeeded; let's enjoy the party and get drunk again," because we can go back to the alcoholism of the 1980s.

Mr Colle: But they left nothing to get drunk on. The cupboard is bare.

The Chair: Thank you.

Mr Mintz: Well, I'm not totally convinced of that. It depends on how efficiently and effectively you run the—

The Chair: Thank you for your presentation this morning. We appreciate your attendance.

ONTARIO CAMPAIGN FOR ACTION ON TOBACCO

The Chair: I would now call on our next presenter, the Ontario Campaign for Action on Tobacco. Thank you for being with us this morning. You have 20 minutes for your presentation. That can also be time for presentation and some time for questions if you so desire. If you'd please state your name and organization for the purposes of the Hansard and the benefit of our committee, we'd appreciate it.

Mr Michael Perley: Thank you, Mr Chairman and members of the committee. My name is Michael Perley. I'm director of the Ontario Campaign for Action on Tobacco, which is headquartered at the Ontario Medical

Association and includes the Canadian Cancer Society's Ontario division, the Heart and Stroke Foundation of Ontario, the Ontario Lung Association, the Association of Local Public Health Agencies, the Non-Smokers' Rights Association and a number of other health agencies, working together for the past 10 years on tobacco control issues.

Thank you very much for the opportunity to present in support of the provincial government's stated intention to raise tobacco provincial taxes to the national average and to commend the government for taking a prompt first step in that direction.

As any tobacco tax increase inevitably brings with it allegations of renewed smuggling, I'd like to focus the majority of my remarks on that subject, but first, before doing so, I'd like to make a few points about the current status of Ontario tobacco taxes today.

First, increased tobacco taxes are the single best means of reducing both the number of people who smoke and the amount they smoke. The federal Department of Finance and other authorities have estimated that a 10% price increase produces a 4% reduction in prevalence, a figure which doubles in the case of young people, who are more price-sensitive than adults. To give a current example from Canadian experience, Alberta's \$2.25-a-pack tax increase has led to a 24% reduction in consumption in that province.

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Next, despite the increase mandated in Bill 2, Ontario still has the lowest tobacco taxes of any jurisdiction in Canada at \$19.70 per carton of 200 cigarettes.

As well, an important loophole in the current tax structure is the fact that loose tobacco, so-called roll-your-own tobacco, is taxed as if one gram of loose tobacco is required to make one cigarette. In fact, tobacco manufacturers have developed various techniques over the years to reduce tobacco density. Expanded tobacco provides a tax benefit, which I'd like to illustrate for you. Governments tax by weight, so it's considered that one cigarette holds one gram of tobacco, but the consumer, of course, thinks in terms of the number of roll-your-own cigarettes per tub of tobacco. There's therefore a strong incentive to use the lowest possible density of tobacco.

At present in Canada, as little as 0.45 grams of roll-your-own is equivalent to one manufactured cigarette. The advertising claims on these tubs—this is 105 grams of Export A, and this is 90 grams of Number 7. You can see at the top—and I'll pass these around if you like—it says, "Rolls 100% more." In other words, this is intended to make 200 cigarettes, and it costs less than half of a carton of cigarettes, so you have a big tax loophole here. I don't know if anyone would like to see these, but by all means I can pass them around.

This tax loophole is important because roll-your-own now takes up about 10.9% of the Canadian market as measured in the 12 months leading up to June 2003 from figures in Imperial Tobacco's June 2003 second-quarter report and its 2002 annual report. In contrast, roll-your-own took up 8.7% of the market in 2001, so you can see

there's a pretty significant growth here, which will continue.

Our recommendation to the government is to close this roll-your-own loophole as soon as you can, and we further recommend that the government proceed as quickly as possible with the Premier's stated intention to raise tobacco taxes to the national average—and further, if possible.

A recent analysis of the financial benefits of investing in comprehensive tobacco control completed by the Ontario Medical Association, which I am tabling for you today as part of the handout, suggests that tobacco taxes should be raised a total of \$14.37 above the tax level in place prior to the increase mandated in Bill 2. The OMA analysis concludes that investing in a comprehensive tobacco control program, which includes this tax increase and a number of other measures including the smoke-free policy also announced in the throne speech, will produce a conservatively estimated reduction in smoking prevalence of 15%. This, in turn, will achieve over \$11 billion over five years in increased tobacco taxation, increased sales taxes and income taxes paid and avoided health care costs. If we are able to achieve a 25% prevalence reduction, which we can foresee as quite possible, given the success of comprehensive tobacco control programs in other jurisdictions like California, Massachusetts and Oregon, the health care savings alone rise to over \$1.7 billion per year. The OMA would be pleased to provide a more detailed presentation to the committee on the fiscal benefits of this investment in comprehensive tobacco control.

Let me now turn to the matter of alleged renewed smuggling resulting from tobacco tax increases. Much of the concern about renewed smuggling, which we hear of inevitably and invariably every time any tax increase is contemplated, results from events that took place over a decade ago in Ontario and Quebec, during which Canadian tobacco companies encouraged and facilitated the export of tax-free Canadian product to the US and its illegal reimportation and tax-free sale in Ontario and Quebec in particular. The simplest response to renewed allegations of smuggling by the tobacco companies and their allies is that the universe in which they operate is completely different today than it was 10 years ago. Here are a few reasons why this is the case.

First of all, Ontario tobacco prices are roughly on par—I underline the word "roughly"—with prices across the border; higher than Minnesota and Michigan, but much lower than New York, where the vast majority of the illegal activity in the early 1990s took place. I've attached a map showing the average price of a carton of 200 cigarettes in all Canadian provinces and territories and border states as of December 5 of this year. The map was prepared by the Smoking and Health Action Foundation and the Quebec Ministry of Finance. My apologies; the notes are in French.

Mr Colle: That's the back page, right?

Mr Perley: Yes, it's the last page. I didn't have time to translate the notes for you, but I'd be happy to do so if you'd like.

The most significant factor, I think, and most experts I've spoken to and we've looked at agree, making a return to the smuggling of the early 1990s impossible is the new federal export tax system. The federal government began the system nearly two years ago and now charges \$15 per carton on all cigarettes being exported, up to 1.5% of a company's total production. This amount is reimbursable to the companies on proof of payment of appropriate taxes in the foreign jurisdiction where the cigarettes are sold. If a company exports more than 1.5% of its total production, the export tax goes up to a totally non-reimbursable \$29.50 a carton. This export tax system makes it virtually impossible for manufacturers to get back into the business of exporting tax-free cigarettes and then illegally re-importing them.

Greatly increased law enforcement is also a significant factor in deterring smuggling today. The combined scrutiny of governments, law enforcement officials, media, health organizations and the public means that smuggling cannot occur again in the way that it did in the early 1990s. For example, on August 13 of this year, the federal government filed a \$1.5-billion lawsuit for damages related to contraband against JTI-Macdonald and related companies. Further, earlier this year on February 28, the RCMP laid criminal charges against JTI-Macdonald and affiliated companies and executives on matters related to contraband in the 1990s. In a February news release, the RCMP announced that its investigation is continuing.

Philip Morris has stated that Canadian authorities are contemplating the laying of criminal charges against Philip Morris International and Philip Morris Duty Free Inc, again related to contraband in the early to mid-1990s. These charges and potential charges, combined with the civil lawsuit by the Attorney General of Canada, provide a further deterrent to future improper behaviour.

Since manufacturers are deterred from supplying contraband markets due to the export tax and the scrutiny I mentioned, interestingly enough, they have a very strong financial incentive to co-operate with the authorities in suppressing what contraband may arise. With their extensive network of sales representatives and close monitoring of sales on an outlet-by-outlet basis, large manufacturers are in an excellent position to detect black market activity by other players. The current situation is in contrast to the early 1990s, when the manufacturers had a financial incentive to encourage contraband because it was their brands that were being smuggled. For example, manufacturers should be able to rapidly detect retailers who switch from a legal to an illegal source of supply.

Furthermore, Canada's picture-based package warning system, with unique messages, helps distinguish legitimate from illegitimate product entering Canada. The availability of tax-paid discount cigarettes reduces the profit margin for prospective smugglers of major brands. The overall tobacco market in Canada has fallen dramatically since the early 1990s, reducing the potential profitability and viability of illegal operators. While 31%

of Canadians aged 15 and over smoked in 1991, prevalence fell to 21% in 2002 and can be expected to fall further this year and in subsequent years.

Additional measures can be taken to protect both revenue and national health objectives while discouraging crime. A key measure here is to require the implementation of a national policy ensuring a track-and-trace system for all tobacco products. This would allow suspicious product to be traced through the distribution chain and allow the quick identification of any leaks in the system. This system would make interprovincial and reserve-based smuggling operations easier to stop and would also make it more difficult to fence stolen product. The system is technology-based and relies in part on the application of tax-paid marking technology directly on packages, which is extremely difficult to counterfeit. I understand that regulations in regard to this matter of tax-paid markings are within the Ministry of Finance now as we speak. I don't know what their status is, but they've been there for a while. In contrast to this type of system, the present Ontario tax marking system involves an easily counterfeited cellophane tear strip showing that Ontario taxes have been paid.

That concludes the remarks I wanted to make to the committee. I'd be happy to answer any questions.

The Chair: Thank you very much. We have about two minutes for each caucus. Mr Barrett from the official opposition.

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Mr Barrett: Thank you, Mr Perley. Your presentation made very little mention of the relationship between tobacco consumption and health. That's understandable. This is a money bill, Bill 2. It was introduced by the Minister of Finance, not the Minister of Health. Bill 2 was introduced the day after the orchestrated announcement of a phony deficit—March 31 of next year. So it's all about tax money for government.

I will say that the increase in tobacco taxes is creating anxiety in the counties of Norfolk, Elgin, Oxford, Middlesex and Brant. The Liberal leader promised tobacco farmers would receive compensation in reaction to this increase in taxes on what is a legal product. We've seen no mention as yet of reparations from this government, no mention of a buyout of tobacco quota or tobacco acreage, no mention of a buy-in to assist other commodities. Last year, 10,000 acres came on the open market from tobacco farmers who have gone bankrupt or gone out of business. There's no mention of any buy-in to help other agribusiness—nothing mentioned in the throne speech or subsequent debate. There are 45 tobacco farmers coming to Queen's Park tomorrow for Taxpayer Day. There are 1,000 tobacco farmers getting together Friday in Tillsonburg because of these measures.

The question would be, is your organization in a position to make an argument for assistance to compensate for some of the damages done?

Mr Perley: We certainly agreed with the \$50-million figure that was in the government's campaign platform as a community transition fund. Now, there wasn't a lot of

detail about that, but we don't see that as a direct buyout so much as the municipalities, the counties and the towns and cities in the region getting together and saying, "OK, what kind of economic strategy do we want going forward over the next five to 10 to 15 years?" The consumption of tobacco, whatever one may think of its status and all the related arguments, is declining, and it's going to continue to decline.

The question, I would think, for the municipalities there—and I've been to some of them and had some rather interesting discussions with some of your constituents, as you can imagine. But I would think the municipalities would really want to develop an economic strategy that would not be dependent or would be decreasingly dependent on tobacco. I think that \$50 million should be dedicated to that kind of strategy. How exactly it happens, really should be up to the municipalities to decide.

Mr Barrett: I'm glad you're talking to people, and I invite you to come to these two meetings. Just a final point: Smuggling is alive and well. In the real world, this is called all natural, native. You can pick them up anywhere.

The Chair: Mr Prue.

Mr Prue: I'm sure you can, but I don't think you should.

What intrigues me most is this roll-your-own cigarette stuff here. The act is quite specific that it will change the tax to 74% of the taxable price per cigarette or for one gram of or part gram of tobacco. The transitional rule will be a rate of 9.85 cents for every cigarette and every gram or part gram of tobacco. In your view, what would we need to change, how much would we have to charge, to make that consumption stop?

Mr Perley: I don't know about stopping, but I think you should at least—

Mr Prue: Slowing it down.

Mr Perley: —equate it with standard manufactured cigarettes, so you double the tax rate on roll-your-own. That's all you need to do. This is 105 grams as opposed to 200-gram equivalents in a carton. This is 90 grams. So by doubling the degree to which this is taxed, since these make, give or take a few, the equivalent of a carton of cigarettes, they should be taxed at the same rate as a carton of cigarettes, and they're not now. They're taxed at about half that rate.

Mr Prue: Instead of 74%, that should be 148%?

Mr Perley: There's a different way of describing it. It should be taxed not on the assumption that a gram of tobacco equals one cigarette but that half a gram—

Mr Prue: Half a gram?

Mr Perley: Yes.

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

Mr Colle: Mr Perley, how many deaths are attributed to the consumption of tobacco in Ontario every year?

Mr Perley: Some 12,000.

Mr Colle: So 12,000 people. Whose data is that?

Mr Perley: That is from the Ontario tobacco research unit and actually some analyses done in part by an expert

panel from the unit and the OMA for former Health Minister Witmer for a report she released in 1998.

Mr Colle: Second, what are the health care costs attributed to the consumption and use of tobacco in Ontario every year?

Mr Perley: The OMA analysis estimates about \$1.1 billion to \$1.2 billion currently. Depending on the escalation in cost of treatment and bed space and so on, that could go up, but that's approximately what it is every year at the present time. There's also the issue of utilization of space. There's a cost factor there, but there's also the fact that beds and treatment technology and experts' time are being taken up by people who otherwise would not be ill if they weren't smoking.

Mr Colle: Thank you, Mr Perley.

The Chair: Thank you for your presentation before the committee this morning.

The committee will now stand in recess until 4 pm today.

The committee recessed from 1206 to 1602.

The Chair: I call the committee to order. We'll start immediately, but I want to make one announcement—two, actually. There will be a room change for tomorrow's meeting. We will be in this room; this morning it was stated otherwise. Messages have been sent to your offices as well, but I mention to members present now that the meeting will be here tomorrow morning.

There was a request for an Ipsos-Reid poll. That is available to you. You can read that at your leisure.

CANADIAN JEWISH CONGRESS, ONTARIO REGION

The Chair: With that being said, I will call our first presentation of the afternoon forward, the Canadian Jewish Congress, Ontario region. Good afternoon. If you would identify yourself for Hansard, you have 20 minutes for your presentation. If you care to leave some time for questions, that would be very good.

Mr Bernie Farber: Twenty minutes usually is enough to let me take a breath of fresh air, but I'll try to keep it as brief as possible. My name is Bernie Farber. I'm the executive director of the Canadian Jewish Congress in Ontario. I'm here with my colleague Simon Rosenblum, who is our director of public policy.

Just for the record, the Canadian Jewish Congress, Ontario region, is the Jewish community's mandated organization, which represents Ontario's 210,000-strong Jewish community. You will be hearing today from other Jewish organizations as well, all of whom I believe will give you very much the same message.

I want to thank you, the committee, for the opportunity of addressing you this afternoon. We are here today with specific reference to the cancellation of the equity in education tax credit, more specifically to the manner in which this credit was repealed. The cancellation of the equity in education tax credit is deeply troubling to our community on two grounds. We had hoped and believed we had the right to expect that a reasonable

alternative to the tax credit would have been put forward by the government before the tax credit was repealed. Premier McGuinty and other senior Liberals have repeatedly told the Canadian Jewish Congress at specific executive meetings and in specific meetings that they have no philosophical opposition to the funding of faith-based schools. On this basis, we were somewhat surprised that the repeal came forward without any alternative put forward. So we are looking seriously forward to discussions and negotiations with the government on the matter of finding an alternative funding solution in the not-too-distant future.

I also want to make note of the fact that I attended this morning a press briefing by Keith Norton on racial profiling. The only reason I mention this is to remind this committee that it was last week that Keith Norton, our chief commissioner of the Ontario Human Rights Commission, publicly noted that in the absence of a new funding formula for independent schools, the removal or the elimination of the equity in education tax credit creates what he believes is a significant discrimination issue—one which we may take directly to the commission if we can't find some resolution in the near future. More specifically, the timing of the equity in education cancellation, effective January 1, 2003, took us completely by surprise.

I'm going to pass this over now to Simon Rosenblum, who will go into some of the details as to why this issue is of such great concern to us.

Mr Simon Rosenblum: When we say "us," we not only mean, of course, the Canadian Jewish Congress but we act as the advocacy arm of the Ontario Association of Jewish Day Schools when it comes to government relations. I gather you will be hearing directly from that organization later this afternoon. They will speak to you most directly in terms of the impact on the schools and the parents.

Let me say at this time that parents made their decision to enrol their children in our day schools in good faith. Now they are being told, retroactively, that the 2003 tuition payments, which were made well in advance of this current government coming into office, will not be eligible for the tax credit. These parents are, for the most part, middle- and low-income earners and will be paying a stiff price for a decision that they could have in no way anticipated at the time of enrolling their children in religious day schools.

Without prejudice to the larger issue surrounding the tax credit, to cancel it in such a retroactive manner seems to us most unfair and mean-spirited. When we say that it reaches back to the year 2003, in fact it really reaches back further, because, if you are a parent thinking of enrolling your child in an independent school, or in our case a religious day school, in September of 2002, then of course you would not have simply been thinking of enrolling the child for the first semester; you would have been thinking of the full school year. Therefore that part of 2003, in other words January to June, really began, in terms of the decision-making process, in August or

September of 2002. So there is an incredible clawback here.

I realize that you have already heard today from eminent tax experts. We don't consider ourselves to be in that league, but we do know that retroactive taxation does not enjoy a good reputation. In many tax and economic circles, it is the equivalent of a four-letter word, and for good reason. Elementary fairness would tell us that there is something very wrong with changing the rules so that the previous actions of taxpayers, based on the rules in place at that time, are penalized. I ask you: How in the world can citizens, taxpayers, be expected to act in good faith with the law of the land when a government is permitted to not only change the rules—which of course is perfectly understandable and acceptable—but to change those rules retroactively? I would submit to you that neither a properly functioning political democracy nor a market economy can operate with such random and arbitrary actions.

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Consequently, we have every expectation that this committee will advise the Premier, the finance minister and the provincial cabinet to reverse the manner in which they have cancelled the equity in education tax credit.

Mr Farber: Let me just be frank for a moment. For those of you who know me, you will know that's basically the only way I can be, whether it's at a committee hearing or elsewhere.

We understood that this government was going to remove the tax credit. We didn't like it, we didn't agree with it, but Premier McGuinty, to his credit, made it very clear that this was what he was going to do, because he had some philosophical opposition to the policy itself.

We're big people. We understand this, and we understand that we can work with various levels of government in terms of trying to convince them not only of the need for funding of independent schools but of the discriminatory aspect if they don't fund the schools.

Our major issue right now is this, and if we get anything across to this committee, this is the most important piece that I want to get across to you: For Jewish parents who send their children to Jewish day schools, even though we knew that the Premier was going to remove the tax credit, it was still a slap in the face, but to do so retroactively was like a bully punching us in the stomach. That's how it felt. There was no need to do it; everybody would have understood. The public certainly would have understood that if you had repealed it as of the end of this school year, you would have lived up to the promise enunciated by the Premier, but to choose to do it retroactively, to choose basically to take money out of the pockets of middle- and lower-income-class families as a means by which to make a point was something that certainly concerned us, angered us and upset us.

As we mentioned at the beginning of our presentation, our concern is not only with the timing of the cancellation but that it was done without this alternative. It appears almost as if we are going back in time. There was even a UN decision of the human rights committee

which suggested that failure to fund independent religious schools on the basis of still funding Roman Catholic schools leaves Ontario in the most precarious of situations. It remains the only jurisdiction in the democratic world that funds one religious faith community schools to the exclusion of all others. That is religious discrimination. You may not like it, but that's what it is. I've been around this town a lot in terms of dealing with issues of discrimination. That, my friends, is religious discrimination, something that the Liberal Party should not stand for.

In conclusion, let me just quote our chair of the Canadian Jewish Congress, Ontario region. Professor Ed Morgan, in a statement that he released when the tax credit was removed, said as follows:

"We always understood that the Premier supported funding to faith-based schools. In fact he voiced this support publicly to our executive only a few years ago. We hoped that the government would have offered another alternative to the tax credit. Now we non-Catholics in Ontario are once again the subjects of religious discrimination. This is not acceptable."

We thank you for your time and are prepared to answer questions at your leisure.

The Chair: Before I go to the official opposition, Hansard has informed me that their experience this morning was that members were not speaking loudly enough or were not close enough to their microphones and they were having trouble picking you up.

With that in mind, to the official opposition, Mr Barrett.

Mr Barrett: Thank you, Mr Farber and Mr Rosenblum, for being here on behalf of the Canadian Jewish Congress. You've made very clear your shock at this retroactive cancellation of the tax credit. Is this setting a precedent? Are you aware of any other jurisdictions in Ontario where a tax increase has been levied retroactively? I think of a university setting, where students who pay tuition have discovered they are now paying an increased tuition going back to last September, let alone last January.

Mr Rosenblum: I'm no expert on this matter. I did, however, spend five years of my life across the street in the Frost Building dealing with, among other things, tax matters, and it is not within my memory that a tax measure has been rescinded in the manner that this one has. It is a very unique situation. I'm not in a position to say to you that it is without precedent; it may well be that if one does one's research, one could find a precedent somewhere, but within the finance and tax community, at least as I in days past had participated in it and understood the rules of the road, this was something that was seen as beyond the pale.

The Chair: I failed to mention in going through about the microphones, that each caucus had a little over two minutes. So two minutes for each caucus—

Mr O'Toole: I'll keep it under two minutes.

Thank you again for your presentation and for bringing voice to the independent school movement. I

chose, and will carefully regard, the word "mean-spirited." I think it was just that extra piece. Clearly, as you've said in your presentation, they're going on policy, and people vote on policy; we know that. They made 231 policy projections and have failed to deliver on all of them, in my view.

The other word you used was "clawback," but more important is your reference to the Human Rights Commissioner, Keith Norton's, "significant discrimination." Going forward, do you think you'll be taking any further court action in the appeal that may be launched? I'll give you some time to respond on the public record here, because this is a fight that's been going on for 20 years or more, really. I was a trustee some 20 years ago and recall the same debate.

Mr Farber: Listen, I was actually hired by Canadian Jewish Congress in 1984 to fight this battle. I didn't have children at that time, and I figured, four or five years from now my children will be in kindergarten, but we will have won this battle. They were in high school by the time we got the tax credit and now it's gone, so it really doesn't make much difference.

The fact is this: This matter has gone to the Supreme Court of Canada. The Supreme Court of Canada did find that, although it sits uncomfortably with the notion of discrimination, in fact, given the anomaly that is Canadian Confederation, it was acceptable. But they did say very clearly that this was a political decision that had to be made.

What strikes me as odd—and there are two things here: We have, for the first time, a chief commissioner making mention of the fact that we have a significant problem here in Ontario if this is removed without a replacement; and number two—and you'll forgive me; I just don't get it—virtually every province in Canada certainly west of Ontario in some form or another does fund their independent religious schools. Quebec funds its independent religious schools. The Maritime Provinces choose to fund no independent religious schools, including their Catholic schools, so there's not much of an argument I suppose that can be made there, although the school choice argument still fits in. But for the most part, most of Canada finds a way to fund its independent faith-based schools under a variety of different governments, be they the NDP, Conservatives or Liberals.

This government has chosen at this point, as I say, to step back into history. Will we take this to the Ontario Human Rights Commission? My druthers would be that we work co-operatively with this government, that this government and this Premier were serious when they said that they don't have a philosophical opposition to the funding of these schools and that they are willing to find a compromise solution. Hopefully that's a promise that this government is prepared to keep.

Mr O'Toole: The new democracy.

Mr Prue: I'm going to be very blunt as to why I think they're doing it retroactively. We had the assistant deputy minister in here today saying it was somewhere between \$165 million and \$195 million on this tax measure if it's

retroactive. It's money. It's clear that they're doing it for money. It's a highly unusual step.

I'd like to put to you gentlemen that, as uncomfortable as I am on the retroactive aspects of this, they did campaign on this and you have acknowledged as much. You could have seen it coming. As a matter of fact, I know you saw it coming because I was there at the Canadian Jewish Congress on behalf of the New Democratic Party when this was debated, and I remember getting one of the frostiest receptions of my political life on the position that we took, which was the same as the Liberals.

What do you expect from this government, which seems to be making a big deal out of the \$5.6 billion that they found in debt? Where would you suggest they look otherwise for this \$160 million to \$195 million? They're going to need to find some other place if they're going to grant you what you want.

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Mr Rosenblum: First of all, I wasn't here this morning to go over the way in which the financial presentation was made, and this is back of the envelope admittedly. But it would seem to me that if there are something like 100,000 children in the independent school system—it may be 105,000, but it's in that ballpark—and if for the time frame of the year 2003 we're talking about just 20%, because we had a commitment in the equity in education tax credit that it was going to evolve from 10%, 20%, 30%, 40%, on to 50%—at the 20% level, it's very hard to see how you really got to those numbers. My own estimate would be somewhere in the vicinity of \$100 million, but that's for all of the independent schools. For the faith-based schools, it's my understanding we're talking about something like \$30 million for the period in which the retroactivity applies.

Now, I'm not here to suggest in any way that the government doesn't have a fiscal problem. I would also say to you, however, that that does not give licence to a retroactive clawback. It is not for me to try to do someone else's books, but there are certain things, in our lingo, that are kosher and certain things that are not; retroactivity is not.

The Chair: To the government side.

Mr Wilkinson: I'm just new here but I just ask the question. I'm not sure that you answered Mr Prue's question, which is, what should we cut from someone else or how much money should we borrow and increase the debt by not taking the action which we campaigned on? But secondly, when this tax credit was brought in, it's my understanding that it was going to be phased in over a number of years. The previous government had to rescind the Taxpayer Protection Act and delayed that. One could argue that parents had made a decision to send their children to the schools that your children go to and that that government did not follow through with the promise. So, my question is, did you complain about that at the time and say that somehow that the parents had gone down this path and that the government wasn't being fair? Is it the same logic here?

Mr Farber: Let me deal with two parts of your question. Firstly, the answer is yes to the last part of your

question. We certainly did complain to Mr Eves at that time that it was unfair. He did make a promise that it would be reinstated, and he did keep that promise.

In terms of where you're going to get the money, if we are dealing with \$30 million—I don't know what the overall total budget for education is; I would imagine it's in the multi-billions, let's say \$20 billion approximately, give or take—I know that \$30 million sounds like a lot, but come on, is it worth at least \$30 million to ensure that you have a discrimination-free society? I would think it is, at the very least. Ontario prides itself on its tolerance. It prides itself on its democratic values. How it is that a government feels a level of comfort giving special privileges to one religious group to the exclusion of all others in 2003 is beyond my understanding. It is incumbent upon this government to fix it. It's incumbent upon you to fix it. The UN says so. The Supreme Court, while it didn't order governments to do so, certainly left that impression that it sits uncomfortably with the notion of discrimination. What else is needed for a government to understand that you can't discriminate against your religious minorities? It's not right.

The Chair: Thank you very much for appearing. That's all the time we have.

PEOPLE FOR EDUCATION

The Chair: I would call upon People for Education.

Good afternoon. You have 20 minutes for your presentation. Time can be allowed for questions within those 20 minutes if you so desire. I'd ask you to state your name and organization for the Hansard report.

Ms Annie Kidder: My name is Annie Kidder and I'm with the Ontario parents group, People for Education. My presentation will be very short so that we can have questions, because I come with just one idea, one amendment to this bill.

We have been concerned and have been tracking the effects of funding and policy changes on our publicly funded schools for the last seven years. We've seen a loss of many of the programs and supports that students need in order to be able to succeed in school. We are concerned about that loss and thus we are proposing the following amendment to the Fiscal Responsibility Act:

“Because public education is the foundation of a civilized, democratic society, offering all children, regardless of income, race, language, or religion, access to the education they need to become participating citizens; and

“Because public education holds within it the capacity to overcome generational cycles of poverty, change the destinies of immigrants and refugees, and create a sense of societal cohesion where few are excluded;

“We propose the following amendment to the Fiscal Responsibility Act, 2003:

“As this tax expenditure will no longer be a burden on government revenue, the Minister of Finance shall calculate the amount saved by this legislation from the time of proclamation of this act until December 31, 2006,

and the Minister of Finance shall spend that amount only for public education purposes and no other purpose.”

We propose this because we are concerned that in the throne speech and in the announcements over the past weeks, there has been a lot of attention paid to the deficit, which we do understand is a huge and difficult issue, but we think that children cannot wait any longer to be provided with the programs they need in their schools, that there has to be equal attention paid to the problems in the public education system, that governments can't wait until they're having a good year to fund public education, and we would like some assurance from the government that the money that is saved in passing this act will be spent on the public education system. That's it.

The Chair: We have about four minutes for each caucus. We'll start with the official opposition.

Mr O'Toole: I've heard your presentations over the past seven years, and most of them don't reflect adequately the real history and the challenge of education.

I think you have to go back to the original argument that started when the Liberal government of the day, in the late 1980s, had the debate on the funding of the teachers' pension plan. In that time, they were taking all of the teachers' very high level of contributions to their pensions into general revenue. I was a trustee; in fact, I chaired the finance portion of that, and I was a director on the provincial body as well. In that time, they came to a solution which I think was heralded by most as finding a way of funding this deficit in the pension, whereas about 25 cents of every dollar in education actually went to the pension, which was probably the right thing. I should remind you that my wife is a teacher, as is my middle daughter a high school teacher.

Then the NDP came in and they had several confrontations as well with the education union leadership really, not with parents and individual teachers, and they ended up with such a quagmire that they had a royal commission. Under some pressure, the royal commission basically dealt with the quality of education and access to equity in education. You've been an advocate even before you sided there. I think, looking at the royal commission, there were about 140 recommendations.

We were following through and providing—really, one of the main things was the equal access to funding for every student regardless of where they live. Then there was a Fair Tax Commission that rolled into the education debate as well, and they talked about how publicly funded education shouldn't be dependent on having a rich tax base or assessment base. You're quite aware of that. I'm just for the record trying to get it in Hansard. In fact, it ended up with the situation of revenue problem the NDP had. They introduced the social contract and ultimately the teachers turned on them and turfed them out of office, the same as they did, by the way, with the Liberal government. It was really quite an orchestrated attempt.

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In our case here, I believe that there was an attempt to find some measure of equity in funding public education,

which I support. I come from Durham, an area that was being funded at about \$4,600 per student, versus other areas of the province that were being funded at \$8,000 to \$9,000 per student. That's not fair. Finding some number that's fair and reasonable is really where I'd be happy as well. I believe we have come a long way.

There were two or three very wealthy boards that were unable to bring any substance to some of the changes, but we initiated the Rozanski commission report, which looked at the student-based funding model. In fact, I believe we had made a commitment in public and in the budget to address \$2 billion in education, to address some of the anomalies in the larger cities, the mix of the population of students and the rest, and I think that we were moving toward having some reasonable solutions there.

I just put to you that, for the record, most people will use numbers that are absolutely incorrect. We did not remove money from education. That should be understood going into this debate. It was \$12.3 billion or \$12.2 billion; it's now \$14.7 billion. Adjusted for per capita enrolment, it has increased. Every student in my area gets more funding than they did in 1995 when we were elected. That's a part of the public record, the accounting to the Ministry of Education, and each of the new members here should have a look at that history.

I have no problem that what you're saying here is kind of an amendment, and I suspect your friends in the Liberal Party—perhaps Michael Prue will move the amendment, because we have to do that by 9 tomorrow. In the last line you have here, “... proclamation of this act until December 31, 2006, and the Minister of Finance shall spend that amount only....” Do you think that the savings generated by this bill is going to be enough to fund education?

Ms Kidder: Absolutely not. No, I don't.

Mr O'Toole: It's not enough money, right?

Ms Kidder: Absolutely not.

Mr O'Toole: I had to cut myself short and I'm sorry I didn't leave you too much time, but I'm sure the Chair is generous.

Ms Kidder: What I'm saying is that the money saved from this bill should be spent on public education. It is certainly not enough.

I would also say that Statistics Canada does not agree that there has been more and more money spent on education over the last few years in Ontario. Their recent report shows that per pupil funding has gone down over the last 10 years. We are not saying that this will be sufficient to undo the damage that was done, but we are saying this would be a start and that it's very important in terms of priorities that funding for public education be a priority and that this money saved be used for that.

The Chair: We move to the NDP. Mr Prue.

Mr Prue: Thank you very much. You've had the lecture; I'm not going to give you one—

Ms Kidder: Thank you.

Mr Prue: —because I think you have pointed out for the last number of years some of the failings in the public

school system. Certainly I'm not lucky enough, I guess, to come from the region of Durham, where everything seems to be fine, but I will tell you, in Toronto you can see crumbling schools, despondent students, not enough money, problems with English as a second language and literally everything else around the school system as it falls apart.

There obviously is not enough money and there are a great many social needs that are crying out at this time. Education obviously is near the top of the priority, but in this city and in this province we have huge problems with housing, with homelessness and, if you read the paper the last few days, with our seniors who are in homes, all of which are crying out for money too. My question to you: Is it fair that all of this money that is being saved, which isn't nearly enough, go to education, as valuable as I know education is?

Ms Kidder: We always end up in a situation with everybody competing for money in their various silos, and you're right; there is money that needs to be spent in many, many areas. I think the reason for spending money on public education has to do with what an incredible return you get on your investment, to put it really crassly. When we spend money on public education, we make a difference to children's whole lives, we make a difference to our society, and we create viable citizens who can pay taxes. A recent report from the previous government talks about the importance of a government investing and says that over the course of the money you spend to graduate a student, you get a 100% return on that money.

I would argue that we remember what government spending is: that government spending is an investment—it's not there to make money or reach a bottom line—and that we make the investment in education for the quality of life, for the common good and for its ability to change the lives of people; that actually it has more of an effect on everything else—on health care, on housing, on poverty—than anything we can do. There are many things that we need to do and that should be being done, but we know that this is one of the ways that we can actually change people's futures. Now that we know that, it seems to me, it's the most important place we can spend that money.

Mr Prue: Do I have additional time?

The Chair: A very short question and a short answer.

Mr Prue: OK, I've got to get my thoughts together here. I had an excellent question and it has now popped out. I'll just pass.

The Chair: I'll look to the government side. Mr Colle.

Mr Colle: Ms Kidder, as you know, last week the Minister of Education announced a \$112-million in-year grant essentially earmarked for vulnerable children in low-income areas and also schools that have a high proportion of children who have English-as-a-second-language needs. What is your comment on that announcement?

Ms Kidder: We welcomed that announcement. We know that the grant that funds students at risk, the

learning opportunities grant, has been severely underfunded for the last few years. It was funded at less than half of what was proposed by the former government's expert panel.

We're concerned that we can keep adding money on top to deal with emergency situations, but until the recommendations in the Rozanski report are implemented, especially the ones that will give the boards the catch-up money they need to deal with inflation over the last seven years, for which they received no increases, and the money they need to deal with the abysmal state of their school buildings all across the province—and Rozanski recommended money to fund the backlog in repairs and maintenance for school buildings—until boards have that money, they're going to be continually running up down escalators. They're never going to be able to catch up, even when we add money on top for other things.

I think it was very important that we recognized the difficulties happening, mainly in urban areas I would say, for students at risk for socio-economic reasons. That's back to Mr Prue's question: Which thing do you do first, deal with the socio-economic problem or the education one? Schools are a very good place to deliver those sorts of services, and I'm glad they're there.

The ESL money is still not up to what was the recommendation of the Rozanski report. It's important that we look at ESL, and there may be other things that have to come into that.

One of the other recommendations in the Rozanski report was to have a cabinet-level committee of ministers from all of the different areas that affect families and children. I would argue, and we argued in our report on Ontario's cities, that we actually need different levels of government working together too to ensure, for instance, that ESL programs are well and properly funded. Maybe this is a case where the federal government should be working with the provincial government and the municipal governments to make sure that adults are getting the right amount of ESL, and that children are, as they come into the cities.

I would still argue that, notwithstanding the money last week, there's money going to be saved here and it's money that needs to be spent in the public education system. It's important that we see a sign of a really strong commitment to undoing the problems in the system, especially the backlog in underfunding. Until that backlog is addressed, boards are going to continue to close schools, which they're doing right now, and cut programs, which is also happening right now.

The Chair: Thank you very much and thank you for your presentation this afternoon.

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ISLAMIC SOCIETY OF NORTH AMERICA

The Chair: I would call forward the representatives for the Islamic Society of North America. Good afternoon. You have 20 minutes for your presentation, and

that could include questioning. Would you please state your name and your organization for the purposes of Hansard.

Mr Muhammad Khalid: My name is Muhammad Khalid. I represent the Islamic Society of North America. I am the education director of that association. I'm also a founding director of the Ontario Parents for Equality in Education Funding. This association came into being after the United Nations decision in 1999. I have 20 copies, as I was requested. May I start?

The Chair: Go ahead.

Mr Khalid: Good afternoon, Mr Chairman and honourable members of the committee. Thank you for giving me the opportunity today to make a presentation to you.

The Islamic Society of North America—Canada is a grassroots umbrella organization representing Muslims in Canada. ISNA—Canada has been involved with other faith groups such as Jews, Sikhs, Christians, Hindus and Greek Orthodox for equal funding of all religious schools in Ontario.

ISNA—Canada operates a couple of schools and has a liaison with most of the other Muslim schools in Ontario. There are currently about 30 Muslim schools in Ontario, with a total enrolment of between 2,500 and 3,000.

The announcement of the refundable equity in education tax credit in May 2001 was widely praised by the religious school community because it provided for parental choice in education. The rationale for the legislation was to put the needs of parents and students first by offering choice to parents who want their children educated in their own culture and religion.

The fact that the credit was refundable was a very strong signal that it was meant to benefit the supporters of our schools who are less wealthy and who sacrifice greatly to enable their children to attend these schools. The supporters of the tax credit are parents whose strong religious convictions compel them to send their children to the religious schools.

The previous government, by providing this tax credit, had recognized the United Nations Universal Declaration of Human Rights, 1948, article 26, that, "Parents have a prior right to choose the kind of education that shall be given to their children," and the United Nations Declaration of the Rights of the Child, 1959, principle 7, paragraph 2, that, "The best interests of the child shall be the guiding principle of those responsible for his education and guidance; that responsibility lies in the first place with his parents."

Secondly, the previous government, by the provision of this tax credit, had partially provided a remedy for the United Nations' Human Rights Committee ruling in November 1999 which held Canada and Ontario in violation of the International Covenant on Civil and Political Rights by providing funding only to Catholic schools.

It is alleged that the tax credit benefits the rich and wealthy parents who send their kids to elite schools such as Upper Canada College. This is an objectionable but convenient political myth. The plain fact is that most parents who send their children to independent schools,

especially religious schools, are of modest means. Members of our organization make very serious financial sacrifices to do so based on their conscientious views that their religion, culture and language demand nothing less. They forgo many worthwhile uses for the money, such as RRSPs, vacations or paying off their mortgages and loans.

The policy objective of the tax credit was to provide some public funding to parents who in good conscience cannot place their children in the secular public schools or in publicly funded Roman Catholic schools. This was an effort to reduce the reality of discrimination in the education funding regime. Then the reversal took place.

The new Liberal government of the Honourable Dalton McGuinty is planning to repeal the equity in education tax credit retroactively to January 1, 2003. The taxpayers who would be impacted by this action had already made plans on the basis that the tax credit would continue. This is going to create mistrust of governments, and it is extremely unjust. The Premier has decided to fulfill his election promise on the backs of parents of modest means who have no choice but to send their kids to religious schools and be taxed twice: once to pay for public education, and second, to pay for the education of their children.

We had thought that Premier Dalton McGuinty understood the value of good religious education. He was educated in a publicly funded Catholic school, as are his own children. The most surprising thing is, how can he deny the same right to the 2% of Ontario parents who send their children to unfunded religious schools in accordance with their own conscience?

The Catholic system has been in place for more than 150 years and has not adversely impacted the public education system. Ontario supports fully funded Catholic, French-language and Aboriginal public schools, ensuring the survival of each of those minorities, even though funding of Catholic high schools was not mandated in the BNA Act of 1867. As you very well recall, this was extended by the Davis government. Previously, it used to be only up to middle school.

Muslim, Sikh, Jewish, Protestant and Hindu schools receive no government funding, yet just like Catholic parents, these minority religious groups give their children a religious education in order to convey their identity and to ensure their survival and thwart disappearance in the melting pot. To support some schools and not others is discriminatory. This policy of a double standard is making us feel as second-class citizens: paying taxes for public and Catholic schools we cannot use, then paying a second time to educate our children in our own faith.

By repealing the tax credit, the new Liberal government is again violating international human rights enshrined in the International Covenant on Civil and Political Rights. Repealing the tax credit is not about reducing the deficit. Our estimates suggest that the government figures showing savings of \$195 million in 2003 are highly exaggerated. I underline the words "highly

exaggerated.” Out of about 92,000 children in private schools, about 40,000 are in religious schools. The annual fees in most of the religious schools are not anywhere close to the \$7,000-per-pupil cost in the public system. I know this for a fact because I have run my own schools as a treasurer for 13 years. I know for a fact that the maximum fees in the Muslim schools are \$3,000 per year, and less per child if the number of kids from the same family is more than one. The average cost per child in our schools is less than \$2,500 per child per year. At this rate, the tax credit will be about \$500 per child in 2003, rather than the \$1,400 estimated by the government, while educating these same kids in the public system would cost the government a minimum of \$7,000 per child.

In the context of the \$70-billion Ontario budget, this tax credit would have no meaningful impact on the education of the 96% of the children in fully funded schools. Most of the other provinces fund independent schools with no adverse impacts on public schools.

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Our schools generally meet or exceed provincial curriculum standards and excel on provincial tests. The repealing of the tax credit will be a stain on Ontario’s reputation as an “inclusive” province.

Many opponents of the tax credit argue that school choice will fragment society, which is not supported by any facts. It has not happened in all the jurisdictions that have provided funding to independent schools.

The children who have graduated from our schools have gone into many professions, such as law, pharmacy, engineering, medicine, communications, high-tech, journalism and teaching and have become productive members of Canadian society. Think about children from Jewish, Christian and Sikh schools. Where do they go after graduation? They are in all sorts of professions and doing rather well. Are there any studies that show these children had difficulty getting along with graduates from the public system? These are pure myths perpetuated by the opponents of the tax credit.

In closing, the repeal of the tax credit will throw back in the discriminatory state that existed before 2001. Please be fair and do justice to the minorities who are trying hard to preserve their religion, culture and languages. Please do not let the majority culture annihilate the minorities in the melting pot. Thank you very much.

The Chair: Thank you. We have about a minute and a half for each caucus, and we’ll start with the official opposition, Mr O’Toole.

Mr O’Toole: Thank you, Mr Khalid, for your excellent presentation. You dwelt on the very essence of the unfairness of most of these tax measures, and you’ve specifically related it to the equity in education tax credit.

For your edification, I was also educated primarily in Catholic schools. You might know that the public school system was funded including Catholic schools up until grade 10. That’s been the history in Ontario up until 1983 or 1984 when they introduced the completion of funding. It was not the completion of funding for separate schools,

I might add. They did not have access to the industrial-commercial tax base, so there was always an inequity up until we sort of engineered the full student-focused funding model. That should be clear. People don’t have a really sound understanding of the history, but I do commend, more importantly, the fact that I’m as surprised as you are that the now Premier would reverse a promise made that he respected religious-based schools.

Your argument is very supported by the most recent report by our Human Rights Commissioner, Keith Norton. He said it’s significant discrimination. It is a multicultural society and a growing society that we depend on to be inclusive. Your remarks are taken quite seriously by me personally. I believe our government was at the point of recognizing the inclusivity of the multicultural nature of the Ontario landscape. I think that’s extremely healthy, as you have described. I know many in my community who are Islamic—and it’s a growing part of our population—are extremely exemplary citizens, and their education and their culture and faith makes them strong as people and makes them strong contributors. I can just say that for our part we would be supportive of, certainly as we discuss this bill, trying to get the government members to realize that this is pure, bold-faced discrimination.

You’ve made your point very well, and if you want to respond, there’s some time left.

Mr Khalid: Actually you have said it very well, and thank you indeed for supporting us.

The facts speak for themselves. I really would urge the committee to please not do any window-dressing. This is a very serious issue for our communities. This is really the survival of our communities. We are good citizens. We are raising kids the way we think they should be raised, and we actually do need your support. This committee should not take these hearings very lightly and then just go back and look at the political prudence, as they would like to do, especially the governing Liberals.

Mr O’Toole: The mean-spirited nature of the retroactivity also—

The Chair: Mr O’Toole, your time has expired. We’ll move to the NDP.

Mr Prue: The point you made on retroactivity has been made by others and is a good point. I’ll ask you the same question that I asked some of the others. This is obviously an attempt by the government of the day to save \$195 million on the backs of people who were counting on the money. Where do you think they can get the money from elsewhere?

Mr Khalid: First of all, this \$195 million, if you really do a simple calculation, this year, in 2003, it should be 20% of \$3,500. The maximum is \$1,400. As I have given you the example of our own schools, none of our schools are charging the highest fees as far as the Muslim schools are concerned, and that’s \$3,000. It would be not anywhere close—if you divide \$195 million by \$1,400 per child, the number of children in the private system, it gives you close to 140,000 kids. This

is, again, a very strong exaggeration of the numbers. The numbers are closer to 92,000, as far as our estimates go.

Then, as a matter of fact, many of the Muslim schools don't even know that this tax credit exists. They have not filed on behalf of their kids in 2001, 2002, and probably they will not even file in 2003. The calculations are completely exaggerated. The costs could be—I mean, if you look at our schools alone, the cost would be only \$1.5 million. If you send all those kids to the public system, the government will end up spending close to about \$30 million or \$15 million.

The Chair: A very quick question, Mr Parsons.

Mr Parsons: The strongest case for not giving tax credits for private schools was made over the last four years by Ernie Eves and Janet Ecker. In fact, we used letters and statements that they made during our debates. Just before the election, the bill was introduced and passed, and I'm sorry that so many parents in Ontario were subject to the game-playing, because the previous government was very clearly opposed to this for eight years and suddenly changed it.

I support the Liberal policy, and I'll tell you why. It's not money. I know that most of the parents who send children to private schools are not wealthy families. My wife and I have a five-year-old. You may find that surprising because we find it surprising. I want our son to go to school with your son and daughter. I don't want them to learn about other cultures off movies from Hollywood on TV and off newscasts. I want my children to be part of the fabric of Ontario, and you're very much part of the fabric. I want them to play together and talk together and become friends and do whatever.

As I see the number of private schools increase, I see a division and I see an increased potential for discrimination within the province, because we discriminate against issues we don't understand and people we don't understand. From my viewpoint, I see a great opportunity for my son, at five, to experience the other cultures and to understand them and to embrace them. So I support the bill because I want our children to go to school together.

Mr Khalid: Let me answer you back in a twofold question. First of all, this tax credit was given in 2001, as a matter of fact, May 14 or 15, 2001. This was a long time before the election is called. This is not a short span of time. This is a long time.

Mr Parsons: We had the longest election in history in this province.

Mr Khalid: I know. People have their political points of view and then they change as the government evolves, and things change.

Secondly, your son playing with my son, we have absolutely no problem. The kids are in the schools and when they go home, do you really think that when my kid wants to play hockey on the road, he's going to look for Muslim kids? Absolutely no chance. I have four kids, two boys and two girls. They went up to grade 8 in the Orillia schools, and then for four years they went to the public system. One of them is a doctor; he is already practising. The second one is in medical school; he got in

this year in September. The third one is a high school teacher in the public system—she's teaching math and science—with an honour's degree from U of T. All my kids went to U of T. The last one is in second year at U of T.

You are telling me that they have not played with non-Muslim kids? They have. As a matter of fact, my younger kid, who is in medical school, is a really pro athlete in basketball and ice hockey. He plays with other kids. A school environment is not the only environment. Kids are watching television. Your kids are watching the same television as my kids are; they are not watching separate shows. Also, when they are going outside and playing, they are interacting with kids—skating, soccer, you name it—any game they play. That mosaic is always there.

The Chair: Thank you very much for your presentation this afternoon.

Mr Khalid: Thank you for your time.

1700

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Chair: I call on the Canadian Federation of Independent Business to come forward. If you have a brief that can be handed out, we'd appreciate it.

You have 20 minutes for your presentation. As you have noticed, that time frame can be used for presentation and for questions. If you'd state your name and your organization for our Hansard record, we'd appreciate it. The floor is yours.

Ms Judith Andrew: Thank you, Mr Chair. I'm Judith Andrew, vice-president, Ontario, with the Canadian Federation of Independent Business. I'm joined today by my colleague Satinder Chera, who is CFIB's Ontario director.

Your kits are being distributed, and while that is happening I'll acquaint you briefly with the contents of the kit. The left side of it contains the presentation that I intend to speak to today. On the right-hand side you'll see some correspondence to the Premier; an Ontario small business primer for 2003; a vote dealing with the small business corporate income tax threshold, albeit at the federal level; and our pre-budget submission that was made earlier in the year 2003, which contains considerable information on tax policy relevant to the committee's deliberations.

If I could invite the committee to please turn to the presentation. The CFIB is proud to represent 42,000 small and medium-sized businesses in Ontario. As you can see, Ontario's business sector is overwhelmingly small. About three quarters of the firms in the province employ fewer than five employees. Actually, 95% employ fewer than 50 employees, and 98.5% of all firms in this province employ fewer than 500 employees. These are not the ones that appear on the business pages daily, but they are the backbone of the Ontario economy.

If you turn the page you'll see a slide that depicts job creation from 1991 over several years. In effect, the slide demonstrates that small businesses create the majority of new jobs in the economy and are particularly important during recession years. If you look to the 1991 to 1993 years, small businesses provided the resiliency of the economy in that difficult economic period. Last year, in 2002, of the 196,000 jobs that were created in Ontario nearly 85% were created in small and medium-sized enterprises.

Over the page there's a slide that shows a document that we produce regularly called the CFIB Quarterly Business Barometer. The last one was for September. The next one is due out next week. Ontario is tracking very close to the Canadian average, not unexpectedly, considering the proportion of the national economy we represent. As you can see, our barometer index of the small business sector is a pretty close reflection of what happens with GDP. In fact, it appears to be a leading indicator for the gross domestic product to the extent that senior levels of government—the federal finance department and others—look forward to CFIB's quarterly results in terms of the small business piece of the economy.

Over the page, what you have is the key issues our members ask us to work on. This is gained in personal interviews with our member businesses right across the province—we're talking to 2,000 businesses a week in their place of business. Four fifths of our members tell us that the total tax burden continues to be the top concern for them. Other key concerns are debt and deficit. Of course that's important here in Ontario, with the \$5.6 billion to contend with. Our members are also focused on a variety of other issues, as you can see from the chart.

In terms of spending control, we have asked our members how they rate the different levels of government on the job being done to control spending. The provincial level of government does a little better than both the federal and municipal governments in terms of the "very dissatisfied" portion. But that said, there's obviously some considerable view that governments can review their expenditures and look to be more effective with taxpayer dollars, and that should surely be part of any deficit reduction plan.

The next chart is also fresh data from our summer focus on Ontario survey. We asked our members where their priorities lie for future tax reductions. A number of taxes were canvassed here; I'm just going to talk about the top three. Number one is personal income tax, second is small business corporate income tax and third is municipal property tax. That's actually shifted in order. Municipal property tax was the top one. We suspect that during the summer, with the discussion about raising taxes around CIT and PIT, our members became concerned that those would again be on the upward trajectory.

For small business, personal income tax relief doesn't just mean more money on the bottom line; it also means their customers will have more money to circulate in the

local economy, their employees get to keep a little more of their hard-earned pay and the business can invest more in growing that enterprise locally.

I'd like to say a word about property tax. It's number three, and there are two pieces to it: the education portion and the municipal portion. I think our members are very legitimately complaining about property tax. If you look at where we stand among OECD countries, Canada and Ontario are near the top in terms of the percentage of gross domestic product extracted in the form of property taxes, so the weight of that tax is pretty onerous.

The next page shows the example of Toronto, but it's similar in most other places, with a few notable exceptions. The business sector is the most ill-treated under our property tax system. In the example here, the \$200,000 property, the resident in Toronto would pay \$2,200 in 2002; the commercial property, also worth \$200,000, would attract nearly \$11,000 in taxes; and the industrial property would attract over \$14,000 in taxes. The upper portion of that bar is the provincial education portion, so a big chunk of the problem resides with the province, but the municipality also has a big piece of the problem as well.

If you look at how property values sum up in Toronto, you can see that residents hold 69% of the property values, but interestingly they pay about 37% of the taxes. By contrast, the business sectors and the multi-residential sector pay a disproportionate share relative to the property values they hold. So there's a big rebalancing job necessary on the property tax front, and we are encouraging the government to take the perspective of small and medium-sized business into account in any future discussions on municipal financial reform, and those are ongoing of course.

1710

In terms of what reductions in municipal and provincial education property taxes would do to a firm, there are some pretty good outcomes in terms of expanding the business, increasing employees' salaries and benefits, contributing to the local community and so forth. So this is not just positive politics for small business; it's also positive policy for small business.

I'd like to say a word about Bill 2 specifically, and acknowledge here the government's fulfillment of the Premier's pre-election commitment to our members to maintain the small business corporate income tax rate at 5.5%. That is very welcome. We also welcome the government's decision to accelerate the increase on the amount of business income eligible for the small business deduction to \$400,000, starting January 4, 2004. This is a full year sooner than previously scheduled and is a very positive move to update that small business threshold.

I will comment very briefly in the same vein that others have, in terms of the rollback of previously delivered tax relief being unsettling to firms who attempt to plan on the basis of stable tax policy.

In terms of next steps for the government, obviously our members see a focus on spending control as one strategy to deal with the deficit. They would appreciate

some attention to rebalancing the property tax load as part of a new deal for municipalities, including attention to the business education portion, which is entirely in the province's purview.

I'd like to close by reading a couple of comments we got on our recent survey from members. This one is interesting: "I do feel very much that the government is charging too much income tax, property tax and PST as well as GST. Last month, for example, our company has paid \$12,000 ... for all the taxes, including WSIB. We are a small business and our company cannot afford all of this. The government is taking the initiative out of owning a business. They get the lion's share of the cash flow.... It is time we say something before they escalate more taxes that we cannot afford. When does it all stop?" This is from a manufacturer with six employees.

Another one: "Taxes as a whole are way too high when you take" into account "all the various forms ... income tax, corporate tax, EI, CPP, WSIB, EHT, property taxes, gas taxes, PST, GST etc, etc." That is from a plumbing and heating equipment wholesaler with 20 employees.

I think the point being made here is that tax competitiveness is more than being competitive on corporate taxes levied by one level of government. As the job-creating sector of the economy, the ability of small firms to grow and prosper is deeply affected by the tax policies of all governments and their taxing agencies. Total tax burden does remain a key priority for our members.

We are fortunate that small businesses are optimistic by nature. Despite being hit by SARS, BSE, the electricity blackout, insurance hikes and so forth, small firms continue to be important contributors to Ontario's economic prosperity. They account for so much of the economy and so much of its resiliency in bad times.

The positive element in Bill 2 is that the government recognizes it is important to continue growing the economic pie. Sometimes the debate over dealing with the deficit is framed in zero-sum terms. Small business's message to policy-makers is that it is important to continue to grow economic opportunity in Ontario so as to have more funds to allocate to key priorities. The current priorities for tax relief are personal income tax, corporate income tax and property tax. We urge the Ontario government to do its utmost to help entrepreneurs continue growing opportunities for Ontarians.

The Chair: Thank you. We have two minutes per caucus, and we'll start with the official opposition.

Mr Barrett: Thank you, Mr Chair, and thank you, Ms Andrew, for being here on behalf of CFIB. As you said, it's no secret that small business is the backbone of our economy. Certainly in the local economy in my area, many of your farmer members are key contributors to our tobacco-based economy.

I was just reading your Small Business Primer 2003. You've included key factors with respect to new hiring. You stress "a reduction of federal, provincial and local taxes; decrease in payroll taxes."

Our concern for small business in Bill 2 is it will impose higher personal tax rates, less disposable income

obviously for taxpayers, for customers of your members, and less consumer demand. You may have mentioned the 5.5% small business income tax rate. As you would know, the PC government was on a schedule to take that down to 4%. That will not happen under the present government. We see that as a negative for small business. Property tax cuts for businesses are off the table with this government, and there'll be no reduction in capital tax rates under this government as well.

We are concerned from a tax perspective with respect to your members. In November, we received recent data that saw 6,600 jobs leave this province at a time when the rest of Canada saw an increase of 60,000 jobs. So we are concerned for your members. Any comment?

Ms Andrew: There is no question that increasing taxes, when 80% of our members say the total tax burden is the number one issue, is regrettable. There are some key things that small businesses appreciate in terms of tax relief over the years. The first \$400,000 of payroll that is exempt from employer health tax has been very helpful. The first \$5 million of taxable capital that's exempt from the capital tax is also a very big help for small business. I know others have appeared before the committee today, arguing for capital tax relief. That tends to be more of a big business perspective because the first \$5 million does it, mostly, for our members.

Property tax is the big one that needs some relief. We're very concerned that there's a lot of pressure for local spending. Our members support sharing gasoline tax. They support taking certain kinds of social services off the property tax base. But they also want to see their needs dealt with in any municipal financial reform. So I hope you're not right that property tax won't be addressed from the small business standpoint. You want to get those entrepreneurs able to graduate from the basement or the garage into a business premise, to start hiring people, to start growing that business, to provide more taxes to the public coffers and to pay for everything we all want and need in this province, from health care to education.

The Chair: Thank you. We'll now move to the NDP. Mr Prue.

Mr Prue: Much of your discussion was property tax, which is entirely within the municipal purview.

Mr O'Toole: Not on the education.

Mr Prue: Not the education portion, OK.

But you went on on the last page, and this is, I guess, really what I need to hear because we're discussing Bill 2, and said two good things about what this government is doing and then one not so good. I'd like to go to the not-so-good-one. "However, rollback of previously delivered tax relief is unsettling to firms affected by the retroactive changes." We've heard a lot today about the retroactive changes to the religious schools community and to the private schools community. I've gone through this act two, three, five times. I cannot find any other retroactivity. Can you tell me where it's retroactively affecting business, as you suggest?

Ms Andrew: Certainly the corporate income tax has been rolled back.

Mr Prue: All of the provisions—I read them all—are 2004, 2005 or 2006, throughout all of the bill, save and except for January 1, 2003, for the equity in education tax credit.

Ms Andrew: That one's retroactive.

Mr Prue: But that affects individuals and families and students. Where is the "rollback of previously delivered tax relief is unsettling to firms affected by the retroactive changes"? That's what I want to hear.

Ms Andrew: I guess the principle of rolling back anything retroactively is worrisome. If it can happen in one area, it can happen in any area.

Mr Prue: OK, but there is nothing that you can tell me that is retroactive to business. That's what I'm trying to understand. This is what you wrote, so that's what I'm trying to understand.

Ms Andrew: I'd actually like to respond to what you said about property tax being a municipal affair. Actually, the parameters for property tax are decided by the province. Bill 140 is very much, in terms of the share that businesses pay, decided by the province, so that is clearly in the provincial realm, as are the many billions of dollars on the business education portion.

Mr Prue: I said that on the business portion. I guess she's not going to answer my question.

The Chair: Thank you. I move to the government caucus. Mr Colle.

1720

Mr Colle: I just want to clear that up. In your last statement you're saying, "However, rollback of previously delivered tax relief is unsettling." What other rollbacks can you point to in this Bill 2, except for the one being debated about the private school tax credit?

Ms Andrew: I can't really point to any others at this present time. We were given 18 hours to prepare for this presentation today, including some sleeping time, so perhaps if I had more time we could provide you with more detailed input.

Mr Colle: OK, thank you.

Mr O'Toole: On a point of order, if I may, Chair: On that question, I think it is a question that perhaps members of the committee would like CFIB to respond to. My understanding has been that the reference there is really that they were in a business plan, going forward, looking at the tax rate being at 11 and 9, and technically they're not going there, so their business plans, which are a forward action, are being reversed. That's retroactive on a business plan going forward.

The Chair: That's not a point of order.

Mr O'Toole: Perhaps CFIB could respond with a response to this nature, that these are indeed retroactive taxes in a business cycle.

Mr Colle: Give us a break. That's not what it says here in the presentation.

Mr O'Toole: Well, think about it. If you're planning to go to—

The Chair: Order. There was opportunity for an answer to be given. We thank you for your presentation this afternoon.

ONTARIO ASSOCIATION OF JEWISH DAY SCHOOLS

The Chair: I call forward the Ontario Association of Jewish Day Schools. You have 20 minutes for your presentation. It can be used in any way you care, for the presentation alone or maybe some time for questions within that 20-minute time frame. If you'd state your name and your organization for the purposes of Hansard, then you can begin your presentation.

Mr Aaron Blumenfeld: My name is Aaron Blumenfeld. I'm co-president of the Association of Jewish Day Schools. Ira Walfish is the other co-president. We will split our time to deal with the issues addressing the independent schools aspect of this bill.

Minister Kwinter recently told us that society is judged by how it treats its most vulnerable minorities. In a democracy, the majority will always have the voice and the power. We agree that the true challenge of governance in a democracy is resisting the tyranny of the majority. We look to you, the members of this Legislature and this committee, to protect the vulnerable minorities. You have the voice and the authority and the power.

Today you're considering a bill that would have the effect of cutting off funding for the education of over 100,000 children in Ontario. Respectfully, we say that this deserves serious consideration and debate. Although we do thank you for the opportunity to speak here, we regret that we had about 24 hours' notice of an opportunity to be heard. Had we had a little more time, there would be more, but we've brought a couple of submissions.

In terms of our talking points, in tab 1 of our brief here, there's a three-page overview, which is essentially what we'll be following now. Then there's a 13-page, more detailed submission after that, and thereafter there are a variety of tabs that I will briefly refer to.

The vast majority of our parents are lower- or middle-income earners. For many, if not most, families, tuition is the largest expenditure in the family budget. It may easily exceed over \$20,000 per year. Finding the money for tuition is a constant struggle. About 45% of our families cannot afford the tuition. One of the packages that's been handed out is simply dozens and dozens of letters we've received from parents, which are really heart-wrenching letters. We think it's important that you hear from some of our families before making the recommendations you'll be making, because these issues do affect these parents deeply. We're talking about thousands of dollars that are about to be cut off to families that are really having difficulty making ends meet.

In Ontario, 96% of children are in fully funded public, Catholic or French-language schools; 2% are in independent schools; and 2% are in unfunded religious schools, which is approximately 50,000 children. You may wonder why we don't send our children to public schools. To answer, I'd like to describe to you a typical day in a Jewish school, keeping in mind the great diversity in our schools, because the schools are almost all

different in some manner, because they cover the entire spectrum of Jewish religious beliefs.

From 7:45 to 8:30, you have prayers in Hebrew. From 8:45 till noon, you have Jewish law, Hebrew, Jewish biblical texts, ethics and so on. From noon till 12:45, you have lunch—children are taught that they have to say blessings before and after eating; they have to wash their hands and recite a blessing; and all the food has to be kosher. From 12:45 to 4:30, there are secular studies—in most schools, the vast majority, they follow the Ontario curriculum, tests and so on. They take all the same courses—math, science, English and so on—in a restricted amount of time, and they do quite well. In the afternoon there are additional prayers. In the context of the whole day, religious studies take about 50% of the day, or at least that amount, and there is a strong emphasis on ethics and character building.

It's not that we do not want to be in the public school system; it's that public schools are not legally allowed have particular prayers, and they're not allowed to teach particular religions, as a matter of law. So those schools are not something we could participate in, because we could not convey our religious identity, which is at the core of what we are, in the public school system.

I understand that Mr Parsons had an issue, which was that there's a public policy that children should play together in the public school system and that will somehow improve society. The difficulty is that we have a problem: In order to achieve that, we would have to give up our religious identity. That's the only way that could be done. It's a balancing issue.

Minister Bryant said in the House earlier this year: "For a very small minority of Canadians, a religion is not a hobby that can be dealt with on the weekends. For them it involves an obligation to teach their children and pass along their holy language and their holy religion. It is for them a way of life." Similarly, Minister Gerretsen said in the House this year, about unfunded religious schools, that he believed "the people who send their children to denominational schools are not the rich or the wealthy. Quite often they're people who are hard-working but feel they want to give their kids a different education. I say, more power to them."

You might wonder, what is the benefit of our schools to Ontario society? I think the answer is that our schools produce good citizens who contribute to society. You don't need to hear Jewish jokes about my son the doctor to recognize that graduates of all the different religious schools are fully participating members of society in every career, in every profession, who contribute, each in their own way. This is really what makes this province and this country a rich multicultural mosaic. I can see that in my own kids.

I have a 10-year-old who can speak English, Hebrew and Polish, and she's also learning French. But most importantly, in part through the school system she's growing up as a good girl. I have a six-year-old who does math and English at a grade three level, but he also knows the distinct blessings on different kinds of food and he prays to God every day in Hebrew.

Our children are not just our future generation. They're a link in an unbroken chain that goes back thousands of years, over which we have managed to preserve our unique tradition, language and identity, despite generations of persecution. I think it would be ironic for many parents if, because of the loss of this funding that is so critical to them, their identity were now threatened in a modern-day Ontario by a Liberal government that takes away this funding. So I ask, before you cut off this funding for this education, please visit these schools and see for yourself the excellent work they're doing.

1730

I'd like to briefly address the cost issue. This education comes at enormous cost to us. For our schools, we are forced to pay for the capital costs, the teachers, the textbooks, the busing—all the costs—almost entirely off the backs of hard-working, middle-income parents, and yet we must also fund the public and Catholic schools which, you can appreciate, we cannot use. For every child in an unfunded religious school in Ontario, you are saving \$7,000 per year, for a total of \$325 million. Our parents are paying this \$7,000 to send our children to our schools. Of course, if we were Catholic, we would pay nothing. If we were in Quebec, BC, Alberta, Saskatchewan or Manitoba, we would be funded. If we lived in England, Australia or France—any democratic jurisdiction in the world—we would not be subject to state-sponsored religious discrimination, except here in Ontario. What Bill 2 proposes to do is return Ontario to its unique status as the only democratic jurisdiction that discriminates between children on the basis of their religious identities.

One of the tabs here is the Waldman decision of the United Nations human rights committee. You may all know it, but we've made a copy of it in case you haven't had the opportunity to read it. This decision held that the policy of the Ontario government contravened international covenants that Canada and Ontario agreed to abide by. This is really a stain on Ontario's and Canada's excellent reputation in the world. I ask, how can a Liberal government that espouses such principles do this to its vulnerable religious minorities?

In all the jurisdictions I mentioned where there is funding for minority religions, that funding does not detract from public education; it works hand in hand with it. We say that funding the education of the 2% of religious minorities in Ontario is simply the right thing to do. We're here on behalf of the 2% of Ontario children to ask, please do not put us in a situation where there's no funding for our children. If you feel you must repeal the education tax credit, we ask that you make it effective at the end of the school year June 2004 for two reasons: First, it will give us time to find an alternative that would work for the government and for schools; and second, it would avoid the punitive aspects of retroactivity, which Ira Walfish will address now.

Mr Ira Walfish: There is little doubt that parents relied on the tax credit when enrolling their children in religious schools in 2002. Our question is, how can a

government in good conscience ask people who paid for education in August 2002, approximately 16 months ago, and expected a refund under the law at that time, now lose that refund, as well as parents in August 2003? As was noted, I believe, by Mr Parsons before, this was not unexpected from the time the election began, but was this expected in August 2002, 12 months before the election, that parents were going to lose the tax credit? This is actually a retroactive measure over two school years. Parents made their decision in August 2002 to send their children to school from September to June 2003. So this is not retroactive to January 1, 2003; it's really retroactive back to 2002, over two school years. Parents relied on the ETC in making this decision to send their children to schools. Now, essentially the government is punishing them by not only removing the credit but also making it retroactive.

This is creating enormous anger and outrage among our parents. Parents are asking, "Should I now remove my child from school because I can't afford tuition?" Why is this the only tax measure in Bill 2 that is retroactive, as Mr Prue has correctly pointed out before? Is there prejudice against the 2% minority?

The Liberal plan for education is entitled Excellence for All. Should we have an asterisk: "All except the 2% minority"? Of all the leaders, Premier McGuinty should best understand the value of religious education. He has sent four of his children to publicly funded Catholic schools. How can he possibly begrudge the same to the children of other religious groups?

The reason cannot be cost. This will only cost \$30 million in the context of a \$70-billion Ontario budget—\$30 million for 2003, \$27 million for 2004 for religious schools. It will cost parents \$1,400 per child in 2003, \$1,250 for the six months in 2004. A family with four children will end up sacrificing \$10,000. Would we rather our parents not pay their mortgage or send their children to a school of their choice?

We often hear the argument that the public school system needs money, as you've already heard today from Annie Kidder. We agree: The public school system does need money, and there's no question that there's a right in society that there should be a public school system that is funded. The problem is that we also have a right to have you fund our system. If in order for the government to have a right to fund one system it is at the expense of another system, we find that particularly immoral. As we have pointed out, the fact that the public schools are available to all citizens is irrelevant if religious parents cannot use them. We have no right to fund one system at the expense of another system.

One final thought: The question has already been asked a couple of times by Mr Prue about: Where's the money going to come from? The fact is that the government is saving \$325 million because of our schools, minus \$30 million for the education tax credit. That's a net saving of \$295 million. If 9% of the religious students transferred from the religious schools into the public school system, that would approximate \$30 million. If

more than 9% of the students transferred, that would actually cost the government money. The question could be: Where would the money come from if more than 9% of the students transferred into the other school system? We are the 2% in society that have no voice, and for the sake of our children we ask you to be our voice.

If there are questions, I'd be happy to respond.

The Chair: Thank you. We have one minute per caucus left. I would ask you to adhere to that as closely as you can—question and answer in a one-minute time frame.

Mr O'Toole: Thank you very much for a very extensive presentation today. I just want to cite for the record one piece of the correspondence here. I thought it was most appropriate since it's directed to Dalton McGuinty, now Premier. It says, "Retroactive reversal of tax credit is cruel and indecent." A very striking phrase. It's the first time, that I'm aware of, in Ontario. It also speaks to the fact that—the cruelty of it is, Mr McGuinty had the opportunity to educate his children in Catholic schools that were funded, and now that they're through that, he's now throwing the baby over the gauntlet.

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It says: "It bothered us during the campaign that Mr McGuinty would deny to other children the opportunity he enjoyed. This week, he made it official and moved to eliminate the private school tax credit"—in a mean-spirited nature, "by making the repeal retroactive...." Now, that is the real essence.

I guess there was an election and clearly the people made a decision to put more money into services. That probably isn't a bad thing. I think it's difficult—you have to grow the economy—but I guess it's the idea of this one single thing, and I can assure you that our opposition party will be moving an amendment.

The amendment will be very specific, not to address all the essences of these taxes, but the repeal—that section dealing with the retroactivity, we need you to be vocal and active to make sure that it's this retroactivity that is the most incensing of all of the moves. So you have our assurance that that will be on the table for 9 o'clock tomorrow; it's due warning. I would expect they will carry the day. The Liberals are now the government; they will win every vote.

We're calling you to speak to Tim and to David and to Judith and to Ernie—well, maybe skip Ernie—go to Mike and try to get them to look at that one amendment. There's no money involved; it's purely respecting discrimination that you've so eloquently put to us today.

Mr Prue: I will be just one minute.

The entire issue for me here is one of retroactivity. You must know I have spoken in favour of publicly funding schools. The New Democratic Party does not believe in the employment equity—I just said the wrong thing there—in terms of the equity in education task force that the previous government brought forward, but I would tell you, I have never seen a law in this country that is a good law that is retroactive. Any lawmaker will

tell you, you never do a retroactive bill if you want it to be successful. It harms far too many people—

Mr Parsons: Social contract.

Mr Prue: I don't think it was retroactive, and that was a bad bill anyway. That just goes to show you.

So I will not be supporting their retroactive measures because I think the government has the wherewithal to find that kind of funding from somewhere else.

Mr Parsons: I never had my name in Hansard so many times in a committee meeting.

I fundamentally don't believe in public money going to private hospitals, public money going to private MRI clinics or to private schools.

I represent a rural Ontario riding. I was born and raised in the country, and quite frankly, for me and for my children, the other young people they associate with are the ones at school. We need a pair of binoculars to see the next house. There isn't an arena; the kids play hockey out on the highway. It's kind of risky. So they mingle with students at school.

I will confess, having gone to the school they did, that I don't know a lot about the Jewish faith and traditions, I don't know a lot about the Islamic faith and traditions, and I wish I did. It is something that's missing out of my life that I should—

Interjection.

Mr Parsons: Sorry. I can't speak without moving my arms, so I do this.

I have missed information that I wish I had. I think it would have made me a better person; it would have helped me make the province a better one.

So for a rural riding, I see a great virtue in having all of the students together; that's my experience. There aren't neighbours in my rural riding, which I don't think a lot of you understand. The fellowship that my children achieve is at school.

Mr Blumenfeld: May I just say one thing: that is, my kids also have Catholic kids on the street and they do play with them from a young age, but the difference is that the Catholic kids get bused to a school two blocks away at our expense and we also have to pay for our kids' busing. That's just not fair.

The Chair: Thank you for your presentation today.

B'NAI BRITH CANADA

The Chair: I would call B'nai Brith Canada.

Interruption.

The Chair: Order. Committee rooms are similar to the House, the Legislature. There are to be no demonstrations.

Good afternoon. You have 20 minutes for your presentation and questions. I should mention first of all that there's a distinct possibility that members would have to go to the House for a vote. We'll deal with that should that arise. I ask you to state your name and your organization for the Hansard record.

Ms Toni Silberman: Good afternoon, or good evening. My name is Toni Silberman and I am chair of the

League for Human Rights, Ontario region, of B'nai Brith Canada. With me is Anita Bromberg, who is coordinator of human rights and legal counsel for our organization.

Established in Canada in 1875, B'nai Brith is Canadian Jewry's oldest and only independent community service organization. The League for Human Rights of B'nai Brith Canada is considered by many to be Canada's foremost human rights agency, dedicated to combatting anti-Semitism, racism, bigotry and hate in all its forms. On their behalf, I thank you for the opportunity to address the human rights aspect of this issue, an issue so vital to members of Ontario's faith communities.

Indeed, many of our constituents and associates in Ontario have children in independent religious schools. Our members and friends in sister provinces have, with the assistance of their provincial governments, long enjoyed the economic relief and freedom necessary to transmit their heritage to their children, assistance which, I might add, and despite the canard, has not and does not adversely affect the system of public education in their respective communities.

It is perhaps coincidental, and sadly ironic, that these hearings are taking place on the eve of International Human Rights Day, a day which commemorates the unanimous adoption by the United Nations General Assembly of the Universal Declaration of Human Rights. This masterful document, to which Canada and all of its provinces were signatories, commits to paper the highest, most worthy ideas of men and women: the recognition of the inherent dignity and equal rights entitlement of all members of the human family and the commitment to universal freedom and justice.

We in Canada, and in Ontario, are fortunate indeed. We live in a democracy where injustice and discrimination are condemned by political philosophy and punishable by law, and therein lies the irony, because we believe that what is being proposed by Bill 2, with respect, is neither fair nor respectful of Ontario's pluralism and diversity.

The purpose of this briefing paper is to provide members of the Legislature, and in particular this committee, with information that hopefully will help guide your deliberations on Bill 2. Our submission deals with this bill as it pertains to the provision of tax relief through the equity in education tax credit to parents who send their children to private, faith-based schools in Ontario. But the approach we will take is to address some of the myths that have been perpetrated and percolating around this issue.

Myth number 1 is that independent schools are the exclusive domains of the wealthy. Opponents of the education tax credit often portray independent schools as exclusive institutions available only to the children of parents who can afford to pay prohibitively high tuition fees. "Parents who can afford to pay tuitions of \$20,000 per year hardly need tax relief, especially given Ontario's present fiscal situation," so the argument goes.

This is an admittedly compelling argument, were it true. While there may be a number of institutions and

families that fall in this category, most independent schools and the parents of children who attend them do not. According to a study recently conducted by the Fraser Institute of the 800 or so independent schools in Ontario, only approximately 5% could be characterized as elite and exclusive. The other 95% offer alternative programming for children whose needs are not, or cannot be, adequately served in the public school system. This includes faith-based schools.

The situation of Jewish educational institutions in Ontario is consistent with that which I mentioned above. According to the Ontario Association of Jewish Day Schools, from whom you just heard, there are some 12,000 Jewish children attending 44 independent Jewish schools across Ontario. As you heard, the overwhelming majority of these students come from middle- and lower-income families. For most of these families, tuition represents the largest expenditure in their household budgets. Parents of these children make tremendous sacrifices in their standards of living in order to send their children to Jewish schools.

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Myth number 2: The decision of parents to send their children to independent schools is simply a matter of choice. Fact: Much of the opposition to public funding for independent schools is predicated on the mistaken belief that the decision of parents to send their children to such institutions is in all cases merely a matter of choice. This is not so for parents who send their children to faith-based schools. It is simply untrue that public schools are as accessible—

The Chair: Excuse me. I think we're going to have to recess at the time that there'll be a vote in the House. So we would recess until after the vote.

Mr Wilkinson: Mr Chair, we will have the deputation?

The Chair: If that's the wish of the committee.

Interjection.

The Chair: This is the programming motion?

Interjection.

The Chair: Under the programming motion it would be.

Mr Barrett: We have a number of minutes—

Mr Wilkinson: To be clear, though, then all of us would immediately return and then we would continue?

The Chair: I'm not certain, but I thought the programming motion said it was a 10-minute bell.

Mr O'Toole: In that case, you could be doing your presentation.

Ms Silberman: I could talk fast.

Mr Wilkinson: I know that I and other colleagues would be more than happy going past 6, so that this part could be completed.

Mr O'Toole: What they're really asking for is an amendment to Bill 2.

The Chair: It's a 10-minute bell, so we have time.

You'll continue, but we will interrupt you, I'm afraid, so that members can go and vote.

Mr Wilkinson: We live with these bells.

Ms Silberman: It's giving me a migraine.

It is simply untrue that public schools are as accessible to children of faith as are parochial schools. Ontario's public schools are not, as some would argue, simply non-denominational. Quite the contrary: Ontario's public schools, by and large, reflect the predominantly Christian character of our society. Moreover, some of the beliefs and values, not just tolerated, but actively promoted in public schools, are incompatible with the teachings of other faiths and do not reflect the religious and moral imperatives of these faiths.

According to the figures provided by the OAJDS, the number of children attending independent, faith-based schools in Ontario is estimated to be less than 50,000. It is imperative for members of this committee to understand that for the parents of these children, there is no real choice. They are compelled by their religious convictions to send their children to religious school. It is inequitable to perpetuate a system that forces these parents to choose between their religious beliefs and a public education system that truly does not, and arguably cannot, accommodate these beliefs and value systems.

Myth number 3: The Supreme Court of Canada ruled that Ontario was not violating human rights by refusing to fund schools of other denominations. The case normally cited in support of this argument is *Adler v Ontario*. It is untrue, however, that the Supreme Court ruled in this case that Ontario was not committing a human rights violation by funding Roman Catholic schools, while denying funding to other faith-based schools. In fact, what the Supreme Court said was that any inequality of treatment arising out of the Ontario government's policy was the result of a constitutional obligation to fund the Roman Catholic schools. In essence, the court ruled that Ontario could legally get away with it, whether or not it offends the spirit of human rights.

In November 1999, the Human Rights Committee of the United Nations ruled, pursuant to a complaint made by Ontario parent Arie Waldman, that Ontario's policy of funding Roman Catholic schools, while denying funding to other faith-based institutions, violates the terms of the International Covenant on Civil and Political Rights. This instrument, which came into force in 1976, was signed by the federal government after having obtained the consent of all 10 provinces, including Ontario. While the Human Rights Committee's ruling in Waldman did not provide for specific remedies, it did confirm that Ontario's policy was not only discriminatory; it also violated the terms of this international covenant.

B'nai Brith Canada welcomed and strongly supported the creation of the EETC in 2001 on the grounds that even if its purported purpose was to promote generic school choice, a corollary benefit to its adoption was that it rectified, in some small way, this long-standing and serious human rights deficiency. As then-Minister of Finance and Deputy Premier Jim Flaherty said in the Ontario Legislature, if parents choose to send their children to an alternative school "mainly for religious or cultural reasons ... they're entitled to receive some credit

for doing that. That, we think, is reasonable.” And so do we.

Myth number 4: Public schools are the only institutions transmitting our democratic values. They alone foster tolerance and anti-racist attitudes, while private and denominational schools foster racial segregation, cultural divisiveness and social fragmentation.

Tolerance manifests itself in many ways, such as racial integration, religious freedom and school choice. Several key studies have been done in recent years, comparing the development of tolerance and strong civic values in both independent and publicly funded schools.

It is true—the ideal of the public school, where students learn respect for their fellow citizens by mixing with students of different backgrounds was, and continues to be, central to the justification of the public funding of education, bringing together children of widely differing social and economic strata, rather than developing an elitist ethos. These schools are held up as the great leveller.

However, studies on this subject suggest that, in reality, public schools are not the unifying institutions in our society. The fact is that many public schools are already segregated, both racially and economically, based on the particular community demographics. The wealthier school districts inadvertently promote segregation by only accepting the privileged students who live within their boundaries, or within the artificial attendance areas which the district itself has created. Private and denominational schools have no geographic limits to attendance, thus ensuring a more representative cross-section of students.

Private schools, especially faith-based schools, transcend political and neighbourhood boundaries to gather a more racially and financially mixed student body, as opposed to the geographic criteria which tend to reinforce segregation. Better integration leads to better race and ethnic relations, which promotes greater tolerance and harmony. In truth, racial and ethnic conflict—

The Chair: Pardon me. I think I should allow the members the time to go and vote. If it is the will of the committee, we would come back after the vote, which is anticipated to be at 6 o'clock, to hear the rest of your submission. I do apologize. Is it the will of the committee to come back? Agreed.

We will stand recessed until after the vote.

The committee recessed from 1757 to 1808.

The Chair: Thank you very much for your patience. We'll let you begin again with your presentation.

Ms Silberman: Thank you. Having just renewed my car insurance, I certainly hope this insurance cap will be retroactive.

Mr O'Toole: No.

Ms Silberman: Ah, interesting.

I was talking about the need for transcending political and neighbourhood boundaries in order to ensure racially and financially mixed student bodies, and the comparison between public and private schools with respect to this.

In truth, racial and ethnic conflict and fighting is far more of an issue in public schools than it is in private schools. It follows then that expanding access to private schools is likely going to improve integration in education and not lead to race wars, ethnic cleansing or genocide, as some critics purport.

Our recommendations: By simply eliminating the education tax credit without due regard for the rights of those who send their children to independent, faith-based schools as a matter of necessity—and I emphasize—and not by choice, the government will inflict grievous and, in some cases, irreparable harm on these children, especially given the typical socio-economic condition of the families that fit into this category. Furthermore, since the education tax credit was an imperfect solution at best, the obligation rests on this government to find an equitable alternative solution.

Although the Ontario government can rely on existing jurisprudence to deny it has a legal obligation to maintain a level of funding for schools serving these children, there is no longer any credibility to the argument that Ontario has no moral obligation to do so. We, therefore, make the following recommendations:

(1) We ask the government to leave the education tax credit intact and move toward full implementation of this provision.

(2) We urge the government to delay the proposed termination of the education tax credit until an alternative solution is determined.

(3) We suggest that faith-based schools be considered in a separate category from elite, private schools when determining the alternative solutions available.

(4) At minimum, should the government choose to proceed with the elimination of the education tax credit, it should not do so retroactively, as is presently proposed. Such an act can only be described as unjustifiably punitive to those who have made their family budgets and financial commitments contingent on receiving this credit, which has been fully assured for the 2003 fiscal year.

In conclusion, Ontario created and implemented the education tax credit in part to rectify the inequities in funding for faith-based schools, and to provide parents who send their children to these schools partial access to the pool of funds to which they are compelled by law to contribute through their taxes. It is our view, therefore, that eliminating the education tax credit may give rise to a new round of litigation that would be costly for all parties and, in the end, immensely damaging to Ontario's reputation as a tolerant, pluralistic society. I assure you that we are not going away and we will not remain silent.

Many Liberal candidates who were elected this fall called during their campaigns for an end to the politics of division in Ontario. B'nai Brith Canada strongly supports this goal and urges the new government to use this occasion to show good faith to the entire electorate of Ontario, including its faith-based communities.

Myths cannot go unchallenged. As we view it, the purpose of the education tax credit is to return all

children to a level playing field, with parents of all colours, socio-economic levels, classes and faiths being able to choose from among the widest range of schools possible, to provide the kind of education that responds to the needs of Ontario's children, as some of you may have done with your own children in following your religious convictions by enrolling them in the publicly funded separate school system.

Respect for diversity and pluralism for the individual and common good is a cornerstone of good education. Public education should not merely be what goes on within the walls of a publicly funded school. Public

education is, in truth, the public's responsibility to educate all children wherever their needs are best met.

Our community's ancient sage, Rabbi Hillel, quoted from the Bible when he said, "This is the greatest rule of the Torah: you shall love your neighbour as yourself." We are called upon to love our neighbours and our neighbours' children as ourselves. Distinguished members of this committee, this is all we ask of you. Thank you.

The Chair: Thank you very much for your patience. It now being 6 o'clock, this committee now stands adjourned.

The committee adjourned at 1814.

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