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Monday 30 January 2006

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Lundi 30 janvier 2006

Standing committee on finance and economic affairs

Comité permanent des finances et des affaires économiques

Pre-budget consultations

Consultations prébudgétaires

Chair: Pat Hoy
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Monday 30 January 2006

Lundi 30 janvier 2006

The committee met at 0908 at the Hilton Fallsview, Niagara Falls.

PRE-BUDGET CONSULTATIONS

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will please come to order. The committee is pleased to be in Niagara Falls this morning.

For the committee, a bit of housekeeping: We've had a request by the Canadian Hearing Society to appear in Toronto on Thursday of this week. I believe we have agreement to that. Could I have a motion to that effect, that they appear sometime during the day on Thursday of this week? Mr. Hudak.

All in favour? Carried. Very good.

GRAPE GROWERS OF ONTARIO

The Chair: Now I'll call on our first presenter of the morning. Would the Grape Growers of Ontario please come forward? Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms Debbie Zimmerman: Thank you very much. My name is Debbie Zimmerman. I'm the CEO of the Grape Growers of Ontario. With me is the board chair, Ray Duc. You do have a presentation in front of you. I hate to read it, but I guess I'll have to.

Who we are: Since 1947, the Grape Growers of Ontario have been the voice for the growers throughout the province and have worked on their behalf, and continue to do so with pride. We direct our efforts towards our mission, which is to have Ontario-grown grape products demanded worldwide, and to achieve sustainable growth and profitability by creating an improved environment for Ontario-grown grape products. We are the official lobby organization for over 530 growers and processors in the province of Ontario. We represent 15.3 million vines on 17,800 acres in four growing districts: Niagara, Pelee Island, Lake Erie North Shore and Prince Edward county. We serve as a liaison between grower members, industry stakeholders and, of course, the government.

One of the largest segments of Canadian agriculture today is the grape and tree fruit industry. In 2004, this industry accounted for over $300 million of farm gate value. In Ontario alone, this translates into $1.8 billion of economic value in Niagara and a total of $1 billion additional value in Ontario. But today I am here to speak with you about another program, called the national replant program. I hope you are familiar with it to date. We have been before the government before on this issue, and we're going to continue to press till we see some support from the government of Ontario.

This is a program which sets out a national competitiveness strategy to lead our grape and tree fruit producers towards increasing their farm gate value by over 50% over the next 15 years. Increases in farm gate can be achieved by increasing the value per unit and by increasing the volume of units on the same land base. We have joined forces, as the Grape Growers of Ontario, with the Canadian Horticultural Council and representatives from the grape and tree fruit industry from across Canada to pursue this national replant program. You can see the provinces there: Prince Edward Island, Nova Scotia, New Brunswick, Quebec, British Columbia and Ontario are partners in this program.

The replant program will support the revitalization of the grape and tree fruit industry. A national program would assist our growers who find themselves producing products for a market whose industry is in decline. We are looking at a market-driven strategy.

I want to pause here for a moment to remind everyone that in particular in Niagara we are in a greenbelt. We need tools to be successful. We need tools for our future and we need tools that will get us to the next level. In our industry alone, in 2003 and 2005 we lost over 50% of our crop due to weather. We need to replant into varieties that are going to make us successful not only in Ontario but in a greenbelt that we want to see successful as well. We do appreciate the fact that the government of Ontario sees value in protecting our agricultural lands for the future, but we also see the fact that we need support. What we're saying is that we want a hand up, not a handout.

This program will grow the industry's domestic market share and expand the industry into international markets. We need to compete internationally. Some of the varieties we grow in Niagara are very successful, others are not. We need to capture more of the domestic growth market. What we're finding a challenge is imports into the province of Ontario, particularly in imported wine.

Economists often measure competitiveness by reference to sustained market share. Canadian producers of grapes and tree fruits have gradually lost market share over time. Canadians are consuming more tree fruit, but I think what has happened is, because of the import in terms of Washington for our tree fruit area—but in particular we're finding in imports in grapes, and I will quote a statistic from Vincor's website, that they source 86% of their product offshore. In fact, more and more clinical studies document the value of the phytochemicals, which really is to say, drink more red wine. Some of the statistics are there. I don't want to take up all my time in talking about statistical facts, but we know that we can compete as an industry around the world, but we need support to compete. The program we are talking about simply puts our producers ahead of where we are today, with a national replant program. Without it, we're losing our competitive share.

The Greenbelt Protection Act sets out to protect environmentally sensitive lands and farmlands and to contain urban growth. We agree with this strategy. Growers in these areas need support from government to ensure the long-term viability of agriculture. The creation of a national replant program is one such initiative. The national replant program will allow grape growers to continue to grow successful varietals, which are instrumental to the economic health of Ontario.

As I said earlier, we have suffered one of the worst harvests in our history. Winter damage has seen a normal grape crop drop from 50,000 tonnes of grapes to 26,000 tonnes. We know that hardier varieties are needed to meet the demands of our climate. Our vineyards contribute $1.2 billion in retail sales of wine in this country. In Ontario alone, it's an economic spinoff of $100 million. What we're asking you to do is to take the tax that you get off wine and alcohol products and reinvest it in agriculture. It's a pretty simple solution, and we think it's necessary to sustain our future.

Our growth challenges have led us to come together as an industry. We're doing it nationally because we believe the federal government has a role to play as well. The following national replant program really creates a public-private infrastructure renewal program for agriculture in Ontario, and particularly for our horticultural crops, tree fruits and grapes.

The goal of the program is simple: It is to renew 25% of Canada's orchards and vineyards over the next seven years. The actual acres in production will not increase, but the infrastructure of orchards and vineyards will be renewed to increase productivity and market returns. The average cost to renew a vineyard is $12,000 an acre. Nationally, British Columbia has contributed to a replant program for 15 years and Nova Scotia for five years. Our goal is to achieve the same commitment from the four remaining provinces. As such, today we are asking the province of Ontario to take the lead and become the next province, the most successful province in terms of its tree fruit and grapes, to push the federal government to commit to this program.

The total cost of the program is $300 million over seven years nationally, on a one-third cost-shared basis with the federal government, the six participating provinces and—here's the kicker—we are prepared, as growers, to commit one third, or $100 million, of that cost. So we are prepared to be your partner. The six participating provinces will share the remaining $100 million. Ontario's portion for grapes and tree fruit amounts to $49 million over seven years, or roughly $7 million a year.

We agree that if we want to be successful, we certainly have to take the initiative for new technology. I just want you to note that the Grape Growers of Ontario have just achieved that by being recognized as the company of the year for innovation, partnership and technology. We're prepared to move forward with this program as well by making the commitment of $7 million a year for the next seven years. We know a replant program is successful; just ask BC and Nova Scotia. The uptake on these programs has been remarkable. Our growers are prepared to share in the risks to enable innovation in the vineyards and orchards.

With most programs, what the government is often faced with is that they're asked for more than just a subsidy. We are asking to be your partner, and we're hoping that you will take this time to review the program in its entirety and, we hope, kick-start the federal government to be the other partner. We need your leadership; we really do. We're in a greenbelt. We want to be successful. We don't want to become corporate farms. We know that Ontario and Canada can compete with the rest of the world.

I do appreciate your time today.

The Chair: We'll begin this morning's round of questioning with the official opposition.

Mr. Tim Hudak (Erie–Lincoln): Ms. Zimmerman and chairman Duc, thank you very much for the presentation. We could hear you just fine. I wonder if Ray could. He was fixing his ear there once in a while.

I had a quick question from this region's perspective—and Toby, who is the agriculture critic, has some more detailed questions—in terms of who in the Niagara region would benefit from this program. So it's the grape producers, and which tree fruit, or would all the tree fruit benefit from the program?

Mr. Ray Duc: The program covers all tree fruit—peaches, pears, apples—and grapevines. It's all tree fruit and vine.

Mr. Hudak: So then a good proportion of the funding would actually come into this region.

Mr. Duc: That's correct.

Ms. Zimmerman: The majority.

Mr. Toby Barrett (Haldimand–Norfolk–Brant): I appreciate the presentation from the Grape Growers. I was aware of the replant program last year and I just wondered how it was going at the provincial level. As I understand, through a united effort, cash crop, beef, tobacco and horticultural crops were working with the Ontario government. Have you had meetings or has it progressed at all either in the new year, or what happened last year?

0920

Ms. Zimmerman: Yes, very much so. In fact, we not only had an opportunity to present this project and program to the Honourable Leona Dombrowsky, but we have had an opportunity to present it as well to David Caplan and Dwight Duncan in meetings. We've been able to afford ourselves opportunities, whether they're through these kinds of legislative hearings or at other events. It has been, I would say, received well. The challenge, obviously, is that we're in between budgets. We understand that this is for a legislative review for the budget, so that's why we're here today. We're hoping to get into this budget because it's also timely from the fact that the federal government will be putting forward a budget, we suspect, at some time in May or June, hopefully, and we want to also be part of that. We had presented in Ottawa as well. We were there for 46 meetings in two days. So you can imagine the kind of take-up we had in terms of surveying all parties. There was some good support for that.

The challenge for us, obviously, is that with BC and Nova Scotia as provincial governments already onside, to get the largest province in this country, Ontario, to also be onside. I can see from that point of view that the federal government will see it as a national program. The largest challenge we have right now is to get Ontario to commit to the program, and we think that the greenbelt is one of the tools. And with the amount of tax raised off alcohol in this province, it seems pretty simple to take some of that and reinvest it in our agricultural community.

The Chair: Now we'll move to the NDP.

Mr. Michael Prue (Beaches–East York): You're right: Last year the LCBO made more than $1 billion profit, so I don't see that $7 million should be all that much of a problem.

I'm curious, not so much about the money you want, because I'm sure you'll spend it wisely, but about replanting the vines. In Prince Edward county, I asked if they had winterkill, and they didn't because they bury the vines. Are the farmers in Niagara taking that risk?

Mr. Duc: We also bury our vines. That protects the vines; it doesn't protect the crop. And it only protects them to a point. In the last three years, we've had major damage twice, and in 2004, there was some damage. What has happened is that we've planted varieties that seem to be in demand worldwide, but we're at the extreme northern limit of grape growing in the world. We're finding that some of the varieties we've planted will not produce a stable crop. What's happening is that our crop is doing this up and down, and it's hard to build and develop a market when you have a full crop one year and the next year you don't a variety like Merlot—a full crop one year and nothing the next.

What we need to do is stabilize this crop. The growers have made a huge investment this year in wind-producing machines that will bring down warmer air from above and help to warm the vineyards. Because of this investment, we need what I'll call a hand up and not a handout, just to get our vineyards back in shape to be competitive on a worldwide level and put varieties in the ground that will sustain the industry.

Mr. Prue: There was another problem that was kind of unique, I thought, at least to Ontario in 2003, when the ladybugs got into the wine and destroyed a good number of growers' wines that year. It tasted of peanuts; it was awful. They were Chinese ladybugs, were they not? They were brought in to kill the aphids or something and then ended up killing the wine.

Mr. Duc: They're Asian. They were brought into the citrus industry in the southern states but migrated north. They're cyclical; we're going to have a problem every few years. But there is a lot of research being done on this problem. I won't say it's under control, but it is being very closely looked at.

Mr. Prue: Is that what some of the $7 million might go toward?

Ms. Zimmerman: No. Again, we're already underway with research, as the chairman has pointed out. Clearly that's where we, as an industry, have an obligation to invest. We're partnering right now with the wine industry to ensure that the research is proactive. The $7 million is to assist us in renewing 25% of our vineyards each year into varietals that can be sustainable in a northern climate. We can compete with the best in the world. Our Riesling, if you have an opportunity while you're here, maybe over lunch—

Mr. Prue: I vote yes.

Ms. Zimmerman: There you go. Our Riesling has a taste profile that you cannot reproduce anywhere else in the world. Allowing us to transition into these varieties will keep your greenbelt green and keep our growers in the greenbelt successful. It's no different with the apple industry; it's the same. They need to transition into different varieties that can compete. People today are expecting fruits to last a lot longer. We have to come up with varieties that are more sustainable, particularly in this climate.

The Chair: Now we'll move to the government.

Mrs. Carol Mitchell (Huron–Bruce): Thank you, Debbie, and Chair as well, for coming out today. I want to thank you, first of all, for all the work you have done. You've done a tremendous job of promoting the industry in the province, across Canada and throughout the world. You've done a remarkable job, and I want to congratulate you on that. I do want to say too that I am the parliamentary assistant to the Minister of Ag and Food, and I will report to Leona as well.

I'm looking for just a bit more detail, just to confirm what you have said: The Grape Growers are prepared to commit to approximately $7 million per year based on—

Interruption.

Mrs. Mitchell: It must be a women thing.

Interjection.

Mrs. Mitchell: Yes. So they are prepared to commit. But one of the things you're looking for is renewing old Concord vineyards. I wonder if you could expand on that for me. I will read your additional report, but could you just give me the highlights so I can get a sense of what you're looking to do with your renewal?

Mr. Duc: The juice market—and this is Concord's and Niagara's—is steadily declining because of foreign competition. Consumers are switching to other products; water is big competition for grape juice. It's the health thing: Grape juice, in its pure form, is a very sweet product, and the market is moving away from it. The growers, for the last three, four or five years, have been taking prices that are below their cost of production. There's very little future for this segment. This program would allow growers who still have juice grapes to transition into wine or icewine or some market that is developing in a positive way.

Mrs. Mitchell: The replant program: Is there a sense of the markets you're looking to aggressively go after? I see icewine is listed, but I'm sure there are more programs. Just give me a sense of them.

Ms. Zimmerman: I think what Ray is pointing out is, particularly juice grapes—they can grow in a much cooler area. In Niagara, with the microclimate we have, you have variations in temperature because of the benchlands. The only juice grape industry in Canada is housed in Niagara. Our processing plant is Mott's in St. Catharines. It's on its last legs. In fact, most of our juice grapes were delivered directly to the US for Welch's products. That is declining. Our challenge would be to transition those growers from juice grapes into Vidal, which are icewine grapes and which would grow. We're looking at other opportunities for them as well. I pointed out that we also have Riesling, or those varieties which we know are successful here in Canada and have won us international awards around the world.

The Chair: Thank you for your presentation.

CITY OF WELLAND

The Chair: I call on the city of Welland to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Damian Goulbourne: My name is Mayor Damian Goulbourne, from the city of Welland. On Friday, I let my fellow mayors of Niagara know that I would be coming here. One of them, Mayor Salci from the city of Niagara Falls, contacted me and said he would lend some support. He'll be joining me during this presentation.

Good morning, ladies and gentlemen. As I stated, I'm the mayor of the city of Welland, but I'm also a councillor with the regional municipality of Niagara. My comments will be brief. I congratulate, first of all, the standing committee on finance and economic affairs for holding these pre-budget consultations. These sessions provide stakeholders and municipalities with the opportunity to share their perspective with the province of Ontario. With over 400 municipalities in Ontario, it's very difficult for a city with a population of 48,000 to get its message out. In addition, there are times when we in Welland feel so far away from the centre of power in Ontario. It's extremely helpful that this committee has come to Niagara, and I thank you for your time and understanding.

I am before you today to lend my voice to AMO and support their request that Ontario's $3-billion provincial-municipal fiscal gap needs a solution. I am aware that AMO has been before the government on several occasions with this message, but I'd like to provide you with a local and front-line perspective.

0930

Welland collects approximately $24 million in tax revenue, plus an additional $6 million in other revenue. Add to this total about $17 million in water and sewer billings, and the budget for the city is approximately $47 million.

Welland is no different than any other municipality. We construct, maintain and operate water and sewer services, parks and recreation complexes, a fire service, Handi-Trans and conventional transit, planning and development and roads, to name a few. Recently, the government has supported cities by providing several programs such as COMRIF, gas tax for transit and fire services grants. With regard to COMRIF, we are awaiting coming announcements. While we did not receive funding in the first round, we got some wonderful feedback, so we went back and retooled our presentation.

These programs have the ability to help cities with the gap in funding. However, as AMO has stated, Ontario is the only jurisdiction in Canada that funds provincial health and social service costs through municipal property taxes. In the regional municipality of Niagara, our social services spending is over $700 million; I noticed Chair Partington coming in, and he'll have the correct numbers, but we are spending $600 million-plus at the regional level of government—over $200 million. But spending on roads, facilities, water and sewer and waste management is around half of this total. Faced with Ontario's social realities, municipalities' infrastructure spending has taken a back seat.

At this time, I'd like to provide you with an example that is occurring in Welland as well, I'm sure, as in other municipalities across Ontario. Welland's downtown has been experiencing difficulties for decades, but over the past few years we are beginning to see a rebirth. It's imperative that my council and staff take calculated steps to nurture these advancements and create a sustained rebirth. We have examined cities in Ontario that have turned things around, and the city of Collingwood stands out as the model we would like to follow. They have invested in traffic-calming techniques like bump-outs, constructed wider sidewalks, created themed lighting and rebuilt historical buildings. These capital improvements have worked but come with an economic and opportunity cost.

In Welland, the principal road in our downtown is East Main Street, which happens to be a regional road. My council is dedicated to seeing progress in our downtown, and we've asked the region to work with us. They've agreed, and gone as far as stating that Welland's urban centre should be designated by the province as a Place to Grow.

Historically, Welland has spent, on average, $1.5 million on public works—you will see that the last page outlines approximately the last 10 years of spending. This includes roadways, sidewalks, traffic control and capital equipment. This year we're proposing to spend $3.5 million on our roadway budget alone to help my city advance its dreams. Of this amount, $2 million is to fix Fitch Street, which has recently been rated as one of the worst roads in Ontario.

I should also let you know—I thought about it this morning and apologize for not putting it in this speech—that according to my public works officials, we're supposed to be spending $4 million per year on our roads alone.

This year we'll be completing waterworks projects in our downtown, which will enable us to implement Collingwood's best practices in 2007. According to AMO, almost one third of municipal operating expenditure is consumed by service delivery and income redistribution, leaving precious little for investment in Welland and Niagara's future. I believe it's easy to construe that if the region of Niagara did not have the burden of social programs, they could follow my city's lead and bring new dollars to their roadways budget. In a speech to this committee on November 4, 2005, AMO president Roger Anderson stated that addressing the provincial-municipal fiscal gap is their top priority for 2006.

I hope that my comments today provide you with a tangible sense of the difficulties front-line municipalities are facing. I believe that by working with AMO it is possible to find solutions to reduce the province's reliance on municipal property taxes. You have the chance to help municipalities and citizens across Ontario overcome their challenges but also seize their opportunities.

I appreciate the time you have taken to come to Niagara and listen to Welland's message. I don't know if the mayor of Niagara Falls would like to lend a comment or two to what I have just presented.

Mr. Ted Salci: You heard the mayor from Welland express his concerns about his municipality. Niagara Falls experiences the same issues. We have expressed those concerns prior, directly to the minister. Infrastructure funding is still one of our top priorities, as a municipality, and the challenge we have is attracting enough dollars to make it affordable to make our streets and services viable and to provide these services directly to the residents of our city.

The Chair: We'll move to the NDP.

Mr. Prue: I'm quite sympathetic to your message. I think that for too long the province has been raiding municipalities with the download. It's a $3-billion exercise; it's well-documented. I think the problem for the government, though—I'm not on the government side—is where they find the $3 billion. If they suddenly take this stuff off, it would free the municipalities and the tax base enormously. There's no question that it would be a boon to every municipal government in Ontario. But where does the government find the $3 billion? The trite answer is that they raise taxes, which they're not going to do. But where else do they find it?

Mr. Goulbourne: I assume you're looking for a response, so how about I tell you what I've done over the past two years as mayor of the city of Welland. When I took office, we were one of the last municipalities in Niagara that was keeping its water rates artificially low. We transferred that portion that was on the taxes to the water bill so it's full cost recovery as Watertight has alluded to. In that process we were able to find some efficiencies and make some difficult choices. We were able to actually have a net decrease on the tax rate of 16% when the transfer equalled 14%, so there was a net decrease of 2%. In last year's budget, we were able to bring in a budget of approximately 2%. This year—and tonight is my last budget meeting in the city of Welland, hopefully, if my council will co-operate, and we're looking at approximately 4% or 4.2%.

With those numbers, somehow we've been able—and if you take a look at my last sheet with infrastructure spending and look at 2004, with the first budget that we got hold of, and you look all the way down to 1992, we found a way to go from an average of 1.5% to 3.5%, and we made some choices along the way. There's been a lot of pressure in my municipality to put money into water and sewer projects, and we did our best and focused all of our dollars in 2004 on that to play catch-up to a degree. Now we're redistributing those dollars to road work. So if a municipality my size, with the talent we have, was able to find a way to re-juggle the priorities, re-juggle the spending and make some difficult choices—it has been difficult for my council over the past two years in Welland. We've had a lot of hurdles, even petitions to get us kicked out of office, which 1,500 people signed last February. We made some tough choices, and that's how we did it. I don't know what those choices are because I don't sit in your seats. I just have this local perspective that we did it, and I'm sure there's a way. It will not be easy, and I know the citizens will have some difficulty, as we did before, but those are the things that we did. I can guess that, as we move higher into other levels of government, those choices are there too.

The Chair: Thank you. Now we'll move to the government.

0940

Mr. John Wilkinson (Perth–Middlesex): Thank you, Your Worships, for coming in. We're very happy to be in Niagara again. I can assure you that all levels of government have tough choices to make, that's for sure. I think one of the comments that we've had coming out of these discussions, though, is the fact that the fiscal imbalance between our two levels of government are there. I think what you have now is a government that's willing to recognize the municipal level of government as a partner, as opposed to some creature of the province. I think the agreement that we reached with AMO to make sure that there would be consultations enshrined in law has helped.

But really, I think Mr. Prue asked the question: Where is the money going to come from? In this country, there is only one level of government that has more money than responsibility, and that's our federal cousins in their level of government. This goes to that whole fiscal imbalance: They downloaded to us, the province downloaded it to you and it has created that imbalance where we have hard property tax paying for soft services, which I think we all agree is something we have to address.

I want to say publicly how much we appreciate the fact that AMO has joined in our campaign to address the fiscal gap, and we're heartened that our new Prime Minister designate seems to think that that is quite important. It's not something that our Premier had to convince him on.

The questions that I had were on some of the other programs that we have. Are your municipalities able to afford themselves using the OSIFA loan program? I know it's your cost, but has that been helpful as a planning tool?

Mr. Goulbourne: We have invited the members of those organizations to the city of Welland, and our treasury has explored it. Based on our partnerships with the region—because we pool our lending with the region—it's more advantageous to work with the 12 municipalities in the regional level of government than it is to use that program. I think it's unique because of the co-operation here in Niagara, in that we pool our resources, and every June there's a debenture at the region available to us.

Mr. Salci: In Niagara Falls, we've had the advantage of taking out one COMRIF grant and we're fortunate that that construction will start soon. We've just made our first application through the region for OSIFA. I've met with OSIFA representatives on three or four occasions. I had them into my office and our treasurer now is taking advantage of that, so we appreciate that. We appreciate as well the expanded potential that OSIFA offers municipalities like our own, and we're taking advantage whenever we can of lower interest rates to make these types of improvements affordable.

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

Mr. Hudak: My colleague has a question, so I'll ask both quickly. But first, Mayor Goulbourne and Mayor Salci, thank you for being here. Congratulations on your success in leading the second- and third-largest municipalities in the region.

The OMERS bill is before another committee. Municipalities have expressed concern about that. In fact, Hazel McCallion called this the biggest download in the history of the province of Ontario, with the increased costs on the property tax base. So if you had an opinion on Bill 206.

Secondly, if one of the social services were brought to the provincial level, which would be the first, in your advice, to go? Which would be the most important?

Mr. Goulbourne: We have different thoughts; we're rambling through. I'm thinking public health. I'll let the mayor from Niagara Falls share his thoughts.

Mr. Salci: I actually really believe that social housing could be altered a bit to make that more of a provincial responsibility. As the mayor of Welland alluded to earlier, the cost that we experience at the region overall is substantial, and we could free up a lot of tax dollars if that wasn't a commitment that we had to provide for.

Mr. Hudak: And OMERS?

Mr. Goulbourne: If I may, we did invite Pat Vanini to Welland. We held a meeting, and several municipalities came. The Welland-Pelham Chamber of Commerce did bring it to their board of directors because we invited businesses to the table, and I think they have forwarded a letter to the government asking them to address it and to seriously take a look at AMO's position on that. So we do have the business community, and, from what I understand, all the chambers of commerce meet once a year—there are 10 of them in Niagara—and they plan on taking this forward to see if collectively they could also support AMO's position when it comes to OMERS.

Mr. Barrett: Thank you, gentlemen. Mayor Goulbourne, you made mention of Welland's downtown experiencing difficulties. I don't know Welland that well. I'm assuming that perhaps one of the problems or issues would be larger shopping centres. The question is not only how do you attract new stores downtown but, in a sense, why would you attract new stores? Is there any movement to attract apartment buildings or condominiums, and does the province have any role in trying to redirect your downtown or many downtowns to that kind of approach?

Mr. Goulbourne: I can make a couple of comments. Our downtown is not going in the direction of retail; it's going in the direction of services and entertainment. We did an analysis of our downtown. Professors Gayler from Brock University came in and did an assessment. We have a good base with lawyers, accountants and doctors, and we want to rebuild that. You're right about the retail sector moving to the strip malls, then moving to the malls, and now we're going to the big boxes. So we're going in the direction of services and entertainment.

If you could maybe repeat the second part of your question for me again.

Mr. Barrett: I just wondered, is the province in a position to provide direction or any advice or assistance?

Mr. Goulbourne: There are two housing projects that were approved in the city of Welland. They were a cost-sharing program, with all levels of government. Our municipality stepped up and contributed some dollars to that through our downtown redevelopment fund. I know the province did, too. I know there was a bit of a—I'd like to put this as diplomatically as possible. The funds that came from the province really stood out as not being enough compared to what was available from the cities and from the federal government. It was fairly obvious when they made that presentation that night.

So the role of government when it comes to housing: I think that presentation that was done by Gateway Homes definitely illustrated it. But at the same time, flexibility for municipalities to make some of the choices when it comes to property taxes—the province has control over that. If we could have that flexibility so we can encourage residential development in our downtowns, that would be a wonderful resource. It's not so much money, but tools and flexibility, the ability to make choices that are unique to our municipality, which may be different than downtown Niagara Falls. That's what we'd like, actually.

The Chair: Thank you for your presentation this morning.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION, DISTRICT 22

The Chair: I call on the Ontario Secondary School Teachers' Federation, District 22, Niagara, to please come forward. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourself for the purposes of our recording Hansard.

Mr. Daniel Peat: Thank you. My name is Daniel Peat. I'm president of the Ontario Secondary School Teachers' Federation, District 22, Niagara. I'd like to thank you, first of all, for the opportunity to address the committee. As president of OSSTF, District 22, Niagara, I represent over 1,300 secondary school teachers and occasional teachers working in the District School Board of Niagara to serve students from Wainfleet to Fort Erie to Niagara-on-the-Lake to Grimsby.

In the past year, changes to government funding to address student success have allowed significant positive changes to take place in our schools. This funding has allowed the reduction of class sizes for students at risk, the addition of student success coordinators and the restoration of staffing in special education and guidance departments, which had been cut during the years of the previous government.

However, there are still numerous shortcomings to the funding formula for secondary schools, many of which were identified by Mordechai Rozanski in 2002. Members of the committee are doubtless familiar with Dr. Rozanski's recommendation to update funding benchmarks for school funding, and then to provide for annual inflation adjustments to those benchmarks. These benchmarks were set at inadequate levels by a government that was admittedly trying to create a crisis in public education. The current government has yet to fully address this problem, which necessarily results in underfunding for services, supplies and equipment for students, the postponement of repairs to school buildings, and a culture of fundraising which results in inequities of opportunity for students.

Within the funding formula there are also arbitrary, one-size-fits-all parameters which have an adverse effect on education in Niagara. Take, for instance, the assumptions regarding the average size of secondary schools. As one of the first-settled areas of the province, regional Niagara has evolved from many long-established local communities, each with its own identity. The secondary school in each of those communities is an important part of that local identity. While some secondary schools have recently been closed in urban areas such as St. Catharines, Niagara Falls and Welland, the vast majority of our 21 secondary school buildings remain with enrolments well below the size assumed by the funding formula. This means that funding is inadequate for principals and vice-principals, for support staff such as secretaries and caretakers, and even for safety concerns such as sanding parking lots.

While the current government has made some effort to address this shortcoming through funding initiatives affecting some rural schools in Niagara, the reality that secondary schools in regional Niagara serve a community of communities has not been addressed. This committee should be prepared to recommend the funding of these needs on a per school basis, not on a per pupil basis, when a school board can demonstrate that smaller schools serve the needs of its communities.

The considerations just noted above also have an impact on school transportation costs. Ongoing consultations on funding school transportation must address the current needs in Niagara, where hundreds of thousands of dollars of necessary busing costs are currently met by diverting funds from other needs.

Another arbitrary parameter in the funding formula which does not permit full service to students is the funding of only 7.5 credits per secondary school student per year. In the District School Board of Niagara, the average credit count is 7.68. This gap amounts to approximately 18 teachers, almost one per secondary school in our school board. Think of what an impact that one missing teacher, a trained, dedicated, caring adult, could have on the lives of our most at-risk students in each school.

Other students who have been neglected as a result of the previous government seizing control of education funding are adult learners. Niagara's economy is changing rapidly. Jobs in the auto sector and steel industry have been disappearing and are being replaced by employment in the hospitality and service sectors. While the need for adults to attain new skills and qualifications has grown as a result, once-vital DSBN adult education programs in each of Niagara's communities are a shadow of what they once were, because of inadequate per pupil funding for adult students. As a result of evolving as separate communities, public transportation between centres is limited, therefore access to appropriate community college programs is also limited. However, secondary schools are located in each community, where aspects of this need could be served. Full funding for adult education could allow another option for adult learners.

Obviously, the economic needs of the Niagara region are not limited to its educational needs. The region is well situated for a rebirth of manufacturing industries focusing on 21st-century needs, such as renewable energy technologies. The committee would do well to seek out experts in such fields to determine how recommendations of the committee could help to vitalize our economy.

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Beyond concerns specific to the Niagara region, there are two significant issues to which the committee should give some attention. The first of these issues is the government's ambitious intention to keep students in school to age 18. There is no doubt that staying in school is a positive thing. Statistically speaking, every year of education contributes significantly to an individual's earning power throughout his or her lifetime, and thus to the economy and society as a whole. However, passing a law linking drivers' licences to school attendance is not enough.

The crucial part of the endeavour to keep students in school and improve graduation rates will be to develop the right programs for students who would otherwise end their education. Funding to develop these programs will be required for school boards to draw upon the expertise of teachers already within their employ. Only after pilot programs have been evaluated will the practices which have the best rate of success be identified.

When OSSTF members in Niagara are asked what they believe are the most important barriers to the success of students now at risk of dropping out, three things are mentioned: developing a variety of programs to serve a variety of students; providing all the supports of a full-service school, including youth workers and attendance counsellors; and providing the funding for a low pupil-teacher ratio.

The last issue I wish to address is the funding of infrastructure. This includes not only school facilities but hospitals, roads, sewer and water improvements and public transit. Many OSSTF members are worried about the alternative financing and procurement measures which the Ontario government is instituting to fund needed infrastructure. Members of the committee would do well to read Flawed Failed Abandoned: 100 P3s, available on the Canadian Health Coalition's website.

In health care, the problem with P3s by any name is obvious. If the private sector is financing or operating a hospital, then the profit being taken out of the operation is coming from health care dollars that are not being spent on health care. The same is true for schools. Although the government's focus for AFPs is currently on hospitals, the same problems would apply to P3 schools, as failed experiments in Nova Scotia have shown.

Public services like health care, schools and transit should be left to the public sector. Surely the motivation of members of the Legislature to get the most out of every dollar of taxes paid is at least as good a motivator of efficiency as is private profit and the so-called invisible hand of the market. Any illusion that the private sector can provide for Ontario's current needs for infrastructure and that Ontarians, their children and grandchildren would not pay dearly for that decision is more than an illusion; it is a delusion.

Thank you once again for the opportunity to speak to the committee. On behalf of OSSTF members in Niagara, I hope you will take into consideration some of the inequities and shortcomings I have noted in the current funding formula for education and consider the long-term implications of your recommendations on the crucial investment of our tax dollars in public education and public infrastructure.

The Chair: Thank you. The questioning will begin with the government.

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge): Daniel, thank you for being here this morning. It's not the first opportunity we've had to hear from the OSSTF during the budget consultations. Given the very important role you're playing and educators are playing in the future of the province and that the commitment of this government to education is a high priority, I think it's important that we hear from a number of OSSTF representatives and other representatives from various jurisdictions across the province.

I'm particularly interested in your comments regarding extending education to 18, formal or informal, and some of the priorities you've set out in your presentation in that regard: issues such as the inclusion of youth workers and attendance counsellors, and low pupil-teacher ratios for those purposes. We really haven't heard anyone formally mention, until this submission—at least I hadn't paid attention to it if I did hear it—the issue of attendance counsellors. Can you elaborate for me on why you see that as one of the priority areas for that group of students?

Mr. Peat: I've worked with students at risk in Eastdale Secondary School in Welland, where I taught. One of the biggest problems with those students, whether they're older or younger than 16, is their regular attendance, so there is a function that could be assumed by someone who was dedicated to that function. If the students aren't there, they can't learn.

Mr. Arthurs: My sense of the initiative that we have to date is to provide a high degree of variety of options for those students to be able to engage in, not necessarily the formal classroom structure. I guess my own sense was that there would be enough options that would encourage students to stay without the need for the attendance-counsellor-type function.

Mr. Peat: I agree that we're not talking about just staying in a school building, that we have to look at a number of options that are extensions of our existing co-op programs and our tech education programs. But even then, young people, even if they're over 16, are not all that disciplined all the time. There are lots of distractions and temptations that could take them away from whatever their placement was outside the school. So whether it's within the school or outside, I think there's a definite need for that sort of help.

The Chair: Thank you. Now we'll move to the official opposition.

Mr. Barrett: Thank you, Daniel, for the OSSTF's presentation. As you indicate, passing a law linking drivers' licences to school attendance is not enough. I can see where theoretically it would have less impact on, say, students in a city like St. Catharines or Niagara Falls, where there is public transit. There's less of a need to get around in a vehicle. Is there any thought of extending this to urban students who use, say, the TTC in Toronto or use public transit where, based on their attendance, they would have their student pass taken away or not be allowed to get on a city bus in the same sense that students in rural areas would not be allowed to drive a vehicle?

Mr. Peat: I hadn't thought of that, but in my experience in working with students, probably in 80% of the cases the carrot is much more important than the stick. I think our focus should be on developing the programs that meet their needs. If we can do that, we're more likely to have them participate in those programs and actually learn through those programs. So I suppose your suggestion is a possible extension of part of the strategy, yes.

Mr. Barrett: Do you think there's any merit at all in not going forward with this proposal to prevent students from driving?

Mr. Peat: I think that, unfortunately, the controversy about it has detracted from the main focus, which should be what the programs are, what they look like and how we can develop them using the expertise of teachers who already work with students at risk.

The Chair: One minute.

Mr. Barrett: Quickly, one last issue: Throughout Niagara—and I'm not aware of the status—are any schools being merged, either secondary or elementary schools?

Mr. Peat: There's been a moratorium on that for over two years now, so we haven't got any guidelines about how to go about closing or merging schools. It's certainly something that many people in Niagara are looking to as part of the solution, especially in the more urban areas.

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

Mr. Prue: Thank you very much. Your arguments and the things you are requesting seem to me cogent and well-reasoned. Of course, the government is going to have to find money for it.

We have heard other presenters talking about getting rid of the EQAO to save $70 million and putting that into things like guidance counsellors, things just to improve the schools. We've heard from other presenters that a good deal of money could be saved by having one school board. You haven't talked about either of those, and I'm just wondering about those or any other topics where you think the government could save money and plow it back in to the students, the teachers, where it's needed.

Mr. Peat: Thank you, Mr. Prue. I think you answered your own question. Yes, certainly EQAO spends a lot of money unnecessarily. The results are used for purposes other than improving education. The cost of monitoring the effectiveness of programs could be greatly reduced and done within school boards coordinated by the Ministry of Education.

Niagara, and particularly Welland, the community I'm from, is a good example of a community where a merging of school boards could be very useful. Prior to Bill 160 in 1998, we had one school board that covered both the English public schools and the French public schools, and therefore cut down on the overhead. We've made a lot of efforts in Niagara to share services, but there are services, such as busing and basic board overhead, where significant savings could be made in Ontario. In fact, OSSTF has just done a review of that sort of thing. Perhaps you could request a copy of our review of the financial possibilities of that throughout the province.

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Mr. Prue: In terms of guidance counsellors, you talked about youth workers and attendance counsellors. I take it they were largely removed during the years when education was a low priority to the then government. It seems like everybody who wasn't a teacher was yanked out of the system. Has that had a detrimental effect on the students themselves, especially the dropout rate, that kind of thing?

Mr. Peat: Yes. I think anything where you take adults out of the school has an effect because the adults who are there are spread much thinner. So they can't give as much attention to any one student, to that student who has a critical problem. It's very hard to find the time to deal with that when you're doing other things that perhaps someone with a specialized skill could be attending to. So, yes, because of the structure of the funding formula where certain things were protected and others weren't, we got a loss of those particular jobs.

The Chair: Thank you for your presentation.

REGIONAL MUNICIPALITY OF NIAGARA

The Chair: I would call on the regional municipality of Niagara to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Peter Partington: Good morning, Mr Chair and members of the committee. My name is Peter Partington. I'm the chair of the region of Niagara. With me is Mr. Mike Trojan, the CAO of the region, and also Mr. Doug Martin, a regional councillor from the town of Fort Erie and the chair of our corporate services committee.

Welcome to Niagara. Niagara is a great place to live and to visit. It encompasses 12 municipalities over 1,800 square kilometres, and we're home to 425,000 Ontario residents. We have exceptional agricultural production on a limited amount of land below the Niagara Escarpment. Our tourism industry attracts over 15 million visitors a year, and we are critical to the socio-economic well-being of the province of Ontario and of Canada.

We, like a number of other regions and municipalities in Ontario, do, however, have significant challenges, including responsibility for providing the ever-growing and costly public health, emergency, social services and transportation needs with a very restrictive stream of revenue, the property tax system.

Notwithstanding the commonality of services provided across the major municipalities of Ontario and funding concerns, we in Niagara differ significantly from a number of municipalities in Ontario, and particularly the Golden Horseshoe, as to our economy and our ability to pay for ever-increasing municipal service costs.

Our manufacturing sector is primarily branch-plant-oriented. We have a sizeable tourism and hospitality sector, significant agriculture and greenhouse production, and development in telecommunications and call centres. Most of these sectors of the economy are struggling. For example, tourism has been set back by September 11, 2001, by SARS and by the appreciation of the Canadian dollar. Manufacturing is the most significant contributor to the GDP in Niagara; however, manufacturing jobs are on the decline. Our unadjusted unemployment rate on average for 2005 was 7%, compared to a provincial average of 6.6%.

Lower average earned income associated with our economic profile and a higher share of seniors in the overall population contribute to the region's lower than average household incomes and high out-migration of our youth. FCM data suggest that 16% of our population is over 65, while the national average is 13%. With a higher share of provincial citizens 65 years and older residing in Niagara, government transfer payments account for a larger share of personal income in our region compared to elsewhere.

Furthermore, according to the 2003 Statistics Canada data, Niagara had a median family total income of $63,800, compared to $98,700 in Oakville and $86,900 in Burlington, communities that are within an hour's drive of Niagara. Our median family total income was the lowest of the 11 Ontario municipalities reported by Statistics Canada, and compares to a provincial median income of $67,500.

According to the 2005 BMA Management Consulting municipal study, nine of 12 lower-tier municipalities in Niagara had a higher ranking as to total municipal tax burden as a percentage of income available on an average household. No Niagara municipality had a low ranking as to municipal tax burden, while other municipalities within a 100-kilometre radius of Niagara did have a low ranking, communities such as Burlington, Cambridge, Guelph, Oakville and Waterloo. As a consequence, property taxes represent a greater percentage of disposable income in Niagara than many other Ontario communities.

Social services and public health programs, such as the Ontario disability support program, represent approximately $100 million, or 40%, of the region's annual tax levy. Relief from this inappropriate burden would allow the Niagara region to invest in improvements to our infrastructure. The Association of Municipalities of Ontario has identified the difficulties faced by municipalities as the result of social programs designed for income redistribution being placed on their property tax base.

Niagara has been, and continues to be, supportive of AMO's campaign to have social programs removed from the property tax base, and certainly, if nothing else, no further burdens should be added. We in Niagara do not have the same assessment base or ability to raise revenues for needed infrastructure investments as do many other municipalities. In addition, the new greenbelt legislation will restrict economic growth for a number of municipalities in Niagara. It has accentuated our concern as to our ability to pay for municipal services.

Niagara region, through the Niagara Economic Development Corp., has completed its own Niagara economic growth strategy. The province needs to incorporate our regional development strategy when implementing its Places to Grow plan and to provide the infrastructure support to allow and promote the growth that is essential to our future prosperity, especially in our north Niagara communities.

We believe that there are a number of areas where the province can significantly advance its vision for Ontario's future through supporting Niagara in its quest to maximize its potential as a strong contributor to the provincial economy. We need timely investments in provincial highway infrastructure. The Niagara-GTA corridor environmental assessment process needs to be advanced as expeditiously as possible. Funding needs to be in place to ensure that Highway 406 is expanded to four lanes—it's currently under construction—down to East Main Street in Welland, once the necessary design work is completed. Funding needs to be in place to move forward with the design work to move the 406 across the Welland Canal and down Highway 140 to Port Colborne. The expansion of the Queen Elizabeth Way to six lanes through St. Catharines to address current gridlock needs to be completed.

We need to ensure that the communities that are affected by greenbelt legislation—in Niagara, their boundaries are totally frozen, unlike the rest of the greenbelt area—are provided with tools that will allow them to grow and develop within their urban boundaries. Development that is consistent with the spirit of the greenbelt must be allowed to continue in our northern communities. Third-party liability needs to be removed from the Brownfields Statute Law Amendment Act.

Niagara is a key linchpin between the dynamic economies of southern Niagara and the eastern United States. The Niagara frontier border crossing is the second-busiest crossing on the Canada-US border, with over 22 million vehicles utilizing the crossing in 2002. Seventy per cent of all New York-Canada commercial traffic crosses at the Niagara border. Furthermore, trade flowing across Niagara's border crossings in 2002 was valued at over $105 billion.

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Niagara is committed to making a strong contribution to the success of the province, but to reiterate, our regional development plans must be incorporated into the province's Places to Grow plan. The Niagara-GTA corridor environmental assessment and the expansion of the 406 must move forward as quickly as possible. We need your support for our greenbelt-impacted communities.

We need a provincial commitment to address the fiscal imbalance created by the funding of social programs through the property tax base. We will continue to support the Association of Ontario Municipalities' and the Ontario Municipal Social Services Association's positions on this issue.

We support the province in its vision for Ontario's future, and Niagara wants to be a full partner. However, we need to be given the tools to succeed.

The Chair: Thank you. This round of questioning will go to Mr. Hudak.

Mr. Hudak: Thank you, Councillor Martin and Mr. Trojan. I and my colleague Toby Barrett have some questions on highway development, like the mid-pen, which I'm also a big proponent of. Mine are specifically about the OMERS bill currently before government, Bill 206. Hazel McCallion has called this the biggest downloading in the history of the province, or something to that effect. I want to know the impact that would have on the region of Niagara. Secondly, with respect to provincial transfers to Niagara's municipalities, I understand that, despite the finance minister's comments to the contrary, they have actually gone down in Niagara.

Mr. Partington: To the first part of the question, I had the opportunity to appear before the Bill 206 committee last week, and clearly the effect of that bill for Niagara region, if it goes forward—we have emergency services and police. That would add 1.9% to the property tax bill. If you include the fire services that, of course, are administered by the local municipalities, you would have a total of a 3% increase in the tax bill for the taxpayers in Niagara.

When we made that presentation, we also indicated that in a go-forward—because there's some suggestion that all of this is subject to collective bargaining and negotiation, and that's the worst-case scenario—our concern is that it'll lead to arbitration. One of our concerns in Niagara is—first of all, arbitration should not be part of the process, and it certainly would be necessary to make that clear. But going beyond that, in the arbitration process generally, you heard when I indicated earlier that our average family income can be $30,000 less than some of the central Ontario figures, yet through arbitration we'd pay the same rates. Arbitration is supposed to take into consideration the ability to pay, but it doesn't. So that would leave us very vulnerable. That's why we really believe that that bill should not go forward.

Maybe with respect to the second part of the question, I could ask Doug Martin or the CAO to come in on that.

Mr. Mike Trojan: The second part of the question had to do with transfer payments in Niagara. With the new Ontario municipal partnership fund, although the guaranteed funds there provide similar amounts collectively to the Niagara municipalities, over time, if the guaranteed funds are withdrawn, the total impact is—I think originally we calculated it's about $5 million, but we've received some adjustments to the region's portion of the Ontario municipal partnership fund which mitigates that somewhat. But net, overall, we're still lower than we were under the previous program.

One of the points we're making in the presentation is that it's not necessarily sensitive to the circumstance in Niagara, as was highlighted in the chairman's presentation, having to do with things like average incomes in Niagara and the tax burden as a percentage of income in Niagara. It doesn't mitigate the impact on our residents and our taxpayers.

The Chair: Now we'll move to Mr. Prue of the NDP.

Mr. Prue: We've read a lot in the paper recently and there have been some debates in the Legislature about the number of manufacturing jobs that Ontario is losing.

I understand that the Niagara region is losing probably more than its share of those jobs. Is that the reality?

Mr. Partington: I think over the last few years we have lost a significant number of jobs. In some ways we were somewhat heartened when the General Motors announcement came through that we were losing 130 but there would be a reinvestment in the Glendale plant of close to $200 million and they'd be hiring 110. So that probably, overall, was good news. But over the last few years we have lost 10,000 to 20,000 jobs, probably, in the manufacturing sector.

Mike, Doug, do you have the figure on that?

Mr. Trojan: Not the precise figure, but I think it has to do with the fact that manufacturing was such a large portion of our economic base, with the automotive industry and the steel industry, and it's being felt, and it has been felt over the last decade, with the loss of jobs. That's why we're attempting to diversify the economy.

Mr. Partington: It still is our largest economic driver, notwithstanding the great publicity, which we appreciate, for Niagara Falls in wine and tender fruit. But we still are basically a manufacturing area—substantially.

Mr. Doug Martin: Just one more, if I can add to that as well. The costs of manufacturing within the Niagara region are significant in the fact that the taxes we're now bearing from those large industrial corporations are increasing every year. It's getting to the point now that with the provincial responsibilities that are sent down to the municipalities and to the region to perform, without any sort of consultation with them, that goes directly on to the cost of producing a car, for example, at General Motors. This year, when we're going through our budget, currently our regional departments are at a 0.9% increase, but just the single item with the ODSP adds another 1.5% net on to our budget this year, just for that one issue alone. So you can see the struggles we're having in trying to maintain our industrial component within the Niagara region when the taxes we have to charge them are basically putting them out of business.

The Chair: We'll move to the government.

Mr. Arthurs: Chair, welcome; and Councillor, welcome. It's a pleasure to see you and hear from you today.

The initiatives of our government on a few areas that you were making reference to: responsibilities for emergency and social services, transportation, cost of public health—I think the Premier made some comments a while back that we've become addicted to the revenue from gambling. It seems appropriate; we're so close to it here. I think the province, over a period of time, has become addicted to the property tax as a means to support provincial initiatives. I think any municipal politician in Ontario will sing that out very loudly.

We've made some headway. The gas tax is one initiative, and the feds have followed on that. We're working through an upload on public health to get to 75% by the end of this mandate. Other major types of initiatives have been referenced, whether it be social services and public housing, which I think are so substantive. In my view, we won't see short-term action on that type of initiative.

You haven't mentioned, though, the ambulance-related activity, the emergency activity for ambulance service. I have to think, given the population base and the age base, that demands on the region for ambulance services would be higher than the norm, simply with an aging population. You haven't mentioned what the implications are for you for that type of thing and whether or not, if government at some point is looking at other initiatives to move on, it would be among the priorities that you would see coming off of a property tax base.

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Mr. Trojan: In terms of the ambulance service, I think you're right. Because of the demographics in Niagara, the tourism sector, we have a population that expands during the tourist season as well as our geographic makeup, rather a large geographic area with urban pockets. It is challenging for us to provide an adequate ambulance service. We've placed some additional investments in ambulance, with us assuming responsibility for dispatch on a pilot project that has allowed us to improve. But we're still faced with our costs on the ambulance side not being funded to the 50% level; I think they're more in the range of 30% to 35%. We're suggesting that it needs to be a broad-based strategy to look at all the services that are health- and social-related. I don't know that we have one in particular that we prefer that would be added, but I think what we want to do is send the message that 40% of the net tax, or $100 million out of our levy, is towards those services of a health and social service nature that we partner with the province in delivering, and the burden on our taxpayers is being felt more and more. So our suggestion is that if there's some way of alleviating that or at least capping it in the short term, that helps. It creates some capacity for us to address our infrastructure needs, and it also creates some capacity for our municipalities to address their own needs.

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

TOWN OF PELHAM

The Chair: I call on the town of Pelham to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Ron Leavens: Thank you, Mr. Chair. My name is Ron Leavens. I'm mayor of the town of Pelham. I'd like to extend my appreciation to the committee for allowing us this opportunity to give you a snapshot of the town of Pelham. Immediately to my right is Councillor Sharon Cook. She's also deputy mayor of the town of Pelham. To her right is Anne Louise Heron, our chief administrative officer. To my left is Gord Cherney, our treasurer.

The topic I'd like to speak about today is really to give you a snapshot of our community, to outline to you the special financial challenges faced by smaller communities throughout Ontario who are dependent primarily on the residential property tax base for their income. I believe you have a collection of slides in front of you at this time. The first slide—I'd just like to give you a little bit of information about our municipality. We are a lower-tier municipality within the region of Niagara. We are located right in the centre of the Niagara region. Our municipality has a land area of approximately 126 square kilometres, with a population density of about 130 people per square kilometre. Our 2006 budget estimate, our gross expenditures, is in the neighbourhood of $9,044,000; our non-tax revenues are about $1.7 million; and our net expenditure is about $7.3 million. We have a staff complement of 41 full-time equivalents. Compared to other municipalities our size, our budget is quite low, and our staff complement is low for the size of our municipality. We take great pride in the efficiency of the operations in our town.

Slide 2 gives you a snapshot of the population of the town of Pelham. As of 2004, Stats Canada estimates that our population is 16,493; 2003-04 growth was about 1.2%—we grew from 16,292 residents. In 2001, our population stood at 15,272. Our growth was 8% from 2001-04; and from 1996 to 2004, we grew by about 15%. Our population in 1996 was 14,343.

We are a bedroom community. The vast majority of our residents work outside of our municipality, in adjacent Niagara region municipalities—Hamilton, Burlington, Oakville—and a great many in the GTA.

One of our major activities within the town of Pelham is fruit production. We are part of the greenbelt. About two thirds of our municipality is covered by the greenbelt legislation. We are under the highest level of protection: tender fruit and specialty crops.

As you can see by the graph of our population, we are facing some challenges in the future. While Niagara has a higher than average seniors population, we have the highest seniors population in Niagara region.

If you turn to slide 3, you'll see an indication of the tax challenges that we face in the town of Pelham. Our residential tax base accounts for about 89.9% of our income, compared to an average across the province of 79.4%; multi-res is 0.9%, compared to a 3.0% average for the province; commercial is 3.6%, compared to a 10.7% average; industrial is 0.2%, compared to a 3.2% average for the province; pipelines is 0.9%, compared to a 0.5% average; farmlands, 4.6% compared to 3.1%; and managed forests, negligible. You can see that we are predominantly dependent on a residential property tax base.

Slide 4 gives you an indication of the breakdown of our tax levy for 2005. If you focus on the blue area, you'll see that about 30% of the levy that we take in is actually applied to the town. That's the only portion over which we have direct control, of course. Our net expenditures per capita are from schedules 40 and 12 of the FIR. We were doing this comparison with municipalities of less than 50,000. If you take a look at some of the areas where we spend our money in the town of Pelham, you'll find that for fire protection, on average, we spend $52 per capita compared to a $101 average for other municipalities under 50,000. Our roadways: We spend $164 per capita compared to $113. Part of the explanation for that is something that we're very proud of: Although we're a rural community, virtually all our roads in the town of Pelham are paved. Our winter control accounts for about $23 per capita, compared to an average of $29, and our library services account for $31, compared to an average of $33.

The next slide indicates our debt service from 2000 to 2010. In 2004, our debt per capita amounted to $62, compared to an average in the survey group of $243 and a median of $127. In 2005, our debt grew to $207 per capita, compared to an average of $269 and a median of $159. The reason for the growth in the debt in that year was two incidents that occurred: one was a downloading of a major transportation route through the town of Pelham from the region to the town, for which we had to expend about $2.5 million to upgrade. The second was because of the greenbelt legislation, and the fact that we were going to be severely restricted in our development in the future because of that piece of legislation, the town, understanding that we had some major challenges for the provision of recreational and cultural activities in the future, had to go out and buy a piece of land because that was all that was available. We knew that developers were in the process of buying everything that was left within our urban boundaries, so we had to spend $3.5 million to secure a piece of land to meet our future recreation and cultural needs.

Slide number 6 indicates our outstanding debt, and you can see by the 2005 bar that those two incidents—2004 was the debt load produced by the improvements to Canborough Road, then in 2005 the purchase of the land.

Slide number 7 is the summary of our reserves and reserve funds. In 2004 our reserves were 17.9% of our annual expenditures. Long-term debt compared to total expenditures in 2004 was 1.8%. Pelham's 2004 debt reserve ration is 1.0. However, a single event can cause a significant spike in the tax levy, and that's one of our major concerns.

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Critical issues that face small towns like the town of Pelham are the pace of development and cash flow and the timing of that development. We are facing the type of development in the next three or four years that we haven't seen in the last 10 years. That presents some critical financial problems for us. There are several roads that we are obligated to improve before those developments go forward, with a total cost to the municipality of about $6 million. Only a portion of that is recoverable through development charges.

Another item that causes us concern is sustainability and development of water and sewer and stormwater management. Our town is located at the headwaters of the Twelve Mile Creek, which is the last cold-water fishery in Niagara, so we have some special responsibility to make sure that what we do with stormwater management is done correctly in the first place.

Sustainable transportation is an issue. I'd probably like to get back to that in more detail in the question period. Probably one of the most outstanding issues for us right now is the development of community parks, recreation and cultural facilities.

The Chair: You have about a minute left for your presentation.

Mr. Leavens: Thank you. Smaller municipalities need access to a fair and predictable portion of the monies the province has to hand down to local municipalities. The awards of money from the province need to be structured so that they support all municipalities and each and every one of us can benefit. We need to redefine how OSIFA is structured so that interest rates are a bargain, and we need support for lower-tier municipalities on a long-term basis.

One of the things we are suggesting is that municipalities be exempted from the PST. We need legislation to limit municipal liability. We need direct involvement in consultation on the design and discovery of local solutions and challenges in co-operation with the province. We need flexibility to accommodate the differences. We need to establish a mechanism to assist small, well-managed municipalities. Thank you, Mr. Chair.

The Chair: And thank you. This round of questioning will begin with the NDP.

Mr. Prue: Thank you very much. You are the first municipality to address this committee that has not talked about the fiscal imbalance. Does that not trouble you?

Mr. Leavens: There is a fiscal imbalance; we realize that. I must say that the present government has taken some steps in the right direction, but we need to move forward faster. I left that to the chair of Niagara region to speak to, and I notice that he did. But, yes, they have an impact on what we can take from the property tax. I believe that if funding for social services and public health services returns to the level where it was in the 1990s, we would have about 22% more room to tax on a local basis. So it does have a huge impact.

Mr. Prue: Okay, and more than likely, if you add that 22%, it would get rid of virtually every problem you have?

Mr. Leavens: As long as the region didn't use it.

Mr. Prue: Yes, of course. Absolutely.

The lack of manufacturing, the lack of a commercial-industrial base, must make it very difficult whenever there's any kind of movement in terms of what you want to build because it goes directly to the homeowners and to the farmers.

Mr. Leavens: It does. Looking through the BMA report over the weekend, I discovered that, in effect, 95% of our revenue in the town of Pelham comes from the residential property tax base. Only 5% comes from commercial or industrial. That's okay; that's the kind of community we want to live in. But on the other hand, when you look at the city of Toronto, only 39% of their revenues comes from the residential property tax base. There's a gross inequity there.

We need help to provide the services that our residents expect from the provincial government. I find it very difficult to justify providing services on a competitive basis. For example, as mayor of a small community I could live with competing for money from the provincial government to provide what we call soft service: culture and recreation, those things. But when it comes to hard services like roads, water and sewer, every municipality in Ontario has exactly the same types of challenges, therefore we need to be treated equally. Over the past 10 years, our municipality has been the recipient of a very small, minuscule portion of the CRF funding and the OMPF funding. Under CRF over the last three years that it existed, I think we got $26,000 a year. Is that correct, Gord?

Mr. Gord Cherney: Twenty-six thousand dollars a year for six years was—

Mr. Leavens: And under the new formula with OMPF, we get zero.

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

Mrs. Mitchell: Thank you very much for taking the time to come out today and speak to the committee. We really do appreciate it, especially when we hear from the region's small municipalities. It certainly gives us a better sense of what's happening throughout the province.

I would like to give you the opportunity to give us more on what you're saying here with "direct involvement: consultation on the design and finding local solutions to challenges." Could you please expand on that? I'm assuming that you're speaking to the roads.

Mr. Leavens: Roads are a major challenge in small municipalities. We would hope that the provincial government would include municipalities, through AMO, in designing programs suited for the local needs. For example, although all municipalities have needs, municipalities with populations under 30,000 have needs that are very different from perhaps the city of Toronto. So when programs are designed, we don't need a one-size-fits-all program. We need programs designed for particular situations in various sized communities. We would hope the government would increase the consultation with AMO in that direction.

I guess I can use an example. The provincial gas tax doesn't do our municipality any good at all. We do not have a transit system and we will not have a transit system in the near future, so we don't benefit from the provincial gas tax at all, but our residents pay that gas tax. So we're asking for equity and fairness in how these programs are implemented across the province. I realize that the provincial government is using provincial gas tax rebates as a method to encourage mass transit, which I am fully in favour of, but at the same time, we have challenges in our own communities, and we will never have the mass transit that the larger municipalities have.

Mrs. Mitchell: As you are speaking to the finance committee, you're asking for bargain rates with regard to funding that is provided by the province. What is the number?

Mr. Leavens: Zero per cent.

Mrs. Mitchell: I had a sneaking suspicion.

Interjection: Now, that's a bargain.

Mrs. Mitchell: That is a bargain.

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

Mr. Hudak: Thank you, Your Worship, Councillor Cook, Ms. Heron and Mr. Cherney, for a great presentation.

You anticipated some of my questions. I'll put them out there just in the interests of time and look for a response.

First, on MPAC, I'm curious about the level of assessment increase in Pelham, especially when you have to rely so much on residential, and if you have any suggestions on MPAC reform.

Secondly, as the mayor mentioned and committee members heard, they're in a unique situation as a greenbelt municipality that gets no aid from the province directly and no COMRIF funding to date, if I understand, as well. In terms of an ongoing revenue source, my colleague Mr. Yakabuski has a private member's bill that has the support of all three parties to allow the gas tax to also go to what is public transportation in small municipalities, roads and bridges. Your thoughts on that.

Mr. Leavens: First of all, with respect to MPAC and the greenbelt legislation, it has had a significant impact in the town of Pelham. Our average assessment increase this year was 16%, but when you take a look at the residential properties within the greenbelt, which covers about two thirds of our municipality in the northern sector, the range there was a 40% to 50% increase in their assessment. Councillor Cook can speak to that because she lives in the greenbelt. I think her assessment went up, what, 40%?

Ms. Sharon Cook: My assessment went up 42% with the last MPAC.

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Mr. Leavens: I think we need to understand that because of the large seniors population that we have in the town of Pelham, we're a fairly affluent community, but we have a good number of people who bought or built homes in the municipality back in the 1940s and 1950s, and it cost them $5,000, $6,000, $7,000 to build those homes. Those homes are now assessed at $400,000 to $450,000. These are people who are living on modest fixed incomes. A lot of them are farmers who have retired. A lot of them are people who have lived in the community all their lives and their families have lived there all their lives, so it has a great impact on them.

I'm sorry—

Mr. Hudak: The bill to allow the gas tax to go to municipal transportation and construction, not just transit.

Mr. Leavens: Probably if the provincial gas tax had been distributed to the municipalities on the same basis that the federal gas tax was, we wouldn't be here talking to you today, because at the end of five years, that would bring in excess of $1 million per year into our municipality, which would go a long way to resolving the financial problems we're facing at this time.

The Chair: Thank you for your presentation.

ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NIAGARA FALLS HUMANE SOCIETY

The Chair: We'll move now to the Niagara Falls Humane Society. Would you please come forward.

Mr. Hudak.

Mr. Hudak: Just before our next presenter, Mayor Leavens brought up the point about a PST exemption. If I could ask our intrepid and hard-working research assistant, Mr. Johnston, to report back to the committee on the cost to the provincial treasury of a PST exemption for municipalities.

The Chair: Yes, we'll do that.

Mr. Hudak: Thank you.

The Chair: Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Valerie Brown: Should I do that right now?

The Chair: Yes. You can begin.

Ms. Brown: Okay. Thank you, Mr. Chair and committee members, for allowing me to come to speak to you today. I am Valerie Brown, and I am the general manager with the Niagara Falls Humane Society.

First, I would like to tell you who we, the Ontario SPCA and the Niagara Falls Humane Society, are and what we do. The Ontario SPCA is a non-profit charitable organization dedicated to the protection and welfare of all animals, from birds to bats, rats to raccoons, dogs to deer, and cats to cows. The Ontario SPCA branches and affiliates provide care and shelter to tens of thousands of animals every year. The Ontario SPCA is mandated under the Ontario SPCA Act to enforce animal cruelty laws. Under the act, society investigators have police powers to enforce this act. We are also a named agency in the new Dog Owners' Liability Act, also known as the pit bull legislation. We are called in by government ministries such as OMAFRA and the MNR on a regular basis to perform services for the province, and of course that's unfunded.

In our community, the Niagara Falls Humane Society is an affiliate member of the Ontario SPCA. Our society provides an animal shelter for Niagara Falls proper. Our services are focused on a mix of animals, as I mentioned earlier. Our operating costs are approximately $750,000 annually. We receive no government funding to operate our day-to-day programs and investigations mandates.

Demands on animal welfare are growing in Ontario, but funding isn't. In the past five years, the number of animals rescued by the Ontario SPCA has more than doubled, and the number of animal cruelty charges laid by the Ontario SPCA and its affiliated humane societies under the Criminal Code of Canada and provincial legislation increased sevenfold. That means 3,095 animals rescued in 2000, compared to 7,267 in 2004. That also means 97 criminal charges laid in 2000, compared to 695 laid in 2004. The number of search warrants executed has more than quadrupled, and the number of SPCA orders issued has almost tripled. The pit bull legislation has caused an increase in our workload as well. Animal care and protection costs have increased as a result of increasing activity in the investigation and seizure aspect. In 2001, animal care and protection expenditures were $6.4 million, and they were $8.1 million for 2004. This is a 26.4% increase.

Here in Niagara Falls, as I mentioned, our operating costs are $750,000 annually. Our office in Niagara Falls has received strong community support for many years; however, due to growing demands, it is not enough to meet the financial needs of the organization.

What are the financial realities for the Niagara Falls Humane Society? Our costs to enforce the Ontario SPCA Act and portions of the Dog Owners' Liability Act—once again, the pit bull legislation—are approximately $79,000 per year. Our facilities in Niagara Falls have long outlived their useful life, and we are facing repairs that probably will cost about $100,000.

Service demands in Niagara Falls are increasing. In 2005, we investigated 423 cruelty cases for a population of 80,000 people. This is increasing each year. We also have a transient population in Niagara Falls that unfortunately often abandons their animals, and we often need to deal with cruelty and neglect issues as they relate to this transient population. We are also called on to respond to tourist-related issues. Most often this is dogs locked in cars on hot summer days.

We have been proactive in educating the community, which leads to awareness and therefore an increase in demand. The rise in investigations has impacted on staff time and resources. We are not in a financial position to financially support the operations in our community. As a result, we are presently considering the following cuts to our services: to not provide after-hours response; no veterinary services for animals in need; to perhaps devolve many of the functions to the police service, although the police, of course, do not have the resources, capacity or training to provide this service currently in our area; or to devolve shelter services to the municipality or region.

However, solutions lie in a government-commissioned report. Following the provision of one-time emergency funding to the Ontario SPCA, the McGuinty government commissioned an independent review of the agency and its business, the Grant Thornton report. Its main recommendations were clear: The government must provide interim funding to facilitate the stable operations of the Ontario SPCA and its branches until a long-term strategy is developed, and the government must lead the development of this long-term strategy for the provision of animal welfare services. It was recommended that this strategy should consider a review of the legislative and governance structure. It also recommended the development and consideration of a capital funding plan by government, including building renewal and new technology. The government received this report in February 2005, but it was not released to the Ontario SPCA until late July 2005. This is of relevance to the Niagara Falls Humane Society because our funding issues mirror those of the OSPCA, and any solutions that could benefit them will benefit us. Our dilemma is: no strategy, no funding, no options.

Since the release of the Grant Thornton report, the Ontario SPCA has moved quickly to adopt any of the recommendations within its control, such as accounting updates, review of legacy donations and other items. What is disappointing is that the government has not moved on its part to advance the work of this report. Despite being told for months that a strategy was being developed by the Ministry of Community Safety and Correctional Services, it has finally been confirmed that no such strategy exists. The Ontario SPCA was invited to propose ideas to find new financial stability, and at Minister Kwinter's direction MCSCS was to take the lead. After several months there has been no progress, and it has been confirmed to us that the ideas will not be advanced.

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The Ontario SPCA has been clear that it is critical that the legislative and governance review needed to proceed, and it requested modest financial help for facilitation. MCSCS has indicated that there is no money available to assist, and it has been a roadblock to progress in this respect. Their indication of interest is critical to making the process considered by this review work. The government has never responded formally to the recommendations in this report and its very clear suggestions as to how government ought to be supporting animal welfare in the province. We, the Niagara Falls Humane Society, are supportive of the Ontario SPCA in their efforts.

Our concern is that current decisions and approaches are short-sighted. Cuts in services have a very short-term impact on cash flow, but have a long-term negative impact on the ability to fundraise in the affected communities. The Ontario SPCA is faced with the dilemma of making massive cuts to service and closures around the province. Withdrawal of our services means that police services and local municipalities have to provide the necessary services. This is not cost-effective. It is estimated that the cost to police would be approximately $30 million annually, with additional start-up costs of approximately $10 million to $20 million. These projections are based on public information about police costs and our actual animal-welfare-related statistics.

Municipalities are unwilling to take on the burden of other unwanted animals such as cats and rodents, and probably don't want to deal with dogs either.

All of the cuts would be made without the benefit of a provincial long-term strategy for animal welfare, a strategy called for by the Grant Thornton report, endorsed by the Ontario SPCA and acknowledged as a necessary step by government.

It would seem more practical to establish some interim funding, allow the organization to do the internal reviews, and allow government to consider a more relevant legislative framework and ensure that services are maintained by an animal welfare agency instead of the police services.

Our hope is for a partnership with government. The Niagara Falls Humane Society is supportive of the Ontario SPCA in its efforts to get the government of Ontario to act on the recommendations of the Grant Thornton report as soon as is practicable. The cuts in services to the Niagara Falls Humane Society will lead to hundreds of unwanted animals being neglected and an enormous increase in the number of animal welfare issues that cannot be addressed. This is not an outcome that makes sense for our community.

Interim funding can assist with keeping the facilities open and operating in our community and will allow the Ontario SPCA the breathing room that it needs to reinvent and reinvigorate itself.

We urge the government to provide interim financial funding for the Ontario SPCA and its affiliates; conduct a legislative and governance review of the Ontario SPCA; and support a legislative package that would be an interim step in giving the Ontario SPCA the legal and financial tools it needs to advance animal welfare.

Thank you very much for your time and consideration of this request. I'd be happy to answer any questions you may have.

The Vice-Chair (Mr. Phil McNeely): Thank you, Ms Brown. We'll go to the government.

Mr. Arthurs: Valerie, thank you for your presentation.

I come from a municipal jurisdiction that has an animal control system called PAW, Pickering-Ajax-Whitby animal control; that has been changed recently. So my history is one where the local municipalities, singly or jointly, have provided for animal control. I don't think—I've never sat on the committee—that the level or the range of services was as extensive as the SPCA service level.

You're referencing, though, some $750,000 as your annual operating budget. Can you tell me, because I'm not familiar: Are those all fundraised dollars; is there any municipal contribution to that? Secondly—if you can answer two questions, then I'll just have the two: If you had to choose between operating dollars and capital renewable dollars, in an interim solution, what would you look to as the priority?

Ms. Brown: For us in Niagara Falls, we do hold the fee-for-service contract with the city of Niagara Falls, so we do the animal control function. Actually, it's just canine control here—but nonetheless. So that is a good portion of our revenue; it's about 65%. All the rest is fundraised, so you can imagine how that comes by. The fundraised portion of the dollars is the part that pays for humane education programs, day camps for kids, all the cruelty investigations.

On the second question, I don't know. That's a hard question to answer. As we stand now, I am taking out of the operating budget to try to maintain the building. So probably I would say that we could definitely use some capital funding.

Mr. Arthurs: Thank you, and I appreciate the response to the hard questions. Those are exactly the kinds of questions that governments are asked to respond to as well—the tough choices.

The Vice-Chair: We'll now go to the official opposition.

Mr. Hudak: Ms. Brown, thank you for the presentation, and congratulations on the great work that you do for the humane societies here in Niagara. My parent, Doug Gator, was an alumnus of the Niagara Falls Humane Society.

I have a couple of quick questions. First, you mentioned the so-called pit bull legislation and the additional costs that are unfunded, effectively downloaded by the government to the humane societies. Can you give me some examples of that? I seem to recall an article in the Hamilton Spectator a couple of months ago about humane societies having to euthanize pit bull puppies—a sad state of being.

Secondly, does anything from the Grant Thornton report in particular stand out for you as priorities that would come out of that report?

Ms. Brown: Regarding the pit bull portion of the question, it's more complicated in Niagara Falls, because technically we don't enforce that act; however, the public believes we do, because it's an animal issue. The impact has been that we've been dealing with a lot more educational phone calls, trying to get people to understand, because they also have misconceptions about what the legislation can do. They think that anybody can swoop down and take pit bulls off the street, which of course you can't.

The other impact has been more direct in the shelter. When they come to the shelter, often they're not claimed, which I suspected would happen and have voiced the opinion that people would let their dogs go and not get them back because they couldn't cope with the harassment from their neighbours. If it's a prohibited pit bull, we only have one option, and that is euthanasia. That means we are absorbing the cost of euthanasia and cremation, along with the fact that at some point I'm probably going to have to get some specialists in to deal with the fact that my staff have to euthanize perfectly nice and healthy animals. That has a very large emotional impact on them. It's hard to measure in dollars, but at some point it will hit us in a dollar measurement.

The second question, about the Grant Thornton review, is more difficult for me to answer, because I didn't memorize the report, which is the honest answer. It did recommend very strongly that an overall strategic plan be put together and put forward. I think that would be an excellent idea. I've been working in this field for 20 years and can say that we desperately need something like that: a strategic plan that would move us forward, along with some funding to implement the recommendations in the plan.

The Vice-Chair: Mr. Prue from the NDP.

Mr. Prue: We've had similar presentations; this is the third one. We had a couple in northern Ontario very similar to this as well. The problem seems to be literally widespread. In northern Ontario, if the SPCA walks away, there just won't be anybody, because the municipalities won't do it.

Do you think this is a program that is better devolved on or better managed by the province?

Ms. Brown: That's an interesting question. As I said previously, I've been in this field a long time, so I know that idea has come up off and on over the years. I think the province has never been that keen on that idea, because they know it's a big job. In many regards, we're lucky that we have many people who are committed and experienced in the field already, so they probably don't want to have to take that up. It would involve extensive training and basic start-up costs to get any new organization or ministry going. It would be very complex and very long-term. It couldn't happen tomorrow. They'd take years to get it together.

Mr. Prue: The reason I ask that question is that the province, of course, was very anxious to get pit bull legislation and other legislation around animals, and yet it simply doesn't fund and lets municipalities or the SPCA or somebody else do it. Having now heard three presentations on this, it seems to me that you're requesting the intervention. Why not just go the whole way and say that this is something they should be doing?

Ms Brown: I guess, if they would like to do that, then they can come and sit in my office and do the job. I don't know the answer to that question. I can't speak for the government. I don't know about their thinking on it.

The Vice-Chair: The time is up, Ms. Brown. Thank you for the presentation.

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WINE COUNCIL OF ONTARIO

The Vice-Chair: The next presenter is Linda Franklin, president of the Wine Council of Ontario. You have 10 minutes for your presentation. Please state your name for the purposes of Hansard.

Ms. Linda Franklin: My name is Linda Franklin. I'm president of the wine council. Thank you for inviting me here today.

If there's one message that I think we would like to leave with you from our industry today, it's that the ongoing drive to increase government revenues through the LCBO is having a profound effect on our industry. It's frankly our belief that the government isn't doing this deliberately, but they haven't understood the magnitude of the cost to our industry from changes at the liquor board because none of those changes have been subject to rigorous government policy analysis over the years.

The result is that our industry is finding itself in a place where it's no longer affordable to sell our premium wines, our VQA wines, through the LCBO in spite of the fact that it's our most important sales channel. If that doesn't change, frankly, our industry is on the verge of losing all the momentum we've built over the past 15 years with all three parties in government and with a lot of support through the years from government. There's no question in my mind that wineries will be closing their doors. We don't think this is something any government wants.

The industry has changed pretty dramatically over the last 15 years, as many of you will know. In 1990 there were 20 wineries; today there are over 90 of them. But the vast majority of wineries today are small: They make less than 25,000 cases of wine a year, which was certainly not the case even a decade ago. Over the same period we, in the industry, have made huge strides in quality, with the development of the VQA, and in the tourism opportunities we've provided. A recent KPMG study, which we've updated this year, says that when you sell a bottle of Ontario wine, it adds $4.29 to the provincial economy; when you sell an import wine, it adds 56 cents. We're reshaping economies in Niagara, in Prince Edward county, in southwestern Ontario, and perhaps most importantly, in places like Niagara Falls we're actually adding manufacturing jobs at a time when our province is losing them.

Over the past few years, of course, we've faced some pretty tremendous challenges: ladybugs in 2001 and failures in our crops in 2003 and 2005, and new wineries, as they get established, are facing a myriad of government rules and regulations that are fairly new and are creating a much higher cost of doing business for them.

The first thing I'd like to just touch on is the tax structure at the LCBO. The first figure that you'll see on page 2 shows you the effective markup rate on wine at the liquor board from 1988 to 2005. Basically, what that's showing you is that our wineries have seen their payments reduced by over 50 cents a bottle for a $10 bottle of wine. That's a 12% reduction over the past 10 years. So we've been losing money over the decade instead of gaining revenue. In 1988, producers got $3.19 more per bottle of wine. You can imagine what kind of impact that has on our marketplace.

The reality is that a good chunk of that was because of the requirements of free trade agreements to bring markups in line with foreign wines. But the other hard reality is that we in the industry have had to swallow most of those increases. We haven't been able to pass them on to consumers because our foreign competitors aren't, and so our industry margins and profitability have declined very significantly over the past decade.

On page 3 of our presentation, I've shown you what that means for a small Ontario winery. If you sell 20,000 cases of wine and you choose to sell every bottle of that wine through the liquor board, assuming you could, at the end of a fiscal year you would be over $600,000 in debt because the cost of doing business in the liquor board is so high that unless you have very large economies of scale you can't make a living doing it. It's why so many of our wineries sell most of their best wines from their own doorstep, where they have a much better markup rate. They pay 2% when they sell wine through their own stores and 58% plus a $1.50 flat tax when they sell it through the liquor board. There's no comparison. But as our wineries grow, they cannot sell all their product from their own winery stores and the only way to expand is to get into the liquor board. The consequence is that, frankly, in the last few years since I've been head of the wine council, very few wineries have been growing at all. Outside of Cave Spring Cellars, Pelee Island and Henry of Pelham, probably no wineries have grown very much, and the reason is that they can't get through that barrier; they can't afford to supply wine to the liquor board.

In comparison, other jurisdictions have much lower tax rates. You'll see that in the chart on page 4 of our presentation. That means that when our competitors in places like California, New Zealand, New York and Oregon sell wine in their own states, they pocket a lot more profit, and that gives them more money to invest in export activities and bringing their wine to the liquor board, and in research and quality development: all things that our industry today is not investing in because we just have no money.

As you can see, the Canadian provinces are, by far and away, the highest taxers of alcohol in North America and other marketplaces. In BC, where we have an equally difficult tax problem, solutions have been put on the table for the domestic wine industry.

Adding to the high cost of our tax structure—as I say, some of this isn't anybody's fault, but the one piece that is within the government's discretion is charges for merchandising and marketing at the liquor board. The same marketing opportunities from 2005 will cost us 13% more just a year later, in 2006.

Figure 4 in our presentation, which is on page 5, shows that since 1994—just about a decade—LCBO revenue from in-store promotions, the cost to suppliers for marketing their products, has risen more than 700%. They've added stores, but they've only doubled the number of stores, and have increased the cost to suppliers by 700%. I think you can see why this is making it difficult for wineries to compete.

For the past several years, we've worked in partnership with the liquor board to find ways to keep premium wines in this channel and to showcase smaller wineries, and the government has been intimately involved in trying to help address that. But the fact of the matter is that the liquor board is becoming more and more a superhighway for very big volume brands from the world's largest suppliers. In spite of all the tinkering we're doing, there isn't a way in for our smaller wines. In fact, for anybody producing high-end VQA wines, this channel is becoming more and more problematic.

You would wonder, if we can't afford this, how these costs at the liquor board are sustainable. Well, they're sustainable because global wine suppliers can pay them. They're highly subsidized in their own marketplaces; they have tons and tons of dollars in their pockets from export subsidies; they've got money in their pockets from sales in their own markets, where their taxation rate is much lower; and frankly, the liquor board is only dealing with a very small subset of the world's wineries. They're not dealing with tiny little wineries in France or Australia or New Zealand; they're dealing with the world's biggest global players, and then all the Ontario wine industries.

All these regions also have huge gluts of wine right now, and they are desperate to unload it. Our market is always one of the top three export destinations for the rest of the world. So when you see promotions for French wines and Italian wines, and the new Australian wine promotion that's coming up this year, those are government subsidy dollars that are going into those promotions, and that's what the Ontario government is taking out of the liquor board to increase its revenues. It's all very understandable, but it's pricing our folks out of the marketplace.

At the same time, we're facing increased pressure on quotas. You have to produce more and more wine to get up to the threshold where the liquor board will keep you in the board once you've got a listing. Frankly, as bigger and bigger global players produce bigger and bigger brands, it forces our smaller VQA wines out of the liquor board. It's why so often you walk into a liquor store and don't see much VQA, even though when you come down to wine country we have fabulous wines and lots of them. They're just not available.

What the solutions are is the last piece of it. We understand that the government needs revenue; there's no question about it. We're happy to contribute, but right now over half the retail value of our wine is being contributed by way of taxes in some shape or form. We frankly don't think it's healthy to have an industry being taxed out of its own marketplace, but that's exactly where we are right now.

1110

Just as a last point, again, going to the issue of government policy-making, you have a new piece of legislation that's been introduced, the City of Toronto Act, that among other things would give the city of Toronto the power to tax the wine industry even more. I'm wondering if anybody in government has taken a hard look at what the impact of that policy is going to be on Ontario wines. Somehow I doubt it.

We have a couple of suggestions for the committee to look at. The government of British Columbia has faced this challenge head-on. They're working with the wine industry there to turn things around and have had very dramatic results. Small wineries in the last few years are more profitable; investments are being made in research, quality development and infrastructure—things that we, as an industry, are not doing nearly as much as we need to—and their market share is growing in BC. The domestic industry in British Columbia owns 50% of the market.

We need the Ontario government to work with us on the same kinds of solutions that will allow our industry to grow profitably and continue to add value to the economy. Most importantly, we need the government to carefully consider the impact on the domestic wine industry of any new proposals for increasing revenue through taxes and charges on alcohol.

We think too that the government needs to add economic value to its measures of success for the LCBO. We don't blame the LCBO for this situation, frankly. If you're only being told by your political masters, "Increase revenue. Increase revenue," it's awfully hard to make a decision that you're going to really focus on supporting the domestic wine industry. You're going to focus on moving big-volume brands through the system because that's what the government has told you to do. I think it's short-sighted on the part of government when you look at the economic importance of our sector, at least in areas where there are wine regions. The LCBO, frankly, just needs to have as much incentive to sell Ontario wines as they have to sell foreign wines. Right now, they don't have that. It's not the message that government is sending.

Finally, through this budget process, we need the Ministry of Finance to work with the Ontario wine industry to find ways to level the playing field so that we can compete fairly with subsidized foreign competition. We're not asking to be subsidized the way foreign wine is, but we are asking for a fair shot at our own marketplace, particularly for our high-end premium producers. We honestly do think—and there's an example in BC that shows it's possible—that with political will, we can find solutions that will support the domestic industry and still protect government revenues, because we get that that's important too.

With that, I'll finish and leave it open to you folks for questions.

The Chair: Thank you. The first question will go to the official opposition.

Mr. Hudak: Ms. Franklin, thank you very much. An excellent presentation, as always. I think it's always very important to get across the message to decision-makers at Queen's Park about the impacts that the LCBO's policies increasingly have on our small and medium craft producers particularly.

Two quick questions for you, and if I have time, some others. The grape growers presented on a replant strategy this morning, and I'm curious about the wine council's position on that. Secondly, with respect to the specifics of your presentation, on the taxation side, did you have any specific recommendations on tax changes? That would be to the benefit of the committee.

Ms. Franklin: On the replant program, the wine council is entirely supportive of that proposal by the grape growers. Both sides of our industry have suffered in the last few years over crop failures. It's nobody's fault—it's just weather; it's agriculture—but it has really set our industry back. The replant program would help us get back on our feet at the growing side again, and frankly help us take another look—we have a conference coming up in June—at how we restructure ourselves. If this climate variability is going to be the new reality, what grape variety should we be planting that we can grow consistently well in winter? I think the replant program also partly goes to those strategies, so we're very supportive of it.

In terms of specific tax ideas, we do have a few. I think they're going to take some work and some number-crunching on the part of finance, but I do think there are ways to change the tax structure at the liquor board and trade-legal ways that would allow us to provide actually more money into government coffers and yet give some money back to local domestic producers.

Mr. Hudak: Is there still time?

The Chair: Yes, a minute.

Mr. Hudak: You mentioned some of the successes BC is having. With respect to British Columbia and their approach, are there any particular model programs that BC uses with its alcohol retailer that we could—

Ms. Franklin: Sure. The one thing they do that of course we don't in Ontario is that they have different opportunities for access to the marketplace for smaller producers. If you can't make a go of it in the liquor board, you've got another option: You can go and talk to private retailers, and if you can convince them, you're in their system. So there's an option which we don't have in Ontario right now.

I think the second thing they do is that long ago they realized they had to invest in research and quality enhancements in their industry. They have specific programs dedicated to VQA producers to enhance their quality and their research, and to help them get into the liquor board and get a start. It's making a big difference. If you went to a liquor store in BC right now, you would see a much better range of products in BC. And, of course, they have VQA wine stores in British Columbia.

The Chair: We'll move now to the NDP.

Mr. Prue: Two things. The first one is the boutique wine stores. We've had some debates in the Legislature, and it has been suggested that this may contravene NAFTA agreements and the like. I find that to be kind of preposterous. Is this the argument you're getting, or is there some way around it? It would seem to me that that would solve most of this.

Ms. Franklin: As you can imagine, this is an incredibly frustrating argument for our industry. You watch the flood of import wines into the marketplace; you can document how much they're subsidized. The European wines are subsidized more than $6 billion a year. We have folks who own wineries in Portugal who tell us that they can make wine in Portugal and deliver it to the LCBO cheaper than they can make it in Niagara because of all these subsidies. We have folks who buy wineries in Europe and don't pay a dollar of their own money towards them. The subsidy system is enormous. So when we look at these arguments from Ontario, it concerns us.

Now, having said that, I think they're cautious for a reason. I've never had the civil service more committed to a concept than they are to trade legality because of their fear that if we were challenged on trade issues, we would lose. I think it's something we absolutely have to bear in mind as we go forward. I honestly believe, as well, that if we step back and start to look at some creative solutions, there are creative solutions to get around the trade issues, to keep us compliant and yet to provide some benefit to our own industry. I think our challenge is that, traditionally, governments in Canada and across the provinces want to be holier than the Pope when it comes to trade agreements, and none of our partners are.

Mr. Prue: The second question I have is, every month at Vintages outlets and the LCBO, they bring in wine that isn't generally listed. They bring in small amounts from a huge variety of countries. Is there any reason why we couldn't have VQA wines do the same thing, even if they aren't in huge volumes, where just once a month, wineries could put in 500 cases, 1,000 cases, whatever, on the general Vintages sale?

Ms Franklin: We don't think so. In fact, Vintages would be one very good way of starting to attack this problem for small wineries. Our challenge is, frankly, you could put a terrific Vintages program in place for our small producers, but they wouldn't be able to afford to supply it with the tax structure. We need to, I think, tackle the access question and the margin question together or no program is going to succeed because the wine won't be available. But assuming we could deal with the margin question, then I think the answer to your question is yes. We've suggested to Vintages before that they have sales targets for Ontario wines that they have to meet, which they don't today. We have suggested that every small winery in Ontario should have access to one Vintages listing. The brewers have that in the BRI; we don't. Now, that's not to say that if you're making lousy wine, or you don't back it up, or you have no business plan, or you don't support it with sales staff, you should just stay there indefinitely, but we think you should at least have a shot. Right now, that's not possible for most folks.

The Chair: Thank you. Now we'll move to the government.

Mrs. Mitchell: Thank you very much for coming and making a presentation today. I just have a couple of questions to follow up on what Tim said. What I'm trying to grapple with is, we heard about the replant program, and I'm also hearing concerns from the wine council. How is the marketing strategy going to be directly linked with the replant program?

Ms. Franklin: The conference we have coming up in June—I think at the last crop failure discussion that our industry had broadly, we found out we were going to have a crop failure about three days before the liquor board came to present to our industry what their requirements or interest would be in the next year. Our industry is sitting there listening to the liquor board telling us that we need Gewürztraminer and Merlot and Sauvignon Blanc and Syrah, all varieties that, frankly, were dead as doornails thanks to the crop failure. I think one of our challenges—we have two challenges, really. One is to figure out, as New Zealand clearly has, what we can grow well consistently. Well, we can do a pretty darned good job on Chardonnay and Riesling, probably Sauvignon Blanc. We can do a great job on Cabernet Franc and Baco Noir and Sauvignon Blanc, not so good in some other areas. I think at this conference, one of our industry's goals is to bring in folks who deal with winter hardiness, consumer marketplaces, and start to talk to them about how we restructure our industry to focus on the varietals we can do well.

The second part of our challenge is, once we know that, how do we persuade the liquor board to make room for them? Frankly, I think that's an exercise in saying that if Ontario are fabulous Chardonnay producers, maybe some Australian and French Chardonnays come off the market from the LCBO to make room for more Ontario ones, because you know what? The Australians can own Syrah; we don't do it. The Californians can own Zinfandel. Maybe the Ontario industry should, in its marketplace, own some of the varietals it makes brilliantly.

If we could fix those two parts of the equation, I think you'd find us five years from now in a situation where the growers could grow grapes that they can grow profitably, where they're not growing in bulk for our blended wines, which they can't afford to do, and our VQA premium side is growing to the extent that we can plant more and more vineyards in high-end varietals and everybody will make a living.

Mrs. Mitchell: Just a quick question: Have you seen a difference with bring-your-own-wine? Has it made a difference?

Ms. Franklin: No, not at all. I think it's an interesting idea, frankly. I think anything that opens up the marketplace and makes it a little more consumer-friendly is a good idea. I don't know that Ontario is gaining any more than any other part of the industry, imported or domestic, but I think that, as I say, it's consumer-friendly, so that makes sense to us.

Mrs. Mitchell: I felt that there was a lot of growth for Ontario wines in that program.

Ms. Franklin: Not especially, so far.

Mrs. Mitchell: No, there could be. I'm saying, the potential is there.

Ms. Franklin: Potentially, I agree with you, if consumers get to know more about it and more restaurants. I think right now it's problematic. I don't know that I would bring a bottle of wine into a restaurant unless I knew for sure they'd open it for me. So I think the more restaurants that get involved in that—we have a bigger share of the marketplace at the liquor board than we have in restaurants. So intuitively it makes sense that if consumers brought their own, they'd bring more Ontario.

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

For the committee, our 11:20 slot remains vacant.

It has been brought to my attention that we have agreement to meet on Thursday morning at 8:40 rather than 9 o'clock.

This room will be locked during the noon hour. I understand that some persons haven't checked out yet, so we will recess until 1140 and you could do that during that time.

The committee recessed from 1122 to 1142.

ONTARIO ASSOCIATION OF RESIDENCES TREATING YOUTH

The Chair: Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes for questioning. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Richard Solomon: Richard Solomon. I'm the executive director of the Ontario Association of Residences Treating Youth.

Ms. Andrea Rifkin: I'm Andrea Rifkin. I'm also representing the Ontario Association of Residences Treating Youth.

Mr. Gord Moore: I'm Gord Moore. I'm presently the president of the Ontario Association of Residences Treating Youth.

Mr. Solomon: Good morning, Mr. Chairman and committee members. I am the executive director of the Ontario Association of Residences Treating Youth, known by the acronym OARTY.

OARTY members operate well over 50% of the treatment foster care and treatment group home facilities for children and youth in Ontario. The association consists of approximately 100 agencies. We employ 3,200 staff, most of whom are child and youth care workers. We care for close to 4,000 people in any given year.

We provide services to vulnerable children and youth and, in some cases, adults who grew up in our care and who have remained in our homes. Our programs are licensed and sanctioned by the government. These children receive these services as a result of the legislated and regulated obligations of the province of Ontario. The children we serve are victims of abuse, emotionally and mentally disturbed, autistic, medically fragile, and face many developmental challenges.

All of our referrals come to us after initially being assessed by another program as requiring residential services. In many cases, our residents have some type of involvement with children's aid societies. Other organizations which also provide services include agencies that are part of Children's Mental Health Ontario and other community and family service agencies.

Since we are licensed by the government to provide services to children, we should be considered equals when it comes to placing an intense focus on delivering care to children. OARTY members' programs are a fundamental component of a proper child welfare service.

Before I go into more detail, I'd like to ask Gord and Andrea to say a little bit about their agencies and the children they serve.

Ms. Rifkin: Maybe I'll go first. I operate four group homes and a day program for children, youth and now adults with autism. We're in the Toronto area, just north of Toronto. The kids come into care very vulnerable. These are kids where the community supports have been exhausted and residential care becomes not a last resort but certainly a helpful resource to produce some more independent individuals for adulthood and later life.

We've been in operation since 1985. Some of our kids have actually grown up there and have been there for 20 years. That of course is perplexing and confusing for the system, but we're happy to make the difference in their lives. I didn't want to go into too much detail because we have a lot to say, so I'll pass that along to Gord now.

Mr. Moore: I operate a residential service named Holloway House. My wife and I operate this in our family home. We care for, presently, nine adults and children. Some of our kids have grown up with us and been with us for a very long time. We've been in existence since around 1990. Our children all require severe medical attention and have physically and developmentally handicapping conditions. We also run a day program for adults who have grown up with us. Our three natural kids help us out and take care of it all along with us.

Mr. Solomon: Our residential responsibilities include providing treatment for children's mental health and their physical, emotional, developmental, social and medical care needs as a part of their daily living. We believe there is a need for more investment in these critical services for children. We also know the challenges in providing enough funding to serve these children properly.

As you may know, residential services are currently being provided to these children in two ways: by agencies, such as our members, who provide services on a per diem or fee-for-service basis. These services are paid for through assessment and placement agencies, most often children's aid societies, on a bed-by-bed basis when they need them. As you know, the province funds the CASs and indeed all of the placement groups. Our members' rates are set by the Ministries of Children and Youth Services and Community and Social Services when the homes open. Many of these rates were set years ago with limited ability to have rates increased to reflect the costs of treatment. Our agencies receive payment only when beds are occupied. We refer to our type of agencies as residential care and treatment agencies.

The other types of agencies are transfer payment agencies. Their funding is provided yearly by the government directly to each agency in the form of block funding to cover salaries, operating and capital costs. These agencies receive this constant level of funding for the year, regardless of whether their beds are occupied. Unlike the per diem system, there is no direct link between the proportion of this global funding designated to providing residential care and the actual level and type of service being provided to each particular client throughout the year. Both types of agencies are licensed in the same manner by the Ministry of Community and Social Services.

As a major partner with the Ministry of Children and Youth Services in delivering services, residential care and treatment agencies have traditionally provided services at a more cost-effective level than transfer payment agencies. Additionally, our members have demonstrated an ongoing commitment to delivering services through new capital investments financed without government assistance.

Research has shown that the average rates of residential care and treatment agencies for the currently licensed beds are in the range of $160 to $230 per day, from which agencies must also cover capital expenditures. By contrast, new beds and those provided by transfer payment agencies are approximately $220 to $300 per day. Transfer payment agencies also receive separate, additional funding for capital cost requirements.

Our agencies are only paid when their beds are occupied, and our budgets are based on a 95% occupancy rate. Transfer payment agencies are paid whether or not their beds are occupied and are based on a 90% occupancy rate. This leads to a different operating mindset. Our agencies seek to ensure their beds are full, while transfer payment agencies can use vacancies to manage cost pressures. In the past, this has led to higher occupancy rates amongst our members.

As you can see, there is a significant financial difference in rates between residential care providers and transfer payment agencies, even though the children our agencies serve often have more difficult challenges.

Issues that have been addressed by the government for transfer payment agencies have not been addressed to the same level for the residential care and treatment agencies. These challenges include: rising costs in delivering residential care and treatment services to children; ensuring that wages for our child and youth workers remain competitive—regular increases in wages at transfer payment agencies funded by the government have resulted in the departure of qualified staff from our facilities as well as high staff turnover; the rate review process used by the ministry to set funding levels for all residential care and treatment presently does not allow agencies to include staff salaries or required building retrofitting; and also pay equity liabilities.

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In the 2004 budget, the government made an important investment of $25 million, growing to $38 million this past year. However, the children we care for were left off the list when the government announced this funding. The transfer payment agencies which the government funds directly received an increase of 3%, but our agencies that provide treatment on a fee-for-service basis did not. This seems unfair when both types of agencies are assisting children under the protection of children's aid societies. All of our funding is derived through our per diems, which are flowed through the CAS or other placement agencies which are funded by the government. We believe and hope you agree that children in care should have access to similar levels of support and treatment regardless of who provides the services.

We understand the ongoing challenge of continuing to deliver high-quality service when costs are rising and more children are coming into care. We all have a role to play. All service providers must deliver service on the most cost-effective, transparent and accountable basis, and the government should provide a fair level of funding.

We understand the government must weigh various priorities in setting the budget for 2006-07. Our members make such decisions on a regular basis in operating their agencies. We know the government must ask itself how it can reduce duplication and waste, improve service and improve transparency and accountability while managing the spending needs, and we believe there are two things that you can do.

First, there is no need for the government to have two systems. We believe the per diem system is a much more transparent and accountable system. Payment is for service delivered, and the statistics show that it is more cost-effective and more of the existing beds are used. We've recommended this change to the government for a number of years and we've recently submitted a new model to the Ministry of Children and Youth Services in response to the ministry's residential services review. It incorporates this fundamental change and other changes to improve the way dollars are spent and services delivered to children. We've made six recommendations, which are attached as a summary to the copy of these remarks.

The Chair: You have about half a minute.

Mr. Solomon: I'll jump forward to the final page.

There is now a window of opportunity to make these changes. In the upcoming budget, we recommend that you work with the Ministry of Children and Youth Services to move to the per diem system on a fee-for-service basis, with standard rates for each service delivered.

Secondly, in this budget, we ask that you address the immediate challenges in delivering services to children by providing the Ministry of Children and Youth Services with money to provide per diem agencies with the same 3% increase in funding that was given to the government's direct transfer agencies in the 2004 budget. This would require an investment of approximately $7 million. This will help close the growing gap between the two sides of the system and prevent our children from being left behind by a decision to only support one side of the sector. Our services are just as much a critical component in helping these children become a better part of our society.

We would be pleased to answer any questions that you may have, and we thank you for the opportunity to present to you today and for your concern for the children, the parents and the professionals working within this sector.

The Chair: Thank you. We'll begin this round of questioning with the NDP.

Mr. Prue: I just want to get my head around the difference between the transfer payment agencies and your agencies. Are your agencies for-profit? Are they privately owned, for-profit agencies? Is that the difference between the two?

Ms. Rifkin: Maybe I can speak a little bit to that. There are a number of our member agencies. What makes us common is our funding relationship with the government. But in terms of how we operate or how we corporately structured, in the beginning, when there were no capital costs or things forwarded by the government, a lot of the agencies just incorporated as they saw fit, which was as a for-profit corporation. Many have moved to a non-profit agency status in terms of a corporate structure. They're private but they are non-profit. It isn't all of our agencies, but certainly many have moved towards that in keeping with the mindset of the kind of objectives they have.

Mr. Prue: And the transfer agencies are all non-profit?

Ms. Rifkin: They're all non-profit. Some are private and some are in a more direct funded relationship with the government, but they are all non-profit.

Mr. Prue: From your arguments, they appear to pay their staff higher rates.

Ms. Rifkin: I know that to be a fact.

Mr. Prue: Why is that?

Ms. Rifkin: They have been afforded some extra dollars along the way. We have certainly taken cuts when they have been imposed, but an increase such as the one that was referred to, this 3%—for the relationship reasons of our funding, we were not afforded that. So we know that agencies, for example, that placed children in our care were actually given the 3%, but we weren't. That wasn't passed along to us.

Mr. Prue: Are most of the employees in the transfer payment agencies unionized?

Ms. Rifkin: We've seen both in both. There are some of our members in the per diem agencies that are unionized, and also in transfer payment there can be both.

The Chair: We'll move to the government.

Mr. Wilkinson: Thank you for coming in this morning. Since we actually have to send these things off to the Minister of Finance, on your last page you're saying that it would save us money to go to the per diem basis. You didn't quantify that amount, but you did say that if you went to parity and you got the same budgetary increases as the other side of the fence, it would cost some $7 million. Can you provide some clarity on the number on the savings side? Do you have any idea of what that is?

Ms. Rifkin: I had sort of anticipated that question and tried to do an estimate based on what our average per diem is on our 3,200 beds and if you took that in the TP sector. It's an expensive system to operate on either side, but if we were all operating on a per diem system, the saving is between $250 million and $300 million. The $7 million is just to bring us to some equitable increase through the budget process of last year and two years ago, but the savings are phenomenal.

Mr. Wilkinson: Just as a follow-up question, the standards on both sides are required to be the same?

Ms. Rifkin: Yes. We are all licensed in the same way. I think on the transfer payment side, children and youth services have what's called a service agreement; ours is called a budget. They're both analyzed line by line the same way. Licensing standards are the same. We've worked with the Ministry of Children and Youth Services and the Ministry of Community and Social Services to actually improve upon those standards, with good intentions, for the best quality of service. But they are the same on either side.

The Chair: Now we'll move to the official opposition.

Mr. Barrett: Again looking at the numbers and your requirement for the immediate investment of $7 million, the 3% increase did not apply to your group of homes. In recommending one system, a per diem system, as I guess all of your homes operate on now, you've just indicated—and I was going to ask the same question—a $250-million to $300-million saving. It seems to me that a young person or a child in the one system is actually, per child, receiving less money than a child or youth in the other system. I know it's in here somewhere, but how large is your system compared to the other system? How many do we have in each system?

Ms. Rifkin: We have some numbers to believe that we're representing about half. The per diem system serves about half the number of children in residential care.

Mr. Barrett: So it's about 50-50, then?

Ms. Rifkin: Right.

Mr. Barrett: Do you have any idea roughly what that works out to per child or youth?

Ms. Rifkin: We've had some numbers. There is quite a strong initiative at the Ministry of Children and Youth Services right now to do this residential care review, and they are studying exactly what the snapshot is in Ontario.

Our best guess is, through our numbers from our per diems—our average per diems are ranged such that we could throw out a number of $200 a day, and if you take the service agreements and their overall budgets of block-funded transfer payment, I've heard much higher numbers, but certainly the ones we've seen on paper are around $300 a day. But I've heard up until Friday that one was $490 a day.

Mr. Barrett: Your figures are certainly compelling.

Mr. Hudak: I have a question on the points on page 4 with respect to a levels-of-care funding model. Is that similar to what we do with long-term-care homes on the acuity of residents, or how would that work?

Ms. Rifkin: That's right. Food costs, staff costs, everything can be really—we do this as part of our budgeting process, line by line, and 67% of our budgets are for front-line staff and treatment implementation. So it's quite easy to ascertain from a child—taking away a little bit from "A child is a child is a child is a child," even within our system, some children need extra support just to brush their teeth. So if we analyze that, the food part and the housing and those kinds of costs are fairly easy to go on a level by level, and similarly, we think we can do the same with staff.

The Chair: Thank you for your presentation.

For the committee, lunch will be in the same restaurant as last evening. We're recessed until 1 o'clock.

The committee recessed from 1203 to 1303.

NIAGARA REGIONAL POLICE SERVICE

The Chair: The standing committee on finance and economic affairs will now come to order. I'll ask our first presenter of the afternoon, the Niagara Regional Police Service, to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Wendy Southall: Thank you. I am Chief Wendy Southall, chief of the Niagara Regional Police Service. I'm pleased to have here with me today the vice-chair of the police services board, Mr. Doug Martin. Mr. Martin is also a regional councillor. He is chair of the budget committee for the region and is chair of our finance committee for the police services board as well.

The Chair: He was here before.

Ms. Southall: Yes, he's been here already.

Recognizing the brevity—and I'll attempt to stick to your 10-minute timetable—I really have three issues that I'd like to speak about to the committee today. I will provide you with a brief overview of the three areas that I wish to discuss. I do not have an overhead or a handout today, but I learned of this very late last week. I would like to get a package together to follow up. If I could have the contact for an administrative person, I will certainly send a package forward.

For the most part, some of these issues are global with respect to policing, which is the first one I am going to address. The second two are Niagara-specific. As well as being the chief, I am also the vice-chair of a new committee called the criminal justice committee, which has just been set up by the Ontario Association of Chiefs of Police. The purpose of the committee is that, for a number of years now, the chiefs have been dealing provincially with the Solicitor General and the Attorney General to attempt to look at a number of issues with respect to the justice system and the impact it has had on policing. We've not really proceeded along the path, and as a result of that, we set the committee this year. We announced the appointment of myself and the chair, Tom Kaye, from the Owen Sound police. We wanted to go forward in a positive perspective and ensure that we try, together, to come up with some goals to improve the system.

Of the issues that we discuss with respect to justice, one is disclosure: the responsibility for disclosure and any potential changes. Obviously, there is both a huge cost and a resource issue with respect to disclosure in policing. I can tell you as well that we've always had a concern. Back in the mid-1990s, the province downloaded court security to the police services across Ontario. Although it was not contained as one of the core services we deliver, the issue is that we were legislated to do it by way of the Police Services Act. At that time, there was minimal funding for police services across the province to initiate court security. I believe ours was less than $500,000. I can tell you that to date, our court security costs on an annual basis have risen well in excess of $3 million and $3.5 million.

We've continued to take the downloading; however, it was not as originally proposed, because of the criminal justice and the authority and responsibility we have. As well, we're being asked locally, here in Niagara, to now provide what is known as perimeter security; we refer to it as wanding as well. All of these additional requirements with respect to court security in Niagara and across the province are being taxed to the local taxpayers. When we attempt to bring it forward and talk about it, we basically hear that it is something, obviously, that the province would not take back. But I believe that, as a group, from the chiefs' perspective and me here in Niagara, we need to provide facts. We'll be calculating what our costs have been and how they're growing and where we see areas, with respect to bail reform, and obviously more from the federal level as well, all of the issues of sentencing.

Very generally, we are going now into 2006 to meet, of a committee, directed by the Attorney General and Solicitor General, and any support with respect to the downloading to date, I can tell you that what we are basically saying is that we want to see consultation. We, as the police, are one of the main partners in the criminal justice committee. We believe that consultation is that ourselves and the representatives of the province together decide what the issues are, prioritize those issues and have solutions at the end of the path, as opposed to being told solutions, finding out at times that some of those solutions as well will be a significant cost incurred by police. So we ask the indulgence of the members here today to recognize that there will be a lot of discussion on the criminal justice committee, that we certainly do want to consult and be part of that. We are a stakeholder.

To summarize that, it is recognized that there will be resourcing required to look at, to review, to study and to analyze the issues that we have to date. I believe any financial support with respect to resourcing those types of committees would be much appreciated as well.

Do you want me to move on, or are there any questions on the criminal justice—

The Chair: The questions will come at the end.

Ms. Southall: Okay. Thank you.

The second issue, more from the Niagara perspective and consideration for support from the province: We here in Niagara, legislatively through the Police Services Act, are to provide waterway safety. Waterway safety comes under a very distinct definition, and that's just with respect to impaired drivers on boats, ensuring that there's safety on our waterways. Here in Niagara as well, as you will know, we are tasked with one of the largest square miles with respect to water, tasked far more than most other municipalities. I believe not only are we tasked with having more waterways here in Niagara, but we are provincially legislated to do waterway safety, recognizing there are a number of other issues with respect to terrorism, border security and integrity, and marine intelligence that could occur on our waterway.

I think from a reality perspective, if something happens, the Niagara regional police are housed here, and we will be the first responders. I believe we are tasked with some additional responsibility, aside from what's legislated in the act. We meet frequently with the federal government. We are meeting with the deputy ministers from the Solicitor General again next week to talk about the issues. Now, as well as the waterways at the border, we are first responders, for example, if there are bomb calls or any issues at the border. So I believe, being in this community, not only having the borders but having the waterways on borders as well, poses a significant issue. I believe, to date, there isn't a lot of proactivity with respect to those responsibilities. I don't believe overall it is the responsibility of Niagara, but bottom line, if something were to occur, we would most definitely be the first responder.

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I would like to see some consideration for municipalities who (1) have borders and (2) have a significant amount of waterways. Again, here we are struck with having to go to our municipality on an annual basis in order to ensure that we have adequate and effective policing. We are compared by per capita costs. We're compared by our percentage of increases, from the budget perspective. However, we have additional things to police, which are anomalies that other regional police services do not have.

The last issue I would like to briefly speak to you about, which was obviously in the forefront of the federal election, is with respect to guns and gangs. Obviously, we're all aware of the difficulties, and the very sad event that happened in Toronto on Christmas Eve. From the perspective of myself personally and the Ontario Association of Chiefs of Police, we're very pleased to see that there was a significant amount of funding to Toronto, and as well some additional funding for the OPP.

I want to bring all of that back into the Niagara perspective to say that in 2005 here in Niagara, we had the highest number of homicides since the inception of our regional government. We've had 14 homicides in the last year. Obviously, our homicide per capita is quite high. A huge portion of those included firearms and a portion of them as well included gangs, and not always gangs that are centred here in Niagara. They are gangs that are multi-jurisdictional. Again, although we recognize the need for the funding in Toronto, I believe services such as Niagara are experiencing the exact same issue. My question is whether or not there will be a consideration for funding, in particular, for other GTA services that are experiencing these types of rates, with respect to homicides and guns and gangs, to assist us as well; so just consideration as well that when we're dealing with those issues, they are—again, happy for Toronto—not isolated there. I believe, from the Niagara perspective, being a border community, we could be assisted here from a proactivity perspective in dealing with the border and those types of things.

Those are my three issues. I'd be pleased to answer any questions.

The Chair: Thank you. Perhaps at the end of questioning, if you want to speak with the clerk, he'll provide you with an address to give more materials, and each member of the committee will receive those.

We'll begin this round of questioning with the government.

Mr. Kim Craitor (Niagara Falls): Chief, it's always a pleasure to see you. Regional Councillor Martin, it's a pleasure to see you as well.

Just a couple of comments, and I do have a couple of questions: I'm particularly pleased that you had a chance to share with the committee the uniqueness of our community. Everyone knows we're a border community—but the waterways, in particular, which is something I've certainly mentioned at Queen's Park, and the services that you provide in terms of water safety. I watched the federal election, of course, with interest. It's over and done, but I'm particularly pleased. I'm looking forward now, with the new government—they indicated they were in strong support of assisting the border communities and making them safer—to seeing some financial resources coming out of them to our community as well.

You mentioned a couple of things, so I do have two questions. I know Toronto was assisted provincially with some funding because of the serious situations that were occurring there. From your perspective, what type of funding would you be looking for that you think might be of assistance for the challenges that you face?

Ms. Southall: I believe, not even just Niagara specific, but some funding, for example—again, these types of guns-and-gang issues are cross-jurisdictional. I have met and discussed with chiefs in our border communities—for example, Hamilton and Burlington, both being in the GTA—that there should be some consideration for some type of funding to support us in a cross-jurisdictional joint services operation, outside the Toronto area and more in the GTA area, to deal with guns and gangs.

Mr. Craitor: My final question deals with the courts and security costs. I'm very familiar with that, particularly being an investigator in the federal government and spending a lot of time in the courts, for the right reasons. The cost—you've shared that with me. Can you just share with the committee some of the costs that you've incurred and how you see, again, the government taking some of the downloading that you incurred before we were around and having to bear it?

Ms. Southall: I have two very quick examples. I mentioned court security: We have increasing costs annually to that. I believe there could be some consideration to make sure that there is consistency with respect to perimeter security, and some potential funding for perimeter security or wanding would be one example. As well, just to look at issues: We could give you, for example, average remands in a court. Every time officers attend court, we're paying them time and a half—so some study with respect to average remands to try to reduce those times, make the court quicker and more efficient, and not give up anything with respect to the whole issue of conviction.

The Chair: Now we move to the official opposition.

Mr. Barrett: Thank you, Chief and Councillor. You mentioned waterway safety and your work with impaired driving and first response. I guess I don't know enough about it. Who else is out there? Also out there we have the RCMP, US Coast Guard, Canadian Coast Guard, OPP. How do you work together? I suppose there are other US agencies.

Ms. Southall: With respect to the border issues, I have been dealing over the past year specifically with the RCMP, and we have received some secondments to ensure that we're on those committees. Those committees are looking at what the future direction will be with respect to marine security, and not just in Niagara but in the Great Lakes area.

My point, as well, is with respect to waterways. We are only responsible for waterway safety—basically boating. But the comment is that we need provincial support to recognize that, if something occurs, we are the first responders here. So it's more support in ensuring that there is resourcing actually here and working in partnership. The OPP, with respect to the border and the waterways, we don't have a lot of interaction with. Their boats aren't located in our areas. At the border, we are responsible as well in doing impaired driving, because their customs officers aren't authorized to do that. We do that singularly, on our own.

Mr. Barrett: You mentioned guns and gangs. Both Premier McGuinty and Attorney General Bryant are on record as committed to banning handguns. How would we accomplish that beyond the 1930s legislation that we already have federally? How would the Premier of the province or the Attorney General ban handguns in Ontario?

Ms. Southall: I'm not certain it would be done provincially. You have the whole licensing, which is being questioned now federally: Are we to maintain that or carry on further—

Mr. Barrett: For restricted firearms?

Ms. Southall: Restricted, yes. As well, there are secondments from the OPP that deal with the licensing issue across Ontario. Obviously, if you were to ban them it would be a support to the federal government to have some federal legislation to ban them. I don't believe the authority to ban them would be provincial; it would be federal.

Mr. Barrett: That would apply to the licensing for restricted firearms as well?

Ms. Southall: The licensing is federal now, but some of that could be downloaded to the province.

The Chair: Now we'll move to the NDP.

Mr. Prue: I have two questions. The first one has to do with the border. There was discussion during the federal election, and it was the Conservative position that the border people—customs and possibly immigration—would be armed. Is that going to have any impact on your resources or what you need to do, or will you have to go there less often?

Ms. Southall: Yes, absolutely. My intentions are to meet with our new federal rep. One of the reasons we attend is from an officer safety perspective, and they are not armed at this point. We attend for that purpose.

With respect to, for example, bomb calls or suspicious bomb calls, we have the equipment to provide that back-up service. Aside from the firearm, it would be helpful if they would assist in the provision of some of that equipment as well, because it's quite costly to us.

Mr. Prue: The second question is about court security. You talked about that. I think that every municipality that has a court system is paying for this; every single one. Some municipalities, like Ottawa or Toronto, also have to pay to guard embassies and people who come to protest in front of them. They have enormous costs. Are these being looked at as well? Maybe not from Niagara, but I think Ottawa and Toronto pay a lot.

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Ms. Southall: Absolutely. We're all in the same boat. The general comment on all of this is, this was downloaded into the act and then the local taxpayers are tasked with providing this cost. We've had very minimal funding.

The anomaly in Niagara is that we do have a number of courts. We don't have one centralized court like Hamilton does, for example. So we have to provide court security; the courts that are present here from the criminal perspective as well.

With respect to guarding the embassies, we have a responsibility here as well. When our local MPs or any member of Parliament attends here, or any dignitary from another country, somebody who is from an embassy—a lot of people want to come and see Niagara, and from our ETU perspective we have the responsibility and bear the cost of providing that protection as well, and we are not funded for that. So I'm not certain whether or not the other police services are.

The Chair: Thank you for your presentation. If you speak to the clerk, he'll provide you the information you want.

Ms. Southall: Thank you.

CANADIAN MANUFACTURERS AND EXPORTERS

The Chair: Now I call on the Canadian Manufacturers and Exporters to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Ian Howcroft: Good afternoon. Thank you, Chair. My name is Ian Howcroft and I'm vice-president, Canadian Manufacturers and Exporters, for the Ontario division. With me today is Paul Clipsham. He's the director of policy, and he's also the staff support to our taxation committees. On behalf of the CME, I'd like to thank the committee for providing us with the opportunity to express the views of our members related to the upcoming provincial budget.

Canadian Manufacturers and Exporters, or CME, Ontario division, is the voice of manufacturing and exporting in Ontario. Our member companies produce approximately 75% of the province's and the country's manufactured output and are responsible for about 90% of the country's exports. CME represents a broad variety of sectors. Our membership is composed about 80% of small and medium-sized businesses, and the other 15% to 20% is composed of the larger businesses. Our members also come from all sectors of manufacturing, and we feel we are well qualified to represent the voice of manufacturing in Ontario.

In Ontario alone, our sector comprises about 20% of total GDP and contributes approximately $290 billion to the Ontario economy. Further, the manufacturing and exporting sector provides employment to over one million individuals in the province. I think an even more telling fact is that almost two million more individuals have jobs that are indirectly dependent on manufacturing. These are highly skilled and highly paid jobs with wages 25% above the average of the country. However, it is of great concern to this organization to see the number of jobs in this sector declining. Over the last year, we've seen about 40,000 to 50,000 job losses in the manufacturing sector alone. Action is needed to ensure that we have a vibrant manufacturing sector for the future and for the years to come.

Manufacturers and exporters are facing a perfect storm of challenges, including soaring input costs, particularly in the area of energy; raw materials and labour costs; competition from low markets, such as India, China, Brazil and Russia; and a high dollar relative to the United States. Businesses are also facing nearly the highest marginal effective tax rates among the OECD countries. CME has recently undertaken a massive stakeholder engagement or initiative that we've entitled Manufacturing 20/20: Building Our Vision for the Future. What do we have to do now to ensure that we have a vibrant, growing, sustainable manufacturing sector here in the year 2020? It's also a little play on words, creating that perfect vision for manufacturing.

Over the last 24 months, we've listened to over 3,000 stakeholders and held over 100 meetings in communities across Canada—about one half of them here in Ontario. Common challenges emerged, including workplace capabilities, innovation, international business, business and financial services, and the overall business environment. Businesses are responding by investing in innovative technologies and training that will improve efficiency and increase productivity. While the manufacturers and exporters are making the changes necessary to remain competitive, the government must play a crucial role in addressing barriers to growth and prosperity.

CME Ontario's taxation committee has identified key areas and directions in Ontario's tax system which are necessary for the government to pursue in order to maintain a healthy economy and an improved competitive climate for manufacturers. In addition to tax policy reform, our recommendations also address issues such as the skills shortage, innovation and productivity, regulatory impediments and the Ontario electricity market. Our membership believes that our comments will help the government to make decisions that will support a competitive business environment for the benefit of all Ontarians.

The level of the Ontario tax burden continues to be viewed as an unnecessary and unproductive cost of doing business in Ontario. The 2005 Tax Competitiveness Report by the C.D. Howe Institute indicates that Canada's marginal effective tax rate is the second highest among the 36 OECD countries. These costs are beyond the capability of individual companies to control and a major impediment to attracting new investment and sustaining economic growth.

For purposes of our presentation, CME will focus on three important areas in which Ontario can work to improve the marginal effective tax rate relating to competing jurisdictions. They include immediate elimination of the capital tax; accelerate the capital cost allowance; and general corporate tax rate reductions to 12%.

We believe that the government has a unique opportunity at this time to leverage the most economic gain by proceeding with targeted tax reforms in each of these areas. We believe the economic spinoffs from these reforms will garner the biggest bang for the buck and will provide the right incentive for future investment and growth.

In order to slow the tide of high-value-added investments leaving the province, businesses need competitive tax rates. Businesses are faced with marginal effective tax rates of 39%.

CME strongly encourages the government to legislate the immediate and full elimination of the capital tax. The government has already recognized that the capital tax is a disincentive to capital ownership. If the government is serious about encouraging new investment in the province and retaining existing investment, there's no rationale for such a delay. Again, the government has already agreed to eliminate it; what we're looking for is an expedited time frame.

Our members recognize that a capital recovery system, such as the current capital cost allowance, is an important element of our tax system. The CCA has been comparatively advantageous in the past. However, the system no longer compares well when we look at other jurisdictions. Tax measures to enhance capital investment would result in increased employment and greater economic growth in the province of Ontario. In our view, this is undoubtedly a competitive issue. More competing jurisdictions, such as Quebec, offer M and P capital investments at 125% depreciation in the year the expenditure is incurred. In addition, US tax relief applicable to machinery and equipment is, at 6.7%, more favourable.

We recommend that the government introduce a more favourable capital recovery regime which would apply to new machinery and equipment. This could be accomplished by expanding the existing 30% Ontario current cost adjustment currently applicable to pollution control spending to include manufacturing and processing equipment and granting a two-year write-off through the existing CCA system.

The optimal means of improving the marginal effective tax rate is to reduce the general tax rate on business to 12%. This move would be relatively easy from an administrative standpoint and make Ontario's taxation rates competitive with other jurisdictions, again particularly the United States. This would allow companies to better justify existing and future investments in Canada and free up capital for process improvements, training and R&D spending.

Canadian and Ontario tax rates must be more competitive than those in the United States, not only to offset advantages of the large US market but also to ensure that Canada and Ontario are competitive investment locations on a global basis. Mexico, China, Singapore, Chile and Brazil are, for many companies, even stronger competitors for innovation investments than is the United States.

To conclude my comments, we're focusing on the immediate elimination of the capital tax, accelerated capital cost allowance, and a move to the general corporate tax reduction rate of 12%.

I'd now like to turn it over to Paul to conclude our formal comments, and then we'd be pleased to answer any questions you might have.

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Mr. Paul Clipsham: The first section I'm going to cover is harmonization. Improving Ontario's taxation system is critical to improving Ontario's tax competitiveness and the performance of Ontario's businesses.

CME strongly supports measures to harmonize the tax collection system between the Ontario and federal governments. Once the government has completed the harmonization of corporate tax collection, there will be an opportunity to encourage the federal government to eliminate the taxation of the SR and ED tax credit and move toward a highly advantageous value-added tax system.

In the fall of 2004, the federal and Ontario provincial governments announced that they would harmonize their corporate income tax programs. This has the potential to be of enormous benefit to taxpayers while providing administrative savings for government.

Harmonizing the legislative and administrative provisions will allow the filing of returns and subsequent audits to be streamlined, providing maximum savings to government and taxpayers alike. Similarities in taxing regimes will not only reduce administrative burdens but will also improve compliance by eliminating differing rules between the two systems. This will also result in reduced audit issues and lead to a reduction in the number of items taken through the appeals process, again saving time and money for all parties. Taking advantage of a common appeals process will significantly reduce the current backlog at the provincial level and provide taxpayers with common rules to be followed.

CME strongly encourages the Ontario government to proceed with their commitment to harmonize corporate taxes.

The implementation of this harmonization project also raises opportunities to further encourage the growth of research and development in Canada. Currently, Ontario does not subject the federal SR and ED—scientific research and experimental development—investment tax credit to corporate income tax. If the harmonization process could be leveraged to convince the federal government to also remove their own SR and ED investment tax credit from the federal corporate income tax base, this would provide a significant incentive to locating R&D activities in Canada.

CME feels strongly that the government of Ontario should replace the Ontario retail sales tax with a value-added tax, or VAT. This is a medium- to long-term priority that CME wishes to pursue. The introduction of a VAT will improve the overall domestic and export competitiveness of industry in the province. The current sales tax situation not only weakens the competitiveness of Ontario goods in the domestic market, but also in export markets against competitors located in jurisdictions that have value-added taxes. Implementation of a VAT would have the secondary benefit of simplifying compliance and administrative requirements, due to its alignment with the existing federal goods and services tax, also a VAT; in effect, a harmonized sales tax similar to the Atlantic provinces.

The Chair: You have about a minute in for your presentation.

Mr. Clipsham: Okay, I'll just finish these comments. To summarize, the three points are: harmonized corporate sales tax, press for the removal of the SR and ED from the tax base at the federal level and move to a harmonized sales tax.

Two other points about tax simplification:

—We'd like to see elimination of the corporate minimum tax. It's not a significant source of revenue for the government and represents an administrative and financial burden for businesses in Ontario.

—The apprenticeship training tax credit is really a competitive advantage for Canadian and Ontario businesses, but we're not seeing the uptake we'd like to see on this. So we recommend streamlining that process wherever possible and building some awareness about it as well.

I'd just like to reference a few other non-tax priorities. Challenges in finding and retaining skilled people continue to be an issue for our members, as well as electricity rates. That's a big issue in Ontario, of course, and we'd like to see efforts to expedite large-scale supply development and look at other means of mitigating cost impacts associated with higher rates.

That's basically the conclusion of our formal presentation. I guess we'll turn it over for questions.

The Chair: Thank you very much. This round will go to the official opposition.

Mr. Barrett: Thank you, Mr. Chair, and thanks to the Canadian Manufacturers and Exporters for testifying. You made mention of spending on pollution control. The Ontario government fairly recently passed the spills bill, legislation essentially focusing solely on fines and increases in fines after a spill occurs, whether it's to the air, the water or the ground. The advisory committee to the government did make recommendations to facilitate grants or loans or taxation assistance to companies to better enable them to upgrade plant and equipment to prevent some of these occurrences and spills in the first place.

Is there any comment on that? The legislation is done now in its fine focus.

Mr. Howcroft: I think we would agree with the direction to provide assistance to companies to ensure that a spill doesn't take place in the first instance. We were quite involved with the spills bill and have a lot of concerns with regard to some of the methods that were included in the bill. We certainly support the objectives it was trying to achieve, and we have done a lot of work and actually were very involved in helping bring the employer community together so that we could provide our input to the government on this, because we did have serious concerns. If there's a spill, it should be cleaned up and those responsible should pay for it. We have no problems with that. But we had concerns, with regard to the bill, with the unintended consequences of the negative image that's being portrayed out there. We're trying to attract investment and show that the province is open for business, and we think the bill probably left a different impression with many people looking at what's going on in Ontario.

Mr. Clipsham: If I could just add one comment: In terms of grant funding or looking at ways to help manufacturers and companies to make those changes, from our standpoint it's probably more effective to just make some of these targeted tax reforms and free up capital to make those investments that they're going to have to make anyway.

Mr. Hudak: Thanks, gentlemen, for the presentation. On taxation, I've heard the Minister of Economic Development and some of his colleagues say that Ontario's corporate tax rates are actually highly competitive, that we're in a good position. You present the C.D. Howe Institute, which says quite the opposite. Could you clarify for me where we actually stand on tax competitiveness?

Secondly, we've had a lot of comment about the proposed closure of coal-fired plants, with suggestions that we should invest more so in clean coal technology, and the impact that would have on energy rates.

Mr. Howcroft: There are different ways of looking at tax rates. Our tax committee spent a lot of time analyzing this, and we looked at other organizations too. Overall, we feel that when you look at the whole tax burden we have, we're not competitive and have to move in a more favourable direction if we're going to maintain competitiveness and industry growth in Ontario.

We do have serious concerns on the other issue, with regard to the closure of the coal-fired generators. Again, we certainly understand and support the intent of closing coal-fired generators. We're just concerned that there are going to be huge increases in the price of energy when you take one quarter to one third of the generation capacity off-line without adequate replacements in service. One of the ways we've been looking at this is, don't ban a particular source of energy; go with emission standards. I think we need to look more at clean coal technologies and what is possible. We certainly understand the environmental issues and the smog, the CO_2 and the NO_X and SO_X, but we also want to look at the best way of doing this from a scientific perspective.

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

Mr. Prue: You started off by advocating a lower effective tax rate. I can understand why business would want to pay less tax. So do ordinary people—everybody. On the other hand, how could this possibly work? We have a government that's running a deficit this year and next year, and hopefully, some time in 2007 or 2008, will come out of that and have a balanced budget. That's the plan, anyway. If they reduce business taxes, they won't make it till 2009 or 2010, if ever.

Mr. Howcroft: Our view is, instead of splitting up a diminishing pie, let's try to create a larger source of revenue, a larger pie, that we can all benefit from. The government itself has recognized that capital taxes are a deterrent to investment. What we want to do to combat that is increase investment, increase job creation, increase wealth opportunities in the province and grow the tax base through more businesses and more individuals.

Again, our first issue was on the capital tax side. We recognize that it is a negative. It is hurting the economy. It is scheduled to be eliminated. We think there is a reasonable argument that we should expedite that and start benefiting from the reduction of the capital tax immediately, rather than waiting until 2010 or 2012.

Mr. Prue: If the government does that and speeds it up, accelerates, they're obviously going to have to find another source of revenue. If business booms, perhaps there will be more jobs and more money. But if business does not—and this is all cyclical; it happens over and over, up and down—then the only other thing they can do is run a bigger deficit, which you oppose, or tax ordinary people, which I think they oppose. Everybody comes and asks for a tax reduction, and I'm just wondering how reasonable this is.

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Mr Howcroft: We think it is reasonable. We feel that we have to grow the economy. We have to not only preserve the business we have in Ontario; we have to grow that if we're going to sustain the infrastructure and the quality of life we have here. The manufacturing sector is going through significant major changes. We see those challenges in the newspapers every day. If we don't address those, they're going to be exacerbated over the next few years and we're going to be in an even more difficult financial position, with more threats to the public purse. So we think we have to take these tax measures now, in order to attract the investment, retain the investment and grow the economy. If we don't take those steps, we're going to see the continued attrition of investment to other jurisdictions that have more favourable tax treatments.

The Chair: Now we'll move to the government.

Mr. Arthurs: Thank you for the presentation. I want to go to one specific area, if we could, and that's the apprenticeship training tax credit enhancement. Clearly, this government wants to see young people trained to fill the voids that are going to occur in the workplace. You've made two particular comments: One, in order to improve the uptake, the government should streamline the application process. Can you help me with some of the things we might do to streamline that process? That's one question. Secondly, on increasing awareness in the business community to the benefits and costs, does your organization currently partner in any way with the government in doing that; would you be interested; and if so, how would you see that we could do it in partnership to advantage this for the business community?

Mr. Howcroft: Actually, we've been working very closely with the Ministry of Training, Colleges and Universities on the tax credit. We've long been advocating for that and were very supportive of the direction the government took. I think we were both a little surprised—both us and the government—that we haven't seen the uptake that we thought we should have on this very favourable measure, and we're trying to deal with the perception issue. We want as streamlined a process as possible. I think what's been developed is fairly streamlined, but we're also dealing with the perception out there that government programs are not easy to access. So what we're doing is trying to make sure that our members and others in the business community understand that the tax credit is available. Many people still don't understand it's available, so it's incumbent upon us—we have a responsibility to get that message out, and we're doing that in a variety of ways, like working with the government. The government was a partner with us at our conference in the fall where we provided information to those attending the conference, and we're looking for other ways to work with them as well to get the message out.

Mr. Arthurs: That's great. And certainly when there are good programs in place, we want to ensure, both from the business and government sides, that we get the message out as clearly and as strongly as possible. I'm very pleased to hear of the work that is going on.

Mr. Howcroft: And we're very pleased with that measure. Thank you.

The Chair: Thank you for your presentation.

ONTARIO VETERINARY MEDICAL ASSOCIATION

The Chair: I would call on the Ontario Veterinary Medical Association to come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to identify yourselves for the purposes of our recording Hansard.

Dr. Rick Healey: Dr. Rick Healey.

Mr. Doug Raven: Doug Raven.

Dr. Healey: Good afternoon. On behalf of Ontario veterinarians, I'd like to thank the committee for this opportunity. As mentioned, my name is Dr. Rick Healey. I'm the president of the Ontario Veterinary Medical Association. I am also the owner of a companion and food animal practice in Paris, Ontario. Joining me today is Mr. Doug Raven, the executive director of OVMA.

This is the first time OVMA has participated in pre-budget consultations. Traditionally, the veterinary profession's interaction with the government has been largely limited to discussing agricultural issues such as food safety and antimicrobial resistance. More recently, the profession has found itself involved in issues spanning a variety of ministries, from the Ministry of Health to the Ministry of the Environment and the Ministry of Labour. We've always done our best to provide support, knowledge and expertise when needed but have not devoted significant resources to proactively working with the Ontario government to address issues of common concern.

Times have changed. The issues facing our profession are increasingly fundamental issues for all Ontario residents and the animals that they care for and about. OVMA is therefore committed to making government relations a top priority for our association.

OVMA's mandate is to advance and promote excellence in the veterinary profession in Ontario and contribute to the betterment of animal health and the protection of human health. The reference to human health may be a surprise to some of you. I know you are all aware of the important role that veterinarians play in rural Ontario protecting the hundreds of millions of dollars that livestock and poultry producers have invested in their animals. However, you may not be aware that veterinarians are frequently on the front lines of human health protection.

It's virtually impossible to pick up a newspaper today without reading about threats such as avian influenza, mad cow disease, E. coli in the water supply and West Nile virus. While these are significant threats to human health and are often viewed only as human health issues, it is veterinarians who play a key role in preventing these diseases from crossing over from the animal population to the human population.

At the same time, study after study has reinforced the important role that companion animals play in the physical and mental health of their human companions. Owning a pet has been demonstrated to reduce stress, decrease the risk of high blood pressure or heart attack, and reduce the likelihood of depression. The human-animal bond is truly an effective contributor to optimal health. The best part for the province is that it doesn't cost OHIP a dime. It is up to veterinarians and the pet-owning public to ensure that the healing powers of the human-animal bond are sustained.

Unfortunately, not everyone can afford to provide medical care for their pets. That's why the OVMA has programs in place to help Ontarians in need—programs the government may not be aware of. In 2002, OVMA created the Farley Foundation to assist pets that require necessary medical attention and that are owned by low-income seniors and people on disability. For many of these people, their pets are their sole companion and are therefore essential to their mental well-being. The OVMA and its members have raised and dispensed hundreds of thousands of dollars to date to provide this needed medical care.

We are aware that shelters for abused women are normally unable to accept pets and that many women who are suffering at the hands of an abusive spouse will not leave the abusive situation because they are concerned about the potential harm that may befall their pet. That's why OVMA created the Safepet program. Over 75 veterinarians across the province volunteer their clinics and their services to abused women who wish to enter a women's shelter and have nowhere for their pet to go. These veterinarians provide shelter, food, exercise and necessary medical care until alternative arrangements can be made. These services are provided without compensation.

We also are aware of the strong link between cruelty to animals and cruelty to humans. OVMA has therefore made a commitment to work with the Ministry of Community Safety and Correctional Services to bring about a change in legislation making it mandatory for veterinarians to report suspected cases of animal abuse. While this would impose an additional obligation on veterinarians, we are pressing for this change because we feel it is the right thing to do for Ontarians.

Mr. Chair and committee members, it is obvious that veterinarians are an integral part of the medical profession, benefiting both animals and humans, yet because veterinarians are regulated under the Veterinarians Act and not under the Regulated Health Professions Act, we are sometimes lost in the shuffle when legislative amendments are being considered by the government.

Mr. Raven will quickly provide you with more details about a recent situation where veterinarians were unfortunately forgotten when the province was amending legislation affecting health care professionals.

Mr. Raven: Thank you, Dr. Healey.

OVMA was very pleased to hear last year that the province was introducing legislation that would, subject to the enactment of appropriate regulations, allow health care providers with professional corporations to reduce their families' income tax burden by allowing family members to become non-voting shareholders in their incorporated businesses. It was exceptionally good news for food animal veterinarians in particular. The closing of foreign markets to Canadian cattle due to BSE has placed a significant strain on livestock and dairy producers, and the veterinarians who serve them.

Over the last few years, declining revenues in rural areas have forced many veterinarians to give up food animal practice entirely. This has exacerbated a trend that was already under way: an ongoing decline in the number of veterinarians practising in rural and remote communities across the province, as more and more veterinarians find that it is simply not economically feasible to operate a veterinary practice in some of those areas. Initially, that started in northern Ontario, and we're now seeing it in many areas of southern Ontario as well. As a result, there are more and more areas of the province without access to veterinary care.

Given the role that veterinarians play in disease identification and prevention, and the growing connection noted earlier between animal and human disease, this should be of concern to the province of Ontario and to every Ontario resident. OVMA is actively seeking ways to assist veterinarians to stay in those remote and rural areas without placing an even greater financial burden on the already beleaguered farmer.

While we were initially pleased by the announcement that the province made last year, when we saw the proposed legislation, we were surprised and dismayed to find out that veterinarians are the only health care professionals who were not to be covered by this new legislative provision. Our first impression was that despite veterinarians' role in protecting both animal and human health, the government did not recognize veterinarians as health care providers. However, when we met with the Minister of Finance's advisers, we were told that it was simply an oversight. Because Ontario veterinarians are regulated under different legislation than human health care providers—they are under the Regulated Health Professions Act, and veterinarians are under the Veterinarians Act—the legislative amendment simply failed to cover them. Unfortunately, because that legislative amendment was included in a bill to implement last year's budget and because veterinarians were not specifically mentioned in the budget, it was not possible to incorporate an amendment to the Veterinarians Act in that bill. We were informed by ministry staff that to rectify the oversight, the change would have to be made in the upcoming budget, and that is what we are here today to ask.

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We are currently working with the Ministry of Finance to determine the cost of extending this opportunity to veterinarians. Given that the number of veterinarians in the province of Ontario is a very small portion of the total number of doctors and dentists in the province, our expectation is that the cost to the province would be minimal. In fact, our preliminary analysis conducted with the ministry shows that the numbers are low enough that we estimate it could come from the original amount set aside for doctors and dentists, with no additional fiscal impact on the province over that already planned. However, it will assist veterinarians across Ontario to continue to provide valuable medical services to the people and animals they serve. It will particularly assist practices in the smaller communities and could even assist some veterinarians to stay in rural areas. Of equal importance, it would demonstrate the province's commitment to the equitable treatment of all health care professionals.

We thank you for taking the time to hear us this afternoon. Dr. Healey and I would be happy to answer any questions you may have.

The Chair: Thank you. The questioning will begin with the NDP.

Mr. Prue: I was quite surprised as well. Veterinarians came forward and talked to me in terms of the budget bill and how you had been left out. Has that finally been resolved, or is it still ongoing?

Mr. Raven: It is still ongoing.

Mr. Prue: If it was such a minor problem, what is taking so long?

Mr. Raven: We were told the problem was that because veterinarians were not mentioned in last year's budget, they would have to amend the bill to include the Veterinarians Act along with the Regulated Health Professions Act. They could not amend it because the reference to veterinarians was not in the budget, and it was a budget bill. It was an administrative issue.

Mr. Prue: Have they promised that it will be in this year's budget bill?

Mr. Raven: We have been told in discussions with the finance ministry staff that they are very sympathetic to the cause. We have not been told officially that it will be included.

Mr. Prue: How much will this assist veterinarians? I understand how it assisted doctors and some other people who had access to it in terms of making more money and staying, some of them, in remote and rural areas. That was part of the cause. Will that have exactly the same effect on keeping veterinarians in rural areas to look after farm animals and/or in remote northern areas where there are not too many of them?

Mr. Raven: We've had a number of discussions with both the Ministry of Northern Affairs and the Ministry of Agriculture, Food and Rural Affairs about the issue. They both recognize that we are having a problem keeping veterinarians in those areas. The hard part is finding a way to do that without simply passing on greater charges to the veterinarians' clients, who are also having difficult times. We are looking at a number of ways to try and do that. This would be one measure towards that end.

The Chair: We'll move to the government.

Mrs. Mitchell: Thank you very much, gentlemen, for coming out today. I come from the riding of Huron–Bruce, and I certainly appreciate all the work you do for our rural communities. I'm also the parliamentary assistant to the Minister of Agriculture, Food and Rural Affairs, so I will make sure the minister receives this report.

I also have a couple of questions for you. The Office of the Chief Veterinarian was formed this year. I would ask you gentlemen what your comments are with regard to that office. Do you see it as a venue for addressing a lot of your concerns here?

Dr. Healey: I think it's critical in trying to link our profession with the government. Part of our address today addressed the fact that we have not proactively worked with the government in the past. I think forming that new office will allow that connection. Its main focus is going to be these named diseases and these foreign diseases that are a major concern and further illustrate the importance that we play in the human health world.

With respect to the budget changes, I think it just further emphasizes the need for us to be seen equally and treated equally in the profession.

Mrs. Mitchell: But as far as reporting processes—you've talked about the different ministries. I think that often you get caught between ministry to ministry to ministry. With regard to the Chief Veterinarian's position, do you see that as one way of addressing the ministries combined? I certainly understand that the other issue you have right now with the Ministry of Finance is separate from that. I'm talking more about food safety and your role going forward from that day.

Mr. Raven: If I can answer that question, certainly we were very, very pleased when that office was created, and additionally pleased when Dr. Deb Stark was named to that post. She is highly respected in the veterinary profession and community in the province of Ontario. We have been very pleased to date with our discussions with Dr. Stark and the progress she has made in finally linking up the government, the veterinary profession and the various producer groups, who don't always work together on these issues. She is the kind of person who has been able to pull the groups together and finally get everyone rowing in the same direction, and we're very pleased.

The Chair: Thank you. Now we'll move to the official opposition.

Mr. Barrett: Thank you for testifying on behalf of the Ontario Veterinary Medical Association. Locally, we're now dealing with the results, in a sense, of the pit bull legislation, trying to sort out who does what in our area, and we're being very cautious. I recall, in testimony, the veterinary association identified the difficulty in trying to identify what is a pit bull and what isn't. The Attorney General has indicated that if it looks like a pit bull, it is a pit bull, although as I understand the legislation, there's a reverse onus: The owner would have to prove that it's not of that breed. Mr. Raven, I know you've been in the media concerning this. We have a situation: We don't know whether the municipality should be dealing with this or the OPP or the humane society, and where a veterinarian gets involved. We now have the law in place. How best do we move forward on this? I'm not in favour of killing off any breed of dog, by the way.

Mr. Raven: We are certainly monitoring the implementation of the legislation rather closely. Unfortunately, we've heard of a number of instances where a local humane society has not only taken on their role, but also the role of judge and jury, and has sentenced a dog to death without the owner having due course to the courts to determine whether or not the dog was even a pit bull. So there are a number of issues that we're very concerned about. We have offered to assist the government to try to resolve those issues as time goes on, and hopefully we'll be able to do that. But we are continuing to monitor that issue very closely.

Mr. Hudak: Thanks, Mr. Raven. It's good seeing you again. By coincidence, I just came back from the vet's, an animal clinic here in Niagara Falls. We have some great veterinarians here in the peninsula. Our cat, Bogart, is feeling a bit under the weather, so hopefully this will fix him up.

With respect to the issue on medical professionals, has there been progress with other health care professionals, aside from veterinarians, in gaining access to that tax advantage?

Mr. Raven: We are working with a third party consultant who works with a variety of health care organizations that are all seeking access to it. I understand that we are, again, making progress, but as previously indicated, there has been no formal commitment at this time.

Mr. Hudak: I have another question just in terms of recruiting veterinarians to work in rural areas and increasing training for rural and large animal vets. Is there any progress on that front?

Mr. Raven: We continue to have discussions with the other ministries on that. At the end of the day, one of the issues, of course, is that if you're smart enough to get into veterinary school, you're smart enough to figure out that you can make more money treating cats and dogs than you can large animals right now because of the tough times that rural areas are going through. That's really what we're trying to address: How can we address that and make rural practice continue to be an attractive proposition for a young veterinarian?

1400

The Chair: Thank you for your presentation.

Mr. Wilkinson: On a point of order, Mr. Chair: You referred to an appendix A, and I don't see that as part of your package.

Mr. Raven: Thank you for that. It was our annual conference last week, and we were spending most of the week at the Westin Harbour Castle with a couple of thousand veterinarians. We had expected to have appendix A based on discussions with the province about what the exact number would be. Unfortunately, we did not have that, and I apologize for that. We will be making all that information available to the Ministry of Finance, and they will have the final number.

Mr. Wilkinson: When you have that, could you also get that to our clerk, and we can add that to the package so we have that when we have deliberations?

Mr. Raven: Yes, we certainly will. My apologies for that.

The Chair: That way each member will have one. Thank you very much.

CANADA'S RESEARCH-BASED PHARMACEUTICAL COMPANIES

The Chair: Now I call on Canada's Research-Based Pharmaceutical Companies to come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning. I would ask you to identify yourselves for the purposes of Hansard.

Mr. Geoff Mitchinson: Thank you very much. My name is Geoff Mitchinson. I'm vice-president of public affairs for GlaxoSmithKline. I'm joined by Zenek Dybka, executive director, Ontario government affairs, for Canada's Research-Based Pharmaceutical Companies.

Zenek and I are proud, on behalf of our 9,000 Ontario-based employees, to be presenting to you today. These are exciting times. On the one hand, we have incredible biotechnology innovations that are coming through that are having a major impact and will have a major impact on just about any disease you can name. On the other hand, we have the benefits that that whole revolution in life sciences is bringing forward, which is incredible economic growth, the incredible capacity for investment in this industry and in this province.

Our submission argues forcefully that innovation in the life sciences sector, a robust pharmaceutical industry and better health care for Ontarians are mutually compatible and benefit all Ontarians now and in the future. Investing in only one side of this equation while repudiating the other is not a successful strategy. It will impact the health of Ontarians and the future potential of our economy. We believe 2006 is a pivotal year on both these fronts.

Our submission focuses on three areas. The first area is what we call "Do no harm," which I'll elaborate on. The second is, let's take the time to recognize what's really working in health care right now. What is the best way to treat patients for the best outcomes in the most efficient manner? Finally, what does it mean to say we're going to have an innovation agenda? Who's involved and what does that mean?

Let me start with the first point: Do no harm. We very much appreciate in our industry that the government and the province have sustainability issues in health care. It's expensive, it's growing and it's a problem that you need to grapple with. On the other hand, we need to ensure that decisions that are taken make sense.

Last year, before this same committee, we were faced with a proposal called reference-based pricing. I won't go into the merits or demerits of that particular policy at the moment, but I will say it was driven out of the fact that the government was given some inaccurate forecast numbers out of the Ontario drug benefit plan. Government officials projected annual ODB growth at 15%, and we were informed of that as an association in meetings with the Office of the Premier last spring.

The government felt that they needed to contain growth of the drug plan at 10%, given growth in other parts of the health care system. This 5% reduction would achieve a savings of approximately $160 million in the $3.2-billion drug budget. In response, our industry commissioned a study using the government's own data and its own consultant, and forecast that in fact 10.9% was the real growth rate likely in the Ontario drug benefit plan. The government settled on 12% in the budget and, year to date, the fiscal growth rate is around 10.2%. What I want to highlight is that the policy that was going to be put into place to get to 10% when the estimate was 15%, to save the $160 million, would have had a dramatic impact on the two million people who use the Ontario drug benefit plan, not to mention the impact on the life sciences sector and our industry.

We agree wholeheartedly when the Premier states that you can't manage what you don't measure, but you must measure properly, as in this example. Not measuring correctly could have led to disastrous results. So we simply ask that we get the numbers right and we come together to understand what the real impact of the drug program is in the province.

We need to recognize what works and what doesn't. The pressures of health care, we understand, are significant, but the data is overwhelming that if you treat the patient with the right health care team, with the right medicines at the right time, and you do that in partnership with all players, you get a fantastically better outcome. The evidence is equally overwhelming that if you use innovative new medicines and new technologies, the net cost savings tend to be dramatic, compared to traditional therapies. The reason for that is simple: Usually, new technologies are priced to be under the next best option. In other words, you gain the efficiency with the new technology.

Finally, many experts believe that patients, far from being overmedicated, are often undermedicated. That has a lot to do with the fact that they may not be on the right medicines with the right treatment and then stay on those treatments and be monitored effectively. We argue that we need to have a partnership to make that go forward for the benefit of patients in Ontario.

Finally, we need to collectively grasp the opportunity to understand what innovation really means and to have a holistic strategy in the province where we support the life sciences sector and support the pharmaceutical industry for the benefit of patients and the benefit of the economy.

We currently have a situation where the government is looking at joining the national pharmaceutical strategy, which sounds like a good idea. But in reality, it's relinquishing control over decision-making to federal authority in what is really a cost-cutting scheme that we believe will have a negative impact on patients. We believe we need to address the section 8 process in the Ontario drug benefit plan, which generates some 160,000 letters a year from physicians requesting new therapies—70% of these are accepted. In a province where we have a 3,000 or 4,000 GP physician shortage, that's an awful lot of extra work that we believe may be unnecessary.

Our goal is simply this: We are ready, willing and able to work with the government, and to work with physicians, patients and other stakeholder groups to provide the best medicines for patients at the right time. We have innovative disease management programs that help health care providers do that, and we have an incredibly successful industry that's continuing to invest in Ontario and wants to be part of the future economic prosperity of this province. On that note, I'll take any questions.

The Chair: We'll begin this round of questioning with the government. Ms. Marsales.

Ms. Judy Marsales (Hamilton West): Good afternoon, gentlemen. Thank you very much for your presentation. Zenek, it's nice to see you again. As you may know, we're just in the process of opening one of the finest innovation parks, the McMaster Innovation Park in Hamilton. It's been said that while we are doing the right research, there's a bit of a challenge getting the benefits of that research to the marketplace and, by extension, into actual practice.

Could you speak to that, and what is going to happen in terms of McMaster?

Mr. Mitchinson: A very good point, and kudos to McMaster for taking on that initiative on the Westinghouse property. As Hamilton residents, past and present, that's great to see.

Ontario has made a great investment in basic R&D under both the current government and previous government, if you look at the MARS project in Toronto and the different cluster sites that have been built around the province. The issue isn't creating another round of basic research centres where you have small three- or four-person labs; the issue is how you convert the discoveries they're making into commercializable—it may be an overused term—products. There are two barriers to that. The first is venture capital, on which I don't pretend to be an expert, but I do know that the vast majority of biotech companies that truly get going usually wind up partnering with major pharmaceutical companies at the phase-3 level. That's where it tends to cost tens, if not hundreds, of millions of dollars to develop products.

The second is ability to sell your product. That's where we talk about tying together the drug program. If you believe these innovations make sense, and hopefully some will be discovered at this new biotech park at McMaster, then they ought to be available to Ontarians for use in the health care system and, ideally, working together with the drug plan, the investment the government makes in health care and the investment in parks like the one at McMaster, we can see that happen. But we've got to be working together, and right now we think that isn't occurring to the degree it could be.

The Chair: Mr. Barrett.

Mr. Barrett: I wish to thank you for your presentation. Much of your presentation—I haven't had a chance to read all of it—focuses on the Ontario drug benefit program. It looks like this year it represents 10% of the Ministry of Health budget. Some background information: 10 years ago, I think it was around $1 billion for the ODB. What has been the change over the last 10 years, percentage-wise and dollar-wise?

Mr. Mitchinson: It was an interesting period. You tend to have waves in innovation. Throughout the mid- to late 1990s—my colleagues can give you the direct numbers—we had the introduction of a series of major new therapies. You had the introduction of the cholesterol lowering agents. You had the introduction of a number of products for cardiovascular diseases, as well as many others. So you saw a huge ramp-up in the cost of the drug benefit program, with growth rates between 12% and 18%. We're in a time now when we're actually not introducing as many new therapies and categories; ergo, the drug plan growth rate is predicted to be around 8% to 10% over the next four or five years. You kind of have the ebb and flow of innovation and the introduction of those innovations really driving higher costs.

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Mr. Barrett: Have you any idea what percentage it was 10 years ago? I'm just interested; that's when I arrived on the scene.

Mr. Zenek Dybka: I don't have that number off the top of my head, but we did experience growth, certainly in the last—the drug budget has been one of the fastest-growing areas within the health budget, but it still remains one of the smallest total components. In absolute dollar amounts, even a 10% growth rate, although high relative to other parts, is dwarfed by small percentage growth rates in the hospitals budget, for example, or in other parts of the health system.

Mr. Mitchinson: We can provide to you, if you'd like, what the relative trend line has been. In aggregate, it has flowed in the fashion I've described.

Mr. Barrett: Presently, it's 10% of the overall budget.

The Chair: If you do provide information, could you give it to the clerk, so that each member would have it?

Mr. Mitchinson: Yes, so it could be circulated to the committee—absolutely.

Mr. Hudak: One of the most heartbreaking things that any of us as MPPs have to deal with is a senior or other constituent who can't get access to a drug that she could get from another province or state. If you're a resident of Ontario, how does affordable drug access compare to peer jurisdictions?

Mr. Mitchinson: There are a number of ways you can look at that question. I would argue that until maybe the mid- to late 1990s it was pretty good. Quebec has always been the gold standard, in the sense that they've tended to put on to their formulary the vast majority of products that come along, and in reality, their drug program hasn't grown tremendously more than any other jurisdiction.

Over the last number years, the listing of benefit products has dropped sharply. About 17% of new products that come to market are listed. You have a clear differentiation now between those that are on the Ontario drug benefit program and those that have private insurance. One could argue that the rationale for not putting products on is where we have a debate. Nobody is asking the government, and nobody is asking any payer, to pay for a product that doesn't provide value; we understand that. But the fashion in which these products are listed is based on something called evidence-based medicine. The trouble is that the evidence has to be the last possible word on the medicine before it goes on. That takes somewhere between 10 and 12 years of morbidity and mortality data. As such, it's almost impossible to put products on under that system. So I would argue it is a deteriorating situation; it's untenable. The section 8 process is inefficient, and frankly, it hurts your constituents and patients in Ontario.

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

Mr. Prue: Thank you very much. As Mr Hudak was saying, I had some people come in to see me last week in my constituency office. The woman has multiple myeloma and was advocating on behalf of a drug; I think it was Velcade. She had been advocating, and they had been advocating, for more than two years, and it's still not there. How is it that Quebec can do it so much faster? Why is Ontario so slow?

Mr. Mitchinson: First of all, I don't know the specifics of that particular product. It's a matter of the way you look at it. In reality, if you accept that if a product is approved by Health Canada, which means it's safe and effective, and you assume that by and large medicines are one of the more efficient ways, if not the most efficient, to treat most conditions—you could argue that from a number of points of view, not only just getting better, but the quality of life: You're not in the hospital; you don't have to undergo as many personal rigours. I think that for a long time Quebec viewed that as net-net: You have a better benefit in taking the opinion of the physician, the opinions of the patients and that of the government and putting a product on their formulary. That worked pretty well for them.

In Ontario, we've had a different system, which has its own merits and demerits. Basically, the role of the physician and the physician expert is not as well recognized, and there is no role for the patient in the decision-making. As a result, it tends to be left to a fairly narrow group of people with a set of very high bars as to what would be covered and what won't be.

The issue gets into the following: You can find an awful lot of examples of products, and perhaps the one you're referring to is an example, where there's not a good reason why it should take that long. It doesn't make a lot of sense. Part of our submission is simply asking: Let's understand what's working, but let's understand what's not working, and fix it. It can't be that tough. Nobody is asking for things to be covered or paid for that don't pass a decent test of benefit and cost, but let's not needlessly delay. We've seen too many examples of that lately, particularly in the field of cancer.

Mr. Prue: The woman who was sitting across the table from me was part of a clinical trial. She had had the medicine, and when the clinical trial was over, she couldn't have it any more. That just seemed to me to be bizarre, because it was working.

Mr. Mitchinson: There has been a shift in the past year, where the Ontario cancer authority has ceded to the drug benefit plan much of its right of decision-making; you could argue that there's an efficiency in having one body make those decisions. On the other hand, I'm not sure the transition has gone as well as it could. One thing we would advocate—we all know what these products are well in advance of their coming to market. It's not that big a secret; there are clinical trials. Why not work through the process of understanding what should and shouldn't be covered well in advance of its arrival, instead of waiting for a submission to arrive on the day it has its notice of compliance? There is just one simple way we could look at this right now, and that maybe would help with that situation.

The Chair: Thank you for your presentation.

CASCO INC.

The Chair: Casco Inc., would you please come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning. I would ask you to identify yourself for our recording Hansard.

Mr. Jim Grey: Thank you. I'm Jim Grey. I'm the president of Casco. I'd like to thank this committee for the opportunity to discuss our issues within the ag sector. I apologize for the fact I have no pre-documented comments, but perhaps you'll permit me to just talk off the top of my head for a period of time.

Let me start by telling you very briefly who we are. Casco has been in business in Ontario for roughly 150 years. We are a significant part of the agricultural-industrial sector. Our job simply is to process corn into a variety of starches and sweeteners. We service both the food and industrial sector industries, such as soft drinks, brewing, baking, processed foods, and the paper corrugating and wallboard industry. We process a rough equivalent of 25% to 30% of the Ontario corn crop annually.

We're also part of a very highly integrated supply chain, literally from the farmer's field to the grocery store shelf. We do that as part of our three operating facilities within Ontario though the purchase of Ontario corn and supplying Ontario customers. So the impact of any part of that supply chain—both positively or negatively, the influence is felt throughout that supply chain.

Obviously, there are many issues that we are facing today, and they are not all within the scope of this committee's work. But first let me comment that, like most of the manufacturing sector in Ontario and in Canada, we are facing significant pressure from the value of the Canadian dollar and the cost of energy within Canada. I'd like to encourage the committee to contemplate, in its role going forward, the support to help mitigate the impact of very, very high energy costs while maintaining our commitment to the Kyoto Protocol in Canada.

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Most significantly for us, however, as part of that supply chain, is Ontario's farm crisis. I've already heard comments about that today. Our suppliers of our most important raw material, being corn, are Ontario corn farmers. To put it very mildly, or bluntly, their input costs are far greater than the value of the product they are selling. Arguably, the root cause of this is the fact that their commodity is priced through the Chicago Board of Trade, and US farm policy has a significant distorting trade impact on that good.

The farmers, in a last-ditch effort, have launched a countervail duty anti-dumping suit through the CBSA, the Canadian Border Services Agency. As a result of that, a preliminary duty for their product has been established. A duty of imported corn into Canada from the US has been established at $1.65 a bushel. Both sides agree—and I talk regularly with the corn producers—that this is fundamentally a lethal remedy to a curable disease.

I recognize, and I don't envy, this committee's job. You have limited resources and you have hands out in health care and education, infrastructure and many things to consider. But I would ask you very sincerely to contemplate ongoing farmer support in this province, recognizing the fact that the federal government has a proportionate duty to support our agricultural community as well. Thank you.

The Chair: And thank you. We'll begin this round of questioning with Mr. Prue of the NDP.

Mr. Prue: I didn't think it was my turn, Mr. Chair. I believe it's the Conservatives' turn, but I will—

The Chair: Oh, I'm sorry. You're quite right. It's the official opposition.

Mr. Hudak: Thank you, Chair.

Jim, it's great to see you. I know my colleague Toby Barrett, the ag critic, has some detailed questions for you. I just wanted to thank you for coming here. Casco is a major employer in my riding, and a very active corporate citizen as well. I just want to say that I appreciate your leadership on this too in developing a win-win situation for the jobs at Casco as well as Ontario corn farmers.

Mr. Grey: Thank you.

Mr. Hudak: I know my colleague has some detailed questions.

Mr. Barrett: The issue of Casco and the corn countervail came up at our last day of hearings in Cornwall as well. You have a plant down there as well.

Mr. Grey: Yes.

Mr. Barrett: Actually, a number of months ago the Minister of Agriculture was questioned about this Canadian International Trade Tribunal decision. Obviously, there is subsidization south of the border. The action that was taken, if anything, has certainly raised the awareness of that subsidization and, in my view, has raised the awareness of the importance for both the Ontario and Canadian governments, and other cash crop provinces, to meet this US farm bill at least partway.

Having said that, and I know Mr. Hudak raised this issue in the Legislature as well, we're not clear where the Ontario Minister of Agriculture stands on this issue. I think there is a role for government when you have competing interests, if you will. I understand the situation of the corn farmers. Part of my income comes from corn. I also, and certainly through Mr. Hudak, understand the needs of farmers who are feeding livestock, our growing ethanol industry and, obviously, Casco. Has the minister been of any assistance? Is there a role for government to try and resolve competing interests?

Mr. Grey: Very much. In fact, I met with Minister Dombrowsky late in the fall. To the best of my knowledge, we were anticipating a level of support from the provincial government, but obviously that support has got to be matched proportionally by the federal government. There was an announcement very shortly after that meeting from Minister Mitchell of the $750-million or $755-million, I believe, support mechanism. My facts may be inaccurate. But when all is said and done, that $750 million sounds like a great deal of money, and it is a great deal of money, but when it came down to the cheques that the farmers received in the mailbox, it was insignificant. I think what Minister Dombrowsky is looking for is the quantity and a delivery mechanism from the federal government that she is contemplating as well, so that it is targeted and very effective. To date, we haven't seen that.

Mr. Barrett: There's no question that at $755 million—that's national; about $120 million provincially—it isn't going to meet the need. I guess we have a situation where the industry, certainly the ethanol industry, is now facing very high-priced corn. I think they are in a position where they are quite justifiably asking for assistance to continue to use high-priced corn. There is an ethanol fund sitting there. Do you feel a similar argument could be made for other industrial processes, like the Casco operations?

Mr. Grey: I certainly have a somewhat personal bias that, yes, I think there should be. It's difficult for us, as Casco. We are essentially the only one of our kind left, certainly in Ontario and definitely in Canada, so it does appear somewhat self-serving. There is an ethanol mandate now in Canada, and this complaint with the CBSA is certainly contrary to that mandate. There is no such mandate in Canada that says, "Processed food shall be made with domestically processed corn." If there was such a mandate, yes, there would be a vehicle for support of our industry buying higher-priced corn. Let me just make it clear: I don't mind higher-priced corn. I'll pay $4 a bushel for corn as long as my competitors in the United States are paying $4 a bushel for corn.

The Chair: Thank you. It's good to know the committee is actually following me along. Now we'll go to Mr. Prue of the NDP.

Mr. Prue: You talked about energy costs at first. In terms of Casco, how much have your energy costs gone up in the last number of years? The reason I'm asking this is that when we were in northern Ontario, particularly the pulp mills said that—not so much where they were cutting board, but the pulp mills—they had gone up to the point that they're all closing down. They're not competitive any more. That's the end. Is the same thing happening to your industry?

Mr. Grey: Very much. Our plants are very energy-intensive. Our process is called corn wet milling, and that implies there's lots of water and lots of energy. I think I'd be safe in saying that in the last five years our energy costs have tripled. Other than corn, it is the highest single input cost we have to date. It probably represents about 40% of our input costs. So it's very significant.

Mr. Prue: The government had proposed, prior to the election, capping the cost of electricity. Should they be looking at going back to that promise?

Mr. Grey: Long-term, I'm not sure that that's the right answer. Again, it's not just the cost of electricity. We produce our own electricity in most of our facilities. What is really impacting us is, given the fact that we have signed the Kyoto Protocol in Canada, we are forced to burn natural gas. Our competitors in the United States will burn coal, wood, tires, garbage. I'm not suggesting that we do that and dismiss the Kyoto Protocol, but that's really the fundamental competitive issue we have.

Mr. Prue: In terms of farmers, we have heard as well from some farmers particularly about US subsidies, but really subsidies that exist all over Europe and in Japan, where the farmers are given a fairly hefty sum of money before they even plant anything—$50 or $100 an acre or whatever, depending on the country and the location. That's expensive, but should Canada be doing the same thing as most of the European countries, the United States and Japan? Most of the OECD countries are doing some form of subsidy, which I don't think we are.

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Mr. Grey: We are doing some limited subsidization, but not nearly to the degree that the United States is. I heard a recent statistic that between 40% and 50% of the corn farmers' income in the midwest United States is from government subsidization. Again, long-term, I don't think that's the right answer at all. I know that the United States is under significant pressure, primarily from developing countries around the world, to start to eliminate farm subsidization in the upcoming farm bill in 2008, but being realistic, I don't think we're going to see that any time soon. I guess our question is, are we going to allow our agricultural base in Canada and its associated industries to diminish and decline while the United States maintains those sorts of farm policies?

The Chair: Thank you. Now we'll move to the government.

Mrs. Mitchell: John and I will be asking a couple of questions here. Thank you very much for coming out today.

I just want to reinforce the comment you made, Jim. You were quite correct in what you said: We need federal support. We know that corn protection cannot go on as it is right now. With that being said, I need to get from you a better sense of how the countervail is affecting Casco.

Mr. Grey: Again, it's not over and, unfortunately, won't be over probably till the end of this year. I can say it easily from an arithmetic perspective: US$1.65 per bushel duty and we process 25% to 30% of the Ontario crop; that's 60 million bushels a year. If all of that duty flowed through to domestic bases, that's $100 million. That's significant.

Mr. Wilkinson: Jim, I was up in Molesworth meeting with Ron Coghlin, and we were talking about that. You were saying—it's a great quote—that it's a lethal.

Mr. Grey: I'd like to say it was mine; it's not. I borrowed it from someone.

Mr. Wilkinson: Yes, but it's so accurate. He was showing that it's actually setting it up. Because you can get your duty back when you ship into the US market, it's actually incenting large producers like you to source from the US.

Mr. Grey: That's correct.

Mr. Wilkinson: Which, I'm sure, was not the intention of the corn producers when they started this whole process.

Mr. Grey: And it's not our desire either.

Mr. Wilkinson: Exactly. The minister was very clear when she was in my riding. She has put on the table our share of market revenue. We need to have a multi-year plan to get us over to the new round of APF. That's important. It's got to be sustainable. Farmers have to buy in, and they have. They helped design the plan. Any assistance that you can give us and the Farmers Feed City people as we lobby the federal government to see the light and go to that program because, without that, you're absolutely right, the countervail will hold—I know there's some discussion about trying to get it down right now, but the decision's already has been made and has had a perverse impact on the market.

The Chair: I'll give you a chance to respond, if you like.

Mr. Grey: I agree.

Mr. Wilkinson: We're on the same page. We need you.

Mr. Grey: I'm there.

The Chair: Thank you for your presentation this afternoon.

WELLAND AND DISTRICT HUMANE SOCIETY

The Chair: Now I call on the Welland and District Society for the Prevention of Animal Cruelty to come forward, please. Good afternoon. You have 10 minutes for your presentation and there may be 10 minutes of questioning. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Ted Bettle: My name is Ted Bettle. I'm the manager of the Welland and District Humane Society. I'm presenting this afternoon on behalf of the Ontario SPCA.

The Welland and District Humane Society is a non-profit organization that is dedicated to the well-being of animals. We provide shelter and care for animals in our community that have been abandoned, abused, neglected or injured. We serve a very large area: the city of Welland, as well as Port Colborne, Wainfleet, Pelham, Haldimand county and West Lincoln.

Our guiding principles are: to act to prevent cruelty, physical pain or suffering to any animal; to encourage consideration, respect and compassion for all animals; to assist in the enforcement of all laws designed for the protection of animals and to secure, by lawful means, the arrest, conviction and penalties for persons who abuse or neglect animals under such laws; to set high standards for improved animal care, welfare, protection and shelter; to educate the public on animal welfare issues and animal protection laws; and to advocate for and function within the laws and in co-operation with government, industry and research representatives improving conditions for all animals, maintaining a balanced sensitivity toward animal and human needs.

We are an affiliate of the Ontario SPCA. In our functions we do not receive any government funding to operate our programs and to fulfill our legislated mandate.

The Ontario SPCA is also a non-profit charitable organization committed to putting an end to animal cruelty. The Ontario SPCA's mission is to facilitate and provide for province-wide leadership on matters relating to the prevention of cruelty to animals and the promotion of animal welfare.

Through the dedication of staff and community support, the Ontario SPCA branches and affiliates provide care and shelter to tens of thousands of animals every year. Under the Ontario SPCA act, the Ontario SPCA and its branches and affiliates are mandated to enforce animal cruelty laws. Animal protection services are provided 24 hours a day, seven days a week, 365 days of the year, by trained Ontario SPCA agents and inspectors. They have police powers to enforce the act.

Under the new Dog Owners Liability Act, the pit bull legislation, we are also a named agency.

We are called upon by government ministries such as the Ministry of Natural Resources on a regular basis to perform services for the province, but these are unfunded. We receive no government funding to fulfill our mandate; we are dependent upon donations and fundraising in the community.

We have seen a continual increase in the number of animal cruelty cases. Animal cruelty charges laid by the Ontario SPCA and its affiliates across Ontario have increased sevenfold over the last five years. The number of animals rescued has more than doubled. The number of search warrants executed has more than quadrupled, and the number of orders issued almost tripled.

The pit bull legislation has caused an increase in our already limited resources and staff workload. The cost of additional agents, operational costs for trucks and equipment, required travel and an increase in calls have put a serious strain on the resources of the shelters. As we need to care for and protect more animals, our costs naturally increase.

We have worked very hard to maintain strong community support in Welland. However, due to the growing needs of our community, we find it difficult to keep pace with the demand.

Our costs are continually increasing. There is a rise in the number of cruelty cases. For example, cruelty complaints at the Welland and district SPCA in 2001 were 65, a few more than one per week. In 2005, it grew to 496, well over one per day.

Bill 132 has resulted in additional strain on the internal shelter operation: the holding of animals for cruelty investigations and related operational and medical expenses. Admissions at our shelter in Welland in 2001 were 726, which is roughly two a day. In 2005, it was 3,049, which is actually eight per day. A rise in investigations impacts on staff time and resources.

Our shelter is in need of repairs, but we have had to defer fixing it in an effort to find savings. Both the dog and cat adoption areas are seriously in need of complete renovation. However, savings achieved in this short-term fix will result in even more costs in the long term.

We are not in a position to financially support the operations in our community. The plan currently is to stop providing after-hours response and veterinary services and perhaps place the functions necessary on the police force. The police do not have the resources, capacity or training to provide these services currently in our area. We may be faced with devolving shelter services to the local government. As shelters close or reduce services, the demand on the remaining affiliates will become overwhelming.

The government provided one-time emergency funding to the OSPCA and commissioned an independent review of the agency and its business. Solutions lie in the government-commissioned report. The Grant Thornton report made several key recommendations: The government must provide interim funding to facilitate the stable operations of the Ontario SPCA and its branches until a long-term strategy is developed; the government must lead the development of this long-term strategy for the provision of animal welfare services; and it was recommended that this strategy should consider a review and also the development and consideration of a capital funding plan for government, including building renewal and new technology.

Although the government received this report in February 2005, it did not release the report to the OSPCA until late July 2005. These recommendations are of relevance to my local shelter, the Welland and District Humane Society, because anything that happens at the level of the OSPCA also benefits and affects us in our community.

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Since the OSPCA received the Grant Thornton report, we have worked quickly to adopt any of the recommendations within its control—accounting updates and a review of our fundraising efforts.

What is disappointing is that the government has not moved on its part to implement the recommendations directed to them. The Ontario SPCA and its affiliates are frustrated that a strategy for the operation has not been developed, despite being told by the Ministry of Community Safety and Correctional Services that a strategy is being developed.

The Ontario SPCA has been invited to propose ideas to find new financial stability and for the MCSCS to take the lead. After several months, there has been no progress and it has been confirmed to us that our ideas will not be advanced. The Ontario SPCA has been clear that it is critical that a review is needed to proceed and has requested modest financial help to facilitate this. The MCSCS has said there is no money available to assist us, and has left it at that. In order for this review to work, there must be a demonstration of interest on their part. The government has never given a formal response to the recommendations in this report. The Grant Thornton report clearly states a plan of action, and we support that action as an affiliate of the Ontario SPCA.

We do have concerns. The Ontario SPCA has had to cut hard and deep in the past, and they are still facing a financial crisis, which will lead to making even more cuts to services and closures across the province. These decisions would need to be made without the benefit of a long-term provincial strategy—a strategy recommended by the Grant Thornton report.

As affiliates are faced with the same, very difficult decision, there could be service cuts and closures across the province. Cuts in services by the Welland and District Humane Society will lead to hundreds of unwanted animals being neglected and an enormous increase in the number of animal welfare issues that cannot be addressed. It is an outcome that makes no sense for our community.

We have found that making cuts in services may achieve short-term gains, but our experience in the past and currently is that the long-term gain costs even more and also affects our ability to fundraise in our community. It would seem more practical to establish some interim funding, allow the organization to do the internal reviews, allow government to consider a more relevant legislative framework and ensure that services are maintained by the animal welfare agency already in place, the OSPCA and the agents and branches in Ontario.

The Welland and District Humane Society is supportive of the OSPCA in their efforts to get the government of Ontario to act on the recommendations of the Grant Thornton report. Interim funding can assist with keeping the facilities open and operating in our community and will allow the Ontario SPCA the opportunity to reinvent itself into a viable and sustainable organization.

Our proposal is a partnership with the government. We urge the government to provide interim finance funding for the Ontario SPCA and its affiliates, conduct the requested review of the Ontario SPCA and support a legislative package, as Bill 105, that would be an interim step in giving the Ontario SPCA the legal and financial tools that it needs to advance animal welfare. With this partnership, the OSPCA and its affiliates would be able to continue to provide the necessary animal welfare services for the province of Ontario.

That concludes my report.

The Chair: We'll begin now with Mr. Prue.

Mr. Prue: We've been in a number of cities and had similar things said to us from other SPCAs. So I'd like to ask directly what's happening in Welland. What's happening to your SPCA? What's happening in terms of funding, city involvement, requests and things in Welland?

Mr. Bettle: I appreciate the opportunity to express that. We are in a situation where we do a great deal of work on behalf of the OSPCA. We were mandated in all those communities that I mentioned that we cover. Those services, though, are provided only by fundraising and support from the community in many ways—whether we are in someone's will. The money comes only from that source.

There are two elements with most of the affiliates in the province. We do animal control work, and we do the work of the OSPCA. The animal control work is done through the municipalities, and we are paid for that service. We present a cost-for-service program to each municipality and are paid for our work.

Unfortunately, we have faced a continual increase over the last three years, as I'm sure you've seen from the presentations across the province. The required work on our behalf is continually growing. We do a cost basis. We're a non-profit organization. We simply are funded for the animal control work we do. Over and above that would be the injured animal, a car accident on the highway and two animals involved in it. We rush to the scene and rescue those animals. The police force would take care of the balance, but it is our function to do that. If an animal is hit on the road, that's our function. If there is wildlife hit by vehicles, that's our function, but we are not paid for that. That is done strictly through donations. That requirement is continually increasing, and we cannot keep pace. The demand for the dollars to support something like this has constantly increased. We are certainly not the only ones, as you fully recognize, asking for support in the community. It has been more and more difficult for us to keep pace.

The difficulty is that we have no continuity. Fundraising is not a certainty; it's only a hope. To maintain and exist in the community and provide the services, we need a stabilized flow of revenue to assist with that work. We can, in many cases, be in shortfall for three months and have no cash flow, and then be fortunate enough to fundraise and raise money, but we are terribly in the hole and climbing out. It's a very difficult position to be put in.

The Chair: We'll move to the government.

Mr. Arthurs: Thank you for the presentation. Whether you said it and I just didn't catch it, but specifically, if you could, what's your annual operating budget? To what extent is that funded through your fee-for-service provision and how much on your fundraising, approximately?

Mr. Bettle: I have those figures in my head. In the Welland and District Humane Society, I have a budget of approximately $800,000 a year. Wages and equipment represent the lion's share of that, almost 75%. We have effected many cost savings over the last year. I have arranged for free food from one of the major manufacturers, which has cut our costs considerably. We are in a position, though, where the animal control aspect is roughly 50% to 60% of our work, and that is funded by the municipalities, but 40% of the work we do is in fact through the OSPCA. As I said, that is primarily funded through donations.

We are struggling in all cases. It is difficult to run an organization like a business and be a charitable organization at the same time and provide charity-sponsored funding of services. Our cost-for-service basis for municipalities is just that. It's not that we're making a profit that we can spill over to help with our OSPCA work. It is a constant struggle.

The people who do this work are highly trained. It's a very difficult job, and they should be paid for that. It's a very dangerous job sometimes as well. But it is a circumstance where you need qualified people. They need the training. They need the expertise to do it correctly.

Mr. Arthurs: A second question if I could. Do I have some time left?

The Chair: A minute.

Mr. Arthurs: On the capital front, we've had a number of witnesses from around the province on this matter. Among the deputations have been comments about a need for renewed infrastructure, that the facilities they're working in are not up to standard. It would be my view that they certainly wouldn't, to the extent that that's the case—I'm saying it's not at all—encourage the public-private sector engagement in fundraising if they can't see some bricks and mortar that will at least encourage them to say, "This is the kind of place where we should be managing animals." What's the kind of infrastructure you're working with? Is there infrastructure renewal, or is it relatively new and adequate?

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Mr. Bettle: I'm working in a shelter that's nine years old, so I'm fortunate. The difficulty with the shelter is that I have the old original building sitting beside me; I haven't been able to afford to tear down, which is probably somewhere in the neighbourhood of a $25,000 to $30,000 expenditure. It is sitting there unused, and in fact the city has asked me to take it down, but I can't afford to do so.

The unfortunate thing is I have a nine-year-old building that wasn't properly constructed because the original budget was, I believe, somewhere in the neighbourhood of $500,000 to $600,000, and when they started building it, we had $300,000 to build it. So I have a building that is sorely in need of additional expenditures to maintain it, with a roof that I know is going to have to be replaced. Part of my facilities were only partly done. I have outside runs that have never been finished. We're working on doing that now, with volunteers and local people with supplies. But the money is just not there to do it properly.

One of the difficulties is, I face two adoption areas that aren't properly set up. The whole idea behind this is that I would bring animals in and hopefully have them adopted as quickly as possible. Without that kind of facility, it really restricts my ability to do that job.

The Chair: Thank you. We'll now move to the official opposition. Mr. Hudak.

Mr. Hudak: Thank you, Mr. Bettle, for the presentation. As you've heard, I think this is the fifth presentation by a humane society, so the pack approach is getting the message through very loud and clear. I expect that you'll see the committee react to the presentations that you've made.

I wanted to go off topic a little bit. You mentioned the pit bull legislation. With the benefits of the BlackBerry, I pulled up a story that was in the Brantford Expositor in late November. It says:

"Hamilton's humane society has saved six pit bull puppies destined for death under Ontario's new law by flying them out of the province.

"The Hamilton-Burlington Society for the Prevention of Cruelty to Animals put the abandoned pups on a WestJet flight from Toronto to Vancouver because British Columbia does not have restrictions on the breed.

"All six were destined for the veterinarian's lethal injection because they had to be classified as strays. Jim Sykes, the local SPCA president and chief executive, says he arranged Friday's unusual air rescue because new provincial legislation 'is effectively a death sentence' for any abandoned pit bull" or their puppies.

Mr. Bettle: I'm aware of that story in the paper. It's very difficult legislation to implement and work with. We really don't have all the pieces in place to be effective in our communities. If you are asking me what I would have done in what happened at the Welland Humane Society, technically, right now, any puppies that are born that are pit bulls are illegal in this province. They would have to be removed; that is the legislation. That's not my view and it's not the view of the OSPCA, but it is in fact the reality of the legislation.

We have worked very, very hard in the Welland Humane Society area to facilitate anyone with a pit bull, to work with them. We spent a great deal of money creating a pamphlet that went out long before the legislation was implemented. I'm very, very pleased with that. We have had very little difficulty in compliance—very little, although it is an ongoing circumstance. We do a lot of work with the agents and inspectors visiting people and dealing with the difficulties that this pit bull legislation corrects.

The problem is, the legislation shouldn't have been directed towards the breed; it should have been directed towards the owner. Then, we could deal with it. We are somewhat handicapped in being faced with a simple summons to court for that individual. I am presently working with all my municipalities to create a local bylaw that allows us to deal specifically with the pit bull legislation so that I can deal with every individual on a more proactive basis. I think that may be the answer. Most of my municipalities are very supportive in this regard.

The Chair: Thank you for your presentation.

ASSOCIATION OF ONTARIO HEALTH CENTRES

The Chair: I call on the Association of Ontario Health Centres to come forward, please. You may sit anywhere you like there. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Ms. Denise Brooks: Thank you. My name is Denise Brooks, and I'm the president of the Association of Ontario Health Centres.

Mr. Scott Wolfe: And I'm Scott Wolfe. I'm the senior policy analyst for the Association of Ontario Health Centres.

Ms. Brooks: Thank you very much for the opportunity to be here and present to you. The Association of Ontario Health Centres is a policy and advocacy organization for non-profit, community-governed, interdisciplinary primary care in Ontario. We currently represent 54 community health centres, 10 satellite community health centres and seven aboriginal health access centres, or AHACs, throughout the province.

In communities across Ontario, CHCs and AHACs are leaders in health care innovation. We deliver a unique combination of interdisciplinary primary health care, illness prevention and health promotion services, along with community development and support programs. In caring for and supporting hundreds of thousands of Ontarians, CHCs and AHACs play a very critical role in the health delivery system. We do so by ensuring that primary health services are able to reach a diverse population of people across this province, many of whom face significant barriers in accessing those services. We act as a Ministry of Health and Long Term Care identified vehicle for the implementation of municipal and provincial primary health care strategies such as the diabetes, asthma and Early Years programs. We integrate health services at the community level, and have a great deal of experience in developing intersectoral partnerships and building community capacity. Certainly, community health centres and AHACs reduce the burden on acute care and long-term-care institutions and the overall costs associated with those services.

In 2004, the Ontario government embarked upon its journey to transform the province's overall health system. This plan provides a long overdue opportunity to realign and orchestrate the vast array of health service providers, institutions and bureaucratic structures in important ways. If planned soundly and resourced appropriately across the various sectors of the system, this transformation can help to achieve a sustainable system characterized by innovation rather than crisis management. Of course, this vision of change, far from daunting, is at the very core of our beliefs as CHCs and AHACs. Through our innovative services and programs province-wide, both CHCs and AHACs have long espoused this vision, focused on strategies to keep individuals and communities healthy, in distinction from the treatment-oriented focus that has traditionally predominated in much of the health system.

Primary health care and community development programs at CHCs are mutually reinforcing, helping Ontario to achieve significant savings to the overall health system. Much of the research points to compelling evidence of the system-wide advantages of the CHC and AHAC models. Consider, for instance, that in 2003-04, the average cost of one in-patient day at Ontario's hospitals was $1,270. Then consider the following highlights from Canadian and US research that has come to light: Savings from avoided hospitalizations are 13% to 38% greater for CHC clients than clients of fee-for-service physicians; reduction of hospital stay lengths is 23% to 31% shorter for CHC clients versus clients of fee-for-service physicians. In view of a steadily increasing provincial health system budget, these accumulated savings from avoided hospitalization alone clearly speak to the advantage for the province of a robust network of CHCs and AHACs.

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There's no doubt, therefore, why on December 16, the Minister of Health and Long-Term Care, the Honourable George Smitherman, referred to CHCs as the best vehicle for promoting healthy lives and healthy communities. This followed on the heels of the minister's November 2005 announcement of a significantly enhanced role for CHCs in the provincial health system transformation plan. This role includes $74.6 million to expand the number of CHCs in Ontario by 60% by 2007-08. By 2008, once rolled out, no fewer than 550,000 Ontarians will be able to access primary health care in the province through a total of 103 CHCs and satellites.

It's important to note that a large portion of new clients who will receive access to primary health care through this increased CHC presence face barriers in accessing services. They would otherwise face significant obstacles in receiving services through other models of primary care due to a range of factors, including language, race, culture, geographic isolation, physical disabilities and other factors.

In return for this investment in CHC services, the enhanced health of ever more Ontarians will give back to the province healthier communities, greater social capital and increased productivity for the province as it competes in the global economy. Ultimately, CHCs and their provincial association have seized this opportunity to contribute in an even greater way to the health of Ontario and the sustainability of its cherished health system.

In terms of that, what are our recommendations? First of all, AOHC wishes to acknowledge and express its sincere appreciation for the Ontario government's support, in 2005, for its commitment to community-governed primary health care. These signs of commitment were demonstrated, as I said, by:

—the announcement of $74.6 million in new funding to create 22 new CHCs and 17 new satellite CHCs by 2007-08, and to increase staffing and program capacity at existing CHCs;

—$15 million in new support for 69 diabetes care and education teams province-wide, of which 25 are community-health-centre-based;

—$1.2 million in funding for new and refurbished diagnostic and medical equipment at 50 of the province's CHCs and its 10 AHACs;

—commitment to transferring funding for CHC-based Early Years programs from project-based to core annualized funding in order to support greater planning and service capacity; and

—finalization of a new compensation package for CHC physicians, including new salary ranges with a 2.41% base adjustment, as outlined in the 2004-08 OMA agreement. That was retroactive to April.

Bearing this in mind, there remain several outstanding challenges faced by both CHCs and AHACs. Most evident—in case you're wondering why I'm here—is the fact that the government has not yet committed to including the aboriginal health access centres and, by extension, aboriginal communities in the expanded primary health care mandate that has been developed for CHCs and the communities that they do and will serve. In addition to aboriginal primary health care needs, the AOHC has presented two other urgent needs here, along with a request for additional support from the government in 2006-07.

This is basically broken down into three areas: increased human resources and operational funding support for AHACs, increased capital funding to enhance the capacity of CHCs and AHACs, and funding to ensure more effective primary health care planning and enhanced service capacity in Ontario.

So we look at the specific recommendations.

(1) Increased human resources and operational funding support for AHACs. AHACs have not, to date, been included in the expanded provincial mandate given to CHCs within the health system transformation plan. The AOHC is hopeful, however, that the coming year will see additional government measures to enhance equity in aboriginal primary health care and to better incorporate the AHACs into this renewed mandate for community-governed health care.

As a measure of such commitment to expanding similar services for aboriginal communities, it is critical that the Ontario government first take steps to ensure equity for existing aboriginal centres. Details of this need have already been provided in the policy paper Waseskun: Enhancing Aboriginal Primary Health Care in Ontario, presented to the Ontario government in November 2005. Based upon the principles espoused in that document, we specifically recommend:

—new salary, benefits and operational funding for AHACs: $1,234,249 in new, annualized salary and benefits funding in 2006-07 for the province's 10 AHACs, and $3,122,644 in new operational funding for the province's 10 AHACs. Total new funding recommended for fiscal year 2006-07 for Ontario's 10 AHACs is therefore $4,356,893.

—commitment within the language of the 2006-07 budget to expanding access to culturally appropriate primary care services for aboriginal communities from the 18% to 22% current coverage rate to a rate more in line with non-aboriginal communities.

(2) Increased capital funding to enhance the capacity of CHCs and AHACs. Several of the AOHC's existing member centres have the ability to expand the scope and reach of their services but are hindered by a lack of physical space to deliver more than they currently are and to expand their client list. What is even more critical, though, is that many of them are at a point where this is a possible or potential health and safety issue. As a result, many of the centres have conducted their own assessments of physical and capital needs, upon which requests for financial support have been based and submitted to the government. A good number of these documented needs have been sitting with the Ontario government for years. Numerous other CHCs and AHACs in similar predicaments need to conduct this assessment planning through which capital needs may be properly identified; however, this has not been supported thus far. These needs are urgent and relate not only to the desire, in select cases, to expand access to services but more to the need to provide safe and appropriate environments for clients and health centre staff alike.

The Chair: You have about a minute left.

Ms. Brooks: Thank you. We therefore ask for an investment of a minimum of $16 million in 2006-07 in capital programs for existing community health centres and AHACs. We ask that you develop a prospective plan for CHC and AHAC capital funding, like the health infrastructure renewal fund for hospitals, which would address the serious needs on an ongoing basis. Thank you.

The Chair: We'll begin this round of questioning with the government.

Mr. Wilkinson: Thank you for coming in and telling us about what really is a success story today but particularly for the future. You weren't able to get to this part of your presentation, but could you just outline your experiences with your model and the new family health team model, the interdisciplinary model that's being promoted? In my own riding of Perth county, every physician is now part of a family health team, so we're kind of the cutting edge of that. But it looks to me like we're just catching up with you. Could you talk about that relationship? You have some to which you've been providing advice to help the FHTs roll out successfully.

Ms Brooks: Absolutely. The family health teams have been able to benefit from the long history of community health centres, and we have indeed been able to sit at the table, both at the family action team table and by helping in the community. There are sort of two streams of family health teams, one known as community-governed and the other provider-governed. Particularly, the community-governed family health teams have been working with and modelling very closely on the community health centres. The family health teams that are provider-driven have a multidisciplinary approach, but it's a little less uniform than that of the community health centres in that it doesn't necessarily have a community development capacity; it is not community-governed. But the lessons around interdisciplinary care, around health promotion and illness prevention, those aspects, are very much incorporated, or will be incorporated, into the family health teams.

Because the communities are the things that are primarily different—with the exception of two of the family health teams, where one is focused on homelessness and another on inner-city needs—most of them are intended to provide services to what is identified as the general population. Community health centres are the model that has been identified to provide services for those who experience barriers in accessing. In the province of Ontario, the estimate of that population, as you can imagine, is high and growing, considering that barriers are based on race, language, culture, geography, cultural isolation and a host of other factors. That population is significant and growing. The family health teams are intended for a population that is considered to be general, but have lots that they could learn.

1510

Mr. Wolfe: If I may add to the points raised by Denise, as one of your peer committees will be hearing from the AHOC next week relating to the proposed Local Health System Integration Act, the reform that's currently under way in Ontario poses tremendous potential benefit to the system. However, challenges are going to be faced there in identifying needs at a new regional level, bearing in mind that there are two reform processes under way simultaneously; namely, primary health care reform, through the new family health teams and the move to a greater number of interdisciplinary care teams throughout the province, as well as this reform of the overall system. That means there's going to be a tremendous need at the LHIN level and on the part of individual communities to benefit from the experiences of CHCs locally in addressing complex care needs that more than likely the majority of these family health teams will simply not be able to address. Focusing on client populations that face barriers such as those that Denise mentioned and complex health care needs, including comorbidities, will mean that CHCs have a strong role to play in helping to nurture primary health care services throughout the province. We have actively, as an association, been working with our CHC members to identify opportunities to partner with family health teams so we can put into effect, in essence, what we might term a hub model. That would mean that CHCs would be able to provide services in some of the instances where those complex care needs could not be met. Bringing it back to—

The Chair: We need to move to the next round of questioning.

Mr. Wolfe: If I may make one final point—10 seconds. The point—and this pertains to our third recommendation, which Denise was unable to touch on—is that there needs to be increased resourcing of this system planning for primary health care so that these supports we've just been speaking of can actually be realized.

The Chair: Now we'll move to the official opposition.

Mr. Hudak: Thank you both for the presentation.

My riding is in the LHIN known as LHIN 4, showing the creativity the Ministry of Health often demonstrates with that great name. Maybe 3 and 5 were taken, so we got 4; and we do have a new CHC coming.

What happened was, one community applied for a CHC, one applied for a family health team and then suddenly they found themselves merged by the Ministry of Health into one single CHC for three communities: Fort Erie, Port Colborne and Wainfleet.

Following on Mr. Wilkinson's question about the difference between the family health team and the CHCs, maybe you could shed some light on that. If one community asked for something different, it's kind of peculiar that they had something else foisted upon them.

Ms. Brooks: I can give you what we understand a good interpretation to be, but I certainly can't speak for the ministry or those who make those decisions, because even though the explanation will seem very clear, it's obvious that when it comes to making some decisions, some other factors come into play. They could be political, they could be resource, they could be that the local community has made a change of mind based on a limited amount of resources.

Community health centres, as I said, have been identified by the Ministry of Health and others as the primary health care model that will provide services to populations experiencing barriers to access, and they would do so most in line with the determinants of health based on the Ottawa charter. So it's looking at health, not just as a physical issue, although the physical aspect and the clinical aspect are very important, but also the other factors that affect people's health and well-being—housing, employment, education, discrimination, gender, ability—all of those factors that affect and impact on one's health and well-being.

In terms of the evolution from a fee-for-service practice to what they identify as the top of the scale, which would be a group practice where you incorporate some urgent care, maybe some short-term diagnostic kinds of things, as well as the whole multidisciplinary team, the community health centres were seen as almost the next step.

The family health teams are intended to take those elements of the community health centre, such as interdisciplinary care, and provide those services to a population that is identified mostly as a well or general population, with the enhancements being based on that population. For example, if you're in Hamilton, which is LHIN 4, and diabetes is a well-known issue, then the family health team would work to have maybe a community dietician working with them in a partnership or on staff or some connection so that they would be able to deliver services to that population. But the population itself would not be necessarily one that experiences barriers in accessing any of those services; they could probably pretty well navigate the system. They probably don't need a lot of supports in doing that. That's the general intention. Sometimes that gets changed and merged based on other issues that certainly we don't have any input on.

The Chair: Now we'll move to Mr. Prue of the NDP.

Mr. Prue: In Toronto, there was a report a few years ago called Poverty by Postal Code. It seemed that one of the things of being poor is not having adequate access to medical care. I was just looking through the list of all the CHCs and AHACs, and it seems that in the Toronto area there are quite a few of them located in these areas identified in Poverty by Postal Code, and quite a few of them as well seem to be culturally sensitive. An example is the multicultural community health centre for native Canadians, Anishinabe. Centre francophone de Toronto. There's a whole bunch of stuff.

When you get out into some of the other LHINs, I don't see that at all. Is that a problem? I look at Mississauga, and there are currently no CHCs, satellite CHCs or AHACs—in LHIN 6, not one.

Ms. Brooks: Yes, precisely. We were taking a look at when the applications were coming forward and communities were working with the association on developing some of those applications and putting them forward. When I say that it's the general population—well, when you take someplace like Peel, when you do the demographics, somewhere around 60% to 70% of the general population is non-white, non-English-speaking, non-Canadian-born. So by old standards, old models, this has been described as a population experiencing barriers to access, but it is not one and the same. Sometimes, our social constructs have not caught up with what needs to be the models of how services are delivered in various areas and respond to those population needs.

So yes, one of our major concerns is that there is not a community health centre or an AHAC in every single LHIN. How do we know, then, how the services will reach those folks who do experience barriers because of language and race and culture, and how do we ensure that there are culturally competent, culturally sensitive services that will be delivered in those areas? It is a concern.

Mr. Prue: In terms of general health, it's been known ever since I was a boy that the aboriginal communities, generally, had poorer health: lower birth weight babies, people dying at much younger ages, diseases, tuberculosis, alcoholism, the whole range. I'm hopeful that the AHACs will work where other things have failed. How are they going be better?

Ms. Brooks: I think that they themselves also have a proven history. Although they are not identified as a program, they are still in project phase, and every five years, the project is renewed, which means that every five years, the health care status of people is reviewed to see whether or not there's still a need for aboriginal health access centres. That certainly puts everybody in a very precarious situation, but they work very hard and have had great success around areas of diabetes and other sorts of substance abuse issues, etc. But they're limited, and just the same way as you go to your family doctor, your family doctor can safely see and practise with a given number of people. After that, you need additional resources, or another doctor or another set of sources.

Some of the AHACs, as in others like the community health centres, are moving forward in providing services. They've set up satellites and others, but they need resources. This is a strategy that was developed many years ago that has not moved from the strategy stage to an ongoing program and a commitment saying that the health of aboriginal people in this province is important and we are going to make sure that it is part of our public policy, as every other primary care model is. Until that happens, every time they have to wait until hopefully somebody is either sensitive enough or there's a strategy like the diabetic strategy and there are some extra dollars thrown there. There are only 10 in the province of Ontario and one is not even at Six Nations, which is the largest reserve. This is a very growing concern that we continue to bring forward and have not yet been able to have addressed in a way that is at all meaningful.

The Chair: Thank you for your presentation.

TOWN OF FORT ERIE

The Chair: I call on the town of Fort Erie to come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

1520

Mr. Rino Mostacci: Yes, good afternoon. My name is Rino Mostacci. I'm the director of community and development services for the town of Fort Erie, and I'm joined by two of my colleagues, Mr. Ron Tripp, who is the director of infrastructure services for the town of Fort Erie, and Margaret Neubauer, who is the director of corporate services for the town of Fort Erie. I also bring greetings on behalf of the mayor and the municipal council of the town of Fort Erie.

I'd like to thank you for the opportunity to speak to the standing committee and give our presentation. I should note that the handout that was given to you has been slightly revised in terms of the presentation. The final presentation will be made available on the town's website at www.forterie.on.ca.

For those of you who may not be intimately familiar with the town of Fort Erie, it is one of Niagara's fastest-growing communities. We have a population of about 30,000 and are strategically located on the Canada-US border. From an economic perspective, Fort Erie is important as one of North America's busiest international border crossings. We believe that in the future it will emerge as Ontario's preferred crossing from an international trade perspective. To this extent, border-related commerce is affected by the capacity at the Peace Bridge and accessibility to the QEW. Efficient access to the Fort Erie border crossing is absolutely vital to the Ontario economy. As a result, we are experiencing major interest in terms of industrial operations in various business enterprises to locate in Fort Erie to take advantage of the accessibility provided by the QEW and the Peace Bridge. This is directly in line and consistent with provincial policy.

As you are probably aware, Places to Grow has identified a gateway economic zone that runs right through Fort Erie to the Peace Bridge. This is an excerpt from the schedule, Places to Grow. You can see Fort Erie at the southeastern limit of Niagara region, and the red line symbolizes the gateway zone, which essentially is parallel to the QEW through the area.

Fort Erie strongly supports the provincial designation of the gateway economic zone through the town and wishes to facilitate implementation, particularly with respect to job creation and investment opportunities. Our vision is to create a premier industrial business park located in Fort Erie serving all of Niagara, southern Ontario and upstate New York.

The proposed industrial park is designated in our planning documents. It's designated in the regional official plan. To give you an idea of scale, gross area is approximately 600 hectares. There are approximately 120 hectares that are classified as environmental lands, provincially significant wetlands, and about 120 hectares are undevelopable, as they are already used for highway purposes and landfill sites. The net industrial land available in the industrial park is approximately 360 hectares, and we envision approximately 120 development sites based on an average of about three hectares per site. So this is a major opportunity for industrial growth and job creation in this region.

Our goals locally are to diversify the industrial base and promote a strong economy. We'd like to attract and retain jobs and investment, partner with major industry and land developers, and encourage business development in innovative sectors of the economy. To give you some background, DMI, which is a wind generation company, has recently located in Fort Erie, specifically to take advantage of the accessibility and the position relative to the border.

Our objectives are to maintain a sufficient supply of shovel-ready sites; that is, sites that are ready to be developed. We have found that industrial operators and enterprises are not land developers. They find the land development process cumbersome, so it's important to have sites that are ready to be built upon when they show up at the front door looking to establish their business.

Additional objectives are transportation and servicing infrastructure to support ultimate build-out of the industrial business park. We'd like to build on our competitive locational strength at the border by attracting upstate New York companies and to collaborate with all levels of government relative to the growth corridor, including the province and the federal government, as you have seen through the border infrastructure fund.

For those of you who are here, I'd like to point out a couple of specific projects. Gilmore Road is the main interchange that is currently accessing the industrial business park. A secondary point of access from the QEW is Bowen Road. The lines that you see are proposed lot lines and building sites for industrial operations. The blue areas are the provincially significant wetlands, which we would like to preserve in accordance with provincial policy. What you see as grey are the developable sites within the town of Fort Erie.

The success of the business park is directly related to accessibility to the border crossing and the availability of shovel-ready sites, as I have said. Improvements resulting from the Canada-Ontario border infrastructure fund have enhanced accessibility and efficiencies at the border. The next step is to enhance the ability to locate in proximity to the border crossing and take advantage of locational efficiencies as well as to relieve congestion throughout the GTA.

Currently, the QEW ramp infrastructure serving the Fort Erie industrial business park is deficient. Due to capacity constraints resulting from the existing condition, there is limited ability to accommodate new development. This is a serious threat. Ramp improvements must be undertaken almost immediately at the QEW-Gilmore Road interchange to allow pending development in the Fort Erie industrial business park. In terms of long-term sustainability, the QEW-Bowen Road interchange requires upgrading and connection to the QEW-Gilmore Road interchange via a service road.

The town of Fort Erie, in partnership with the region and private investors and developers, will take responsibility for all servicing improvements related to sanitary sewers and storm sewers.

The provincial role is to provide for the infrastructure improvements related to the QEW-Gilmore Road ramp improvements as soon as possible and a 2006-07 construction project listing for MTO, as well as to include the QEW-Bowen Road interchange improvement upgrade in the 2009 capital project listing for MTO.

That concludes my presentation.

The Vice-Chair: The questions will go first to the official opposition.

Mr. Hudak: Mr. Mostacci, thanks very much for taking the time to be here. Actually, Councillor Doug Martin was here in his capacity as regional councillor, with the chair and the police chief earlier today, so we had strong Fort Erie representation.

A couple of quick questions. First, with respect to the ramp improvements for the QEW and Gilmore, the Ministry of Transportation was initially looking at doing a marshalling yard when we had backups at the border with the trucks, which has not gone ahead. It's no longer needed because the improvements have been made. But that did save the MTO a substantial sum of money, which I would argue now should be put into the Gilmore Road overpass. Do you recall how much it saved the Ministry of Transportation?

Mr. Mostacci: Thank you for the question, Mr. Hudak. I recall that MTO had done a study some time ago relative to a fairly large-scale marshalling facility in the vicinity of Gilmore Road. They abandoned that at the time, and I think the price range was around $40 million. It was quite substantial. Locally, we thought there were better alternatives, one being that improvements could be undertaken at the Peace Bridge relative to a number of administrative and processing options to facilitate the flow of trucks. As well, the private sector could be engaged to provide the marshalling facilities, which was done to some degree at Gilmore Road.

Mr. Hudak: A couple of more questions. If you could, on council's behalf—I know the mayor has been clear on this. With respect to the border infrastructure fund, I think the town of Fort Erie's preference is for those to be invested with the Peace Bridge and not to consider an Ambassador project through another part of town; secondly, a position on the mid-peninsula corridor.

1530

Mr. Mostacci: I'll go to the second question first. I don't believe the town has taken an official position with respect to the mid-peninsula, other than supporting it in terms of the need. I don't think they have expressed a position relative to whether it should go through Fort Erie or not. We're not at that point yet.

Relative to funding through border infrastructure being allocated to the Peace Bridge, the council has been strongly in support of upgrading the Canadian Plaza to facilitate the processing of commercial vehicles in particular. There is substantial advancement being made, as we speak, to the Canadian Plaza. As a result of that funding collaboration between the federal government and the provincial government, the truck queues along the QEW have been almost eliminated.

Mr. Hudak: Do I still have a second, Mr. McNeely?

The Vice-Chair: You have 30 seconds left.

Mr. Hudak: Great. Just on the wetlands issue as well, a new mapping of the wetlands from MNR has taken some of the development [inaudible]. Fort Erie has been placed as a place to grow. It seems like one ministry doesn't know what the other ministry is doing.

Mr. Mostacci: When we were thinking about presenting today, we were debating whether to challenge the subcommittee with respect to the infrastructure improvements or the wetland issue. The wetland issue has had a significant impact on developmental lands within the urban area. But our position is that, if that is provincial policy, we will accommodate that.

Overall, there is a significant amount of wetlands outside the urban area. The council's position is that those lands should also be preserved. They are an important part of the local ecology, and the residents of Fort Erie value those quite highly.

The Vice-Chair: Thank you. Mr. Prue, it's your turn.

Mr. Prue: We have heard from a number of municipalities across Ontario that the industrial base in their respective communities is declining. We know that in Ontario there have been tens of thousands of jobs lost in the last year in the manufacturing sector. This is sort of a little different. Do you actually have people building and manufacturing coming in, or is this just a hope?

Mr. Mostacci: We are experiencing, in the last two to three years, a visible increase in demand for industrial properties, mostly related to the fact that the Peace Bridge is being upgraded and that the firms in the GTA are looking to move elsewhere, where they're not constrained by the congestion that's being experienced in the GTA. Much of the manufacturing taking place in southern Ontario is shipped to the US, and it goes right by the front door of Fort Erie. It's an ideal locational advantage to be in this area.

I did mention that we have Rich Products, which is a US-based company expanding significantly in Fort Erie. DMI, a US-based wind generation company, is building a new facility in Fort Erie. We also have other firms in the metal processing areas recently announcing relocation from other parts of Ontario and the region to Fort Erie.

Mr. Prue: In terms of Fort Erie's economy as a city, as a town, are you undergoing many of the same things that other municipalities are in terms of having to increase the tax rates, being downloaded upon, those kinds of things, or are you better off?

Mr. Mostacci: Over the course of the last five years, the council has been quite effective in terms of maintaining an almost zero tax rate increase, benefiting from reassessment and growth to increase the levy. So the tax rate has remained essentially flat over the last four to five years. We are experiencing steady growth in terms of residential development. The challenge is to promote job creation. We need people who are in Fort Erie to stay in Fort Erie, newcomers to have an opportunity for employment and to retain the existing investment that we have.

The Vice-Chair: Mr. Arthurs, for the government.

Mr. Arthurs: The presentation has been quite specific, and I commend you for that. You've picked a target area and presented accordingly, particularly on infrastructure requirements. It's probably appropriate that the Vice-Chair is the parliamentary assistant to the Minister of Transportation, so your message is getting through to him to get it back to the minister. Your timing is very good.

There are a couple of things I'm still curious about. You've referenced that Fort Erie will emerge as Ontario's preferred crossing from an international trade perspective, and that's not just a sales pitch, I presume. There are good reasons for that, and I'd like to hear just a little bit more about that in the time we have. Secondarily, the shovel-ready approach: Are zoning and site planning in place at all? I'm not going to get down to the nitty-gritty stuff, the old municipal things, but is zoning in place, and some preliminary site planning, or just up to the zoning level?

Mr. Mostacci: There are two questions there. I'll address the first one, in terms of the Peace Bridge. We strongly believe that the improvements being made at the Peace Bridge will result in that border crossing at Fort Erie becoming Ontario's number one border crossing, primarily because of the congestion issues being experienced in the Windsor crossings.

You will see over time, once the Canadian plaza improvements are put in place and once the expansion to the US plaza has been completed, relative to the additional inspection booths, that we will have almost free-flow commercial traffic at the Peace Bridge. When you're moving goods, time is money. The logistics firms are telling us that a one- to two-hour delay at the Windsor crossings is not acceptable and that the Peace Bridge is a superior crossing in terms of expeditiously moving from the GTA, as well as the cost advantages in terms of the processing fees at the Peace Bridge.

The Peace Bridge is moving forward, as you know, with the binational, integrated environmental assessment for the new bridge. The jury has selected a new bridge prototype, and it's working its way through the US environmental approval process. We hope to see a new bridge under construction within three years.

The Vice-Chair: Thank you very much. That's the time. Thank you for the presentation.

ST. CATHARINES AND DISTRICT LABOUR COUNCIL

The Vice-Chair: We now have the St. Catharines and District Labour Council, Suzanne Hotte, president. You have 10 minutes for your presentation. When you start, just state your name for the purpose of recording Hansard.

Ms. Suzanne Hotte: Thank you very much for the opportunity. My name is Suzanne Hotte, and I am the president of the St. Catharines and District Labour Council. I have a person, Malcolm Allen, who will be joining me. We've just got a problem with the traffic. I will be submitting a written brief. One has to love computers: It chunked it up around 2 o'clock today.

Anyway, I want to thank you for the opportunity to address the committee. As president of the labour council, I represent over 15,000 workers in the St. Catharines area. Just to give you an idea, our jurisdiction is north of the escarpment between the Niagara River and the western limit of the town of Grimsby.

We are very concerned with the way the present government is looking at funding public infrastructure, first of all. P3s or AFPs, alternative financing procurement measures, are really a way of separating public service from its delivery. By contracting out the building of our infrastructure via hospitals, schools and roads, to name a few, it throws the door wide open to private corporations, to private profit-making opportunities and, inevitably, to less money available to build, equip and staff the new facilities.

When we had a look—recently, the details of the Brampton Osler hospital deal were publicized—we found that, first of all, the government agreed to pay 2% above its own 10-year borrowing rate to the consortium. Conservative projection would see us being able to build one and three quarters hospitals for the cost of one P3.

I'd like to introduce Malcolm Allen.

Mr. Malcolm Allen: My apologies. Parking is always a problem in Niagara Falls.

1540

Ms. Hotte: And we'll talk about transportation later on.

Given the complexity of the agreements and the number of parties that are involved in these consortia, the legal fees that are incorporated into the overhead as well as management fees etc., it's well over $25 million. Furthermore, the AFPs have a provision that the public takes on all the risk, and that would bring more costs if there are overruns or if the project is delayed.

We recommend that the government be firmly committed to infrastructure renewal and substantially increase the monies committed for capital expenditures. The government can issue bonds and thus use private money to finance public infrastructure. We're concerned about this in terms of the new cancer care centre and the St. Catharines hospital that have been announced recently. They would be AFP. We don't want the citizens of our region to end up with a smaller facility with fewer services and less equipment, and paying more and more.

Our second concern is in the realm of education. I think we all agree that Ontario's most valuable resource is its people. A well-educated workforce is paramount for our continued economic well-being, and we applaud the government's funding increases to primary, secondary and post-secondary education. However, in the case of primary and secondary education, there are still some fundamental problems, and they can be traced back to the funding formula. There really has to be an honest, good revisit of the funding formula to make some pretty drastic changes.

First of all, there has to be some provision for looking at those boards that are partially rural and urban. In our situation, we have numerous rural schools, but they are not adequately funded through the transportation portion of the funding formula. Where is the extra money going to come from? The first place it's going to come from is cutting back on staff, support staff and some programs.

The second thing is, the funding formula is based on 7.5 as the baseline. In St. Catharines, the District School Board of Niagara, it's 7.68 credits, and that translates into 18 teachers. We don't have those 18 teachers, so there has to be, once again, a realistic look at the number of credits or portions of credits.

Also, for the school boards, we still have to deal with pay equity in terms of whenever you have negotiations and agreements, there are some changes, especially in benefits. The cost of benefits, as you know, has been increasing, so where does that money come from? We certainly want to see an increase in the number of support staff that we have: clerical, paraprofessionals, plant maintenance, secretarial. They all help the school function in a very good fashion and also to make sure that the school is in good repair and maintenance.

The other thing I'd like to talk about is post-secondary education. We'd like to see, once again, an increase in funding. They had been dramatically underfunded in the 1990s. The government certainly has put funding there, but we're still looking at students coming out with huge debt. I don't think we want our children to be saddled with a debt of $40,000 or $50,000 at the end of four or five years of schooling. The same applies with the colleges; students are coming out with debt. We need to do something to increase the funding so that it isn't the students who are bearing the brunt of the cost. And there has to be more funding so that the class sizes are smaller. To sit there and watch a TV monitor with 1,000 other students in year one English is a bit difficult.

In terms of public housing, we also need to see an increase in monies. Most of the units need quite a bit of maintenance and repair. We also need, once again, to add to the number of units of public housing.

I'd like to turn this over now to Malcolm.

Mr. Allen: As Sue said, my name is Malcolm Allen. I also sit on the labour council. I am financial officer of CAW Local 199 in St. Catharines and also a sitting councillor in the town of Pelham. I understand my mayor was here this morning with the CAO, Anne Louise Heron, to visit with you, so some of it may be somewhat redundant. Maybe he's already said some of the things, but let me talk about a few things that are specific to the town of Pelham, the most recent being, of course, the greenbelt legislation, which impacts our community to probably a greater proportion than many others in the province.

I happen to live rural in Pelham. It's a wonderful thing to live rural when you live on 25 acres and your nearest neighbour is a quarter-mile away, and you can wave at them. You don't necessarily have to interact with them that much, especially if they're not keen on you. I have a lot of neighbours who are not necessarily keen on me sometimes as being their neighbour, so that's why I live in the country, my wife would say. But 66% of the town is actually under the greenbelt legislation. That's a huge chunk of property, when you look at the town of Pelham.

What it's done to us is take a large portion of our town out of any kind of future development whatsoever and concentrate it into a very few locations. One may think that that might be somewhat advantageous for planning principles, and it is to a degree. The difficulty is that as we head to the future, Pelham is a desirable location to come and live in. Unfortunately, it's not a desirable location to set up industry in, nor to set up commercial business.

Consequently, as our mayor pointed out to you this morning, the preponderance of money we get to actually run the town of Pelham comes from the residential tax base. Somewhere close to 77% of every tax dollar we need to run the town of Pelham—which actually has a very small budget; it's only about $9 million—has to come from individual taxpayers. We do not have a large commercial base. We don't have a large industrial base. We have a great deal of industrial land out by the airport, but there isn't anybody out there presently. There are no industries there in that industrial base whatsoever.

Basically, we're a small community that runs on a shoestring budget, but here's where the big "but" comes in, obviously: We don't get any provincial gas tax money. We still have huge infrastructure needs, because we're a fairly large rural community that is diverse. It's an amalgam of some towns—Fenwick, North Pelham, South Pelham, Ridgeville and Fonthill—that are dispersed quite widely. When you drive through that gorgeous town of ours, you'll find quite quickly that you don't drive up and down what you would perceive to be rural roads, that is, tar-based with stone on top, with once-a-year water or some other chemical thrown down to keep the dust down. Those roads are all paved pretty well to provincial standard, for the most part, if not rural standard. We're finding, with an influx of people, that we now have to take it to a greater standard than before; roads then become not rural-standard roads but a higher standard, which indeed costs us a great deal of money.

The Chair: You have about a minute left for your presentation.

1550

Mr. Allen: Thank you. Let me just say that we don't have any CRF funding either. We've whittled that down to the grand total of zero. We were at the grand total of $3,500 for about four years. Some of our residents suggested that we use it, actually, to hire a lawyer and sue the provincial government, but we didn't do that.

Interjection.

Mr. Allen: I know that, but they mistakenly thought it was someone else's fault. We decided to soldier on in spite of that.

Since time is short—I know you've seen a lot of this—clearly, there are a couple of things that are difficult for us. The pace of development is one, because it takes us into a cash flow timing issue. Basically, the only way we can improve the infrastructure is by development charges. The problem with that, as you know, is that if we don't get the things to come up in a timely fashion, we don't get cash flow, which means that if we have to do any sort of development, we do one of two things: raise taxes—quite frankly, our taxpayers are taking an exceedingly heavy burden as it is; as I said earlier, 77%—or we have to go into debt. I know my mayor gave you this stuff. When you look at the debt figures, we would be under a crushing load in the not-too-distant future if the timing gets out of whack.

What we need to look at is access to fair and predictable portions of monies based on the percentage we pay, and to structure awards of support so that all municipalities benefit. We need to redefine the OMIFA grants so that interest rates are a bargain, and we need to support tier-one municipalities on a long-time horizon. We need exemption from PST, and legislation to limit municipal liability and eliminate the deep-pockets thinking. It's amazing how folks think that somehow we have deep pockets at that level, and somehow if they sue, we've got all kinds of money to give away.

We also want direct involvement in consultation on the design and finding local solutions to local challenges, the flexibility to accommodate differences among those municipalities and to establish a mechanism to assist small and well-managed municipalities, of which we believe we're one. Most of our budgets, you'll find, are either zero-based or in surplus—not a great surplus, but nonetheless small surpluses. I think that's a credit to the management of that community, not only of the staff of the community, who do the day-to-day operations, but those elected officials who preceded me who were able to take a hard line in a lot of cases to make sure things worked efficiently.

I'll wrap it up at that since I probably went over the minute. I appreciate the extension.

The Chair: We'll begin the questioning with Mr. Prue of the NDP.

Mr. Prue: You mentioned public housing. Public housing was downloaded to the municipalities in 1998, and I don't think most municipalities have ever recovered from that. Most of it was handed over in a pretty deplorable condition. The city of Toronto estimates alone—just the city of Toronto—that it will cost $242 million to do the structural repairs or tear it down at this juncture.

You talked about building new public housing. Where do you think the priority of the government should be: to build new public housing or to repair stuff that has been downloaded to the cities?

Ms. Hotte: I guess the first thing they should do is upload it back, to start off with.

Mr. Prue: That's an even better answer.

Ms. Hotte: Certainly in St. Catharines they're looking at selling off the public units because they're in such a sad state of repair. So, first of all, repair, and second, build.

Mr. Prue: To date, in the first two and a half years of this government, they've built 63 units. There are more on the way, but there are only 63 occupied. Is that enough?

Ms. Hotte: Definitely not. Sixty-three units wouldn't even do it for St. Catharines. If you put one in each of the major municipalities of Ontario, it doesn't really help solve that severe shortage.

Mr. Prue: What's the waiting list like in St. Catharines for public housing?

Mr. Allen: It's probably about a five-year wait. Presently, there are two major undertakings in St. Catharines—and only in St. Catharines, not the regional municipality of Niagara. One is Women's Place, which is now relocating and is in a fundraising drive to come out of the place where they are. They bought an old school and they're going to renovate it.

The other project is with a group called Bethlehem Projects, which is transitional housing to try and get folks back on their feet. They're in co-operation with my own local union where we're going to supply about 40% of the labour free, gratis. That project has been approved by the federals and there's some federal money coming from SCPI and some other resources. But that's just the tip of the iceberg.

That project, which I've been involved in since the get-go with the mayor of St. Catharines, as well as Opportunities Niagara and Bethlehem Projects, has been on the go for three and a half years and we haven't put a spade in the ground yet.

The Chair: Now we'll move to the government. Mr. Wilkinson.

Mr. Wilkinson: It's good to see you again. Were you here in Niagara Falls before, a few years ago?

Mr. Allen: Yes.

Mr. Wilkinson: We're happy to be back in the Niagara region. We've had a wonderful welcome from so many communities. Your mayor was here earlier going over a lot of the same points. Particularly I'm interested in your proposal when you were talking about—you're saying that Pelham used to receive CRF funding.

Mr. Allen: That's correct.

Mr. Wilkinson: But they don't under municipal partners?

Mr. Allen: No.

Mr. Wilkinson: I remember the chart about basically your assessment base is residential, including farms. How much of that is farm?

Mr. Allen: The farming would be fairly low. Let me just grab this—

Mr. Wilkinson: So basically all residential?

Mr. Allen: The farming piece is pretty minuscule, from what I remember. You can never find a chart when you want it. I was pretty sure I had that one with me. Maybe I don't.

Mr. Wilkinson: But really there's not much of an industrial-commercial base?

Mr. Allen: Absolutely not. If you can imagine, our major industrial component in Pelham is Fonthill Lumber. They build trusses for houses. The biggest commercial piece in Fonthill is Sobey's. That is it in the town of Pelham.

Mr. Wilkinson: And that was four smaller municipalities that were amalgamated?

Mr. Allen: That's correct.

Mr. Wilkinson: Is Henry of Pelham there?

Mr. Allen: No, he's in St. Catharines. Right across the border. Oddly enough, I know that's the name. At one time I guess his family may have indeed believed they were in the town of Pelham, but clearly they're in the municipality of St. Catharines. There is no winery in the town of Pelham. None. It's quite amazing, actually, when you think of the location, that there is no winery there.

Mr. Wilkinson: Just one quick question, then. If there's one piece of advice that we could give Minister Duncan, what would it be, then? If we could upload one provincial service? It took a long time to get it downloaded; we can't do it overnight.

Mr. Allen: I think from the uploading perspective, we really need to look at all of those pieces of the puzzle that came down in the social service basket.

Mr. Wilkinson: But of those, social housing?

Mr. Allen: Social housing would certainly be at the top of the list, I think.

Mr. Wilkinson: In other parts of Ontario it's land ambulance. We've heard a lot of that in more rural areas and up north. It's quite interesting. It's good to be here to get a great cross-section of Ontario when we do these hearings because you get a sense of the need to do it and which thing is the greatest priority.

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

Mr. Barrett: I want to thank St. Catharines and District Labour Council for coming before the committee.

When I think of the St. Catharines area, I think of GM. I know there have been some ups and downs over the years, over the decades. The Minister of Finance testified before this committee on our first day of hearings at the end of last year and indicated that the provincial and federal investment in the auto sector resulted in about $5.7 billion of investment in Ontario's auto sector. I don't know whether the labour council has a view on this, because I'm also cognizant of the announcements by both General Motors and Ford of jobs leaving our area. It raises a question in my mind. I don't know whether the labour council has any thoughts on this. When you talk about taxes, our provincial tax money, our federal tax money going to the auto sector, seeing so many jobs leaving right now, any thoughts on that?

Mr. Allen: There's no doubt that the General Motors plant in St. Catharines has spent the past 14 years in a sense of reduction, if you will. The announcement to close the foundry was in 1992 and we have seen successive cuts to that workforce, from a high of about 9,200 hourly employees to today's 3,200. Clearly, some of the additional monies that have come from the provincial government vis-à-vis the auto sector have made their way to St. Catharines. It's not necessarily a huge number of dollars as far as the overall picture is concerned. There are some small manufacturers—auto parts makers have received some as well. The largest influx of dollars went to the Oshawa complex, and a great many of those dollars—and that Beacon project, it should be remembered—went into education and training, which I think is an appropriate place to spend taxpayer dollars.

It's somewhat similar here in St. Catharines. There were some; one may call them modest. When you look at the tens of millions of dollars that have come to the St. Catharines location, those are significant dollars for the average person, but in the scheme of things, sometimes don't seem that large. Those are likewise; they were more training and upgrading of skill levels than they were actually buying equipment per se, or giving General Motors the ability to buy equipment. I think that some of those things were key in sending a signal to folks like General Motors that they were a worthwhile enterprise to keep in the province and they were valued, albeit it hasn't stemmed the tide necessarily of what has happened in the marketplace. I don't care who's in government, quite frankly; I don't think any of the parties, if they were in government, could actually stem that one. But I still think there's a role to play for government intervention when it comes to major contributors to the economy. My members at the GM unit, which is one of 21 that we represent in the peninsula, welcome those dollars; I know that.

The Chair: Thank you for your presentation.

That concludes our hearings in Niagara Falls. We are adjourned.

The committee adjourned at 1601.

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