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Mercredi 1er février 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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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Wednesday 1 February 2006

Mercredi 1er février 2006

The committee met at 0906 in the Delta Kitchener, Kitchener.

PRE-BUDGET CONSULTATIONS

GREATER KITCHENER WATERLOO CHAMBER OF COMMERCE

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. The committee is pleased to be in Kitchener today.

Our first presentation this morning is the Greater Kitchener Waterloo Chamber of Commerce. 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. Sarah Macauley: Good morning. My name is Sarah Macauley. I am a policy analyst with the Greater Kitchener Waterloo Chamber of Commerce. Also joining me today is Linda Korgemets. Linda is the chair of our tax task force and is also a director on our board.

Our chamber is the second-largest chamber of commerce in Ontario. We have over 1,700 members, who employ more than 63,000 people in Waterloo region. The greater Kitchener-Waterloo area is one of the largest census metropolitan areas in Canada, with a population of approximately half a million people. According to the Conference Board of Canada, this region's diverse economy is the fastest-growing in Canada, and our regional GDP is in excess of $19 billion.

Our chamber remains concerned that the prosperity gap between Ontario and its peer states is widening. According to an annual report from the Institute for Competitiveness and Prosperity, when we compare Ontario's competitiveness with performance in a peer group of 16 North American jurisdictions, Ontario places 15th out of 16.

Ontario has a prosperity gap of approximately $8,300 per household compared to its North American peers. This represents lost opportunity for Ontarians. If Ontario were to focus on reducing this gap, a number of beneficial opportunities could be realized. For example, if the prosperity gap were closed, it would add $75 billion to Ontario's output and would add $28 billion in tax revenues for the Ontario and federal governments. This increase in tax revenues could help address funding issues in health care, education and social services.

We believe that the following actions will help further boost Ontario's economy:

(1) Invest in essential infrastructure for growth. If Ontario, through vital urban centres such as Waterloo region, is to sustain and strengthen its competitive position in the global marketplace, new strategies must be implemented to ensure that municipalities have the resources to manage the significant growth that we will face over the next 30 years. We recommend that the province move ahead in partnership with municipal governments, business and the broader community in the development of specific initiatives that will meet critical transportation and infrastructure needs outlined in the proposed growth plan for the greater Golden Horseshoe.

(2) Enhance post-secondary education. A highly-skilled and educated workforce will critically impact innovation, productivity, social benefits and our future economic competitiveness and prosperity. We recommend that the government of Ontario increase investment in post-secondary institutions to the national average over the next three years, and to the top 10% of publicly funded post-secondary institutions in North America over the following five years, by reallocating money from within the existing provincial budget.

(3) Eliminate barriers for internationally trained professionals and tradespeople. Eliminating these barriers is essential to enhancing Ontario's workforce to combat current and future skilled trades shortages. We recommend that the provincial government continue to support and provide funding for certification, licensing and accreditation of internationally trained professionals and tradespeople, and further encourage co-operative programs that help to integrate them into Canada's business sector.

(4) Improve Canada-US border infrastructure. Canadian industry is highly integrated with the United States. In Ontario, the economic success of our provincial exports is dependent upon a just-in-time delivery system which requires an efficient and effective border, particularly at Windsor–Detroit. We recommend that the province work with the federal government and proceed immediately with proposed infrastructure improvement projects at the Windsor–Detroit gateway to ease capacity and reduce congestion impeding efficient movement of commercial traffic and travellers.

Ms. Linda Korgemets: I'm Linda Korgemets, a volunteer with the chamber. So how do we spend our money to get all these things that Sarah has just asked for? Well, we do need to return to annual budgets that are balanced; so how do we do that? We note that there was a recent study prepared by the Ontario Chamber of Commerce, Fairness in Confederation, addressing the fiscal imbalance. We encourage the province to lobby the new federal government to develop an appropriate framework to lessen this gap and to rethink the provincial equalization model.

Another way to balance our budget on an annual basis is to limit our spending increases, and to limit them to population and inflation growth. Now, we ask for new spending, and we know you can't just pull those numbers out of thin air. We really believe that there has to be a reallocation process out of existing programs that aren't working or that have become a low priority—and it's all about priorities.

How else can we save money and balance our budget? We can have less Ontario government. Along those lines, we're very pleased to see that the Ontario government is working with the federal government to have them assume the corporate tax collection and audit functions of the Ontario government. That means less government, less civil servants, less cost. We really applaud that initiative and we want that to move forward. We thank the Ontario government for taking a look at that and hope that it can happen soon.

How else can we balance our budget? We need to pay down debt, and just so we all know the number, because it's a pretty big number, in the last fiscal year debt increased $8 billion; it was a 5% increase in one year. It moved up to $157 billion. Right now our debt-to-GDP ratio is 28%; in the early 1990s it was 15%. Our recommendation is to get back to that debt-to-GDP ratio. This necessitates paying down debt—that's the hard answer. We know you can't pay down debt when you're in a deficit, but we want to see a return to balanced budgets so that debt can be paid down, so we can save interest costs, and the interest costs can be spent on strategic investments.

What else do we think needs to happen in Ontario? We believe that Ontario businesses need a boost at home if they're to continue to deal with competitive pressures of a high Canadian dollar, Chinese manufacturers and a lagging auto industry. Because of this, we're stressing that income tax cuts should occur at the corporate level, and capital tax cuts should occur. Federal capital taxes have been removed, and as I understand it, as one of the election promises, they're removed effective January 1 this year. Ontario plans to abolish the capital tax in 2012. Originally they were going to abolish it in 2008. We strongly recommend that this regressive, non-competitive tax be abolished sooner rather than later.

Another point that we'd like to make—we make it every year, we've been making it for at least eight years or more—is harmonizing sales tax. What can I say? We believe it's going to bring simplification to the tax system that will give cost savings for business. It will also result in less tax administration and government savings. So it's a win-win.

We know the major detraction from this is that it is difficult to do on a revenue-neutral basis and we believe that's why it hasn't been adopted in Ontario. But we believe that, with federal co-operation, harmonized sales tax systems can be introduced, along the lines of what happened in the Maritimes. We believe that Ontario should begin the process of these discussions with the federal government.

I want to talk a little bit about health care, one of our biggest-ticket items. I want to thank the Ontario government for funding Cambridge Memorial Hospital's capital expansion. We're very excited in this region to have that announcement, and very thankful.

How are we going to save money on health care? We can't keep spending at the rate we've been spending. We need to streamline delivery of health care services. We have to use technology, harness technology in something simple like sharing patients' health records between health care providers. This cuts down on the amount of diagnostic tests that have to happen each time you go around to a different specialist. We want health care services integrated, and we want to replace scarce physician resources through the use of nurses, psychologists and physiotherapists—basically, medical service providers who are, I believe, less expensive than trained doctors. We really need a new approach to delivering health care.

We have to address physician shortages, though, because we know we don't have enough and we know a lot of them are about to retire. Our chamber has been working since 1998 to attract physicians to this region. We've stepped our recruitment efforts up another level, and we've just announced the chamber health care recruitment council. This region is growing rapidly and has below-average unemployment and very high employment. So we know that our employers, our members, to attract people into this region, need to be able to say to them that they will be able to get a doctor in this region.

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

Ms. Korgemets: Thank you. We need to ensure that foreign-trained doctors are recertified as quickly as possible, and we need more movement on this. We also need more spaces for medical students at Ontario universities. On our wish list is something called a program to repatriate Canadian–trained doctors working outside Ontario. So let's get some of our Ontario-educated doctors back into Ontario, and let's find a way to recruit them back.

Last but not least is electricity, another key issue for business that's going to locate in this area. We need reliability of supply. We know there's a recent recommendation out, a long-term strategy for nuclear power. We haven't studied that sufficiently ourselves to be able to comment on it, but we strongly recommend that the phase-out of coal-fired plants not take place in 2009 as planned. Ontario should adopt clean coal-burning technologies for existing plants. I've heard—and I have not checked this—that we have 70 years of coal left. Coal represents a large component of our current supply mix, and it gives us a reasonable price for the resource. I know that that deadline has constantly moved out, I believe from 2007 to 2009. We really stress reliability of electricity for southwestern Ontario, and we believe we should be adopting clean coal.

Thank you. Any questions?

The Chair: Thank you for your presentation. This opening round of questioning will go to the official opposition.

Mrs. Elizabeth Witmer (Kitchener–Waterloo): Thank you very much, Sarah and Linda, for an excellent presentation. I'm always impressed when the chamber makes any presentation. You've done lots of research, and you've come up with what I think are outstanding recommendations.

I just want to ask you about one that you didn't mention but that is part of your health care reform. You've indicated here the need for the Ontario health care premium to be reviewed, with a view to reducing and ultimately eliminating it. How would you see that happening? What type of plan would you be recommending for that phase-out? It's actually something that our leader has indicated he supports.

Ms. Korgemets: We believe that that was an increase in tax, and our platform is not to increase taxes. I think we want to know that the money is being spent properly, first of all, when we say review it on an annual basis, and if it's not really reaching the goal that it was intended to reach, it will have to, we believe, be repealed. We have to address the health issue not by throwing more money at it. We really say that health has to be rethought. We're not smart enough to rethink it. We've come up with a few recommendations. We don't want to talk about private health care. I would love to talk about it, but I know it's just taboo. There's no quick fix, but it needs to be revamped. The idea isn't to raise more money to put into health. The idea is, how do we deliver health in a more cost-beneficial manner?

0920

Mrs. Witmer: I guess today there was a report that came out that actually spoke to that, that we need to deliver health services more efficiently. We're probably actually spending lots of money on it, but we just need to do a better job.

If you had one recommendation that you thought the government should incorporate in their budget, what would it be in 2006? What would be your top priority, or your top three?

Ms. Korgemets: Time is ticking here, eh? That's a very direct question. I'm a tax practitioner, but I am representing the chamber as well, and I truly believe that taxes on corporations have to come down. That last rollback of the corporate income tax decrease, which was going to go down to 12%, is now at 14% for the income tax rate. Truly, I would rather see capital taxes just disappear off the face of the earth. You can tell this is a very personal view, but it's couched in terms of chamber members having to pay less tax, so that they can use that money in their businesses and expand their businesses and compete globally. That's the top of my wish list.

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

Mr. Michael Prue (Beaches–East York): This is a conundrum, I think, for the government. I'm not in the government. But you say that there should be a reallocation process out of existing expenditure categories that are no longer effective or are low priority. Which government departments do you think should be cut? The reason I ask this is that somebody came the other day and said that in their opinion agriculture and tourism had been cut. Do you think we should cut out those programs? Do you have others?

Ms. Korgemets: I don't think we would recommend that any departments be cut, and I would rely on—I have to think of the infrastructure of the Ontario government. I don't think it's necessarily the Office of the Provincial Auditor, but surely there's some sort of controllership department in the government that looks at budgets.

Mr. John Wilkinson (Perth–Middlesex): Management Board.

Ms. Korgemets: Yes, the Management Board. The problem is—I agree—at a distance, how can the chamber suggest what departments or programs get cut? You have to be totally involved in the fabric of what's behind those numbers to understand how to get your expenses down. So my comment would be that it would be the Management Board's responsibility, or whoever has fiscal authority for the Ontario government, to figure out that very hard question.

Mr. Prue: You also talked in the same vein about fewer civil servants, and you gave the example of the taxing people going to the federal government. Those people who work for the province make tens of millions of dollars more for the province than their wages cost, because they go out and find people who are ripping off the tax system and they collect in a way that the feds never have. How is that good for Ontario? Maybe business likes that, because you don't end up getting caught, but—I'm being trite here a little.

Ms. Korgemets: No, no. I can handle those questions; don't worry. I deal with auditors at both levels in my business. We equally get caught by the feds and Ontario, so I look at them both neutrally and just know that we're going to be writing a cheque, not because we try to reduce our taxes in the wrong way. I will be quite honest. The things that get caught on audit, of the ones that our firm is involved in, that I'm involved in, are actual errors that have been made in bringing the numbers up. So I still believe this can be streamlined. It's streamlined for personal tax in Ontario. You've already always had that off-loaded at the federal level. I just believe that one auditor, one tax collector is the way to go, and other provinces certainly have adopted that, with the exception of Ontario, Alberta and Quebec.

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

Mr. John Milloy (Kitchener Centre): Thank you very much. I'd like to welcome everyone to the greatest riding in Ontario, and also Canada's fastest-growing economy, as you point out.

I want to begin my questioning on that point and talk about a skilled workforce and whether you are finding that your members, being part of Canada's fastest-growing economy, are facing challenges in terms of recruiting skilled workers. Maybe you could sort of highlight some of the recommendations of what we could do as a province to help with that.

Ms. Macauley: One thing that comes to mind is to look at what other provinces are doing in their recruitment of skilled workers around the world. Another thing is immigration, as we mentioned. We feel that something needs to be done to eliminate barriers that immigrants face when they come in. For example, we're hearing from our members on the one hand that they cannot fill positions and we're hearing from people on the other hand that there are new Canadians here who have all of the skills needed to help fill these vacancies. There needs to be a bridge between employers and new Canadians.

One way that we look at to help address this issue is credentialing and the recognition of qualifications. That needs to be restructured or it needs to at least be looked at in order to help bridge new Canadians with the skills and employers with the vacancies.

Mr. Milloy: As you know, we've invested a fair amount in apprenticeship programs. I just wonder, is that starting to pay off or are your members seeing, at least going into the future, that they're going to have more skilled workers through this? Are there other ways we can enhance the programs?

Ms. Macauley: From what we've heard, there's still a shortage and there's an impending gap that is occurring, specifically with tradespeople like welders and electricians, which is projected to occur within the next 10 to 15 years. That comes from a study by the Waterloo-Wellington Training and Adjustment Board. It could be too early perhaps to tell if the effects of these apprenticeship programs are paying off. We may need to just wait a little bit further down the line to see if it's going to have the effect that we're hoping for.

The Chair: Thank you for your presentation.

WATERLOO REGION HOME BUILDERS' ASSOCIATION

The Chair: I call on the Waterloo Region Home Builders' Association 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 would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Douglas Stewart: That is fine. If I can begin, Mr. Chairman and members, my name is Douglas Stewart and I am the first vice-president of the Waterloo Region Home Builders' Association. In fact, in a few months I will be our president. My background is that I am a registered professional planner and I have over 30 years of experience working in private and public. I am employed by a firm in town called PEIL, which provides professional consulting services not only in Kitchener, but also in Hamilton and Mississauga.

I am a volunteer with our home builders' association. In fact, the association is based on our members. We are also part of the Ontario Home Builders' Association and the Canadian Home Builders' Association. I can indicate to you that, as a volunteer, I am dedicated to making sure that the residential construction industry voice is heard.

What I've done to help you is provide you with a package of information as it relates to my speech today. Firstly, I appreciate the opportunity to speak on behalf of our association. Our message to you today is about making sure we have a strong Ontario Municipal Board; I want to talk a little bit about the impact of development charges; I want to encourage the province to continue to support infrastructure funding; I want to outline the impact of skilled labour shortages; I would like to discuss a little bit about the concern with home fire sprinklers; and I want to talk a little bit about the impact of the underground economy.

0930

I'd like to talk a little bit about our association and its relationship with OHBA and CHBA. The home builders' association has been providing the voice of the residential construction industry since 1946. The association is made up of approximately 250 member companies, and we are involved in all aspects of the home building industry. Through our member companies, we employ in the region of Waterloo approximately 18,900 employees, and we are an important part of both the regional economy and the provincial economy, and you'll see that in our package. The local association is one of 31 associations spread across this province. As I said, we are part of the Canadian Home Builders' Association as well.

The OHBA is the voice of the industry in Ontario. It represents about 4,000 member companies across the province. Our membership does involve all aspects of construction, as I indicated. Together our members produce approximately 80% of the new housing in this province. We estimate that our industry employs about one quarter of a million people, and we contribute approximately $34 billion to the province's economy annually. That's outlined in our handout.

The Ontario housing market in 2005 was both active and healthy, with approximately 80,000 housing starts. This is due to the interest rates on mortgages, increased immigration and high consumer confidence. All of this was part of that strong housing perspective. For 2006, our perspective is to continue to remain healthy. In fact, the Canada Mortgage and Housing Corp. is forecasting a very healthy 75,000 housing starts. We also expect, through changes to existing housing through the renovation market, a further contribution of about $15 million. We expect that the existing housing stock being resold will continue to remain strong.

It's clear that here in the region of Waterloo, the housing market is strong. It's clear, though, that the housing market is changing, and there are a number of factors affecting that. Adopted in 2003 was the region's growth management strategy. That now has been somewhat replaced by the provincial Places to Grow, which was adopted and approved in 2005. As we proceed through 2006, this province is adopting the proposed growth plan for the greater Golden Horseshoe.

It's clear that our association has been involved in the review and the preparation of that document. We've been somewhat, though not directly, involved, but we have participated when asked, and in your package you'll see our response. Our response takes a proactive approach, because that's the style our association wants to adopt. We are in the industry; we can give you what we would recommend.

But to our association, what's important in this region is that if you look back to a conference that was held here that was in support of the Ministry of Public Infrastructure Renewal, it was the first conference in this country where both private and public sector got together to discuss the issues and the opportunities of the new way housing will be dealt with in a reurbanization. On behalf of our association, we thank you for your support. I think it's an excellent example of how both the public and private sector can work as a team and be successful.

The expectation is that housing will decline in 2006. We did a review of our members across the province. They talked about the fact that there are potential shortages of available developable properties, rising interest rates and skilled labour shortages, and development charges are a key in the cost of construction. If we are to maintain a healthy construction industry, we need to address each one of those issues. We have provided you in our package a report prepared by the Greater Toronto Home Builders' Association that outlines many of these concerns. The report is called Jobs in Jeopardy: The Government Could Stall the Housing Engine. It was dated October 18. I encourage you to take the time after this to review this. The basic principle is that as costs go up, fewer houses are built, fewer people are employed, and the effect on the industry in the province is significant.

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

Mr. Stewart: Okay. I will continue quickly. The Waterloo region appreciates your consideration and asks for the following:

We want a strong Ontario Municipal Board. We believe that's an important aspect to ensure that the provincial strategies are implemented.

We also are concerned with taxes; we believe we are one of the highest-taxed industries. We are concerned that the Development Charges Act basically sets the standards that the municipalities implement, but there's no means for a review unless there is a challenge. In this region, we have appealed the city of Kitchener development charges because we believe the charges are incorrectly applied. We're asking that you encourage a review of all development charges bylaws by an independent group. We are concerned that this will have a significant impact on housing.

We're asking that you provide infrastructure to support the new growth that the Places to Grow will propose. We are concerned that sprinklers are being proposed when in fact there's a more cost-effective way by having a direct-detect.

We are concerned that, as our workers are aging, they're not being replaced. We need to encourage more involvement in the industry through an apprentice-type program.

We're concerned that the province needs to support the housing industry by making sure that there is a process and a means for us to continue to provide—let's be clear—the homes for our residents of this province.

I thank you for the chance to speak with you today and present our comments.

0940

The Chair: Thank you very much. This round of questioning will begin with the NDP.

Mr. Prue: Thank you very much. I agree with everything you have to say, I think, except for the issue of sprinklers. I must admit, I am totally puzzled by your industry's opposition to something that will save lives, that puts the cost of a house up by maybe less than 1%, that fire chiefs across Ontario all recommend is a good thing, that will help firefighters and that will reduce insurance costs. All of those things will happen with sprinklers in a house. I fail to understand why you are opposed.

Mr. Stewart: If I can begin, I believe the proposed legislation is to apply just to new house construction, so we need to be clear that there will be a significant portion of the housing market that won't be addressed by that. There are independent studies done by CMHC that indicate that it's not the best means to provide the protection we're all after. The houses built today are more protective than the ones from the past. To me, you need to be looking at the cost-effectiveness of what you're proposing. Providing a direct-detect system will address the same issue. As we've outlined, every new cost to housing reduces what gets built and what is affordable. I think that's a key mandate of this province.

I can provide you examples where home builders have offered the sprinkler as part of the house package, and the request from the consumer is, "I'd rather have hardwood floors. I'd rather have something else than the sprinkler system." So I'm not convinced, on behalf of our association, that the consumer wants it. It does have a significant impact on the cost of housing and thus on what is affordable. I believe there is a means that can address the same issue that is more cost-effective and can apply to existing housing stock.

Mr. Prue: We know the means for existing housing stock, but the fire chiefs have a demonstration that shows what happens with a sprinkler and what happens without a sprinkler in terms of a flashpoint, where lives are actually lost, especially firefighters' lives. The sprinkler system can really get beyond of all that.

I just equate back—and somebody made this suggestion the other day to me: When we first put in seat belts and airbags in cars, nobody wanted them. People said it was such a foolish idea, yet today we know it works. Don't you think that in the future, people will know that the fire chiefs and the firefighters were right?

Mr. Stewart: I would remind you to look at the studies done by CMHC, completely independently, and look at what their recommendations are. Those recommendations suggest that connecting from a direct-detect is the preferred solution.

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

Mr. Milloy: Thank you, Mr. Chair. I'd like to thank Mr. Stewart for his presentation and also acknowledge the work that has been done, as you mentioned in passing, on some of the issues surrounding downtown intensification, and the very successful conference that was held a little less than a year ago.

You've outlined a number of points in your opening. One of them involved the underground economy, and I wanted to give you a chance to comment a little bit further on where you see the problems arising and some of the things we could be doing to combat it.

Mr. Stewart: Thank you. It's interesting. You prepare this and you think you've got it down pat, but then you discover, "Boy, it goes by quickly."

Our concern is that there are lots of people who choose to repair houses or build houses who don't make use of members of our association. The advantage to making use of our association—I think the key is what we pay toward the province in taxes and that we protect those who are building houses. They have to be members of workers' compensation and all those things. To us, there is a real issue of education. If you retain someone who is not part of the regular economy and there's an injury, I don't think you understand what the true significance would be to you and what you're potentially liable for. It is most incumbent upon us and you to ensure that there is greater public education on this issue because I think this has a significant impact not only to you but to us.

Mr. Milloy: Are there specific measures we could do to—

Mr. Stewart: I don't have those for you today, and I don't want to answer something I can't answer. But I would be pleased to provide that to you. Please remember, I am a volunteer of an association. I don't have all the answers. I'm not like Mr. Caplan, who presents himself that he has the answers. Please ask the questions. I will provide you with that information.

The Chair: Very good. If you do that, we'll ensure that every member gets a copy.

Now we'll move to Mrs. Witmer.

Mrs. Witmer: Thank you very much, Mr. Stewart. I really appreciate your being here on behalf of the Waterloo Region Home Builders' Association. I appreciate the work that the association has done over the years. You've certainly been strong supporters of the homebuilding industry here, and we appreciate your leadership.

You mentioned that there are a few storm clouds and that perhaps the construction of homes is going to decrease somewhat in the future. I think we are seeing signs of a bit of a slowdown; we've seen some loss of jobs in the province recently. I would share the concerns about the underground economy and the need to do something about that.

You mentioned skilled trades and the fact that the population continues to age. Is there anything specific that you think government could do to support encouraging people to enter the trades or retain those we have? It certainly is going to be critical to the construction sector in the future.

Mr. Stewart: I believe the first thing we need to overcome is the perception out there that a skilled trade isn't an honourable position. I think we are all encouraged to continue our schooling. What we need to do is change that general perception, because skilled trades are exactly that, skilled trades, and they are an important aspect. We need to encourage our high school students that they have options, and I think we need to continue to support not only high school programs but also college apprenticeship programs that deal with that.

Our association sponsors high schools that do design of housing; we recognize them for that. In fact, we have had a program with our association for students who most likely might not have continued in school. We bring them out and they build a house. I think there are great examples we can do. As for what you can do, again I think we have to deal with the education issue, we have to deal with apprentice programs and I think we need to change the perception that a skilled job is not an honourable job.

0950

The Chair: Mr. Hudak.

Mr. Tim Hudak (Erie–Lincoln): Thank you for the presentation. A quick question on the greenbelt: The government brought forward a piece of greenbelt legislation that many have suggested will lead to rising housing prices and make it increasingly difficult for young families and immigrants to afford a home. There have also been suggestions that the Waterloo region should be greenbelted. Do you have an opinion on the merits of greenbelt legislation like we've seen in the GTA?

Mr. Stewart: I believe the greenbelt has done exactly that: It has resulted in a significant increase in the cost of buying property, and thus the cost of housing. Should a greenbelt be proposed here? Again, I'll rely on my former experience as a regional planner. This Waterloo region had the very first regional plan in Ontario. That plan and the structure of that plan have stood the test of time since 1976. This Waterloo region implemented a regional growth management strategy before the province did. So historically, this region has been first and foremost in providing good planning controls. Do we need a greenbelt? No, I don't believe it needs to be done. I think the existing approach to how growth has been handled in Waterloo region since the first regional plan meets the intent and spirit of what is being proposed in the greater Golden Horseshoe.

Having said that, the planning controls of today and the planning controls of the future are affecting the affordability of housing. It's not just affecting my industry, in that I represent those that are for-profit builders. It's affecting groups that are trying to buy parcels of land to provide affordable housing, such as Habitat. One of the things I volunteer my time for is to help Habitat find parcels of land to build housing. I help them get through the entanglement of the planning process as well. That's one of the things my business does; it's one of the things I do. So even those groups are challenged finding parcels. The brand new approach of this province is to say, "Outward greenwoods expansions: bad." Well, I don't think we've had that here. We need to build inward, and I think we're not doing a good job of it.

The Chair: Thank you for your presentation.

ONTARIO FEDERATION OF LABOUR

The Chair: I call on the Ontario Federation of Labour 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. Wayne Samuelson: My name is Wayne Samuelson. I'm president of the Ontario Federation of Labour.

Mr. Chris Schenk: My name is Chris Schenk. I'm the research director of the Ontario Federation of Labour.

Mr. Samuelson: First of all, let me say how pleased I am to be here. If I look like I have bags under my eyes, it's because I couldn't sleep in anticipation of my opportunity to speak directly to my government about issues that are important. I have a prepared submission, which I will not read to you. However, I will go through it and provide some comments in the 10 minutes you've allocated.

The Ontario Federation of Labour is the umbrella organization for the labour movement in the province of Ontario, with just over 700,000 affiliated members. Our brief this year focuses on a number of issues: pension reform, energy costs, public-private partnerships, labour legislation, and poverty and homelessness. Of course, time doesn't allow me to go into great length on each of those; however, I will try to hit on them.

At our convention last year in Toronto, we debated extensively a paper on pensions, which, as you will know, is a major issue in the province of Ontario. That debate focused on a number of issues, and I'm just going to touch on them. It's the continuing pressure we attempt to put on all levels of government to put indexing as part of the legislation, so that workers don't find their pensions eroded. We also have been pressuring government for quite some time to take a serious look at the Ontario pension benefits guarantee fund. As you may know, it was implemented 18 years ago and has seen no significant funding increase or changes in the legislation.

There's another provision, section 5.1 of the Pension Benefits Act, which actually allows big employers to get out of their responsibility to fund pension plans. You may have been watching what's been going on in Stelco. The situation at Stelco can, in many respects, be tied straight back to this provision, which allowed that company to divert millions of dollars in pension contributions over to their own bank account and resulted in the crisis that was going on in that industry in the last year or so.

At the same time, the Income Tax Act prevents employers from actually putting money into plans once they're 10% overfunded, which results in the employer getting a contribution holiday. Then, as the stock market and the equity markets drop, those funds find themselves short of money, which is quite amazing considering that our laws actually prevented the employer from putting money in for quite some time.

The final issue I'm just going to touch on is joint trusteeship. I would encourage you to have a serious discussion on the issue of joint trusteeship and avoid the incredible mix-up you've got going on when it comes to your OMERS discussion. I would think that government should look at situations where pension plans under joint trusteeships have worked very well, and they do exist, for example, in the OPSEU trust. Look at those models rather than whatever the heck you've managed to do with OMERS.

My second point to talk on has to do with the crisis in the forest industry. I understand you've recently travelled in northern and northwestern Ontario. I need to say to you that I am so frustrated with the approach of this government to dealing with what is probably the biggest crisis we've seen in this province in some time. The impact of those kinds of mill closures in northwestern and northern Ontario—and, frankly, eastern Ontario—is unprecedented in that industry. It requires immediate action and attention by the Ontario government. Certainly there are many factors that impact—the Canadian dollar, the ongoing softwood lumber dispute, the weakening of the consumer markets in the US—but clearly, one of the major challenges faced by that industry is your electricity policy and the impact it's having on those mills in northern and northwestern Ontario.

I should tell you that I appeared after a group at the hearings around your energy policy, and it was interesting because it was a group of employers who warned you that exactly what is happening was going to happen. I can remember coming behind them and for the first time in my life saying how much I agreed with their position on energy pricing. It has literally devastated that market, and I think your government should move immediately to bring the players in the room and have a serious discussion about how you deal with the energy pricing up there, how the impact of moving from your publicly owned and operated energy at-cost model is devastating that economy. While my friend talks about this community as being the fastest-growing, let me assure you: I know this community very well, and the devastation in our manufacturing industry, in this community, is, while it may be replaced by some calculation of some numbers somebody does, for someone who's born and raised here—I drive through this community and I'm just shocked to see the devastation. Frankly, to drive down King Street in Kitchener-Waterloo is really quite devastating when I think back to what this community used to be. Having said that, I think that energy pricing plays a major role in our manufacturing base in this province. Until the government comes to terms with their pricing issues there, all of us will suffer.

We have a whole section in here on P3s and privatization. I can assure you this is an issue you will hear a lot more about in the coming months and years if the government continues to move down this path, which it appears they're committed to. I'm quite disappointed that the government clearly said they were going to oppose P3s. When the Tories were in power, they were very clear. I actually have a letter from Dalton McGuinty that points out the fact that they're more expensive. They are more expensive, they move control of delivering services away from government off to the private sector and they are incredibly inefficient in terms of using taxpayers' money. I would ask the government to seriously take a look at this model and move towards the role that government can play in rebuilding our infrastructure.

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Again, I think we will have lots of time to talk about the impact of this model of pricing and building our infrastructure, but I really expected the Liberal government to not follow the Tories down this road. However, you have, and I think it will probably be one of the most central issues in the next provincial election campaign. So while you may have ducked it in the last one, I think it will be an issue in the coming election.

Finally, because I'm probably running out of time—

The Chair: You have about three minutes left.

Mr. Samuelson: Okay. We've put a section in here where we've done some research around poverty and homelessness. Interestingly enough, today the minimum wage increases by 30 cents, and I will in no uncertain terms congratulate the government for in fact doing that. However, I will point out that that the minimum wage was frozen for eight long years under the previous government. I think to suggest that somehow you can just sort of pick up as if those eight years didn't exist for those workers is inconsistent with really taking a look at the big picture and what needs to happen. The reality is that we have a whole group of people, new Canadians and young Canadians, who are stringing together a series of part-time jobs on minimum wage in a workforce that is becoming increasingly contingent and part-time. I think a serious increase in minimum wage at the very least—one would think that the provincial politician who's in charge of setting the minimum wage would at the very least set it at the low-income cut-off amount of money, which would mean you would have to bring minimum wage up to around $10.40 an hour or so. At the very least, you'd think that would be the reaction of a government and, frankly, a politician who bear some responsibility.

Finally, you will note that we have provided you with some research that shows that after a few years of the new government, when you take into account inflation, we see that those people who are most vulnerable actually have not increased their position at all in the economy. I think that speaks to the inability of the government of the day to deal upfront with those people for whom it is so important to have the support of their government.

Thank you for your comments. I'd be pleased to answer any probing questions you may have.

The Chair: Thank you for the presentation. We begin this round with the government.

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge): Thank you, Mr. Samuelson. Welcome. It's a pleasure to have the president of the Ontario Federation of Labour here, particularly outlining some key issues, as you see them, on provincial policy and ongoing initiatives.

On the budget itself, though, obviously all the governments are challenged with their revenue and expense streams. If you had to prioritize two or three items that you would suggest we take as the most serious matters that we need to address most critically and most expeditiously, what might those be?

Mr. Samuelson: I think there would be a range of issues. Let me try and narrow a couple of them down. Again, on the spot, I'm not so sure I can tell you the three most important, but I'll tell you three that come to mind.

I think your government needs to move immediately to bring together the key players in the manufacturing-resource-based industries to take a look at what's going on in our economy before it's too late. I think if you don't, you're going to be going from one crisis to the next. I'm really quite disappointed in governments' at the very top levels dealing with this.

Clearly, I think your role as a provider of services after eight years of a government that didn't think it was their responsibility needs to be increased. So I think dealing upfront with things like ODSP, social assistance rates and minimum wage should be central to your government. Frankly, I think you should immediately get rid of this private sector investment in our infrastructure and move towards setting down the groundwork so that the government plays a role in borrowing money on markets at cheaper rates and rebuilding an economy that was devastated during those eight years.

In short, I think you would look at the most, dare I say it, hurtful policies of the previous government and, as you committed to when people chose change, actually move aggressively to change those things rather than sort of accepting that that period was there and then just ignoring it and trying to move forward.

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

Mr. Hudak: Thank you, Mr. Samuelson, and Mr. Schenk as well, for your presentation today. I've got a bunch of questions. On the manufacturing side, you're absolutely right. While there's good news on the technical side here in Waterloo, the regional manufacturing job losses are dramatic: Imperial Tobacco, 550 jobs; Automation Tooling, 169 in Cambridge; Sleeman, 40 job losses; ADV in Guelph, 280; 163 at Humpty Dumpty. I think any good economy needs a mix, and that heart is traditionally our manufacturing sector in Ontario.

The hydro policy, you'd mentioned, has dramatically impacted on the forest industry sector, which we heard about loud and clear in northern Ontario. Do you think the hydro policy, in a broad-based way, is impacting on manufacturing jobs, not just the forest sector?

Mr. Samuelson: Absolutely. You talk about those factories. Let me tell you about a few more in this community. Just down the street here there used to be a tire factory that employed 1,400 people. It was there for years and years. Five blocks this way there was another plant tied to the rubber industry, Marsland Engineering, 25 years ago. This community has completely restructured and, I'll tell you, as a person who was a young man here who left school and went to look for a job, I could go apply—and I did—to six plants, manufacturing facilities or meatpacking plants. I was lucky. The one I picked is still here. The other five are gone. There has been a complete restructuring, and I think we're going to see more to come.

Just down the road here in Cambridge there were over 5,000 people who worked in the textile and shoe industries; good, secure, high-paying union jobs, all gone. Shirt manufacturing: Arrow, Forsyth, all gone. So it has been a huge devastation over the last 15 years, 10 years, and I think you're going to see it increase dramatically.

One of the reasons we were able to bring a lot of these manufacturing industries to southwestern Ontario was our deliberate policy around pricing of hydro. I think as we move away from that, we are courting disaster.

Mr. Hudak: I have a quick question, if I could, on pensions. You mentioned 5.1 and Stelco's exemption. What other companies currently are you worried about? Secondly, on the public pension side, the OMERS bill has had some rough hearings this past week. Is it your view that OMERS can be amended and saved or should it be scrapped and started again?

Mr. Samuelson: Let me deal first of all with 5.1. The legislation actually provides for large companies they say will never be a problem; right? You know, Dofasco, General Motors; they'll never be in trouble. If they're that big, then they shouldn't have to worry about funding their plans. Maybe that was an argument that could have been put forward 10 or 15 years ago. It's not an argument one can put forward today. So any large company that took advantage of those provisions 10 or 15 years ago, maybe it didn't raise a lot of attention, but clearly the suggestion that those companies aren't in trouble today is a misplaced suggestion, and I think the government should move quickly to deal with that.

In regard to the OMERS, I can't believe how a government can mishandle an issue the way they've managed to mishandle this; in fact, moving quickly to upset almost everybody in the system, which I think is just outrageous. Frankly, I think the principle of joint trusteeship of pension plans can be so powerful, it can be so good for workers, it can be so good for the government, and for whatever reason the government moved along and now they've just got everybody so upset. I think you're probably heading toward one of the biggest crises we've seen in this province in quite some time.

The Chair: Thank you.

Mr. Samuelson: Just one final point: Whether you can fix it or not, I don't know. I know one thing: The key players should be at a table talking about how they deal with it, because it's in everybody's interest to have a plan that works for everybody.

The Chair: Thank you, and now we'll move to Mr. Prue of the NDP.

Mr. Prue: I just want to comment that you've said something here which I've said repeatedly in the Legislature: that, surprisingly to many, the reality of the McGuinty government is that social assistance rates in real terms are lower today than when they took office. It needs to be said again and again and again. The poorest of the poor are actually worse off now than they were under Mike Harris.

I've read through this—and maybe it's somewhere else; I don't know—but you don't mention anything about the clawback, which I think is the most disgraceful thing the last government did and which this government continues. Any comments on the government's role in taking the money that the federal government gives to poor kids to bring them out of poverty?

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Mr. Samuelson: It's outrageous, and you're right, it's not in here, although I think we have spoken of it extensively in the past. I just want to commend you for your constant pressure on that issue. It's something I just cannot believe the government hasn't moved on. It's another example of a very obvious issue that's unfair and something that we all expected, I think—I think I expected the government to move on that, and I don't know why some of these incredibly effective backbenchers don't go to their government and say, "This is outrageous. This is embarrassing." I'm just shocked that the situation still exists, especially when you have so effectively made this story and the situation real in the Ontario Legislature.

Mr. Prue: Of course, if the government was to allow these poor children to keep their money, they would have to find money somewhere else. We had the chamber of commerce, and I'm sorry if I was a little bit tough on them, saying, "Reduce our taxes. Make all this easy." There are many people who think that in order to alleviate poverty the government is going to have to do something they don't want to do and possibly raise taxes. What's your view on this?

Mr. Samuelson: I think we need to build this province. We went through extensive tax cuts over a long period of time. They were far too extensive, and I think they've had an impact. I don't think you can have it both ways. I don't think you can say that you want to rebuild and restore some of these services without having some kind of an increase in what people pay.

Now, I guess the government is hoping that over time, with the growth in the economy, they'll kind of grow out of the dilemma. However, in the meantime, the poor kids you talk about are impacted and so are the people who depend on government services.

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

KIDSABILITY CENTRE FOR CHILD DEVELOPMENT

The Chair: I call on KidsAbility child treatment centre 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 would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Alex Brown: Sure. My name is Alex Brown. I am the volunteer board chair at KidsAbility.

Mr. Stephen Swatridge: My name is Stephen Swatridge. I'm the CEO of KidsAbility.

Mr. Brown: Okay, charge ahead?

The Chair: You may begin.

Mr. Brown: Does everybody have our presentation in front of them? They do, that's good. We're just going to work our way through these 10 slides.

Let me first say thank you very much for allowing us to appear before you today and tell our story and give you an appreciation for what some of our challenges are. In the next 10 minutes, we plan on telling you a little bit about who we are as an organization and what we do; talk about some of our financial challenges as an organization; why we think our challenges are a big deal, worthy of your attention; what we've done to solve some of those challenges; how you can help both from a provincial point of view but also from a local Waterloo and Wellington perspective; and also why we think it's a win-win, why it makes sense for the province, why it makes sense for the communities in which we operate, why it makes sense for the families that are our clients.

Moving on to slide 3, who we are and what we do: KidsAbility is one of 22 child treatment centres within the province, and collectively in the course of a year we would deal with 40,000 kids around the province. We treat disabled children. We treat children who have a variety of diagnoses. We talk about premature babies. An awful lot of the miracle babies you hear about, who would come out of Sick Kids or McMaster who are from parents within this community, would end up at our organization as soon as they graduate from Sick Kids or Mac. We deal with kids who can't talk, kids who can't walk, and we increasingly deal with children with complex medical syndromes, meaning they've got lots of different things that aren't working as well as they should. But really, when you get beyond the medical diagnoses, what we do is get kids ready for success in school, success in life. We integrate them into the communities in which they live.

So what are our challenges? Well, clearly we've got all kinds of clinical challenges, but fortunately we've got all kinds of really skilled people to deal with the clinical challenges that our clients have. What we'll talk about today is our financial challenges. If I look at KidsAbility particularly, we deal every year with 3,500 kids, both within the region of Waterloo and Wellington county. We have buildings in Waterloo, in Cambridge, in Guelph and in Fergus, but increasingly we do lots of outreach as well, which means our professionals go out into the communities and work with kids within the community.

The current wait-list at our organization is 1,181 kids. Those are individual kids with their noses pressed up against our window, saying, "We'd like to get in." That compares to 1,046 a year ago. I'm just doing the quick math: That's about a 13% increase over the last year. The average wait time within our communities where we work is nine months. A year ago, that number was six months, and that number is two to three times the provincial average. We do lots of statistical comparisons between ourselves and the child treatment centres around the province, so we've got pretty good numbers that say that our wait-list locally is three times the average. The average age of these kids is three: three years old.

Just moving on, you say, "What's the big deal? Why does that really matter?" Really, we could borrow an awful lot from the province's Best Start website, because an awful lot of what we think is really important is what you, the province, think is really important. It really all comes down to the ounce of prevention. On the website, you quote McCain and Mustard, and it's worth my while just repeating this: "The early years, from conception to age six, have the most influence of any time in the life cycle on brain development and subsequent learning behaviours and health." That says it all. Get to kids early and we can have all kinds of impact. Get to them later and the impact isn't nearly as large.

Really, what we're doing in the way of prevention is we're preventing costs to the school system; we're preventing costs to the health system. We would be delighted if you invited us back—we could even come back this afternoon—with some school officials and some health officials who would very much vouch for that view that what we do is to save them money.

What we've done about it: We don't just tell you people that we need more money. What we've done is a bunch of stuff ourselves. For example, we take the resources that we have, which are typically fixed resources, and we increasingly spread them over more kids, so each child that we see gets less of our time and really comes to see us less frequently. We're taking that and we're spreading that fixed resource over more kids. Left to our own devices, we'd rather not do that.

Clearly, we've implemented a lot of process efficiencies in terms of how we deal with kids. We manage our wait-lists to be as productive as we possibly can. We use paraprofessionals far more than we've ever used before, as opposed to the occupational therapists and lots of other professionals we have on staff. And clearly what we spend on administration continues to go down, down, down.

How can you help us? From a provincial point of view, what it costs to deal with one of the children that we or our peer organizations around the province deal with is about $2,500 a year, which in the overall scheme of things is not a great deal of money. We've got a wait-list, collectively, around the province of about 9,000 kids. You do the math, and $20 million a year deals with this issue. It eliminates the wait-list. If you say, "Okay, we can't afford to eliminate the wait-list," we'll give you a number for a three-month waitlist, and that's $14 million, even less. If we, throughout the province, gave these kids a three-month wait-list, it would cost $14 million.

Now, if we look locally—and locally, as I said, we deal within the region of Waterloo and the county of Wellington—we've got collectively 1,100 kids on the wait-list and we use the number of $2,000 per year, so again, $2.2 million. Just to give you a little perspective, that's 0.4% of what the province spends on hospitals within the communities in which we work, and we don't say that in any way to compare what we do to what the hospitals do. We're just saying that gives you a sense of perspective, that what we're looking for is not a great deal of money. If we reduce the average wait to three months, we've got a cost of $1.5 million.

Again, keeping in mind that what we're talking about here is prevention, the expenditure of these very limited amounts of money would certainly reduce the costs to the health system. It would reduce costs to the education system.

1020

We also get to talk—Stephen far more than I—to families. We could have brought in a family here and told you about the challenge it is for a family who realizes that their baby has something that doesn't quite work as well as it should. That baby, at six months old, comes into our organization and gets diagnosed as having some real challenges, and then they are told, "You're going to have to wait nine months to deal with that." You've got a family that is just hugely, hugely stressed over the challenges that they have with their new baby, and then they get told to go away and come back in nine months. That just doesn't cut it.

So we think this is a win-win for you people, the government, the province, to deal with this, this huge leverage for a really small expenditure of money here. We're talking about a small investment in prevention just paying so much in the way of return. We can be really hard about it and say that it's financial returns in the way of less impact on the health system and on the education system, but it's also impact on kids. It's impact on the families of those kids. The impact is just so substantial.

It's also a win-win because we're aware at KidsAbility of the kind of arrangements the government has gotten involved in with hospitals in terms of wait-list management, in terms of accountability arrangements. We would be only too pleased to contract with the province that we and our peer organizations throughout the province would deal with X kids at a reimbursement of Y dollars per child, and we guarantee you that we would deal with those kids; that we would deal with those waiting lists. Everything that applies in the arrangements between the hospitals and the Ministry of Health and Long-Term Care—bingo—really applies to what we're talking about here.

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

Mr. Brown: I've got one slide, so we're cooking.

Our mission/your mission: Our mission for years is "potential realized," potential realized for those kids. Your mission on Best Start is very much the same. You want it, through Best Start, to apply to all kids. All we want is for it to apply to the kids we deal with.

Final slides: the Reader's Digest summary of what's going on here. You people are going to see a whole bunch of paper today, and you've seen a bunch of paper. If you look at one slide, this is it:

—Early intervention is key.

—It's a small investment per child.

—9,000 kids on the waiting list.

Twenty million dollars looks after the challenges we're talking about. Basically, $20 million, and there's a huge impact for the province and for the children in the province, particularly disabled children. Thanks very much.

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

Mrs. Witmer: Thank you very much, Mr. Brown and Mr. Swatridge, for your presentation. I would just say to my colleagues, I don't know whether you have a children's treatment centre in your community, but we are really blessed. We have an outstanding centre here, and they have done outstanding work. I've been familiar with the work of the centre since I was a trustee on the school board here.

If the government is really, really keen on doing all they can to prevent children from suffering educational and health problems later in life, this is a very, very small investment that we can make before children go to school. I would just encourage the government members to seriously consider the investment that is being asked for: basically, $20 million a year.

I'm concerned because the number of children who require support is growing. I guess as a result of more and more children surviving, we have more and more children with needs. This is an area where we do need help. They do a fantastic job at KidsAbility. I appreciate, Mr. Brown, that you've said, "If you can't give us everything, you can give us a part and reduce the waiting list to three months." But what happens when a child has to wait nine months? What's the impact on that family?

Mr. Swatridge: Apart from the fact that a tremendous amount of the potential of that child is jeopardized, the families that come to us, by and large, are devastated by the diagnosis that's made for their child. They're going through a period of anger and grieving, and they are looking for answers and for help. So to be told, "Yes, we can confirm that your child has a significant problem, but you need to come back in nine months before we can see you," is devastating for the family.

We spoke a couple of days ago with another MPP. The mom who was with us said that when the diagnosis was made and it was explained to her, she couldn't stop crying for weeks at a time just because of the grieving. So much is put into the hopes and dreams for everyone's child, and to be told that those won't be realized is devastating.

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

Mr. Prue: Just a fast question first: You used the word, "paraprofessional." When I see "paralegal," that's someone who's not legally trained who acts like a lawyer. What is the paraprofessional that you wrote down there? Is that a professional who's not trained?

Mr. Swatridge: Most of the staff at children's treatment centres are university-trained for five or six years; they're licensed and they come under their respective colleges, like a physiotherapist or a speech and language pathologist. On the other hand, paraprofessionals are generally trained at the community colleges. We use two examples: Locally, Conestoga College produces paraprofessionals who are therapy assistants and are paid less and are less qualified, and we can therefore get better use out of the dollars we—

Mr. Prue: Okay. I understand now. So it's not just somebody who hangs out a shingle; they have training in a community college to do what they do.

Mr. Swatridge: They are very well trained for what they—

Mr. Brown: They have credentials.

Mr. Prue: They have credentials, okay.

The issue of autism: Do you have kids who are autistic? This issue about how to deal with autistic children is raised in the Legislature every week, and there doesn't seem to be any money for them. Can you deal with them or is that beyond your scope?

Mr. Swatridge: Ten years ago, children's treatment centres tended not to see children with autism. In the case of KidsAbility locally, there are approximately 160 to 165 children with that diagnosis on our case load. About a third to a quarter of those would be children who are served through that specialized IBI training, which is very expensive and home-based, and the others would be given service through our children's centre and a combination of occupational therapy, speech pathology, psychology and social work, which typically is the team that works with those children.

Mr. Prue: My last question is about Best Start. You're asking for $20 million: Are you asking that the $20 million be taken from the Best Start budget or are you asking that this $20 million come from some new pot or from some different area and leave the Best Start where it is? I wasn't clear where you were heading with that.

Mr. Swatridge: I think we're simply saying that for an investment of $20 million, 9,000 children the average age of three years old would receive service immediately across the province. Where that money comes from is an issue for the government to make a decision about.

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

Mr. Milloy: Thank you for your presentation. I too want to congratulate KidsAbility for the fine work it does in our community.

I wanted to spend a moment comparing KidsAbility to the rest of the province's children's treatment centres and ask a multi-part question. First of all, how do the Waterloo-Wellington waiting lists compare to other parts of the province? My understanding is that it is larger, so for what sort of reasons do you see that happening? Then, finally, just the issue of wait-lists and the comparisons, because there have been critics who have said a parent will put the same child on three or four or five different wait-lists and in fact they're inadvertently inflated. I just wonder how you calculate that.

Mr. Swatridge: I'll try to answer. On the first question, KidsAbility has a wait-list of 1,181 children; provincially, that number is 9,000. In rough terms, Waterloo-Wellington has about 5% of the provincial population and about 11% of the wait-list. Why is that so? There are a number of reasons for that: (1) Waterloo and Wellington are both significantly growing areas in terms of population; (2) our communities do an excellent job of identifying children at a very early age; (3) we don't have a teaching or a children's hospital with all the resources, some of which apply to children with special needs that we deal with. Lastly, we've taken the attitude in this organization that we will be as inclusive as we can, and therefore we've taken on a number of new diagnostic groups of children—children with autism being one excellent example.

I think there was a third question that just escapes me.

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Mr. Milloy: Just about the accuracy of the waiting lists, in the sense of parents putting children on multiple waiting lists.

Mr. Swatridge: I'll just take a step back and say that the government set up children's treatment centres 40 and 50 years ago to be the specialized resource for children with this type of health care problem. They wanted to have the expertise and the knowledge based in that one organization. Therefore, in a sense, children's treatment centres have a monopoly for that niche population. So there are not children on our wait-list who are on a wait-list in some other community, or for some other organization. So if you asked us today to line up 1,181 three-year-olds with their moms and dads, we could do that and tell you with certainty that they're not on other wait-lists waiting for other organizations to serve them

The Chair: Thank you for your presentation.

COUNCIL OF ONTARIO CONSTRUCTION ASSOCIATIONS

The Chair: I call on the Council of Ontario Construction Associations to come forward, please. 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. David Frame: Thank you, Mr. Chair. We are the Council of Ontario Construction Associations, as you've said. We prefer to go by COCA; it's a little bit shorter name. We encourage you to use that as the identifier for our organization. My name is David Frame. I'm the president of COCA. With me is Doug DeRabbie, who is our vice-president of policy and government relations. We've got a short presentation. I'm going to talk to you a little bit about the industry for four or five minutes, and Doug will talk to you about some of our issues.

COCA's been serving the construction industry in Ontario since 1975. We were created as a forum for views of contractors across the province, a means to synthesize those views and a vehicle to carry them to Queen's Park. Through our 37 member associations, COCA represents an industry that touches the daily lives of Ontarians in every corner of the province. Our mission is to help the Ontario construction industry grow and prosper, by promoting the value and image of the industry to governments, businesses, contractors and the media. COCA is a not-for-profit, industry-funded association, whose more than 10,400 member companies are involved in all areas of construction, largely the building of roads, sewers, skyscrapers, bridges, factories, schools, hospitals, commercial buildings and so on, commonly referred to as the ICI and heavy civil sectors of the industry.

The construction industry is, without question, one of the most competitive and vibrant sectors of the economy. Nationally, it produces $123 billion annually in goods and services. With over one million workers and close to 270,000 contractors, the industry is responsible for maintaining and repairing over $5 trillion in assets. In addition, construction trains close to 60% of all apprentices in Ontario.

Provincially, the construction industry accounts for 5.2% of Ontario's GDP. Over the first nine months of 2005, the value of non-residential building permits in Ontario was up 12.1% from the same period last year. Moreover, construction has a very high multiplier effect on the economy. Essentially, it's three to one: $1 million of construction is $3 million in related activity.

In terms of employment, the construction sector is experiencing robust growth of 7.6% on an annual basis. This trend resulted in almost 28,000 new construction jobs in 2005. In addition, there are about 20,000 apprentices.

While many high-profile contractors are big businesses, construction is essentially a small business sector. What is truly significant is that the construction sector has emerged as a bellwether employment generator among small businesses. According to a recent report by Scotiabank, construction was the largest contributor to the new positions in Ontario small business from 2000 to 2004. Specifically, construction accounted for 31% of that growth over that time period.

When considering businesses with a payroll and a fixed address, the construction industry has the third-largest number of business establishments in Ontario. When including all businesses, it is actually Ontario's second-largest industry.

Construction is also one of Ontario's largest employers. Construction employment represents 6% of the province's total labour force, directly employing almost 400,000 Ontarians. Indeed, contributions made by the construction sector are felt in every corner of the province and affect the lives of all of us.

Taking a look at the economic review and outlook, in 2005 investment in non-residential construction across Canada surpassed the $30-billion mark for the first time ever, due in large part to huge gains in Alberta and British Columbia. Statistics Canada data indicate that investment in commercial, industrial and institutional projects reached more than $31 billion last year, a 7.7% increase. It was the fifth consecutive record high for the industry. Increases in industrial and commercial investments have offset a decline in the institutional sector. In the last five years, non-residential investment in Canada has increased at an annual rate of 6.4%, going from a level of $23 billion to $31 billion.

In Ontario, 2005 was a year of accelerated pace of public sector building, substantial infrastructure upgrades and a renewed pickup in business in non-residential construction. According to a recent report from Scotiabank, the strength of construction activity from both an output and an employment perspective has been an important stabilizing factor, helping to compensate for the slower pace of manufacturing activity. In addition, there are a number of major construction projects, such as energy-related business spending and infrastructure-related government expenditures, to keep construction at or close to the top of the economy's performance ladder.

For 2006, it is anticipated that non-residential construction will take over from residential as the engine driving growth in the industry. Indeed, the non-residential construction sector has been slowly but steadily gaining momentum. According to the construction sector, non-residential investment in real dollars is expected to increase by 7.4% this year and 9.4% in 2007. Following 2007, it is anticipated that investment will continue to grow, but at a more moderate pace.

Continued low interest rates in 2006 will benefit the industry; however, contractors may have to contend with more widespread wage and cost pressures. More significant increases in the costs of industrial materials and wages would impose an added challenge to builders already facing high energy costs, rising property taxes and other municipal fees. Should energy prices increase dramatically, heavy industrial users will be hard hit, particularly those in rural and remote communities. The availability of skilled labour will also continue to be part of the challenge for the industry.

I'll now ask Doug DeRabbie to make some of our recommendations to you.

Mr. Doug DeRabbie: Thank you, David. Moving on to some general fiscal policy advice, contractors are certainly encouraged by the finance minister's commitment to being prudent, focused and disciplined in managing the province's finances. They are also appreciative of the government's commitment to making essential investments in areas such as public infrastructure. However, contractors are concerned that while they should be enjoying the benefits of a stronger economy, they are instead struggling with a rash of government decisions that are hindering their ability to remain competitive, such as increases in energy prices, increases in WSIB costs and increases in red tape. If Ontario is to experience a new generation of economic growth, then it must begin to improve its performance of the past two years.

When the finance minister appeared before the committee in December of last year, he outlined a list of questions that had been used to frame his pre-budget consultations and suggested that these questions might be useful for the committee during its pre-budget consultations. We believe that the proposals we are bringing forward today address these questions by helping to create a new generation of economic growth, by providing an alternative solution to cutting spending in some areas in order to increase spending in others, and by further improving fiscal transparency and accountability.

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In order for these proposals to have a positive impact, the government has to lay the necessary foundation. COCA and its members believe that one of the most important roles the Ontario government must play in encouraging growth is to balance the budget as soon as possible. Ontarians have made it clear that they expect the government to live within its means. A failure to do so, either through raising taxes or running consecutive deficit budgets, would raise concerns about the overall economic and fiscal competence of the government.

So we are recommending that the province work to balance the budget as soon as possible. We are also recommending that the province examine ways to further stabilize spending and concentrate on removing frustrations and impediments to business and economic growth.

In terms of specific recommendations, the big issue we would like to focus on today is that of the underground economy. The province of Ontario has lost hundreds of millions of dollars to the underground economy in construction each year for well over a decade. The total amount lost over the past 10 years is not known, but it can only be in the billions by the end of this fiscal year. On an annual basis, the Ontario Construction Secretariat conservatively estimates that the underground economy is costing the Ontario government and its public agencies $1.5 billion a year.

Our concerns have their base in the fact that there are huge gaps in WSIB coverage in the construction industry. According to Statistics Canada, there are almost 100,000 companies engaged in construction in Ontario, but the WSIB has records for only about 45,000. The problem, as identified by John O'Grady of Prism Economics and Analysis, is the incredibly large number of workers who call themselves "independent operators" who are not required to pay into WSIB coffers. It is not at all clear how much income these so-called independent operators declare for tax purposes, but it is clear that Ontario loses. Ontario also loses employers' health tax revenue.

As Mr. O'Grady's work clearly establishes, companies in the underground economy have a huge economic advantage over law-abiding contractors. They can achieve savings of more than 40% in terms of bidding. These companies are therefore able to have higher profits, giving them the ability to outbid contractors who are in compliance. This, in turn, encourages others to join the underground economy. Re-establishing equity in the construction industry will have the added effect of restoring lost income to the province's coffers.

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

Mr. DeRabbie: Great. Thank you.

COCA is therefore recommending that the Ministry of Finance launch a full-scale investigation and attack on the underground economy, perhaps sector by sector, starting with construction. For our part, COCA can promise full co-operation, and we know our allies in the industry will do the same. We believe that action by the government will produce a win-win result. As such, we are recommending that the government launch a full-scale investigation and attack on the underground economy, starting with the construction sector.

In closing, I'll note that there are other items that we have raised in our submission to you regarding independent operators, the Construction Lien Act and public infrastructure renewal. We hope that you will give serious consideration to all of these items as you prepare your pre-budget report.

Thank you again for your time today, and we welcome your questions.

The Chair: Thank you for your submission. This round of questioning will begin with the NDP.

Mr. Prue: Your major thing is the attack on the underground economy. How much is that estimated at? How much is the government estimated to lose from construction in the underground economy in terms of taxation? What are we looking at here?

Mr. Frame: The most recent number we have—and it's a couple of years old—is that the province loses $1.5 billion. We believe that's conservative.

Mr. Prue: Okay. So that's $1.5 billion in extra revenue they would get through taxation.

Mr. Frame: Exactly.

Mr. Prue: What would it cost them to get this extra $1.5 billion in terms of policing or other things? There must be some costs.

Mr. Frame: Obviously the more of it you collect, the harder it becomes as you go up the ladder. One example we have to bring is, we had a similar problem with the Workplace Safety and Insurance Board. They had two people who were working in the underground economy, and they were bringing in about $3 million to $4 million a year. We convinced them to hire 15 people, and when they did that, they brought in about $35 million. This is money that otherwise wouldn't come into the system. So that's about a 20-to-1 ratio or something like that; 25 to 1. So I think it's a pretty good investment.

Mr. Prue: It sounds great to me. Okay. You were also talking about skilled trades. I only get three minutes. Are you looking at that from immigration, because years ago, people came in under the skilled trades category in great numbers, and they seem to have fallen off because, the way the points structure works, it gives more points for education than abilities. Are you looking to have the federal government change those points to allow skilled trades and people with, I guess, less education into the country?

Mr. Frame: Not specifically. We don't deal directly with the federal government; the Canadian Construction Association does. Our first priority is to recruit Canadians into the skilled trades. They're good jobs. There are excellent jobs out there and people can earn a very good living.

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

Mr. Wilkinson: It's good to see you again, David. Thanks so much for coming to see us in Kitchener.

The first observation: I know many sectors of the economy would like to be growing at 7.4% or 7.6%, so you are a tremendous success story. I know that you appreciate our infrastructure investments, which are sustaining the industry. You mentioned the problem; we're trying to have better conditions. I know my colleague beside me, the member for Huron–Bruce, is on the small-business agency that we've created to help with those very issues.

What I wanted to focus in on today was the section you had about amendments to the Construction Lien Act. That's the first time we've seen that. We had a previous submission about getting a definition for independent operator to be the same as Canada Revenue Agency so that there is equity there. That would also help to streamline it so we get some clarity. None of us is for the underground economy. We taxpayers shouldn't be subsidizing people who are avoiding paying their legitimate taxes. But just on the Construction Lien Act, could you help us understand what you need on that to try to improve things for you?

Mr. Frame: We have it in more detail inside here and I don't think we have the time to go into it right now.

Mr. Wilkinson: Just about the 10% holdback: There seems to be some question about who that applies to.

Mr. Frame: Essentially, the issue is this: The act doesn't always work as it's intended to work because, basically, to take action on it you've got to go to court. We are asking for a few changes to be made to make it act more as it was. Basically, we want the 10% to be a real trust. We want it to be held in an actual bank account and we want timely release at certain periods after the job is finished, in order to release the lien rights—

Mr. Wilkinson: You're saying that some people are using that punitively. The people who are paying you are holding back that 10% and saying, "We're just going to hold it back for as long as we can and keep it in our bank account," and then you have to go to court to get it back, even though you've done the work and you've satisfied everybody. They need that clarity.

Mr. Frame: That's not uncommon.

Mr. Wilkinson: You need to make sure you get paid. When the work is done, you've got to get paid and they can't use this other act. So amendments would help clarify that, do you think? What ministry does that fall under?

Mr. Frame: That's under the Attorney General.

Mr. Wilkinson: That helps us a great deal. Thank you.

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

Mr. Hudak: Thanks very much for the presentation on behalf of COCA. You make a good point at the beginning in terms of making sure the province balances its budget as soon as possible. In fact, if they had stuck with their 2004-05 budget, given the increase in revenue that Ontario has experienced this fiscal year, we'd actually be in a surplus this year. Instead, for every dollar they receive, they increase spending by even more.

There are also suggestions that currently the province has experienced another windfall in revenue, more than the government predicted it would receive. Do you think that should be put towards balancing the books, tax reductions or increased spending? What's the priority?

Mr. Frame: I think we've indicated our priorities there. We very much do support the infrastructure program of the government. It's excellent that there's a long-term commitment to reinvesting in that in Ontario. We recognize that that requires dollars. But, as we said, we need economic prudence. As soon as it's possible to balance the books, that obviously should be done to take pressure off the taxpayer.

Mr. Hudak: You highlight the WSIB, and one of your main concerns is the increase in WSIB costs. How much have they gone up in the last couple of years? To what degree do you attribute that to the lack of capturing the underground economy?

Mr. Frame: Oh, it's huge. We project that the construction WSIB rates would go down by about 20% if the whole industry was in. Right now, only 61% of the industry is covered by WSIB, even though construction is required coverage under the act, and it's essentially underground economy and independent operators. We had a 5.3% increase this year to the construction industry when, potentially, there could have been decreases and better coverage for the industry, better coverage for our workers.

Mr. Hudak: With respect to the Construction Lien Act my colleague is asking about, is there a model jurisdiction that you think Ontario should emulate?

Mr. Frame: Ontario is not bad. We're just asking for some amendments to make it perform the way it was intended to. The act is 25 years old now and it needs a tune-up.

The Chair: Thank you for your presentation.

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INTERFAITH SOCIAL ASSISTANCE REFORM COALITION

The Chair: I call on the Interfaith Social Assistance Reform Coalition 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 would ask you to identify yourselves for the purposes of our recording Hansard.

Rev. Brice Balmer: We are the Interfaith Social Assistance Reform Coalition. My name is Brice Balmer. I am a Mennonite pastor and chaplain here in the Waterloo region. I'm the secretary of ISARC. Susan Eagle is our chairperson. Susan is a United Church pastor in London, Ontario. Jeffrey Brown is a Unitarian pastor in Mississauga and also works with the University of Toronto as one of the chaplains.

This year, Interfaith Social Assistance Reform Coalition is celebrating 20 years. We began as a part of the Social Assistance Review Commission in 1986, when the Liberal government then and John Sweeney's office asked for a religious perspective on some of the social welfare changes and the findings that were produced in the Transitions report. We have been working with provincial governments ever since that time. We advocate primarily in areas of hunger, homelessness, affordable housing, poverty, especially working poor and people on social assistance, children, disability and refugees, some of the most marginalized. Each of you should have previously received a book, which is the social audit of Ontario that was done in 2003-04, called Lives in the Balance: Ontario's Social Audit. I know each of you received them because we hand-delivered them.

We're not going to read through this. We are using the social determinants of health as a way of looking at what the government is doing. We're very glad that in its Liberal platform book, number 5 says, "The goal of government is to have Ontarians become the healthiest people in Canada." When we look at the social determinants of health, we struggle with that a bit because there are some very important social determinants of health that are not being met currently, especially for the most marginalized in our province.

We are very supportive of the Best Start and Early Years programs. We feel that they are doing a wonderful job for the children from zero to six, but we are concerned that there are two important social ingredients of health that are not being met and, therefore, in a sense deteriorate what those programs actually do. The two programs that we're most concerned about: (1) Income security for both the working poor and people on social assistance have not kept up with inflation. In fact, we're even lower than we were when the provincial Conservatives were in power in terms of social assistance rates. (2) We have the whole predicament here that you can't pay the rent and feed the kids, and the public health departments of many of our regions have come through, saying, "It's no longer possible to pay the rent and feed the kids."

We would urge the provincial government to continue its investment in children and parents. But, in addition, we would request that the provincial government end the NCB clawback and/or increase ODSP and OW monthly payments so that parents can provide appropriate housing and a nutritious diet for themselves and their children, or some of these other programs really lose their effectiveness.

Rev. Susan Eagle: I'm going to speak to the affordable housing issue. We note that the government has said, "We will provide direct assistance to the families in greatest need of housing help through a housing allowance program." I serve not only with ISARC but also as a city councillor. I'm part of the Ontario municipalities group that sits at the table with the province in working out the details of the housing program that is soon to be released and announced.

The amounts for the program were announced last spring, when the federal government signed an agreement with the province for $300 million, both parties. In that is a housing allowance program, which is primarily federal funds. One of the big concerns we have is the in situ regulation that will be part of that program, which will require that tenants relocate in order to avail themselves of the housing allowance program. You'll see in our notes here that we feel it has an adverse effect, not only on tenants but also on landlords, as well as the short timeline of five years, as well as the fact that it's a minimum, a very, very shallow subsidy.

The other parts of the program—the new affordable housing and the home ownership—seem riddled with regulations that are creating hurdles for municipalities and for those housing partners at the local level who want to be part of the program. It creates a tension around the commitment that the government has made about being back in the housing business.

So the recommendations that we make to you today are, first of all, that there be a review of the rules and regulations that are being enacted now around the federal-provincial agreement and the way in which it's going to flow out to municipalities. We also are recommending that the provincial government not put in its part of the money over a 20-year period; $300 million that's to be provided over 20 years makes it difficult for that program to be realistic. As well, we note that there is no money for new programs if the government spreads its commitment over 20 years in terms of paying for that $300 million.

Those would be recommendations we make, and we certainly hope there will be new dollars in the budget this year in addition to the $300 million that was committed last year.

Rev. Jeffrey Brown: As Brice indicated, there are two general areas. One is the issue of affordable housing, which Susan has spoken about. The other is income adequacy. That shows up in a variety of ways, one of which is in terms of families where there is domestic violence, domestic abuse, and the inadequacy, again, of the supports out there for spouses, parents, who are fleeing those situations. There is the ability to go to the head of housing lists for those in domestic violence situations, but beyond that, there really is not the support, whether income or other kinds of supports, to make that decision really, truly available to individuals who are trying to escape from abusive situations and relationships.

And that is but a piece of the larger issue, which is that the income supports and the other kinds of supports out there for individuals on social assistance are not adequate to the task. As Brice had said, individuals and families that are on social assistance at this point are worse off now than they have been at any point in the past 10 years. Yes, a cost-of-living adjustment was made, but that did not keep up with the rate of inflation; in fact, if you look, people on social assistance are not doing as well.

The sense we have is that currently the provincial government is acting a little bit like the captain of a ship that has been struck by an iceberg, just pushing deck chairs around on the deck. There have been no real resources added to what was an impossible situation previously. We've talked now for the past decade—longer—about pushing for individuals and families to become more fiscally independent, and then in fact what we've done is to remove the various supports that would be there to help people become more self-sustaining. So what we're recommending is that the province raise social assistance levels and that we provide more resources—that is, more training programs—to help individuals out in this situation.

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The Chair: That completes your presentation? Very good. This rotation begins with the government.

Mr. Milloy: I'd like to thank the presenters for coming forward. I want to focus for a second on point 4 in your presentation, "Making Workfare Work," which I don't think you had a chance to get into detail on in your presentation. I think all of us are frustrated by the fact that the goals that are always stated of so many social assistance programs are transitional goals—to move someone from social assistance to the workforce—and yet at the same time they have built-in impediments. I just wanted to ask you to take a few minutes and outline how you see the situation and the sort of things the government could be doing to remove those impediments.

Rev. Balmer: We know that the provincial government is working with the federal government and that some programs are going to be transferred over to provincial jurisdiction. It would seem to some of us that that's an opportunity for you to allow more people on social assistance to take advantage of benefits like—it blows my mind that EI has unbelievable benefits to help people get to work, and OW, with workfare and ODSP, have almost no benefits and that the ODSP/OW people can't get into the EI to get the benefits they need. Some of us are very concerned that that happened.

The other thing we're very concerned about is that the levels are so low for people on ODSP and OW that they have to give up all their financial equity in order to get on the OW and ODSP program. We've been talking with some of the people with the Ontario Federation of Labour. A good example for us, because we're concerned about the whole province, would be the foresters who are going to lose their jobs now, but before they can get onto welfare they have to go way down to $2,000, or $5,000 if they're on ODSP, which means they give up the majority of their equity, which means that when they're old people they're going to need much more money from the government to sustain themselves. They're going to need affordable housing, they're going to need extra benefits, etc., etc.

What we're doing with these OW and ODSP programs around the working poor is that we're making people poor forever. Some of us are very, very upset about it. It doesn't get you back into a job, and second of all, it takes away all your financial equity and then you stay poor forever. It's really a double whammy for some of the people who lose their job just because of the nature of work in our province right now.

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

Mrs. Witmer: Thank you very much for your presentation. Usually we see you in Toronto. It's great to have you here in Kitchener-Waterloo. We see Brice, but we don't see you, Susan and Jeffrey.

I appreciate that you did put it within the context of the social determinants of health. More and more, I think people are recognizing the need to move forward on what is missing in the province. You talked about children. What are some of the things that you believe could be done immediately, in this budget and subsequent budgets, in order to ensure that our children do have the very best start in life?

Rev. Eagle: Let me just give you the first one, which is the clawback on the child benefit. We're appalled that that continues to exist. It absolutely needs to be done away with immediately. Income supports for children: Almost everything in our document has an impact on children. When parents can't find enough money to feed their kids, it certainly has an impact on the nutrition and development of children. When there aren't supports in place for proper child care—and we're not sure right now what's going to be happening with child care. Housing is critical, when children are moved around and yanked from place to place and in a shelter and back into temporary housing and somewhere else. All of those things have got to be dealt with if we're serious about doing something for children in our province. And it's in our own best interest to do it. We're talking about the next generation of people, who may or may not be productive in this community.

Mrs. Witmer: Thank you very much. Anybody else?

Rev. Balmer: We appreciate the commitment that the governments are making to the first six years of children—we know how important those are—but if you don't feed the kids, how can they take advantage of everything else that's going on? I know, in the programs that we work with here in Kitchener, this in situ thing that's in the document for housing allowance—I mean, our people have enough trouble just staying where they are and building bonds.

Some of us at House of Friendship, which works with marginalized people, have said that what's more frustrating is isolation. Poverty is certainly important and a critical issue that we need to address, but we can't make people even more isolated than they already are. A lot of the people that we work with are isolated, and that's the terrible crime.

Mrs. Witmer: How do you mean isolated, Brice?

Rev. Balmer: They don't have friends. They don't have family. Some of them are refugees. They've moved from place to place. Their kids don't have friends. There's not a cluster of people around them, so they come to our community centres and the food hamper program. And if they've changed schools several times, they end up really—it's amazing how isolated the people we work with are. We're trying to start to address that as a very significant issue. If people are going to move and move and move, how can these kids establish friendships? And how can the mothers and fathers deal with that network so they can even find the appropriate house that's available in that neighbourhood or somewhere else?

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

Mr. Prue: In terms of housing, you talked a little bit today about new housing. We all know it's desperately, desperately needed, and that the number of housing units being built is very poor. Thank you for pointing out that it's only about a $15-million-a-year commitment, if you do it over 20 years, to get to the amount.

I have a question too about the renewable, the housing that needs to be renewed. Most of the housing that was downloaded by the previous government to the municipalities is in an absolutely terrible state of repair. The city of Toronto is asking the province for $242 million to bring it up to code. Of course, I don't know whether we're going to get that. In terms of the housing, we need the new stuff and we need the old stuff repaired. Where should this government be putting its priority in this budget?

Rev. Eagle: Let me start off on that, and I know my colleagues may want to join in on that too. We certainly, through ISARC, have identified housing as one of the most critical things that has to be put in place.

It was a few years ago that mayors of major municipalities declared that housing and homelessness was a crisis. If anything, the situation has simply gotten worse since then. The small amount of money that's been put into housing and the marginal creation of housing has not kept up with the need that has continued to grow, so we are worse off. As to the downloaded housing, I know, wearing my municipal hat, that that's an issue for municipalities right across the province.

In terms of the in situ, and I do want to come back to that again—Brice has also referred to it—requiring that tenants move in order to avail themselves of a shallow subsidy is going to make it very, very difficult to administer this program. We've been told by our folks at the provincial level that it's part of the federal-provincial agreement and that it is a requirement that was signed between the province and the federal government. However, if there is a new federal government in place, perhaps they would be prepared to relieve or dismiss that part of the agreement or allow that change to happen. We think it would be very important to take that requirement out of the agreement.

Rev. Brown: The other piece, as far as that goes—all three of us are emphasizing just the degree to which the question of housing is also a question of stability. Each of us, in our own communities, experiences the need of people to move because they cannot either find or afford housing where they are. We notice that same thing in Mississauga.

There is a question that you're not quite getting at, Mike. You're talking essentially about the infrastructure of the buildings themselves, of the capital investment. The other thing that's happening—slowly, admittedly, but nonetheless it's happening—is that the amount of monies going towards subsidy is diminishing over these next 20 years too. One of the places that we find most difficulty is that there aren't the subsidies available for what we find is a large number of people who need more than shallow subsidies, which the capital funding is just getting at.

1110

The Chair: Thank you for your presentation.

Mr. Hudak: On a point of order, Mr. Chair: I just wanted to note for the record that the committee is honoured that, despite his attempts to hide his accent, Prime Minister Tony Blair has joined us here today. Do you get that from time to time?

Rev. Brown: Not that I know of.

Mr. Hudak: Really? I think you look just like him.

Rev. Brown: I'm not sure whether I feel insulted or not.

Mr. Hudak: It's your dignified presence before the committee.

Rev. Brown: I appreciate that.

The Chair: It's not a point of order, but it is a point of interest.

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

The Chair: I call on the Waterloo Catholic District School Board to come forward, please.

Ms. Dianne Moser: Good morning, and thank you for having us this morning. I'd like to introduce my colleagues from right to left. On my right is Roger Lawler, the director of education for the Waterloo Catholic District School Board. On my immediate left is Louise Ervin. We are very gifted in this particular area to have Louise, as she lives here and works with our board but has spent many years working across the province with the Ontario Catholic School Trustees' Association, and she is their immediate past chair. On my far left is Helen Mitchell, who is our chief financial officer.

The format of this presentation—we're not going to read you every sentence in the package, but I'm going to try to highlight a couple of areas. I'm going to focus first on introducing to you what is the Waterloo Catholic District School Board, who we serve and who we work with. We'll talk to you about what we presently value in the work of the existing government and then we'll talk to you about four very specific key concerns we have concerning our financial status in the future and how the government might assist us.

To let you know, we serve about 30,000 elementary and secondary school students across the region. You know that the region is the city of Kitchener, Cambridge, Waterloo and the townships of Wellesley, Woolwich, Wilmot and North Dumfries. We have about 2,500 full-time staff and 500 part-time people who work for us, and our budget runs at about $200 million annually.

We are committed to the implementation of the government's education agenda. We believe that the school system and community have a responsibility to reach every student to ensure that students graduate as caring, contributing members of society, with the academic and social skills to transform the world.

To accomplish our work, we depend on our government as a true partner. I was sitting in the audience reflecting on how many times we engage in conversation as partners, partners with the folks you just listened to; I was lobbied in the parking lot by the KidsAbility people to just sort of loop them in. Our list of partnerships is long, but clearly our most important partner is the government. True partnership means providing both the human and non-human resources to enable school boards to accomplish both government and local priorities. To that end, we appreciate and give you credit for the investment government has made in the areas of textbooks and classroom resources, professional development for both teaching and non-teaching staff, reduction of the average class size, speciality teachers and staff to address learning to age 18. These investments are appreciated and will go far to address our common goals of improving student learning and ensuring that students graduate as contributing members of society.

However, we didn't come to focus just on what you've been able to accomplish. We have some very specific concerns. In particular, probably the most glaring and threatening to the conditions of our academic system in this region are the teacher salaries and benefits conditions, with reference to our budget. We, however, are beginning to show trouble, and trouble is a direct result of the failure of governments past and present to fix the inherent problems associated with a funding model that goes back to 1998.

This past year, we, like many school boards, public and Catholic, used the last of our reserves to fund the provincial teacher salary framework that was negotiated between the minister and the teachers' federation. The result was to bring all teachers at an A4 max to $76,000 and then to add 2%, 2%, 2.5% and 3% to ensure labour peace and stability to the end of the 2007-08 school year.

While we do indeed have labour peace, the price of the agreement is financial instability. It may be easy for the casual observer to point to school boards and say, "You have more money than you have ever had to address collective agreements." This is a simplistic argument that ignores a salient fact that much, if not most, of the new investment in education has either been outside the funding model or in areas outside key salary benchmarks. As will be pointed out in more detail, previous and current governments have not recognized the current salary benchmarks that were enshrined in 1998. These benchmarks are out of date and simply don't recognize the fiscal realities of the year 2006, almost a decade later. By way of illustration, how much gasoline would one dollar buy in 1998 versus today?

The result for the Waterloo Catholic District School Board is a shortfall of $3.5 million even before we begin our budget cycle for 2006-07. In other words, if nothing is done, we will have to cut some $3.5 million from our budget areas in order to balance our 2006-07 budget. At the same time, the government continues to invest new dollars in new areas without addressing the inherent flaws in the funding model, creating a false impression that boards have all sorts of money to pay salaries and benefits. While the new funding is welcome and appreciated, each new announcement decreases our flexibility to address our most pressing fiscal needs.

A recent survey of member boards by the Ontario Catholic School Trustees' Association, of which I said Louise is the past chair, shows a gap ranging from a high of $6,362 to a low of $2,289 per teacher, with the unweighted average being some $4,375. The cumulative shortfall for these boards in 2005-06 amounts to some $15.7 million or approximately 3.55% of their operating budget.

We have appended a chart to this presentation that shows—I'm going to skip a little bit. I think we clearly want to say that our cost shortfall is $6,897,247.

Quickly to move through to capture the special education concerns: Special education continues to be an area where the needs of students far outstrip available resources. I know it has always been a challenge. We need to ensure, however, that current funding levels are adjusted upward to reflect increasing costs while the model is being reviewed.

On student transportation, a new and vastly improved student transportation model has been promised and repromised to school boards since 1997. Like the teacher salary funding model, the current transportation model stands on an outdated and inadequate benchmark, as it is based on 1997 dollars.

With reference to capital funding, school boards still await the release of the criteria for school closures and other capital-related processes. At the same time, we need to address high-growth areas within our district. Our board believes the previous model worked very well and that we were able to develop a 25-year accommodation plan. We have to say, quite frankly, that the current lack of direction in the area of capital is a prime source of frustration. We need the capital processes and guidelines in place so we can ensure systematic improvement of student learning. How we provide safe and nurturing learning environments does have a critical impact on student learning.

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We appreciate the work of our member of provincial parliament, John Milloy. He has worked very hard on our behalf on the topic of education. However, we do want to summarize the four key focus areas for improvement:

—development and quick release of an open, transparent funding model wherein the actual costs of teacher salaries and benefits are identified and fully funded through annually updating the teacher salary benchmarks to reflect the actual costs of teacher salaries and benefits as they increase year over year;

—upward adjustment of special education funding to reflect increasing costs and thereby address student needs while the model is being reviewed;

—provision of additional funding to school boards in the area of student transportation to bridge the gap between current cost and grants based on a decade-old benchmark; and

—release as soon as possible of the new funding guidelines for capital projects.

That summarizes and captures the four key concern areas for educational funding for the Waterloo Catholic District School Board.

The Chair: Thank you. The questioning will begin with the official opposition.

Mrs. Witmer: Thank you very much for your presentation; I think it's extremely well done. I would have to say that we're hearing more and more from school boards throughout the province—those that dare to speak up—that it's all fine and dandy that the teachers received salary increases, and so to the public there appears to be peace. However, it was done to the detriment of programs and services that are impacting on the quality of education provided to our students.

I would have to say, as the past Minister of Education, that there was a plan, the Rozanski report; there was a plan for student transportation; there was a plan for special education funding; and there was a plan for capital project funding. Now we see, about two and a half years later, that nothing is happening other than, unfortunately, these students continuing to suffer as a result of everything just being put on hold.

I appreciate that you have come forward today. As I say, we continue to hear these concerns. Transportation has been a big area in this community; I hear from a lot of parents. Special education: Parents are very, very frustrated. What would you recommend that the government do in this upcoming budget? What is the one area where you desperately need support for the students in the classroom?

Ms. Moser: I'd like to ask Roger if he would respond to that question.

Mr. Roger Lawler: I've had nine years' experience as director of education and represented the Catholic directors on the Rozanski commission. The frustration school boards have is that the salary benchmarks were not addressed. We now have more and more money coming to school boards that is given outside the funding formula: some $250 million this year that the minister can use for projects. But that's coming to us outside of the funding model. Part of the funding model has an envelope called "local initiatives" or "local priorities." To balance the teacher line, which in our case is $3.7 million between what the province funds and what we have in terms of collective agreements, we transfer the entire $3.7 million of local initiatives to that salary line. So we have no money left for local priorities.

I liken it this way: The Legislature of Ontario is putting its budget together the same way I put my household budget together. If I know the cost of salaries and benefits, why wouldn't I have a simple funding model that says, "Salary and benefits: Here's the total cost"? What we're asking for is an open, transparent line that recognizes the full cost, and to please fund it.

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

Mr. Prue: I'm most concerned about special education, because we've heard a great deal across the province that needs are not being met. Are the needs of kids who require special education in Kitchener-Waterloo being met?

Mr. Lawler: Perhaps I could respond, on behalf of the board, that each year we spend about $800,000 to about $1.5 million outside of what's given to us for special education. The essential issue with special education right now is that we have heard we've got the same money next year as we had last year while the model is under review. But what happens is that quickly becomes 2003 dollars, because that's when it was frozen. So it's these increased costs that come up each year that—you get the kids in the classroom so you're taking the available resources you have and splitting them five and six ways instead of four ways to address those needs.

Mr. Prue: Are all the kids who need special education in the classroom, or are you having to turn some away?

Mr. Lawler: We're not turning kids away, because our philosophy is that special education is delivered in the classroom. We're a totally inclusive board. So kids are in the regular classroom. It is being able to provide the human resources supports in the classroom for kids that we're having trouble with. If you asked the principals, if we assign three educational assistants to a school to help, they could use five. It's that kind of service delivery that's not being met.

Mr. Prue: So this is one of the areas where you want more permanent funding so you don't have to dip into—you need the money for other things that you're not spending it on.

Mr. Lawler: That's right. We, for example, are taking, on an annual basis, up to $2 million from plant maintenance, which was given under the funding model to make sure schools are clean and safe and so forth, to finance the shortfall in teachers' salaries or special education or transportation. The way the funding model was set up, there were certain benchmarks, and those benchmarks have not been updated in terms of the rate of inflation or the true costs. So when you give money for things like plant maintenance, we should spend it on plant maintenance. We shouldn't be forced into a situation where we're spending that money on teachers' salaries because that hasn't been funded.

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

Mr. Milloy: I'd like to thank the delegation for their presentation, not just because they mentioned me in it. It has been a pleasure working with you. Having had the opportunity to visit most, if not all, of the schools in my riding under your board, I've certainly seen a real change over the last number of years from what was going on in the previous government and the lack of resources in a large number of areas.

I just wanted to follow up with a question which may be a little unfair. I'll follow up on Mr. Prue's question, and it's unfair in the sense that you've got about two and a half minutes to answer it. Special education numbers, in my understanding, have increased overall, the percentage. I just wonder, what do you think is driving the increase in the number of students who are requiring special education? I guess the problem the ministry is grappling with is how to get a handle on that. Or maybe I'm wrong; I don't know.

Mr. Lawler: I think, across the province, that is true: Special education numbers have increased. Part of it is trying to deal with that whole issue of kids coming to school ready to learn. We're really appreciative of the Best Start program and how that's going to help us create some significant changes. The reality is, I understand, that there are more kids coming to school with identifiable areas like autism and so forth, or more kids have asthma. Those kinds of things are happening. I don't know why. But the reality is, the kids show up and then we of course have to provide the program and try our best to do so.

Mr. Milloy: Is it true, though, that the percentage is going up? Just out of curiosity, are there more kids being identified as special needs in terms of percentage?

Mr. Lawler: I think that's true. I don't know the figure, but my sense is, it is true probably with our board and across the province.

The Chair: Thank you for your presentation.

Ms. Moser: Thank you for having us.

ONTARIO RESTAURANT HOTEL AND MOTEL ASSOCIATION

The Chair: I call on the Ontario Restaurant Hotel and Motel Association 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 our recording Hansard.

Mr. Terry Mundell: Good morning, Mr. Chairman and members of the committee. It's nice to be back in front of this committee again. My name is Terry Mundell. I'm the president and CEO of the Ontario Restaurant Hotel and Motel Association.

The ORHMA is a non-profit industry association that represents the hospitality industry, which is comprised of more than 3,000 accommodation facilities and 22,300 food service establishments, of which 17,000 are licensed to sell and serve liquor, with over 400,000 employees in the province of Ontario.

While Canada's food service industry showed moderate growth in 2004 and 2005—2.6% and 1.3% respectively—Ontario's sales growth lagged the rest of the country, with our growth being 1.1%.

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Accommodation occupancy rates for the first 10 months of 2005 mirrored 2002 levels but are below 2001 levels. Some regions of the province's occupancy rates dropped below 50%, particularly those border communities in Niagara and Windsor.

Our recommendations today are focused on sustaining the industry. The ORHMA has prepared a full written brief for consideration by the committee, and in that brief, on page 14, you'll find a summary of our recommendations. Today, I'm just going to present an overview of some of those recommendations, focusing on tourism, beverage alcohol, energy costs, and labour.

Ontario's tourism industry is facing changes in tourism patterns as a result of the Western Hemisphere Travel Initiative. Effective December 31, 2006, anyone entering the United States by sea or air must present a passport, and effective December 31, 2007, anyone entering the US by land must present either a valid passport or a "people access security service"—or PASS—card. The Conference Board of Canada estimates that this policy could suppress American visitors to Canada by more than 12% by 2008. In Ontario alone, the potential loss to our economy is over $850 million and 7,000 jobs.

The ORHMA urges the province of Ontario and the government of Ontario to continue to work with its national partners, the federal government and the US government, to examine secure alternative types of documents.

The Ministry of Tourism has a vital role to play in the tourism in Ontario, undertaking market research, development of culinary tourism strategies, travel intention surveys, and developing targeted destination marketing campaigns to respond to existing, new and emerging markets. The ORHMA recommends a permanent investment of $20 million of annual funding in each of two years for the Ministry of Tourism to be able to undertake dedicated tourism marketing campaigns geared toward identified key target markets, particularly the markets in the United States, which have dropped over 15% in the last couple of years. It should not be forgotten that this investment, and subject to the SARS recovery fund, provided a return to the province of $11 for every dollar invested.

To further support the promotion of destination marketing, the ORHMA supports industry-led destination marketing fees. The 2004 and 2005 provincial budgets each announced a one-year retail sales tax exemption for DMFs, and the ORHMA recommends that the retail sales tax exemption on DMFs be made permanent.

The ORHMA is aware that a number of municipalities have also requested the authority to replace the destination marketing fees with a municipal hotel room tax. We appreciate that a hotel room tax was specifically prohibited in Bill 53, the Stronger City of Toronto for a Stronger Ontario Act, and recommend that a hotel room tax also be prohibited in any new municipal act.

The ORHMA also recommends that the province amend Bill 53 and not give the city of Toronto or any other municipality the ability to place a municipal tax on beverage alcohol. This will only drive the underground economy, create more illegal booze cans, and continue to foster an environment for more areas of potential violence in our communities.

The ORHMA urges the government to examine the roles and responsibilities of the Alcohol and Gaming Commission of Ontario, which acts as both an adjudicative body as well as an enforcement agent. This creates great concern for Ontario's licensees. The ORHMA recommends that the government separate the enforcement and prosecution functions from the adjudicative functions of the AGCO.

The ORHMA is also very concerned with the current hearings process of the AGCO. The system is complicated, bureaucratic and costly for both the government and the licensee. Rather, the ORHMA recommends that the government establish a hierarchy of sanctions such as warnings, cautions, education and administrative fines for minor to intermediate offences. This could conceivably eliminate about 75% of the backlog of potential hearings and could reduce government expenditures by about $5 million annually. In addition, there would be revenues accruing to the government from the administrative fines, greater satisfaction from all participants in the system, and those businesses that were previously shut down for 30 days, 14 days or seven days would be continuing to generate tax revenue for the province.

Like other sectors, the hospitality industry is facing increased energy costs. Unlike other sectors, however, the hospitality industry is extremely limited in how it can change its business cycle to reduce costs. Quite frankly, business cycles are set by the customer, not by the restaurateur or the hotelier.

Furthermore, the majority of the food service industry in Ontario—over 60%—is still independently owned and operated, and with average profit margins ranging from 2.3% to 3.3%, many operators don't have the resources to invest in capital upgrades to improve energy efficiency. It's for these reasons that the OHRMA recommends the establishment of a third energy user category specifically for the hospitality industry, which would increase the small user range from 250,000 kilowatt hours to 400,000 kilowatt hours, specific to our industry.

The ORHMA also recommends the establishment of a capital grant program for small and medium-sized businesses to make capital improvements to their establishment and energy systems to reduce energy consumption.

The government has also made significant investments in training and apprenticeships; however, the ORHMA was disappointed that the new apprenticeship tax credit did not include chef/culinary management apprentice positions, and recommends that this be changed.

Lastly, although food service and accommodation operators have received WSIB premium decreases in each of the last three years, it was disappointing to see the provincial average premium rate increase by 3%. We've been an active participant in regular WSIB consultations and are discouraged by staff's continued claim that premium rates will continue to increase. The employer community has lobbied for an extension to the termination deadline of the unfunded liability and for freezing of rates. Furthermore, ORHMA urges the government and the WSIB to make significant changes to the experience rating program, the NEER program, to return to the original goals of the program whereby employers received incentives and rewards for reducing lost-time injuries and claims.

Thank you very much for your time today.

The Chair: Thank you. This round of questioning begins with Mr. Prue of the NDP.

Mr. Prue: We were in Sarnia yesterday. As we were leaving the bus from downtown Sarnia, the first five restaurants that we passed on the way out were all closed, boarded up. I can see what you're talking about in border towns. I'm interested in your suggestion here. Would the permanent retail sales tax exemption on destination marketing fees assist border towns like that? I can also tell you that we were in Niagara Falls, and I think the vacancy rate in that hotel was huge.

Mr. Mundell: We've been working with hoteliers in Sarnia specifically on creating a destination marketing fee for that area. If you look at the big hole in our tourism marketplace in Ontario and in Canada, it's from US visitors. That really is the hit. Places like Sarnia, Windsor and Niagara—and, from a provincial perspective, look at where your major casino operations are: in those border communities. There is no doubt about destination marketing fees. We need to be able to get out into those marketplaces. We need to bring more US visitors. They are our largest customer. They're significant. That exemption will help. What it has done is allow the industry itself to leverage a significant amount of dollars to be able to market into those marketplaces.

Mr. Prue: This is a difficult thing. I look in disbelief as the United States turns inward. More and more of them are staying at home. They're afraid of travel. I don't know how we get around that as a country. I think it's they who have to come back out and recognize their place, as opposed to being isolationist.

Mr. Mundell: In fairness, our Premier has been involved, our Minister of Tourism has been involved and the federal government has been involved. We've also been in contact with chambers of commerce stateside, whether it be in Michigan or New York. They're very, very concerned what this Western Hemisphere Travel Initiative will do to their businesses as well. It's two-way travel. I think from the US side there's a significant push there as well. But this is a huge, huge cost to our businesses in Ontario and our economy if we don't get this fixed.

The Chair: We'll go to the government.

Mr. Wilkinson: It's good to see you again, Terry. Thanks for the presentation; it's always very extensive. I was interested when you were talking about the labour market and the culinary industry. When we go on these tours, we go to many hotels and restaurants right across Ontario, as my colleague Mr. Prue was saying. Last night we were at the Stratford Chefs School, which doesn't fall under the funding that you were talking about, although it does apply for a separate program. But it shows that it's a great industry, a growth industry for this province, and we need to support it.

Last year when you were here you were talking about gallonage and you were saying that that was something our government could do, at the top of your list, to try to make a positive impact for your members. Could you just bring us up to date on last year's testimony and what has been going on?

Mr. Mundell: Yes, we actually did, subject to my presentation in front of the standing committee, have an opportunity to meet and discuss with the Minister of Finance and his colleagues. Recently, the gallonage fee has been eliminated for our industry. It's about a $25-million savings for our group. It's very, very significant. It was a very positive move and, quite frankly, it was one that was very well received in the industry. It's a great piece, and I had that opportunity to thank the minister directly.

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

Mr. Hudak: Thanks, Terry. As always, a very comprehensive presentation. There were a lot of questions too.

I appreciate your points on the destination marketing fees and I'm pleased to see that they were not given the authority in the City of Toronto Act to levy an additional tax. I do worry that the government is contemplating a change in the Municipal Act to allow similar taxation across the province, if you wanted to reinforce that point. I take it that where DMFs are currently being used, there is strong satisfaction and it's not a free ride or a problem.

Mr. Mundell: Yes, there's no doubt that the DMFs are the way of the present, not of the future, in our industry. It's not only in Ontario. This has been happening across North America. We're seeing DMFs come up in St. Catharines. As I said earlier, Sarnia has been discussing it, Hamilton has been discussing it, Toronto, Ottawa, Kingston. So it is the way of the future and, really, at the end of the day, it's the industry banding together by themselves, understanding that they need to put a pool of money together to market into the United States jurisdiction. It has got so competitive. If you look at the US visitor numbers, they are down dramatically. Those are the dollars that are hurting us in the industry. They're not only hurting our revenues; they're hurting provincial revenues.

Mr. Hudak: And you're calling for the permanent elimination of the sales tax on the DMFs. We've had that for the last couple of years.

Mr. Mundell: Yes, we've had two, in 2004 and 2005 both. There has been an exemption for one year. I think now that it's clear in the City of Toronto Act that the city won't be given that authority, we're asking for it to be made permanent.

Mr. Hudak: And with respect to the—it's later in your report; I didn't get through all of it. The beverage alcohol review panel had a number of recommendations that would be helpful to the industry. We haven't heard much since that report was put on the shelf rather unceremoniously. Anything that jumps out of that report that you would like to see implemented by the government?

Mr. Mundell: No doubt the issues around the Alcohol and Gaming Commission. I just think it's a significant cost for the industry. Small, independent operators can't afford $10,000 or $15,000 to defend themselves. Quite frankly, some of the fines and suspensions we recommend are pretty minor stuff, and that system is up and running in other jurisdictions.

Mr. Hudak: If not the AGCO, then who should—you talk about separating the powers between the administrative side and the quasi-judicial side. So should LAT take over part of that responsibility, or who do you think should administer the missing piece?

Mr. Mundell: I think the clear piece is that it needs to be separated. If you look back years ago when the Ministry of the Environment was both the operator and the regulator of water systems and sewage treatment plants across Ontario, there was a decision made purposely to separate that; hence, the Ontario Clean Water Agency was formed. So one operated the plants and one was the adjudicative system. There are numerous instances of that across the provincial government in the last seven to 10 years.

Mr. Hudak: You talk about the importance of the culinary tourism strategy. I didn't catch a dollar figure in your report. Is there a level of funding that you think would be appropriate? Secondly, Mr. Prue and I think you should put wine back into the culinary tourism strategy.

Mr. Mundell: Actually, wine is part of the culinary strategy.

Mr. Hudak: It's out of the title now.

Mr. Mundell: It's out of the title but it's a big piece of it. Quite frankly, that's a great opportunity to bring Ontario's produce together with our wineries, with our restaurateurs. It's a huge business; it really is. I didn't put a dollar figure on it because we're still very much at the front end of the process. I'm on the committee working with the Ministry of Tourism. We've made some significant progress, but there have to be some dollars there to start to drive this thing.

The Chair: Thank you for your presentation.

TOGETHER IN EDUCATION

The Chair: I call on Together in Education to come forward, please. 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. Rick Moffitt: Thank you very much. Before we get started, I had asked if we couldn't perhaps fiddle with those numbers a bit, because I think we may need a bit more than 10 minutes, perhaps cut down on the questioning time.

The Chair: I'd have to consult with the committee about that.

Mr. John Ryrie: We'll try to get through as quickly as we can.

My name is John Ryrie. I'm here today representing public high school teachers in Waterloo region. With me is Rick Moffitt. He's communications officer for the elementary teachers locally. We usually have the president of the Ontario English Catholic Teachers' Association with us, but unfortunately two officers were required to be at a provincial meeting of their own, so they aren't here. We do appreciate the opportunity to share our concerns and perspectives with this committee.

Collectively, we are thankful that the present government decided when it took office to make one of its primary goals that of investing in public education. Mr. McGuinty and his party decided to repair the damage done by the previous government when it took hundreds and hundreds of millions of dollars away from Ontario students, as was highlighted so dramatically by Dr. Rozanski in his extensive report.

There is clearly still much to be done. I know that my provincial organization, OSSTF, has highlighted a number of key objectives at a previous hearing. I'm not going to elaborate on all of them, but I do want to highlight a number of them as a way of emphasizing their importance.

The funding of education benchmarks with realistic inflation factors: You heard that message about half an hour ago from the Catholic board. It is an ever-present problem and it needs to be addressed.

Funding the real costs of employee salaries and benefits: You also heard about that. It is a real problem. It forces boards to continue to cut into other areas in order to pay their employees, and not just teachers.

The proper funding of pay equity: I think it is a disgrace that we have a program that is supposed to be providing justice, for women largely, across this province, and there's virtually no movement on this because the boards don't have the money to do it. They're stonewalling because they know they don't have the money and the pressure is not there. I think this is an embarrassment and it needs to be addressed.

We need strong funding for support staffs. The ministry, for example, forces us to use a program that provides more data to the government but doesn't recognize the extra stress that puts on our support staffs, our secretaries in particular, who have to use this program. It's just been a disaster, by and large, when it gets introduced: enormous extra pressure but no extra dollars for it. So you continue to squeeze your support staffs and pretend that the problem will just go away, and it doesn't. Some of them have resigned locally and they just end up crying because the stuff doesn't work. There's very poor implementation along those lines.

Special education funding: You heard about that earlier. I'm not going to repeat that one.

High school credits: The funding model recognizes 7.5, and our local students take 7.6 or 7.7. That just means we're short tens or hundreds of thousands of dollars to pay for the teachers to offer the credits to the kids who are taking them. This is certainly one area that needs to be addressed with respect to funding.

Adult education: We should have more adults in our regular high schools. I taught two of them in grade 11. They were terrific students. One was a mother with two kids; she happened to miss the odd class because her kids were sick. But they got their credits. She was coming back long after she left high school in order to get the diploma she needs to get employment. Yet we've squeezed these people. It's my understanding that it has dropped from 80,000 to 8,000 adults we're serving, and that's just ridiculous, because those are the people who need the education.

Proper funding for non-credit ESL courses: My provincial organization addressed that.

Transportation costs: You heard about that earlier too. I'm not going to repeat it, but it is a key issue. Boards planned their budgets last year, yet their costs go up astronomically because of things that have nothing to do with the budget process, and they can't address them. The funding model doesn't work in a lot of different ways.

All of these areas are important to the restoration and enhancement of our schools and the ability to cope with the students who show up in our classrooms. Most of them apply to elementary as well as secondary.

With respect to the upcoming budget and education finance, I have three very general concepts I'd like to touch on. They aren't particularly novel or unique, but I think they are significant.

(1) The ministry needs to be realistic in costing educational staff and resources. That's a global comment that, again, was made half an hour ago. The idea of doing more with less just doesn't work in education, which is why it's going to cost Ontario school boards billions of dollars to repair the actual buildings we house students in. A decade of cutbacks and neglect has led to this reality. But the same is true for educational staffs and supports, and the problem is exacerbated, as I mentioned earlier, when the ministry adds bureaucratic work to school boards without recognizing the cost of extra demands. The Trillium computer program is one example of that.

(2) School boards need both firm funding and some flexibility. What Roger Lawler was highlighting half an hour ago is that when you silo all of the education budgets and force boards to spend the money in certain ways and they have real costs elsewhere, and there is no flexibility because there isn't enough money in the other areas, then you cause them to either cut programs or cut into resources, whether it's textbooks or something else that's necessary. You can maybe get by in the short term. We've been doing that for about 12 years now, and I think it needs to stop. Obviously, you need a proper funding model, but it also means you have to provide some flex in there with respect to the planning.

I'm going to ask you, did you plan last year for the amount of gasoline you'd use this year in your vehicles? And if you did, are you on budget? Are you prepared to eat less in order to compensate for the high cost of automobile fuel right now? I don't mean whether you're prepared to eat less expensive food or eat out less often. I'm wondering if any of you would starve yourselves in order to stick to your budget and pay for the necessary costs of transporting yourself to work. I'm assuming you just don't want to quit your job because you can't both eat and pay for transportation. That's the scenario that's being played out in school boards with respect to how they pay for the things they're supposed to supply for students and the community. Because there's been less and less flexibility built into school budgets through the funding model, particularly with respect to energy and transportation, boards continue to compromise their objectives and their student funding for ESL students, for example.

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I think I'll jump to the third point, which is the notion that we can't pay for public education. As I have pointed out at previous committee hearings, the people who have enjoyed the most significant drop in their taxes in the last 10 years and have reaped the largest financial benefit from changes in government policy have not been the people living on the street; the families going to food banks; the people needing books, subway tokens, medicines, subsidized housing; or the children who need to freely access local gymnasiums, parks, arenas and swimming pools. As is apparent to virtually everyone, the wealthy in Ontario, as in the United States, have become substantially wealthier and the poor have become poorer.

Mr. McGuinty had it right when he introduced the health care tax under the guise of a premium. He made the wrong promise during the election, but he did the right thing when he looked at the books. To provide for health care, we need the money to pay for it—and we can afford to do it. It's remarkable that, despite the "Woe is me" and "Woe is Ontario" rhetoric that followed this decision—and it went on for months—right now the market for houses and condos costing hundred thousands of dollars is red hot. The stock market is up. The energy sector is doing extraordinarily well, and Ontario's economy generally is doing also extremely well. But we are hesitant to invest in our children and I think that's not the right approach.

It's no surprise to me that our kids are obese. We reduced our investment in physical education 20 years ago, because it was, and continues to be, expensive to have gymnasiums and equipment and sports fields. If we genuinely care about the next generation, we need to decide what our students need and then pay for it.

There is enough money. There isn't a person in this province earning more than—you pick the figure—$70,000, $100,000, whatever it is, who would be genuinely deprived if they paid more taxes to invest in our collective future. We can't afford to neglect or shortchange our schools or universities for short-term gain. Year by year, we are learning this lesson with respect to the pollution we breathe and the global warming that is attacking our environment. The same lesson applies to education. It just usually takes longer to recognize, as various jurisdictions in the United States have found out, such as California.

I'll stop there. Thank you very much.

Mr. Moffitt: I'll start by complimenting, and happily, the changes in funding that we have seen so far in education. I know John was shocked at the last meeting when I did that and I'd just like to do it in public as well, John.

Mr. Milloy: For Hansard.

Mr. Moffitt: Poor Hansard, yes.

On the other hand, I must say that some of the problems that we face in terms of financing structural improvements in this province do concern me and the government's plans, as announced, concern me greatly. David Caplan's announcement that he's willing to use P3s to fund capital projects in education, and in fact in a number of initiatives, really does disturb me because what it really means is, we're going to shortchange all of those investments by between 15% and 20% on the dollar, and that's what I'd like to focus on right now, because from my perspective there is no greater threat to the finances of this province than the introduction of P3 financing for public infrastructure projects. The commercialization of public services must not be facilitated by the use of P3 financing. The incredible concept that we can somehow separate the delivery of a service from the service itself is illogical. It's the kind of logic we expect from small children, not political leaders. It is a fiction that P3s are an effective means of funding structural capital investments.

The previous Conservative government deliberately followed policies which shrunk our government. They cut tax rates for corporations and the wealthiest citizens, thus limiting government revenue and then, after limiting revenue, they cut services to try and maintain balanced budgets. The Conservatives refused to invest in public capital and, instead, attempted to introduce the private delivery of services as an alternative. Citizens did not accept this when they were in office, and when they ran for re-election, they were thrown out.

But your party, the Liberals, promised change. They promised meaningful change, and your party has delivered it in some sectors of government but not in their fiscal policies. Citizens voted for a change. Your government promised to halt the P3 hospital being built in Brampton, and not only did you not do this, but you finalized contracts allowing it to proceed. We understand why the Conservatives proceeded with P3s. They were ideologically beholden to the idea of shrinking public investment in favour of private investment. Your government, however, promised to do better and they have not.

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

Mr. Prue: On a point of order, Mr. Chairman: I would give up my three minutes if they need it.

The Chair: Agreed? Agreed.

Mr. Moffitt: Thank you.

We have viewed with much horror the unfolding facts about the P3 financing of the new Osler hospital in Brampton. The Liberals said it would save money and would enable the public sector to expand without incurring any risk. Clearly, this is not the case. The contract signed by the government agrees to set an interest payment for the mortgage on the facility at 2% more than the 10-year government of Ontario bond rate, so it cannot save money. Clearly the government can borrow the money at a lower cost. The increased cost associated with the mortgage on this project means that the government could have built a facility 1.75 times the size of the hospital at the identical cost merely by borrowing the money itself on 10-year bonds.

Second, the contract contains an agreement to pay service fees to lawyers and agents of the consortium to a total of $10 million or 4% of the overall costs of the $250-million project cost.

Worse, the government has allowed the consortium to contract to provide administration, cleaning, food services and maintenance services, and it is clear that there's no public interest being protected here. Allowing the bundling of other services into the contract allows the consortium to make profits while investing none of their own money, and this is not in the public interest.

Shame on the government for agreeing to use taxpayers' dollars this way. I work hard for my money. I work hard to pay my taxes. I want my tax dollars used to pay for services that benefit my family, my community and me. I do not want my tax dollars used to pay for the profits of private companies, and that's what P3s do and that's what P3 financing does. The building of public facilities for public use is not an opportunity for profiteering. The need for a profit margin must never be allowed to trump the need for quality care, quality services and quality facilities.

We need to bring the light of truth to the big lies that P3s promote. One lie is that the only way a project will get built is if we use P3 financing. The truth is, the government has always paid capital costs through capital bond issues. The government still has to make their monthly payments with P3s but at a higher rate and over a longer period of time.

P3s claim that they protect against cost overruns. Again, the truth is that public capital projects in Ontario never have cost overruns because of penalties in contracts relating to cost and completion time. The core arguments make no economic sense.

The truth is that the government can borrow money at a lower rate than any P3 project can, ever has or ever will. The real threat we face is that the government refuses to release the financial information to test this theory.

I'd like to end with a story about a proposed P3, one that was to pay for the construction of a new courthouse. It's an important story, given that this government had a much-ballyhooed announcement about building a new courthouse in Kitchener.

In Calgary last year, there was an RFP placed for the design and construction of a new courthouse, in the most right-wing part of this country with perhaps the most right-wing government ever seen in Canada, and the following happened: The provincial government called in the consortium who had submitted the best bid and said to them: "We like the architect you picked and we love the proposed design. We have worked with and approve of the construction company you would use—we've had many successful projects built by them. We have a problem with the financing, though. When we work out the premium charged for you arranging financing for us and then add on your legal and financial fees, it's clear that we can finance this project ourselves for 3% less than you want. So we are pulling this project from the competitive bidding process and proceeding ourselves with the financing and construction of the project."

That project is now under way in Calgary, and it's instructive that even the most right-wing government in the land could no longer stomach the high cost of P3 projects. If all the oil money in the province of Alberta cannot afford this type of financing, neither can we in Ontario. And we cannot afford this in education because it will take 15% to 20% of every dollar out of education funding.

The Chair: Thank you. This round of questioning will go to the government.

Mr. Milloy: Mr. Chairman, I'm happy to ask a really quick question and give my colleague from the NDP a chance too, as he gave up his time. Is that okay?

The Chair: Yes.

Mr. Milloy: I'll ask Mr. Ryrie I guess the question we've asked other people. You've given a long list. What would be your priorities in the budget going forward—

Mr. Ryrie: I'll repeat what was said half an hour ago: I think if you get the funding model right and look at real costs and match the real costs with your benchmarks and then go forward, you've got a plan. You have to deal with inflation. The other issue is that I think there needs to be some flexibility built in. We have to staff to exactly the right number of teachers before we know the kids show up. Then locally, ESL kids come in all year long, but we don't know how many are going to come, because we don't have any control over immigration. So all of a sudden, we don't have enough ESL teachers in the school. Those classes that are supposed to be at 15 or 20 in order that they get the support they need are now at 25 or 30. To hire another couple of teachers, the board has to put out hundreds of thousands of dollars. Where are they going to get that money? They can't, because they've said, "This is the budget, this is how you're funded and these are the set dates." There's no flexibility. You've got to get the funding model working with real boards, and then you'll be solving most of your problems.

The Chair: We'll move to Mr. Hudak.

Mr. Hudak: I think in the interests of camaraderie, I'll share some time. I have one question, and Mr. Prue, I'll dedicate—

Interjections.

Mr. Hudak: You made a very passionate presentation illustrating your opposition to P3 financing. The government says that they're not P3s, that they have their new model called ATVs or APVs or something like that. But is that not just a P3 by any other name?

Secondly, you obviously object to P3s in hospitals and, I assume, in education funding. How about in hydro projects as well, where there are some long-term contracts—private delivery of hydro?

Mr. Moffitt: I personally am adamantly opposed to this. I think that the minute you let it through the door in one area, then you open this wide to every area that the government is in. In education, we have an expression when we start talking about what happens with health care. We say, "You've got to be careful because we're next, and the only time we're not next is if we're first," and that's just realistic.

We view with some concern the idea that we're going to do this. We don't believe this is an efficient use of taxpayer money. As people who work in public services, we believe that public services need to be funded publicly and for the benefit of the public, not for the benefit of anybody else.

Mr. Hudak: It's the same thing: P3s, ATVs.

Mr. Moffitt: I think AFPs was the one that John used—alternate financing proposal or procurement.

Mr. Hudak: I'm just having some fun with it.

Mr. Moffitt: Of course, it's exactly the same thing. There are some nice websites out there. The only people who don't call it P3s are the Ministry of Finance and members of the government. They haven't changed the names on the website. They're still P3s on the website, and that's what they are. They are what they are.

The Chair: We'll go to Mr. Prue. You have two minutes.

Mr. Prue: I thank my colleagues. On page 6, you talk about increasing taxes. It has been estimated that if all we did was put the surtax back on those earning about $100,000 and $150,000—those two surtaxes—there would be about $1.5 billion extra into the economy. Are you suggesting that this government do that? That would wipe out their deficit or it could pay for welfare reforms or for education or hospitals—the mind boggles at how much—just by re-taxing the super-rich.

Mr. Ryrie: I'd be prepared to pay more taxes if I knew the money was going to be well spent on the things that are important to make us a civil society, which are the things you mentioned: health care, education and some degree of transportation policy. We're going to have to deal with the environment at some point. I had a kind of semi-asthma attack in the fall for the first time in my life, and it's got to be from what I'm breathing. We're all breathing in the same stuff.

The issue, as I try to articulate it, is that the people who got the most benefit were not the people with needs. They didn't have any real needs. They weren't hungry, they weren't poorly clothed, they didn't have too little to read, they didn't have any of those needs. But the people who got hammered in the last 15 years were the people who didn't have anything to begin with. I just think it's obscene that we don't think we can tax our well-off citizens in order that everybody benefits. I just don't understand that.

The Chair: Thank you for your presentation.

The committee is recessed until 1 o'clock.

The committee recessed from 1203 to 1302.

GRAND RIVER HOSPITAL

The Chair: The standing committee on finance and economic affairs will now come to order. I'll invite this afternoon's first presentation, the Grand River Hospital, to come forward, please. Good afternoon.

Mr. Patrick Gaskin: Good afternoon.

The Chair: 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. Gaskin: Sure. Thank you very much, Mr. Chair. My name is Patrick Gaskin. I worry a little bit about being the post-lunch speaker, so I will try to keep it entertaining for you.

I'm the executive vice-president of Grand River Hospital, located here in Kitchener, and I am also the Waterloo-Wellington regional vice-president for cancer services for Cancer Care Ontario. On behalf of the hospital, I would like to offer the committee a warm welcome to our city and to Waterloo region.

I'd like to begin today by thanking the committee for giving Grand River Hospital the opportunity to be here to provide to you, and through you to the Minister of Finance, our input on the direction of the Ontario government for the 2006-07 fiscal year, particularly as it concerns health care investments in Waterloo region. We know that many organizations have requested the chance to present to you and we are grateful to have been chosen.

Grand River Hospital is a 495-bed, comprehensive community hospital, where 2,500 professional staff and 800 volunteers provide patient-centred care to residents in the region of Waterloo and surrounding communities. We deliver programs at several sites throughout Waterloo and Wellington region, with our main campus located in downtown Kitchener. We also operate the Freeport Health Centre, which offers long-term rehabilitation and complex continuing care services, and several community-based mental health services located in Kitchener and Cambridge. We provide a dialysis program in Guelph to support Wellington residents and we support an oncology program in north Wellington.

At our KW health centre, our programs and services include medical and surgical services, critical care, oncology, childbirth and children's programs, and psychiatric and mental health services. We also operate the Grand River Regional Cancer Centre in association with Cancer Care Ontario.

Over the past two years, much has been said by governments and the media about the need to develop official wait time strategies for specific procedures performed in hospitals to improve accountability and patient services. At Grand River Hospital, we couldn't agree more. We believe that we have the responsibility to ensure timely, appropriate and equitable access to MRI, CT scans, cancer surgery and joint surgeries.

In pursuit of our goal to be a leader in transforming access to health care and improving wait times, we became the first community hospital in the province to provide public, online access to current average waiting times for these procedures so that patients know exactly what to expect. The information is available at the hospital's website.

In addition, Grand River Hospital is one of five hospitals in the province that have been asked by the government to be pilot sites for the province-wide initiative of creating a real-time provincial wait time information system. The expectation is that we will go live with this new system by March 31, 2006. Again, Grand River Hospital is pleased to support the government's health care transformation agenda.

We also support the creation of the local health integration networks, or LHINs, again as part of this transformation agenda. LHINs will ensure that communities have a greater say in making health care decisions. We have met with the Waterloo-Wellington LHIN CEO and have conveyed our willingness and support for ensuring that we develop and deliver the best health care for patients in our region within the resources available.

Grand River Hospital is fortunate to be a part of an integrated health care community. We work closely with our other local hospitals, including Cambridge Memorial Hospital and St. Mary's General Hospital in Kitchener. In fact, Grand River and St. Mary's came together to appoint a joint chief of staff, Dr. Ashok Sharma. With Cambridge Memorial Hospital, we have appointed a joint vice-president, Ms. Jenny Rajaballey, responsible for the mental health services in both organizations. By working with our regional hospitals, we believe that these unique types of regional co-operations significantly benefit patients. We also recognize how investments in one health care facility in our area have had a positive impact in our region as a whole.

I would like to take a moment to recognize the strong local support we have received from our elected representatives at all levels. Provincially, this includes John Milloy, Elizabeth Witmer and Ted Arnott. We appreciate the work they have done at Queen's Park to highlight our accomplishments and champion our issues as we work to meet the growing health care needs of our community. Together with Gerry Martiniuk and Liz Sandals, all the MPPs in Waterloo region and Wellington county have supported health care in the region, and I thank them for working to bring additional health care resources to our LHIN.

I want also to recognize the incredible support, both financially and from a volunteer standpoint, that we receive from our local community. The contributions we have received in recent years have allowed for timely completion of our regional cancer centre, our regional dialysis expansion, expansions to our emergency, childbirth and children's programs, as well as the capital support for the region's first MRI and other health care equipment. We are confident that they will be our full partners again in our next phase of capital redevelopment.

With a combined population of over 450,000, Waterloo region is one of the largest and fastest-growing areas in Ontario. While much attention has been paid to the GTA/9O5 area, the reality is that businesses and families are increasingly attracted to our region. At Grand River Hospital, we believe that there are strong linkages among a community's health care services, its economic performance and its attractiveness as a place to live and do business.

With this in mind, and as we look ahead to the 2006 Ontario budget, we are concerned that despite our innovative community partnerships and the hard work of our local politicians and broader community, the health care demands of those living and working in Waterloo region are poised to outstrip our ability to meet them at current operating funding levels. If we are unable to keep up, we will lose our allure as an attractive place to live, work and do business.

I know that this committee will be hearing from the Ontario Hospital Association and be provided, at that time, with detailed information on the operating funding challenges that many hospitals, like ours, are facing.

The point I want to make today is simple: Grand River Hospital not only plays an important role in meeting the ever-expanding acute care needs of Waterloo region's residents, it also plays an integral part within the region's economic development strategy. We urge the Ontario government to recognize the growing health care needs in our region, to accept the link between health care services we provide and the region's economic future, and to ensure that funding for our hospital, both operating and capital, keep pace so that we can continue to be an appealing community for businesses and families.

From a capital investment perspective, Grand River Hospital was pleased by the government's approval, announced this past September, of the last phase of our patient care development capital project, as part of phase 2 of the Ontario government's ReNew Ontario strategy. This development builds on earlier phases of Grand River Hospital's capital redevelopment and will begin in 2007-08.

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Many aspects of the patient care development project are directly linked to the government's transformation agenda, including the goal of reducing wait times for priority health care services. These include the expansion and modernization of such services as:

—our pre- and post-surgical units;

—our operating rooms;

—our in-patient oncology;

—our intensive care unit;

—our adult in-patient mental health services;

—a high dose radiotherapy suite to support our cancer program; and

—several hospital-based medical/surgical clinics.

The patient care development project is crucial for us to meet the increasing demands for these services in our region. Specifically, the expansion of our in-patient oncology and intensive care units, along with the enhancements to our operating rooms, are all key enablers which will improve access for patients and reduce wait times for the residents of our community. These capital investments will allow Grand River Hospital to support the access that patients require to vital acute care services.

Again, as we look to the 2006-07 budget and assess the growing needs of our region, we are asking that the government accelerate the funding for the patient care development project, so that we can begin in early 2007. We would encourage the committee to recommend to government that it fast-track this final phase of the ministry-directed capital improvements so that we can begin in the 2006-07 fiscal year.

In conclusion, I would like to express our appreciation for the opportunity to appear before you today and to outline our key requests for the 2006 provincial budget; namely, to encourage the Ontario government to work with us to ensure that Grand River Hospital is provided with sufficient operating funding in 2006-07 that ensures we can meet the needs of our residents, and that Grand River Hospital's patient care development project is fast-tracked and that we can move ahead with tendering the project in 2006-07. The government has already earmarked our funding; we would just ask that it become available in the 2006 fiscal year rather than the 2007 fiscal year.

We feel that acting on these recommendations will help the government meet its goal of reducing waiting times for priority areas and bringing services closer to home for our high-growth community. By doing so, Waterloo region residents will continue to have the best possible access to services in state-of-the-art hospital facilities.

Thank you. I would be pleased to answer any questions at this time.

The Chair: Thank you. This rotation will begin with the official opposition.

Mr. Toby Barrett (Haldimand–Norfolk–Brant): Thank you for the presentation on behalf of Grand River Hospital. You conclude with the mention of both the capital project or projects and operating funding challenges. Very simply, can we put a dollar figure on the operating funding? Is there a challenge in this present fiscal year, in projections for the coming fiscal year?

Mr. Gaskin: There are challenges both in our current fiscal year and going forward in our 2006-07 fiscal year as well. Currently, our estimated deficit is around $5 million. Going forward, we haven't concluded developing our budget yet for our 2006-07 assumptions and don't have a number at this point.

Mr. Barrett: And the proposed expansion and modernization of a number of services would be proceeding now, part and parcel in conjunction with community fundraising as well?

Mr. Gaskin: It has, and we've had very strong support from our community for our previous initiatives.

Mr. Barrett: So you have approval from the minister, and you can project how much is coming in from fundraising?

Mr. Gaskin: We do.

Mr. Barrett: Would you be rolling this out in stages, or is it all in one big package?

Mr. Gaskin: Most of this phase is internal reconstruction within the hospital, so it will roll out through phases. It's approximately a $70-million initiative. Our whole project was about $180 million. We have about $70 million left to do, and most of that is internally, within the organization, so it will go in phases.

Mr. Barrett: I see. So you've completed $180 million in capital—

Mr. Gaskin: One hundred and eighty million was the total, and we've completed about $110 million so far. About $70 million is our remaining share to be done.

Mr. Barrett: What would be the fundraising component of that?

Mr. Gaskin: The fundraising is usually a combination of 70%-30%. I don't have the exact figures, but as a ballpark estimate, in terms of being able to estimate, about 30% of that.

Mr. Barrett: Good luck with that.

Mr. Gaskin: Thank you.

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

Mr. Prue: It wasn't till right near the end of your presentation and the conclusion that I actually understood what you were trying to tell us. It sounded like everything was perfect, and, "Don't touch us." But in the end you want sufficient operating funds. Is that the same as you got last year plus inflationary costs, or is it more than that?

Mr. Gaskin: The challenge is that the inflationary costs we get are often outstripped by the real inflationary costs we receive. So the growing gap is our challenge. I don't have that as a percentage figure; it's a combination of not just inflationary costs but also increasing need and access to services for people within the community.

Mr. Prue: So this is inflationary costs tied in with population increases, or a combination of the two.

Mr. Gaskin: For sure.

Mr. Prue: The second thing you ask for is that the money be funded this year rather than next year. I guess it's up to the government whether they have the money this year or next year. What difference will it make to you to start a year earlier?

Mr. Gaskin: I think part of it is that it's a multi-year project, so they'll be able to achieve it. We were also one of the last regions to have the Health Services Restructuring Commission come and visit us, so some of these recommendations are coming out of reports that were done in 1997-98. So as we wait for 2007-08, we're 10 years behind in terms of implementing recommendations we have had. The faster we can do that, the more efficiencies we can create, the more ability to deal with things like wait times and access to services for that. While it only may seem to be a year, I think it's important that it is multi-phased and that we try to begin it as quickly as possible.

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

Mr. Milloy: Thank you for your presentation. Being one of the local MPPs, I'm obviously familiar with much of what Grand River has been up to and some of the challenges, but just to put it on the record for the benefit of the other members, I want to ask a two-part question.

One, you talk a little bit about the network of hospitals in the region. I thought it was important for people to know the work you have been doing, especially with St. Mary's hospital, in terms of aligning services. I think you've found some pretty major efficiencies there.

Secondly, do you have any stats on increased demand in terms of the growth here and how that has affected the hospital?

Mr. Gaskin: On your first question, we have worked very closely over the last few years with St. Mary's hospital as part of our directions from government to reallocate and redistribute our services among the hospitals, so we have created two very strong community hospitals with very distinct but complementary roles. We have implemented that successfully so that we have a cardiac focus and a day surgery focus at St. Mary's, and do intense in-patient surgery at Grand River Hospital, with a cancer focus and the child birthing, children's and mental health programs I mentioned. So we do have a very complementary arrangement of services that we are proud of, and have achieved a greater degree of that than other regions would have, with the strong co-operation of the hospitals.

Your second question was in terms of the impact of growth and—

Mr. Milloy: Yes, the impact of the growing community on the hospital: if there are some numbers or statistics on how that has affected the Grand River.

Mr. Gaskin: As regional vice-president for cancer, maybe I could speak from that perspective. If we look right now, this year we will have 86,000 cancer visits. Three years ago we had zero—not quite zero; we offered a small chemotherapy clinic. But the idea of those services needed locally and not available locally speaks to the incredible growth we've had in some of our programs in terms of new services that we've been able to bring here and reduce people travelling. That's probably just a good example where, as I say, we were at about 10,000 visits and we're at 80,000 to 90,000 visits this year.

The Chair: Thank you for your presentation.

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REGION OF WATERLOO

The Chair: I call on the region of Waterloo to come forward, please. 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. Ken Seiling: My name is Ken Seiling; I'm the regional chair. This is Larry Ryan, our chief financial officer. I think I'm timed to 13 minutes, so I'll try and read faster. I didn't realize it was 10 minutes.

The province has had a history of seeking input prior to the completion of the annual provincial budget, and on behalf of the region of Waterloo, I want to thank you for the opportunity to participate in these 2006 pre-budget consultations. We all know that there is lots of advice and not enough dollars to do everything, so I hope that, out of what you hear, you can provide sound and balanced advice as the budget is prepared.

There is much that we do, both individually and jointly, but given our time frame, I would rather focus on just a few areas which I believe are of great significance for the health of this region and of this province.

The region of Waterloo continues to be one of the major economic engines that help to drive the provincial and national economy. Like any healthy business venture, good-quality investment is key to our joint success if we are to support a high quality of life in Ontario communities and maintain Ontario's global economic competitiveness. When I speak of investment, I mean investment in both the human and physical infrastructure critical to successful communities. To that I would add the important caveat that the province needs to invest in and reward success if it wants Ontario to be successful.

Waterloo region continues to be a fast-growing community with tremendous economic growth. With a current population of about half a million, it is the fourth-largest urban area in Ontario. With an annual gross domestic product in excess of $19 billion, the region of Waterloo contributes almost a net $2 billion back to federal and provincial coffers annually, a net contribution of $10,891 from each household in this region. Just this week, BMO Financial Group reported estimated GDP growth of 5.1% for this region in 2005, significantly greater than GDP growth in Ontario or Canada. BMO further projects continued strong GDP growth of about 3.3% annually for the period 2007 to 2010. This is consistent with the CIBC World Markets and Conference Board of Canada reports of last year. This region is home to one of the youngest and most culturally diverse populations in the country, a population that drives the kind of advanced economy that ensures Ontario's competitiveness in the global marketplace. The region of Waterloo represents a sound investment for the province, with a guaranteed return. We have proven this time and time again.

I want to make it clear that we're not complaining about making those contributions. We want that contribution recognized, and support in doing that.

This growth and success are not just accidents of geography but the result of initiative, investment, entrepreneurial skill, a sense of stewardship and a community ready and willing to move with the times.

For more than 30 years, the region has been the major municipal partner with the province in providing key human and built infrastructure. That relationship has had its ups and downs. Today, more than ever, we need to address that relationship if the region is to remain economically prosperous and continue to support a high quality of life. The property tax system will remain a major component of our relationship, but we must acknowledge that it is increasingly stretched and not always appropriate for the types and levels of services we now deliver.

The province has recognized the need to plan and has passed legislation setting out that role. In the proposed growth plan for the greater Golden Horseshoe, Waterloo region is designated as a high-growth node. The province forecasts that our population will reach 729,000 by 2031. This 46% increase in population puts a tremendous strain on our human services and infrastructure. It also places a great deal of pressure on our land base. Waterloo region will need your assistance if the province is to be successful in achieving its objectives in Places to Grow.

I want to acknowledge that the government has shown its good faith in setting out in a new direction by way of providing municipalities with a portion of the provincial gas tax for transit. This is a good start, and there are other areas that will require sustained senior government investment over the long term.

It is neither appropriate nor feasible to continue to rely primarily on the property tax base as the main source to fund initiatives of such important provincial and national benefit. We believe that the most equitable and sustainable funding model for such an ongoing program would involve a balanced sharing of responsibility between municipal, provincial and federal governments.

In the few minutes I have left available, I would like to highlight a few areas where we believe the province needs to take action.

The province has recognized the importance of physical infrastructure and is, I believe, creating a long-term capital program under the leadership of David Caplan, who has shown a great understanding of the importance of this. Long-term capital forecasting has long been the practice of this region and of many other municipalities in the province. Water and sewage operating and capital spending have long been self-financed here in the region. It is in the area of roads, bridges and transit where spending challenges are evident as we seek to rehabilitate and build roads and bridges, and as we seek to expand and enhance transit services. This is particularly so in communities such as ours, which will bear the brunt of Ontario's growth in the coming years.

A good example of our commitment is in the area of public transit. Since the region assumed responsibility for transit in 2000, our region has aggressively expanded and enhanced our transit services. We have expanded transit services by 40%. This has resulted in significant gains in ridership, almost 35% in the system overall since 2000, and well over 80% in ridership growth occurring in the Cambridge area alone. We need to continue to aggressively pursue transit service innovation, enhancements and expansion if we are to successfully implement our regional growth management strategy, reduce the growth of automobile usage and meet the Kyoto targets. I hope the province will continue to partner with us in our efforts.

A key component of managing this growth and its impact on land use and transportation is rapid transit. The region has developed a comprehensive growth management strategy which is seen as a model for growth management planning in the province. In fact, much of the provincial legislation is modelled on what was done here in the region, and the minister has acknowledged that and thanked us for it. The RGMS identifies where, when and how future population and employment growth should best occur in the region of Waterloo. It balances reurbanization with limited new greenfield development, while offering protection for our precious agricultural lands and sensitive environmental areas through the establishment of a hard countryside line.

A key component of the plan and one that will ultimately contribute to the success of reurbanization is the development of the central transit corridor, anchored by a higher-order transit system using rapid transit technology. The region's light rail transit system proposal is a request for a capital infusion of approximately $100 million from the provincial government to partially fund the first phase. For the system to come to fruition, the provincial, federal and regional governments are being asked to share equally in the projected first phase of $300 million development costs.

The return on this infrastructure investment will be measured not only in terms of ridership, but in the more vibrant urban places it helps create, the reining in of urban sprawl, its contribution to sustaining and protecting our precious rural and environmentally sensitive areas, its support of a stronger economy and improved air quality and citizen health.

Our transit plans and rapid transit proposal were not developed in isolation, but rather are closely integrated with and flow out of our growth management strategy. They also reflect what I believe are the province's objectives in promoting planned or smart growth and are reflected in the province's own planning and mapping.

Not only does municipal infrastructure require significant investment; the provincial roads that connect our region require replacement and upgrade as well. Upgrading of provincial highways such as 7, 8 and 24 are all included within the provincial capital program. These projects have been planned for a number of years, and their completion is essential to our region and to the province. Again, the Places to Grow strategy will not be successful without this infrastructure in place.

Rail connections, whether they be better intercity rail services or GO service, continue to be sought by the people in this region. We have been attempting to get some limited GO service but have been consistently told that a major capital upgrade is needed in the GTA prior to any system expansion. We understand that the federal government has allocated some funds for this and would suggest that solutions for the GTA GO deficiencies will ultimately make GO and/or intercity rail expansion possible for Waterloo region and for others. In the meantime, we believe there are some alternate arrangements that might be provided by GO if there is provincial willingness to consider them.

Growth is not only about managing our infrastructure, but it is critical to manage our human services. The region is responsible for delivering a broad range of human services, many with service levels prescribed by the province and many with provincial cost sharing of the funding. These include social assistance, child care, emergency medical services, public health, housing and long-term care.

The federal and provincial governments last year announced an agreement to expand child care in Ontario. Waterloo region has been allocated $33 million in funding over three years to expand and improve our child care programs. The soon-to-be new federal government, if that's the way to describe it, has indicated it does not wish to proceed with the arrangements as currently negotiated. Although we support the new programs and manage the current system, we are concerned that we not be left to pick up a cost-shared program if the federal government withdraws and the province seeks a new funding partner. There is a history of unilaterally altered cost-shared programs over the last decade, and we would not like to see it happen again.

Emergency medical services: EMS funding is in a state of disarray across the province. From the very beginning, performance standards were imposed on municipalities that were not previously met by the province. In addition, the province agreed to fund 50% of the operating costs. Provincial funding has not kept pace with the significant increase in program cost drivers such as population and fuel and wage settlements. The province is now funding only 33% of the region's EMS costs, a shortfall of $2 million annually. The province needs to provide its matching funds and its approvals in a timely way.

The Chair: You have about a minute left.

Mr. Seiling: Okay. Housing: Our concern, in a nutshell, is that we maintain the current housing programs, and if there's a change in the federal approach, we want to make sure that, between the province and the federal government, senior-level government support for housing continues. We also would hope the government can advance its promise to provide assistance to people in long-term-care facilities. The promise was for $6,000; it's currently only at $2,000. Although it's not a direct cost to us, we believe the people in facilities across the province deserve that support.

We would support the requests and concerns that have been raised by our hospitals and post-secondary institutions, because they are important parts of our economy locally. Immigration services is another area that we think merits some attention, given the rate of growth in this particular area and the importance of immigration to our communities.

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Basically, my summary is there: We need a comprehensive provincial-municipal infrastructure program. We need a commitment on the part of the province regarding rapid transit. We would like the province to fulfill its commitment on highways and GO or rail services. We need support for the Best Start program. We want to continue housing programs. We'd like the province to honour its commitments on EMS, and we'd like to work with the immigrant population.

I think I'll stop there. You can read the rest of it. That's it in a nutshell.

The Chair: Thank you for the presentation. We'll begin this rotation with Mr. Prue of the NDP.

Mr. Prue: Thank you very much. You touched briefly—and I'd like a bit of an expansion—that you want the province to assist with housing. Is there adequate social and affordable housing in the region?

Mr. Seiling: As you know, municipalities have the responsibility for social housing and affordable housing. We were probably one of the first municipalities in Ontario to take up that challenge. We took the savings that we accrued when the previous government produced some savings for us. Instead of reducing mill rates, we took that money and put it into a fund, and that's how we fund our share of affordable housing projects. Subsequent to that, both the province and the federal government have come along.

The concern we have here is that the most recent provincial-federal agreement, I understand, allows the province to sort of front-end the federal money while it gets in a better financial position to bring its share up. My concern is if the federal money disappears early on, the senior level of government—when I'm talking senior, I'm talking both levels of senior government for us—degree of support disappears. We'd be concerned and hope that the province is vigilant in making sure that those funds continue.

Mr. Prue: The province has promised some $300 million, but it's spread out over 20 years.

Mr. Seiling: Right. I don't know the intricacies of the federal-provincial agreement, but I do know that because the province was in a bit of a bind, the province negotiated with the federal government to allow the federal money to flow in the first instance and then the provincial money would build in the latter years of the agreement. Somebody can correct me if I'm wrong on that, but I think that's the way it works. So that adds approximately $25,000 to $27,000 per unit available for assisted housing.

Mr. Prue: In terms of the assisted housing you already have, in the city of Toronto, as an example—and we've heard from other municipalities—the state of that stuff that was downloaded is deplorable. Toronto's looking for $242 million to bring it to code. Do you have the same problem here?

Mr. Seiling: Yes.

Mr. Larry Ryan: Not to the same degree.

Mr. Seiling: Not the same degree.

Mr. Ryan: We actually undertook a facility study on all those units—I think it's about four or five years ago—and the funding gap was, I believe, around $70 million for those specific units. So yes, we have a problem, and we did quantify that funding shortfall to be about $70 million.

Mr. Prue: Are you looking to the province to assist you in fixing it up, to bring it to code?

Mr. Ryan: Absolutely.

The Chair: Now I'll go the government.

Mr. Milloy: Thank you very much for the presentation. Again, as with the last one, being a local representative, I obviously have a good overview of some of this, but just to put it on the record and to explain to other committee members, I was wondering if you'd spend a minute on really the sort of re-urbanization and the forward-looking notion of the plan, especially when it comes to building the transit corridor and the region's light rail system.

There was a presentation this morning where they spoke about how our downtown in Kitchener-Waterloo is suffering. I just wanted you to comment a bit on how the region's sort of looking forward for 10, 20 years and beyond and how this is going to help with the re-urbanization.

Mr. Seiling: I think it's common knowledge that transit is the key to the urban forum and good planning, and that's very evident. I think we in this region are where the GTA was 25 years ago, when the province sort of got out of the planning business. We see the results of 25 years of lack of good planning and good transit in the GTA. So we have an opportunity to be ahead of the growth here and we have an opportunity to put in a transit system that really begins to move people and begins to attract investment to those core areas, because if we're not going to flop out in to the rural areas, if we're not going to have a lot of greenfield development, we've got to encourage the redevelopment of existing areas, and we believe that's possible.

We look very heavily to Portland and other communities like that in the United States to see their experience and have seen the great successes they've had and what in fact a rapid transit system does. Even in Toronto, when you sit in the Legislature, you can see what's happened along the subway lines in Toronto to get a clear indication of where people are prepared to put their money, and we don't believe that we'll have the success in drawing the density and the kinds of investments without that kind of support. The suggestion is that rubber-tired buses can do that. The experience elsewhere is that people want to know that a rapid transit line is going to be permanent before they put their money down on the table to do that kind of development.

We think this is critical, and we have a unique situation here where we have the three major urban centres on a linear pattern, surrounded by the rural areas, and we believe that we're very well situated. We just completed, last year—the province is currently helping us fund the EA on the system. The federal government funded the feasibility study, which was tabled late last year, which proved to the federal government that the system was feasible and practical and very much a good project for the future.

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

Mr. Barrett: As you've indicated, you're a fast-growing community, about 500,000 people now and a projected 46% increase in the next 25 years or so. Are any of your residents opposed to that kind of what I would consider phenomenal population growth in this area?

Mr. Seiling: I would say there are voices out there that aren't happy with growth. That's true in any community. I think there are lots of people who like their communities to stay exactly as they are. I think the reality is that where we're located in southern Ontario, the growth is going to take place. The question for me, really, and for many of our people is, if it's going to take place, how do we shape that growth, how do we make sure that it doesn't destroy the things that are important to us, and what's the best form that growth can take? That's why we've embarked on this major planning program. Ours actually predated the province's by about two years.

Mr. Barrett: Say, there's another 200,000 people or more coming; will many of them be in high-rises downtown or will you be taking up more farmland?

Mr. Seiling: We're trying to take a balanced approach. The provincial objective is that 40% will have to be within the redeveloped areas. Those are within the existing urban envelope. We've done a lot of work here already with the area municipalities and how that growth can take place. We don't see it all as high-rises; we see it as increased density in development, with two- and three-storey walk-ups, for example, on main streets. There may be higher-density apartment buildings, but we believe that given the land inventory that we've done and the ability to redevelop, we can accommodate those kinds of densities without having a community of skyscrapers. We don't believe that's the case.

Mr. Hudak: Great to see you again. Thanks for the presentation.

The opposition can claim a victory from time to time, and there's an announcement today that we are very pleased to hear, that the government has admitted that its OMPF funding model was flawed last year, that in fact they had reduced funding to municipalities. They announced today that municipalities will be receiving more money under the OMPF on a one-year basis. Cambridge, for example, will get one-time funding of a quarter of a million dollars. Here is a similar amount and the region of Waterloo will receive one-time funding of $129,000. There's some news to help meet the failings of the OMPF formula. It's one time. Do you think that instead the government should move to more permanent funding, as opposed to going one year in, one year out?

Mr. Seiling: Well, not being an expert on that formula, I quite frankly have some questions about how that formula was derived. I know there's no magic in those kinds of formulas. I think, personally, that there are other factors that have been taken into account in creating that; for example, it's based on social assistance case loads and weighted assessments and that sort of thing. I think—and I'm not speaking for ourselves here, but for rural municipalities—EMS is a major factor that should have been factored into that formula. That really disadvantages rural municipalities in Ontario.

I was taken aback last year when the city of London got a windfall of $13 million. The city of London isn't really that much different than the region of Waterloo. I'm not here to criticize the formula, other than the fact that I'm not quite convinced that it meets the mark, but then, no other formula prior to it did either.

The Chair: Thank you for your presentation.

ONTARIO ASSOCIATION OF OPTOMETRISTS

The Chair: I call on the Ontario Association of Optometrists to come forward, please. 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 the purposes of our recording Hansard.

Dr. Derek MacDonald: Certainly. It's my pleasure to be here. I'm Derek MacDonald. I'm currently president of the Ontario Association of Optometrists and a practitioner here in Kitchener-Waterloo. I want to thank the committee for giving us this opportunity, kind of as a last-minute stand-in. We appreciate the opportunity to speak with you today.

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In fact, many past presidents of our association have spoken before similar committees over the past number of years to express concerns that are basically very similar to what I'll express to you today: concerns about the impact that health care policy-making decisions are having on our patients; concerns about the lack of recognition for the important role that optometrists play in the provision of health care in Ontario; and, unfortunately, concerns that have not been addressed for nearly 17 years.

This submission will focus primarily on our recommendations to help ensure that Ontarians—particularly our seniors, our children and those with sight-threatening diseases—will continue to have access to OHIP-insured care in as convenient a manner as possible. I'll touch on three major areas:

(1) We want to ensure that optometrists are given the opportunity to actually negotiate with the government for appropriate compensation for their OHIP-insured services.

(2) We want to allow optometrists to prescribe therapeutic pharmaceutical agents.

(3) We want to have recognition for the important role we play in the cataract surgery wait time strategy.

A little bit about optometrists and about our association, the OAO: We're front-line, primary care practitioners responsible for delivering the vast majority of primary eye and vision care in this province. Patients visit optometrists in over 220 communities across Ontario for services that include, most commonly, a comprehensive eye examination and treatment in the areas of refractive status, oculomotor status, sensory status and overall eye health. We also work in co-operation with physicians in the management and diagnosis of systemic disease, including, most commonly, diabetes and hypertension, and the diagnosis of their associated ocular complications. The association itself is a voluntary group that represents optometrists in Ontario. We are the official designated negotiating body for optometrists under the Commitment to the Future of Medicare Act, 2004.

A rather dubious anniversary arises here. As of April 1, 2006, Ontario's optometrists will have gone 17 full years without a fee increase for the eye care we provide to OHIP-insured patients. In fact, the last funding agreement with the Ontario government expired six years ago. While our fees have been frozen for 17 years, the costs that are incurred in providing those services are certainly not.

We've provided successive governments with recommendations to address this funding strategy, recommendations that recognize both the fiscal and the social constraints that face the governments of the day. However, it has appeared, time and time again, that government is only interested in policies that place the financial burden of providing this care squarely on the shoulders of our profession. Our members, after this long length of time, have found it very frustrating to watch governments of all political stripes recognize the important contributions of other health care providers—including dentists, doctors and nurses—through repeated salary and fee increases, all the while ignoring optometrists.

We've repeatedly tried to persuade the government and the Ministry of Health to return to the negotiating table, since our last agreement expired six years ago. We're classified as designated practitioners under the Commitment to the Future of Medicare Act. That recognizes optometrists, doctors and dentists as health care groups that provide Ontarians with essential health care services. The government has chosen to negotiate and reach an agreement with the OMA. They've chosen to negotiate and reach an agreement with the ODA. However, in June 2005, we were told, "The ministry is unable to enter into any funding discussion with your organization at this time."

Frankly, the treatment of optometrists under this act is discriminatory. We've been named a designated practitioner, and as such, provide an essential service, but we're precluded from balance billing, and the government refuses to negotiate an equitable and sustainable funding schedule for us. The government's actions are jeopardizing the very services they deemed essential and sought to protect. Our members are very upset at the low priority being given their issues, and we'd strongly urge this committee to recommend to the government that they enter into true negotiations with OAO to work out a new funding and service delivery agreement.

Many people within the government apparently believe that the financial hardships that we claim were addressed in the 2004 budget with the deinsurance or delisting of routine eye exams for healthy adults. In 2004, our recommendation to the government was to follow the advice of the OHIP Optometry Services Review Commission, or OOSRC. This commission, in its year 2000 report, which was a joint report between ministry and association, recognized that in an environment of limited financial resources, there was some merit in focusing the optometric care available on those deemed most vulnerable and most needy. However, the commission advocated that if the government had to delist any services, it must reinvest any savings from that delisting into the primary care services that remain insured, namely those services now provided to children, seniors and adults with medical necessity. Unfortunately, this did not happen. The sad reality is that optometrists continue to lose money on each and every OHIP-insured service we provide. Delisting healthy adults did not make it any cheaper for us to provide the insured services. However, the government expects us to make up this loss on the backs of the newly uninsured population.

If we put the ethical issues associated with that aside and just speak pragmatically, optometrists have not seen their incomes rise, on the whole, since delisting. We continue to lose money on what we've been professionally trained to do: deliver high-quality, comprehensive eye care to those in our exam rooms. This situation obviously cannot continue. The government's repeated refusals to address this issue have already begun to impact accessibility to care for those still insured: children, seniors and medical-risk adults.

The reality we all recognize is that the population is aging quite rapidly. According to StatsCan, this rapid aging is projected to last until 2031, when seniors would account for between 23% and 25% of the total population of Canada. Already, almost one quarter of the country's seniors reside in Ontario. The number of senior citizens who visit their optometrist annually has doubled in the last 15 years. More than 85% of the senior population have significant refractive errors that impact their quality of life and require regular care. The aging population is also more susceptible to eye disease, including glaucoma, degeneration of the macula and cataracts. Early detection lowers treatment costs, drastically reduces permanent vision loss and consequently improves quality of life. Compensation for seniors' eye exams remains frozen at 1989 levels. Many optometrists already consider OHIP-insured care to be a public service they simply cannot afford to continue providing. The expected increased demand for our services will only exacerbate this crisis.

I'll touch also on scope of practice expansion for optometric care to use therapeutic pharmaceutical agents. Despite being responsible for the majority of primary eye care in Ontario, the inability to prescribe TPAs prevents optometrists from providing the patients who present with diseases and disorders of their eye or eyelids or diseases like glaucoma with the treatment they expect and require. This limitation means that such patients cannot avail themselves of treatment and obtain immediate and efficacious care from their optometrist. Extending the current scope of practice of optometrists to include prescription of TPAs would help alleviate the demand on scarce physician resources by keeping patients who require this treatment for eye conditions out of ERs and physician waiting rooms.

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

Dr. MacDonald: I want to thank Mr. Kormos for being very proactive on this issue through his introduction of a private member's bill.

My last point is cataract surgery wait times. In recent months, the Ontario government has invested time and funding in its wait-list strategy for many procedures. We certainly support ensuring patient access to health care services, but were disappointed to learn that the cataract surgery wait-time strategy fails to consider the important role we play in getting patients to the surgeons to begin with. It's optometrists who provide the majority of pre- and post-operative care, it's optometrists who identify cataract patients and refer them, and, unfortunately, it's optometrists who may no longer be available to provide these services if an equitable and sustainable funding agreement is not reached.

In conclusion, three key points:

We've been without a fee increase for nearly 17 years, and without a negotiated agreement for nearly six. It's time we were treated fairly by the government and given a chance to negotiate;

We have the training and expertise required to prescribe TPAs and should be permitted and compensated fairly for doing so; and

We should be included as a critical part of the government's cataract wait-time strategy and included in its implementation to ensure its success.

Thank you for your time. I'd be happy to entertain any questions you may have.

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

Mr. Wilkinson: Thank you. Now, you're an optometrist?

Dr. MacDonald: That's correct.

Mr. Wilkinson: That's great, Doctor. A couple of questions. I talked to my own optometrist, Dr. Linda Bathe in Stratford. The TPA: If you're granted that, does that shift the cost so that you'd be paid for that, or is it just giving you the ability to write the prescription?

Dr. MacDonald: There would be a two-part strategy there. We'd need the authority first with an extension of scope of practice, and that simply would allow us to do what we're trained to do. It wouldn't require additional training. We have that background already. There would need to be remuneration for those services, but those are services that are already remunerated through the health care system through family physicians, ERs or ophthalmology. The studies we've done actually show a net decrease in cost because of the elimination of a secondary referral. When a patient comes to my office, I'll bill for that, obviously, and then refer them on for a second billing. It could be handled in one billing through optometry.

Mr. Wilkinson: My second question: All these years without a fee increase, so basically your business model is that you end up really subsidizing doing the primary care which you're trained to by being in the business of selling eyewear.

Dr. MacDonald: That's correct. And now there's a second "subsidy" through the uninsured population.

Mr. Wilkinson: If that fee were to increase, from an economic point of view, would that accrue to just your bottom line or would there be savings to patients? I know the question about access, but everybody's making money. I don't know of any optometrists who have gone bankrupt. I don't mean to insult you, but you're making money. I'm just trying to say, if we did that, where would that benefit accrue? Would it accrue just to optometrists? Would it accrue to patients? Would it accrue to the health care system?

Dr. MacDonald: We're finding right now, and one thing that Dr. Bathe may have mentioned—she's the vice-president of our college, our regulatory body, right now. They've expressed some real fears about the standard of care and the quality of care. In eye care, like health care, the technology is exploding. There are many techniques that are available to improve diagnosis and care of a lot of procedures, but like anything else, those cost money. Right now, our college president has expressed in written form his concerns that the lack of equitable funding for the majority of the population is going to preclude us from providing that proper care for them.

Certainly the benefits would accrue to the population in that manner, by having better access to better care. I think as well it would probably prove beneficial just in allowing a little bit more time spent with the patient. Right now, with losing essentially $20 on each exam you provide to a senior, you face those competing interests: Do I maintain the financial viability of my practice, or do I provide the best quality of care and talk with that person whom I've enjoyed seeing for the past 15 years? There will be some economic benefit for optometry, no doubt, but I think that's secondary to accessibility in this case.

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

Mr. Barrett: Thank you, Doctor. We know a couple of years ago there was a change in the way chiropractors, physiotherapists and optometrists accrued money for their services. There was a juggling there. I just wonder how that worked out. Could you just walk through with me how that works? I obviously haven't been to an optometrist for a while, because I can't even read your logo.

Mr. Hudak: It was a test.

Dr. MacDonald: I'll leave you with a card before I go, maybe. I've got a good friend in Simcoe who could take care of you as well.

Mr. Barrett: Yes. For example, an eye exam costs about $58.

Dr. MacDonald: That's correct.

Mr. Barrett: So people who come in now dig into their own pocket to pay for part of that, and part of that is funded by the government. Could you just give me a more detailed breakdown—

Dr. MacDonald: Prior to November 1, 2004, everyone in Ontario was insured for an eye exam every year or two, depending on age, and that fee was $39.15. It hasn't changed since 1989. Post-November 1, so for the past 14 months or so, the only insured people remaining are 19 and under, 65 and over, and those adults with "medical necessity," who qualify for a certain exemption, if you will, based on their health condition. The exams for the children and the seniors are still reimbursed at $39.15. The economic studies we've done show that it costs, on average, $58 in overhead, equipment, salaries etc. to provide an exam regardless of whether it's a six-year-old or a 96-year-old. So what it boils down to is, if the patient is reimbursed at $39 we're losing $19 per exam. For the patients who come in and pay out of their pocket, an average fee varies from place to place in the province, depending on the economies of the region. I charge $79 for a full exam in my office. In that case, I'm making money on those. I'm losing money on the others.

Mr. Barrett: The citizen would pay the full $79?

Dr. MacDonald: Correct. For those patients who are deinsured, there's no coverage from OHIP at all. Many third party players have picked up that coverage through some of southwestern Ontario. What we're left with, though, is basically subsidizing the care for the insured by the care for the uninsured and the eyeglass prescription that was asked about before. We're faced with the fact that the people who need our care the most, the children and seniors, who are most vulnerable in their youth and in their old age, are reimbursed most poorly, and they're the ones who will face lack of accessibility.

The simple fact is that optometrists are looking at their bottom line and saying, "I can't afford to see as many seniors as are calling, because the more I see the faster I lose money." They're being forced to limit the care they provide simply to keep their offices open.

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

Mr. Prue: Would it be fair to say that you are, as a result of being delisted, making more money today than you made before?

Dr. MacDonald: Incorrect.

Mr. Prue: You're making less. Are you seeing fewer people, then?

Dr. MacDonald: When the government made this prediction and the infamous "gave you a raise" comment came out, the math they did was, "We've deinsured half the people and now you're charging twice as much so you're making 50% more." The simple fact is, when you deinsure the population not everyone comes when they have to pay out of their own pocket. So we're seeing a double-edged sword here. Yes, we are finally making money for our diagnostic services, a long-overdue situation, but we're seeing fewer and fewer of those uninsured patients because they're basically putting their care on the back burner and not coming in for the care. When you combine that with the fact of being reimbursed at a loss for the insured population, they're also going to face accessibility issues; not from their own choice but from necessity.

Mr. Prue: I would take it the people you're not seeing are mostly those who simply can't afford it. You're not seeing welfare—I guess welfare cases might be covered. You're not seeing people who make minimum wage; you're not seeing people who are struggling financially, young families and stuff like that.

Dr. MacDonald: The working poor, exactly. Those who either can't or won't afford it, who have to make those tough choices between their health care and groceries, that sort of thing.

Mr. Prue: The one question I have is, the OMA has to be one of the strongest unions—they say they're not—in this country. They go toe to toe with the minister. They stare him down. They reject a contract. They get a better contract. It's debated in the Legislature. They do it every couple of years. Is there any lesson for you to learn from them? You want to negotiate but nobody ever stands up and says, "We're going to cut you off; we're not going to deliver the service; we're not going to do this; we're not going to do that." You're not precipitating a political crisis and forcing the minister and the government to act, and I wonder why.

Dr. MacDonald: Not wanting to blow our own horns, but we're inherently nice people.

Mr. Prue: And that's the problem.

Dr. MacDonald: That may be the problem. For 17 years we've kind of had this forced on us. We are also 1,300 strong in the province; we're not 26,000 strong. When family doctors and physicians choose to close ERs and increase wait lists, the effects are felt instantaneously. With a group of 1,300 practitioners, it would take a little bit more.

We did employ a strategy similar to that with our visual field issue a couple of months ago, where we were simply not able to perform that service. We were forced to withhold that service. Through the support of the ophthalmology practitioners in the province, who suddenly were inundated with this, we did receive a long-overdue fee increase for that.

We don't want to withhold services. We don't want to use our patients as "pawns." We haven't done that in 17 years. We don't want to have to resort to that, but in reality, it's getting closer and closer to inevitable.

The Chair: Thank you for your presentation.

For the committee, our 2 p.m. presentation has cancelled, so we will recess until 2:20.

The committee recessed from 1400 to 1423.

RETAIL COUNCIL OF CANADA

The Chair: The standing committee on finance and economic affairs will now come to order. I believe we have our 2:20 scheduled presentation here now. 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. Ashley McClinton: Thank you and good afternoon. I hope I didn't hold you up. Maybe my running late gave you the opportunity for a quick break.

My name is Ashley McClinton, and I'm with the Retail Council of Canada. I'm the director of government relations in Ontario for RCC. Thank you for the opportunity to appear before you today. I'll try to move through my presentation quickly. I do have quite a bit of information, but I'll move through it quickly so that we do have time for questions at the end.

RCC has been the voice of retail in Canada since 1963, and we represent an industry that touches the lives of most Ontarians. Like most associations, we're not-for-profit and are funded through our dues revenues. Our more than 9,000 members represent all retail formats: mass merchants, independents, online stores and specialty stores. While we do represent the large mass merchandise retailers, in fact 90% of our membership is small, independent merchants. Over 40% of our membership is here in Ontario and those stats, both in terms of size and distribution, are consistent with the industry averages as well.

The retail industry is dynamic and fast-paced. Nationally, it contributes more than $350 billion annually to the economy. In Ontario, we're currently posting at $109 billion as of October 2005, but we expect that to push up to about $130 billion at year-end, when the final numbers are in, which is about 5% of Ontario's GDP.

Retail is the province's second-largest employer, with more than 760,000 employees in this province. I think it's actually a little-known fact that we're the second-largest employer. We rank right behind manufacturing. In terms of scale, we're well ahead of the health care sector, the tourism industry and others. So it's just a huge industry in terms of employment.

There are two charts in your presentation that give you a little bit of a breakdown of what retail looks like across the provinces in some of the major metropolitan areas, both by number of establishments and number of employees. They're in the retail profile section at the back if you're interested.

As I said, the retail sector does reach every corner of the province, but it is dominated by small business. The majority of retailers employ fewer than four people, and almost half of the retail businesses in Ontario are classified as "indeterminate," which means they have no payroll, so they're really mom-and-pop shops and sole proprietorships; they don't employ a single person. Approximately 70% of the retail sector has sales of less than half a million dollars, and 89% of the retail sector has sales of less than $2 million, so we really are just talking about smaller micro-business. We talk about the Wal-Marts or the Home Depots or Sears, but they're just 3% of the industry overall.

With respect to sales, our research shows that Canadian retailers enjoyed solid, steady sales growth in 2005. The total national retail sales for the year-to-date are more than $300 billion, which is up 6% over 2004. With respect to sales for Ontario, they are lower, unfortunately. Year-to-date sales show Ontario's growth at 4.7%, which lags behind the national average. The four western provinces are posting sales growth rates that are significantly stronger than Ontario, as is Quebec, with some of the Maritime provinces posting slower sales growth. Ontario has widely been identified by RCC members as their weakest sales market.

RCC did predict this slow sales growth year in our pre-budget submission last year. At that time, we noted that the new tax levied in the 2004-05 budget, the Ontario health care premium, was likely the principal reason for the drop in Ontarians' spending in 2004 and cautioned that the trend would continue once it was fully phased in in 2005. We did an econometric analysis last year through StatsCan to provide a measure of the impact of the health premium on household disposable income. At that time in 2004, Ontarians were scheduled to lose, according to this analysis, about 0.3% of their disposable household income and about 0.5% when fully phased in in 2005. So Ontarians hit the hardest have disposable incomes of about $35,000 to $100,000 and, for these families, the average loss of household disposable income was about 0.8%, or between $400 and $871 each year, which is a significant amount of money for most households, as you can imagine. The effect of the greater average loss of disposable income in 2005 was exacerbated by increases in gas, natural gas, oil, electricity costs and so on.

Looking forward, RCC expects sales performance in Ontario to grow slowly again this year, steadily, but at a rate lagging behind the national average again. In particular, the increase in energy prices that started earlier in the year has removed considerable spending power from consumers, and we believe that this will show up in slower retail sales growth in 2006.

As we all know, retail sales are a barometer for the economic health of Ontarians. What do all these figures mean? When the finance minister appeared before this committee in December 2005, he noted that Ontario consumers were benefiting from continued low interest rates, a great job market and rising incomes. Overall, we absolutely agree: The economy is doing great. However, at a briefing on Canada's economic outlook for 2006, which was held by the chief economists of the five national banks, the message was pretty clear: While Canadians do feel that the economy is doing well, they don't feel that those benefits have flowed through to them. So Canadians believe the economy is doing better than they are.

We tend to agree with this assessment, and we're becoming a little bit concerned about the economic situation of Ontarians and their future standard of living. Specifically, in recent years, retail sales in Ontario have actually outpaced the growth in Ontarians' disposable income. Real personal disposable income per person, of course, is a key benchmark for the standard of living and people's spending power.

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We did another analysis this year. We asked StatsCan to track PDI in Ontario between 1990 and 2004. We did this at the federal level and for all provinces, using 1998 constant dollars. I'm going to rhyme off a bunch of numbers here, but if you want to follow along, they're on page 9 in your presentation. In 1990, the average Ontarian had a personal disposable income of $20,914. By 2004, it had risen by a mere $431, to $21,345.

An economic simulation from StatsCan commissioned by RCC also reveals that the budget policies of the government of Ontario provided Ontarians with a substantial decrease in their personal tax burden the decade between 1990 and 2000. But since 2000, that momentum has been reversed. Ontarians have seen their tax burden increase from an average of about $4,520 per household in 2000 to a projected $5,303 at the end of 2005, which is a $783 increase, or 17%, in the average tax burden on the average family in Ontario. The jump from 2004 and 2005, which you can see in the graph on page 9, is especially noteworthy, and that is owed to the implementation of the health premium in that budget.

We believe it's not coincidental that surveys of our members do show Ontario to be one of the weaker regions for sales, and the sales figures are confirming this. However, if one were to look at just retail sales alone, they are increasing steadily, even if slower, and so the economic situation doesn't appear to be as disadvantaged as the simulation indicates.

How did Ontarians accomplish this when their incomes have remained relatively stagnant, which is true right across the country, in fact? It appears to us that consumers, while taking advantage of the lower cost of borrowing, have actually reduced their savings and increased their personal debt loads. While we're certainly not economists at RCC, and I don't purport to be one—we don't necessarily have the resources to truly do an analysis of this kind—we believe that the apparent health of retail spending may not be such a positive sign for the future, but in fact an implicit warning, as the strategies that Ontarians appear to have been using to enable them to maintain their standard of living are simply not sustainable. Ontarians are running out of room to manoeuvre, as economic events and trends such as increased energy costs take a greater bite out of their disposable income. So this year we believe Ontarians are going to need the help of their government if they're to be able to maintain their standard of living.

The overarching message from our membership today is that the central role of government should be to sustain standard of living and consumer confidence. That needs to be done by removing impediments to growth, obviously by balancing the increases that have already been done with the stabilization of spending. We would like to see a balanced budget, of course, as soon as possible. If Ontario is to be the engine of our nation's economy, it must work immediately to improve its performance. Fiscal policy: Generally, we advocate a balanced approach of targeted tax reduction, debt reduction and a strategic investment in infrastructure and services to secure a healthy and prosperous future.

I'll just move on to a couple of specific recommendations that are in the report as well, if I have time. The first one I'd like to talk about is training tax credits. It's the second one in your book. As I've mentioned, the retail sector is in fact the second-largest employer in this province. Like many industries, it's facing a severe labour supply crunch in the years ahead. We as a sector have identified this as one of our top priorities, and we've thrown considerable resources, both staff and financial, behind it. We've launched what we call the "retail as a career" initiative, which has training modules such as retail first-level managers and sales associates. It's really to help people who enter the retail workforce to see it as a career path and work their way up through the ranks to management.

When the finance minister appeared before the committee in December, he noted that the government had invested considerable resources in our greatest asset, our people, through post-secondary education and training. We agree. One of those initiatives is the employer training tax credit. We think this is a great initiative. However, it's geared primarily to the construction, industrial and manufacturing sectors. What we're asking today is that you consider extending the training tax credit to the service sector, particularly the retail sector, so that more employers can benefit from this initiative and help develop the skill sets within our industry. We think that's a really positive thing the government can do, and it's certainly in line with the government's priorities there.

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

Ms. McClinton: Thank you. I'll just highlight a couple of other ones, then.

Environmental levies are becoming a huge issue for our membership. We're involved in about 30 recycling programs across the country, involved in the board of Waste Diversion Ontario and the blue box program here, as well as others. Our members support these programs, but given the significant impact they have on business and consumers, we feel that the Ministry of Finance should play a more active and engaged role. We'd like for the ministry to advocate for harmonization, and as well, to ensure transparency, we're calling upon the ministry to recommend that retailers be allowed to show levies on the sales receipt.

There are also a few other presentations in your binder, at the end, regarding harmonization of the GST and PST, which is a long-standing issue for our members, as well as some tax simplification issues, which I can talk about in more detail if there are questions. Thank you.

The Chair: Thank you very much for the presentation. We begin this rotation with the official opposition.

Mr. Hudak: Ms. McClinton, thank you very much for your presentation. We're very pleased the Retail Council of Canada has taken the time and delivered such a comprehensive brief to the committee.

You made an excellent point early on about the impact on real disposable income of Ontario consumers due to the so-called health tax, which I think we all know simply goes into the consolidated revenue fund. We don't even know if those dollars go into front-line health care, and I think if you quiz most constituents here in Kitchener, they'd say they're paying more and receiving less in services.

We calculated that the loss in the pocketbook from the higher taxes, higher fuel rates, higher hydro, higher natural gas and home heating is about $2,000 for a typical Ontario family, which we're sadly seeing reflected in Ontario's poor performance, relative to other provinces, on the retail side. Do you see this unfortunate trend continuing in terms of Ontario lagging behind the other provinces on retail sales?

Ms. McClinton: Unfortunately, this isn't the first year that Ontario hasn't been a leader in terms of retail sales. In 2004, we were behind the national average as well. However, I should point out, in terms of the average provincial tax burden, that is one reason that Ontario will lag, but there are others as well. We don't enjoy the resource-based economy that the western provinces do that are experiencing a boom right now, which is reflected in their much higher than average growth. I believe it's over 11% in Alberta and 8% in Saskatchewan. Certainly, we'd like to see more money put back into people's pockets. Whenever there is a change in tax or transfer policy that affects consumers, retailers see that immediately in reduced sales.

Mr. Hudak: The two big issues that we've heard about across the province at this committee are the impacts of hydro rates, which are impacting on businesses and, I expect, consumers' disposable income; and secondly, the loss of manufacturing jobs in the province of Ontario. Sadly, the southwestern part of Ontario, the K-W area and Wellington, have been hard hit, with some major companies closing their doors. Do those types of numbers also pop up in retail spending—the impact of industrial job loss and hydro rates?

Ms. McClinton: Absolutely. In terms of industrial job loss, that's going to have a ripple effect, but it's also going to have a very obvious effect in the community in which those job losses occurred, in terms of the consumers who are spending there.

I guess I can just give you a little bit of background in terms of the effect of what the numbers represent. Here, they are only transfer tax and tax policy decisions. So there are a variety of factors not included in these that would have an effect on consumer spending.

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

Mr. Prue: I listened intently to try to see exactly what you are asking the government to give you, and what I heard loud and clear was a training tax extension. I heard a little bit about changing some of the environmental levies and possibly the harmonization of the GST and PST. That's not a very long wish list.

Ms. McClinton: You're right. Our choice was not to come here with a laundry list of things to ask for. We believe we're a huge contributor to the economy, and part of our role is educating people on what retail does for the economy and the health of the economy right now. There are a few other issues in your briefing that we feel would be of benefit to consumers and retailers specifically. Generally, we'd like to see tax relief for consumers, especially low- and middle-income earners, and we think that would help retail sales and the economy in general, but we're not here to provide a laundry list of requests, no.

Mr. Prue: Well, it may, but the government is running a deficit and has a number of programs that it's been unable to finance—important things. Would you be looking to a tax decrease for consumers that would severely impact running a balanced budget or doing away with some of the programs that I think they sorely wish they could do? I mean, that's what you're asking. It needs to be balanced, and I need to hear where you're coming from on this.

1440

Ms. McClinton: You're right: The budget does need to be balanced. It's going to affect consumer confidence the longer it remains in deficit position, and we'd certainly advocate for a balanced budget. I guess what we're saying is that there is a variety of things that the government could be doing. When you look at how Ontario is performing relative to our neighbours and the rest of the other provinces, we are falling behind. We see that a large portion of that is because of the ongoing tax burden that Ontarians are facing. I think that's a decision for the government to make in terms of its priorities, but we feel that anything that's going to put more money back into consumers' pockets is a good thing.

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

Mr. Wilkinson: It's good to see you again, Ashley. Thank you for coming in.

Just a couple of things: I find it interesting that you have shown that the impact on disposable income of the Ontario health premium ranges between $403 and $871 per family. That would be substantially less than the $2,000 number that Mr. Hudak keeps on throwing around for this, so we thank the Retail Council for actually putting that in there, just so we have an idea of the total tax burden on disposable income.

My concern has to do with the fact that you've made some great suggestions to us about extending the tax credit to the retail sector, which is just a tremendous economic driver for this province; you're absolutely right. If we were all getting 400 bucks, like they get from King Ralph out there in Alberta—I think they're going to have a very good year in Alberta.

The other thing I want to thank you about is helping us on the energy conservation front. The Minister of Energy just announced the powerWISE program yesterday to raise that awareness, because that's absolutely key for us to be able to do that.

I believe my colleague Ms. Mitchell has a question for you.

Mrs. Mitchell: I just have a quick question, Ashley. First of all, I want to thank you for taking the time to sit on the small business agency. I feel it is an agency that can make a tremendous difference in dealing with the recurrent hurdles that small and medium-size businesses have to deal with.

But we also had a presentation from the Ontario Restaurant Hotel and Motel Association. They're in very similar businesses to what you do, and their report certainly doesn't reflect the same information as yours. You've only chosen to speak to the premium; you haven't chosen to speak to the other factors that affect the drive in the economy, whether or not it goes forward or slows down, so I want to give you the opportunity to speak to the other factors that are driving retail sales.

Ms. McClinton: Absolutely. I'm not familiar with what the ORHMA presented this morning; I believe they were in here to see you. But this simulation is exactly that: It's a simulation. It's a point in time using 1998 constant dollars in a perfect situation, so of course there are a number of factors outside of this. We're seeing retail sales, despite what we see as a stagnant PDI, increasing every year, every month; they're ahead of last year. Yes, we're behind the national average. As you mentioned, Alberta is having a boom year; they're well over 11%. They're driving the national average up. We're saying that if Ontario is to continue to be the engine of economic growth, we want to get above that national average. We're not here to really fearmonger and say we're on the cusp of a recession in retail or anything like that.

The Chair: Thank you for your presentation.

ONTARIO COMMUNITY SUPPORT ASSOCIATION

The Chair: I call on the Ontario Community Support Association to come forward, please. 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. Claude Tremblay: Thank you very much. My name is Claude Tremblay. I'm with the Ontario Community Support Association, the OCSA. Tony Pierro is the executive director. I'm amazed at the barrage of information that you folks get, so we'll perhaps change the pace over to health care, if you can be so kind.

Just who we are: The OCSA is a not-for-profit, and we have 360 organizations as our members. The 360 organizations have 25,000 employees and 100,000 volunteers. What we do for the ministry is that we basically do two thirds of all your community support services: The $350 million of community support services is two thirds done by our member agencies. We do half of the $1 billion that you invest in home care.

I thought the best way to illustrate the contents of this document was to share with you a personal experience. We all have aging parents, and I am no different. A couple of years ago, my father was diagnosed with terminal cancer, and I chose to bring him into my home to try to make the best of a bad situation. What we have as resources, in the ideal community in Ontario, would be something less than $100 per day, if you look at the limitations put on the number of hours of personal support, on how much you can spend on a meal, on how much you can spend on transportation and perhaps an adult day care program. This represents a significant gap, in our mind, as to the alternative that was presented to me on the first day we had the pronouncement. I was offered a palliative room in a hospital setting for the duration of his illness. Various economists would tell you that the institutional setting is somewhere between $500 and $800 per day. So there seems to be a gap in the strategy of health care between the $100 maximum you can have by keeping in the community, versus the institutional costs. The reasons are fairly obvious in that in the home care setting, the gas, the lights and the bricks and mortar are financed by the patient. This is a significant cost saving to you if the strategy for health care maximizes the amount of time that the client can stay where they generally want to stay: at home.

If we were to look at some of the research involved, we would have the usual, like Marcus Hollander, who studied the BC system throughout the 1990s and their investment in institutional settings. He pointed out that the community is an important part of your solution when it comes down to your overall health care situation. Squeezing the community and investing in the institution will only increase the overall amount of money being spent in health care.

So we would like to propose to you that we shift some of the onus. To reduce the incremental $33-billion budget, and growing, you have to have something to go to as a solution. We see the setting of the community home as a key part of your solution when it comes time to reducing the 7% and 8% increases that you've seen in your health care budget. We see ourselves as part of the solution. The Romanow, the Kirby, the Hollander—these are all people who point to home care as part of your solution when it comes to getting a handle on the overall health care budget.

The model we have in Ontario is one that we feel will maximize every dollar you spend. Right now, within the $350-million budget for the community support sector, for every 60 cents that the government puts in, the community agencies put in 40 cents. We do this by co-payments, we do this through fundraising. We believe in what we do, and that is basically why they are selling the poinsettias and everything it takes to deliver as much service as they can in your communities throughout Ontario. In addition, we have 100,000 volunteers. You get another bang for your investment, because these volunteers are a significant component of getting the service done at an extremely low rate.

So our pitch, our proposal, would be for an increase of $75 million in community support services. These would be our personal support, the respite, the Meals on Wheels, the transportation. We would like to see an $80-million increase in the supportive housing area. We recognize that this is a significant increase over the current $350 million, but by putting this in place, we are setting you up to deal with the $33 billion, ever-increasing health care budget. To some extent, it's a spending-money-to-save-money proposal that we are suggesting. Did I miss anything, Tony?

1450

Mr. Tony Pierro: I think the key is that we're a good investment, if the government and society want to better the whole health system.

Mr. Tremblay: That would be nine minutes?

The Chair: No, you have about five minutes left.

Mr. Tremblay: I don't have to take it. How about you guys take the questions? I think there's a fair amount of opportunity for questions. This thing has been well-publicized, as to home care as a solution, so I turn it to you folks, if you have some questions.

The Chair: I appreciate it. We begin this round with Mr. Prue of the NDP.

Mr. Prue: Thank you very much. What you've said today I have heard before. I heard it in the previous government and I've heard it during this government. But it seems that every time we talk about health care inside the Legislature and the minister announces new expenditures, it's all geared to hospitals and none to where I think it would be very wisely spent: with you. This must be very frustrating to you.

Mr. Tremblay: Well, a non-partisan response is required. The community has had a 10% increase in the last 10 years, and the cost of living has clearly been more than 10% in 10 years. We show a long-term lack of investment in the community over the years, so we've lost ground. We've invested in institutions in a large manner, so we're following the BC example of the 1990s, which, of course, Marcus Hollander would suggest is not the way to go.

Mr. Prue: In my own community, they were extremely upset when the care agency that looked after most of our seniors was forced out, because they were forced to compete—it seemed kind of bizarre—on how much money they were going to spend and how much the government was going to give. Some other group that nobody knows came and took the contract away. How do you see this working? Because I know that nobody's been very happy in East York since Community Care East York lost the contract and somebody we don't know has shown up. I don't even know who they are.

Mr. Tremblay: I hope they're not the Red Cross. That's who I work for. Of course the RFP is a transition, and it is a hardship for those who are in transition. It's particularly hard on the clients, who do not necessarily appreciate what is going on. They don't see it as the Red Cross, Comcare, ParaMed. They see it as "my girl": "Where's my girl?" That is really the tough part of that.

Mr. Prue: The government did this to save money. Do you have any idea—because I have never heard—how much money, if any, this saved? On a $33-billion health budget, how much money did this possibly save, by getting rid of "my girl"?

Mr. Tremblay: I'm not aware of any studies as to the amount saved. The CCAC budget has recently started to increase. It was increasing rapidly since its inception, but kind of stalled out around 2000-01. You have to invest in whatever system you have as to who gets the actual provision of services. There are 40 providers out there that do home care, and I guess there needs to be some means to decide who should be doing that.

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

Mr. Arthurs: Thank you for the presentation. Can you just run through again some of the numbers? Obviously, your funding request today is some $155 million or thereabouts on top of the current $350 million?

Mr. Tremblay: That's right.

Mr. Arthurs: In addition to that, and looking at page 12 of the presentation, you go on to speak of priorities for community support services funding. Are these increases to the base funding? Is this in addition to the $75 million and the $80 million, or is it within the envelope?

Mr. Tremblay: No. That is within the envelope.

Mr. Arthurs: Within the envelope. Given the number of service areas and what the demands are, how would you prioritize where the funding should go? If one had to cherry-pick a little bit from all of these services and needs, if one didn't have $155 million, how would you prioritize?

Mr. Tremblay: We certainly did isolate the supportive housing in our document as the first priority. Ontario is not homogeneous. The basket of services is not the same in any particular community. The move towards the local health networks is a step in recognizing that it's not all the same model throughout. So I would hesitate to pick any particular service, because in some places, like where my father was, there were no meals and there was no transportation, but there was good hospice. The needs will be different someplace else in Ontario.

Mr. Arthurs: Having said that, a supportive housing environment would be a priority.

Mr. Tremblay: Yes.

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

Mr. Hudak: I think my colleagues may have some questions, so I'll ask an opening question and then step back. You just talked about the LHINs and how you like the notion of a regional approach because different delivery agencies are different in various regions. At the same time, the government is consolidating CCACs from local delivery to larger, regional delivery. One of the common occupations of many of us, as MPPs, is to advocate for our constituents to get the care they need from the CCACs, which in my view will be made more difficult if they're collapsed into these larger regional entities. Our own Niagara CCAC is an example in my area. Do you have concerns about the consolidation of CCACs?

Mr. Tremblay: Living in Simcoe-Norfolk, we might. But more than that, I understand that the initiative to consolidate the CCACs is not an initiative that necessarily affects the 2,500 case managers, who clearly have to be in the community. This is where the action is. It's not necessarily at the executive director level or at the contract manager level that issues are happening for the client.

Mr. Hudak: So your understanding is that the people we usually interact with in the Niagara office and in the Niagara-on-the-Lake and St. Catharines area will still be there to call and make sure we get service; they're not going to be consolidated into some larger entity?

Mr. Tremblay: I'm not terribly concerned, so long as the investment in the case manager at the front-line level is maintained.

Mr. Hudak: So you think they'll maintain a local presence; the current place where I go and find them and talk to them will be maintained?

Mr. Tremblay: I understand that the buildings are not on the table, but I'm not terribly aware of that. From the perspective of the client, they're usually going to the client, not the client coming to the building. I find that this industry is very much in the home. So the case manager is in the home, the RN supervisor is in the home and the personal support worker is in the home. You can't touch it, because you have to go to the homes. It's pretty rare that the executive director shows at the home.

Mr. Hudak: It's our interaction as MPPs to advocate for our constituents, to make sure they get service, and we benefit from having a local presence in that advocacy. I worry about its being swallowed up into some larger entity that will be much harder to contact.

Mr. Tremblay: The issues I would look at that could come out of the LHINs are that the contracts have not been established, are they going to be larger, how are they going to actually roll that out in the finer details, does it mean there's going to be more transition because they're moving to larger contracts that smaller providers can't handle? Those kinds of issues would be more along the details of the LHINs, but I'm not terribly concerned about the contract managers or the executive directors of the CCACs in the local service.

The Chair: Thank you for your presentation.

GTA/905 HEALTHCARE ALLIANCE

The Chair: Our 3 p.m. presentation has cancelled, but I'm advised that the GTA/905 Healthcare Alliance is here. Would you please 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 yourself for the purposes of Hansard.

Mr. Tariq Asmi: My name is Tariq Asmi. I'm executive director of the GTA/905 Healthcare Alliance. Mr. Chair and members of the standing committee, I want to thank you very much for the opportunity to share with you some of the information we have. We think this is of critical importance. I've shared with you the slide deck that I hope to be speaking from, as well as a document called Places for Care: Towards a Healthcare Strategy for Ontario's High-Growth Regions.

Turning to slide 2, when we had the opportunity to meet with Minister Duncan in the region of Durham, he posed five questions that he wanted us to bring forward and to offer recommendations and suggestions. Those were: to create a new generation of economic growth; to anticipate and address external challenges and risks; if spending is to increase, where should it decrease; what other measures do we have to offer; and finally, how can we best increase fiscal transparency and accountability.

1500

On the next slide, the GTA/905 Healthcare Alliance represents all the hospitals in the four regions of Halton, Peel, Durham and York. These are the fastest-growing regions in Ontario. When we met with Minister Caplan, he reminded us that Ontario is the second-fastest growing region in North America, so this makes the GTA/905 the second-fastest growing region in North America. We represent all the hospitals: the 10 acute care hospitals and the Whitby mental health facility.

The next slide, number 4, is Ministry of Finance data based on the 2001 census. It's very clear, and I think we all know this—indeed, the region of Kitchener-Waterloo is in a similar situation in terms of population growth. The pace of growth in the 905 region far exceeds that of Ontario. Prior to 2004, it grew at triple the provincial growth rate of population. From 2004 on, we're talking about a population growth rate of more than double. They're aging at twice the provincial rate, and increasingly we're seeing greater cultural diversity and greater socio-economic disparities among the residents of these communities. So the pressure for care is not just population growth; it's aging as well as the special needs of the culturally diverse population.

The next slide is very simple, but it's worth thinking about: Each year, the 905 accounts for half the population growth in Ontario. That was prior to 2004, and it will be sustained well past 2004 into the future. This is a tremendous pressure. Half the growth in Ontario each and every year ends up in the 905. It should raise the question as to what proportion of new resources these regions are getting each year.

In terms of our recommendations, if we can speak about a new generation of economic growth, our key recommendation for you today is to act on your 30-year growth plan for Ontario, Places to Grow. It speaks of building complete communities to attract investment. To attract that investment, we all know that you need communities that have ready and timely access to local health care. This is a key factor that attracts investment and creates jobs with the associated income revenue for all.

You'll notice that the 905 communities make up almost half the targeted communities of Places to Grow, so investment in these regions is not only consistent in terms of meeting the population growth needs, but also consistent with the government's agenda in terms of building healthy, vibrant communities that will be the engine of economic growth in Ontario. So investment in the 905 is consistent with that key agenda.

The next slide: GTA/905 hospitals have had to do more with less because there has not been an ongoing basis of funding hospital growth using the funding formulae that are currently around. What we've done now is reverted to percentage increases across the board, which just makes the big bigger and the small stay small, regardless of their population health care needs.

Our hospitals are up to 30% lower in cost, so for the same service—for the same hip, for the same cataract, for the same dialysis—we provide care at 30% lower cost. So it's care close to home, better coordinated care and it saves the government money. When the government announced wait time funding, they had to provide to the teaching hospitals a 30% premium for the very same hip, knee or cataract. So we are lower-cost providers of high-quality care.

The next slide, number 8: The 905 region is growing. There are people there who will need health care. They're going to go and get it somewhere. The question is, where will they go? This model was actually prepared for the former Minister of Finance, Mr. Sorbara, when he asked us to create a model of what would be the cost to address the health care needs of this fast-growing region of Ontario. The first bar shows that if we look at all the wait time services that are a priority for this government as well as growth in those wait time services as well as bringing care closer to home, it would cost, going into the future to 2007, $188 million. If we don't move toward bringing better care close to home, the far right column shows the status quo will cost $269 million going forward. If these people don't have the resources in their own communities and end up going to larger urban centres to the teaching hospitals, it will cost you $300 million annually. If they go to other Toronto hospitals, it will cost you $281 million annually. These are monies that will be spent, because these people will be presenting for health care. It's a matter of where you want them to go, where you encourage them to go, where you provide capacity to provide that care. In 905 hospitals, we save the government money.

The next slide shows the potential of savings. This is a table that was put out by the Minister of Health. It shows that the four 905 regions have the lowest local access to care. That means they're travelling outside their communities, and likely to higher-cost settings, in order to get their health care. We're suggesting that, given the low rates of local access to care, this is a wonderful opportunity to take advantage not only in terms of bringing service close to home but in terms of achieving savings to the health care system by making sure these people go to high-quality but lower-cost settings.

In terms of fiscal transparency, you should know that we in Ontario have not moved to an equitable, fair, population-based approach to funding health care, and for that matter, other social services. If we look at the fiscal gap that has taken place since 2003, we'll see that on a per capita basis—fairly weighted, age and sex adjusted and all those other things to make it a fair comparison—the gap in funding in the 905 has gone from a $0.5 billion annual funding gap to an almost $0.75-billion funding gap. We know this is not a gap you're going to close overnight; however, we're suggesting that to take advantage of the lower cost, to bring care close to home and also to bring about some more equity in terms of the funding of hospital services, we should start moving slowly toward addressing this gap and investing in the 905 so we can take advantage of the lower costs and also create these engines of economic growth for Ontario. You'll see that this slide is quite clear. There is a fiscal gap. There is no needs-based population.

If you move to the next slide, LHINs do not offer a solution. On a LHIN basis, GTA/905 LHINs are funded lower than the rest of the province. When we do these numbers, we exclude Toronto and northern Ontario to make it a fair comparison. LHINs are not a solution; actually, they perpetuate the gap.

In terms of the impact, slide 12, a study put out by the ministry shows that for nine of the 12 services they measured—for three quarters of those services—residents in the 905 have rates of access to care per 100,000 that are lower than the provincial average. For another nine of those 12, they have rates of access to care that are lower than northern Ontario. Don't get me wrong; I'm glad northern Ontario has great access to care. But the fact that the 905 has lower rates of access to care is a concern. And for 40% of the services we are trying to reduce wait times for, the wait times are longer than for the rest of Ontarians.

The Chair: You have about a minute left.

Mr. Asmi: All right, I will finish up in a minute.

What are we suggesting? Places for Care is about a health care strategy for high-growth regions. It speaks about taking advantage of the low-cost environment that is there and bringing care close to home. It talks about taking advantage of the capital announcements that have been made and also about how to improve the distribution of health care providers.

1510

I'd like to say one thing to the government: Thank you very much. Through ReNew Ontario, the announcements that have been made around major capital expansions in the GTA/905 are a great start; they really are. It puts us on the road towards bringing care close to home and taking advantage of low-cost settings. However, we need to bridge between now and when these facilities are actually going to be operating.

My last slide, to conclude: If there are things that we can look toward, they are adequate and targeted growth funding for GTA/905 hospitals. Growth funding has not been announced. It was supposed to be announced in November and has been delayed. If there is adequate and targeted growth funding for high-growth regions, we will see us being able to take advantage of the lower costs, make our health care system more sustainable and bring better care close to home.

We think a health care strategy for high-growth regions is needed so we can move in an incremental way, because this gap isn't going to be reduced overnight; move incrementally to take advantage of these lower-cost settings.

Finally, as we move into local health integrated networks, we should take advantage of a wonderful opportunity to finally bring some equity to the funding of health care services and move towards a population-based funding formula for LHINs. Thank you very much.

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

Mr. Arthurs: Tariq, good to see you. I'm sure coming out to Kitchener-Waterloo—you probably would rather be somewhere in the GTA, but I appreciate the timing capacity to be able to get before us.

I think Mr. Hudak mentioned earlier that part of our role is advocacy, so I'm going to take the opportunity to advocate just a little bit. I'm going to ask a couple of questions that I hope will provide you the opportunity to frame a little more what you're trying to achieve, and really, just twofold, I guess, with the bit of time we have available.

Just a comment first: Once the hospitals have been announced, many in the 905 area, save and except

Hamilton, which is 905—we'll call them the 905 regions, so we can keep the city of Hamilton in its context. When they're up and running, a large amount of dollars will flow on the operating side. That will presumably help to close the gap, and that's one of the strategies, I guess. So we have to wait in part for that to happen.

What are the other high-growth regions that would benefit from growth-related funding outside the GTA?

Mr. Asmi: Thanks for that question, Wayne. The other regions that are fast-growing in Ontario are Kitchener-Waterloo and Simcoe. These are rapidly growing regions and, indeed, have the same issues around the fiscal gap relative to the provincial averages as the GTA/905. There is a region outside Ottawa which is growing rapidly as well, and certainly that region would benefit from targeted and adequate growth funding. Those are the key regions.

Mr. Arthurs: One of the other arguments that is made, certainly in the 905/GTA region, is the access to Toronto hospitals, with the number of hospitals and the population base. Reasonable access from a time standpoint is such that, when considering priorities, folks are able to travel in there fairly readily. How do you respond to that?

Mr. Asmi: In other regions, for example, where BC has waiting lists by hospital, it's shown that less than 5% of the people who are waiting actually want to leave their communities, be away from their families and their support structures to get these rather invasive procedures done. As well, we all know, if we commute on the 401, that the time involved to get to, let's say, Toronto hospitals is great and the costs involved to families are high.

As well, I'd like to remind you, teaching hospitals cost 30% more per case than community hospitals. This has been documented through OCDM, which is Ontario case demonstration model, the Ontario case costing initiative, and the joint policy and planning committee of the OHA and the ministry. So while that access can be there, though with some inconvenience and outside of your community, are we ready to say, in an issue with health care, whether it's sustainability issues, where we want to lower the cost curve, that we'd rather see residents leave their own communities, bypass their local hospital and go to a setting that costs you 30% more? That just doesn't seem to strike me as reasonable. As well, if we want to see additional revenue to government to pay for these health care services, we would want to create vibrant communities in the 905 that are going to attract the investment and jobs and generate the revenue.

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

Mrs. Witmer: Thank you very much, Tariq. You've done an excellent presentation here. I would agree: I do support services as close to home as possible. I think the case that you've made here certainly demonstrates that if access was improved, costs could be reduced and services could be provided more quickly.

You stress in here the need—and I know you've got it in bold here—of making sure that the LHINs have population-based funding. Maybe you could just expand on that a little bit. What is your knowledge of what is going to be happening and what should happen and why?

Mr. Asmi: Thank you, Mrs. Witmer, for that question. Currently Bill 36 does not specify that the minister is to provide funding to LHINs on the basis of population. The section in the legislation is very clear that the minister will provide funding based on the terms and conditions the minister deems appropriate. We're concerned that with Bill 36, with a mandate to merge, transfer, amalgamate and ask health service providers to cease to operate, given the inequities in the LHIN funding and the need to balance budgets, there's going to be an undue amount of pressure on the 905 and other high-growth regions to merge, amalgamate and cease to operate services because of a lack of population-based funding. The legislation, Bill 36, does not in any way specify the terms and conditions under which the minister must allocate funding. We will be recommending that part of the terms and conditions be that the minister allocate funding to LHINs based on population size and characteristics.

Mrs. Witmer: Are there some fears in the 905 about services that might be amalgamated or integrated or disappear? Is there some concern that that might happen?

Mr. Asmi: That's an overall concern, given that Bill 36 has ministerial and LHIN powers to merge, amalgamate, transfer and cease to operate. With inadequate funding on a per capita basis, we are concerned that this will put pressure on us to unduly try to merge and amalgamate services when in reality we should be expanding services.

Mrs. Witmer: On page 12, you indicate that for nine of 12 procedures, the 905 residents have rates of access that are lower than the provincial average. Which procedures are you talking about?

Mr. Asmi: The procedures that were looked at were cataract, hips and knees, cancer services. There was, I think, cardiac. I'm sorry I don't have that but certainly I'd be able to share that with this committee. It was a report that was generated by the ministry in partnership with the Institute for Clinical Evaluative Sciences.

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

Mr. Prue: It's a well-researched report. There's no question that growth is taking place in the GTA around Toronto and not in Toronto itself. I guess this would take a concerted effort by the regional chairs and the mayors of those municipalities to push the Ontario government to change its focus. I have not heard that from them yet, though.

Mr. Asmi: Actually, there were two resolutions that were passed by the GTA/905 mayors and chairs committee and were sent to the Premier, the Minister of Finance and Minister Smitherman. Because of the evidence that I've shared with you today, they have called on growth funding to maintain access to health care services in fast-growing 905 regions and most recently passed another resolution calling for fair funding, as well as endorsing our document Places for Care, and they're very supportive of increasing the capacity in the 905. It's not a matter of taking from others; it's having the will to put in place policies that are fair and equitable, so incrementally we can move towards improving local access so that, when these facilities are built, we actually have a plan for the services to be provided in these facilities that have been announced, that will come into operation within the next two years and some that will come into operation in 2012.

1520

Mr. Prue: Again, I'm not disagreeing with you. It's just that I haven't heard this. If they sent it, they certainly didn't send it to the opposition.

Mr. Asmi: We did put out a release, and that was shared with all members. But if you didn't get a copy, I'd be more than happy to share all the releases and additional material with you.

Mr. Prue: There's nothing in here—and it's of concern to me, and I guess to my party as well—that these hospitals and these things when they're developed, and we think they should be developed, aren't P3s. You haven't said a word about whether these are going to be publicly owned or privately run. What are you expecting to happen, or do you care?

Mr. Asmi: We do care. In that document before you, Places for Care, we congratulate the government for having the foresight to invest in capital infrastructure, and we are supportive of the private financing initiatives because we believe a partnership between the public sector and the private sector to build the physical capacity is a good way to go in order to provide health care in the 905.

Mr. Prue: Even though that will probably end up costing the taxpayers more.

Mr. Asmi: If you look at the William Osler hospital in Brampton, it is coming in at a cost over the life of its building, because there are monies in there too for its maintenance and for its upkeep—in the long run come in on budget and on time.

The Chair: Thank you very much for your presentation.

ASSOCIATION OF COMPUTER ANIMATION STUDIOS OF ONTARIO

The Chair: Now I call on Computer Animation Studios of Ontario 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 yourself for the purposes of our recording Hansard.

Mr. Ron Estey: My name is Ron Estey. I'm president of the newly formed Association of Computer Animation Studios of Ontario. We've been in existence for about three months, and we certainly feel that the time has come for an association of the 50-some animation studios that operate in Ontario to have a singular voice. I am that voice today, and I thank the committee for providing me the opportunity to speak with you.

As I presented last year, I do not follow the notes that you have been provided with. I am going to just talk to you about computer animation and what it means to Ontario and why it is really the epitome of success of our educational system, public policy and the tax incentive policy of the Ontario government over the last 10 years. We call it the OCASE—which stands for the Ontario computer animation and special effects—tax credit. Currently, it refunds to the studios 20% of our eligible labour. If you come into one of our studios, you will see, fundamentally, young people educated in the Ontario educational system—Sheridan College, Centennial College, Seneca College and a number of private institutions which have provided really the fundamentals of computer animation for residents of Ontario and our young people.

Why is it important now? It's important now because of money, and I'm going to cite a few numbers to you in terms of why Hollywood particularly and the world are looking at computer animation as a viable and important part of filmmaking: Shrek 2, US$912 million at the box office; Finding Nemo, $865 million at the box office; The Incredibles, US$630 million at the box office; Narnia, $634 million. These are huge numbers that are fundamentally the outpouring of the creativity of young computer animators and computer scientists throughout North America. But Ontario has a particular heritage of computer animation that stems from a pilot program at Sheridan College about 25 years ago. The visionaries there felt that digital animation computer technology could be merged to produce a viable product for entertainment.

We are asking this year for two things: One is really a technical enhancement to the legislation and one is financial. I will mention that last year the Ontario government, in its budget, looked favourably on our request and made a technical improvement to the legislation, which has been in existence since 1997, really the first significant change in that 10 years. It certainly enabled the number of studios in Ontario that employ computer animators to enjoy an enhanced tax credit foundation to the tax credit policy. What we're asking for this year—and I'll explain these in more detail—is a relaxation, or harmonization, of the prior-year residency requirement for labour qualification and a general increase of 5% to the tax credit, from 20% to 25%.

Let me give you a couple of examples of successes that have been born out of this policy. One is a company that I happen to work for. It's known as CORE Feature Animation, in Toronto. The company was started in 1994 by four artists from Sheridan College. In 10 years, they had grown to a studio of 360 computer artists, operating two studios in Toronto, and have just delivered for release on April 14 of this year a feature film called The Wild, commissioned by Walt Disney corporation. It is a fully animated feature film, like Finding Nemo, like The Incredibles, and certainly we're looking forward to seeing the two years of work of computer animators in Toronto to produce that.

The propellant for the growth, and one of the reasons that Disney brought the project to Ontario, was in fact the capability of adding tax credits as a refund to the budgets. That was a significant increase in the budget, and a significant increase in the quality of product that was delivered to Disney.

A second organization, called DKP: This really was a one-man operation in 1988 when Dan Krech started it, in Toronto as well. It started out by doing TV commercials. Right now, the studio is in the process of delivering a fully animated feature film called—sorry, the name escapes me. But they have 150 employees working for them now. So the number of animators required to work on these large projects is significant. The combined budgets of these two projects is about $150 million.

The characteristics of these projects is that they last two to three years. That's the duration of a large feature film project. They require a significant investment in facilities and computer technology. The feature film we just finished had 2,000 computers working 24 hours a day to create the images. One of the issues that we face when we put together project teams like this is, although we scour Ontario and scour Canada for the best talent, there just isn't enough. It requires us to augment our staff and our artists with additional workforce from out of the province and out of Canada.

Let me talk a little bit about what happens when we start to recruit from outside of the province. You have to envision a calendar to understand this. If we hire an animator on January 1 of any one year, the technical requirement is that the employee who's eligible for the credit has to be a resident of Ontario the year prior to when the work was done. This prior-year requirement is different than Quebec and different than the federal tax credits. If I hire an animator on January 2, I cannot claim that animator until a year later, having passed the year-prior residency requirement, and that fundamentally coincides with their filing taxes in the province. If I hired that animator two days earlier, then in fact they would qualify.

This little aberration can be significant to a large-scale project, where we are continually adding people to the project. If we get into a situation where we're adding people in March or April, we really go through the process of analyzing whether it's better for us to pre-hire them in November and December just to get the tax credit qualification—a little bit of an aberrant situation, simply because the intent of the tax credit is, of course, to lower our cost base rather than artificially increase it. Certainly, this has that small wrinkle that it does that. So we're asking for consideration of harmonizing this one requirement with the federal tax credits and the Quebec tax credits, which have a residency requirement for when the work was done, not the prior year.

1530

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

Mr. Estey: Thank you very much.

The other aspect of the tax credit that we're asking for is a 5% increase. Certainly, the animation tax credit is the only one of the Ontario tax credits that has never had an increase in its life over the last 10 years. It has been at 20% since it was instituted in 1997. In addition, we are seeing that, because of this worldwide boom in computer animation, low-cost labour jurisdictions like China and India are starting to become much more capable in terms of their offering product to the market. Certainly, where the Canadian dollar is today, again, is an additional impediment to our competitiveness. So we ask as well that there be consideration for a general increase of 5% to the tax credit.

The Chair: Thank you. We'll begin with the official opposition.

Mr. Hudak: Thank you very much for the presentation. I'm glad that you were able to make it here to Kitchener today.

What's the usual mechanism for reviewing the existing tax credits in this industry? Has there been an opportunity before to make this case?

Mr. Estey: The only experience that we have had in this association was last year. We did exactly the same last year as we're doing this year: making a presentation here and requesting the consideration for tax credit relief.

Mr. Hudak: Does the OMDC play any role in giving advice?

Mr. Estey: The OMDC is really an adjudicator. Their role is to look at the tax credit claims. They really are the technical expert. They look at our claims and determine whether we are in technical compliance prior to the claims being sent to finance. Generally, finance will send an auditor and do a full audit of our credit as well.

Mr. Hudak: We are well ahead on the film industry side in the province of Ontario, and other jurisdictions really moved to follow our lead and expanded their tax credits. What kind of competition do you face from other jurisdictions now on the animation side?

Mr. Estey: There really are only two that offer the same kind of tax credit as Ontario. One is BC and the other is Quebec. Generally, the legislation looks the same, with the one difference that Quebec looks at residency at the time the work is done and not the prior-year rule, as I mentioned. BC has virtually the same language in the legislation, although their interpretation, on a technical basis, is somewhat looser. We find that, particularly Hollywood studios, when they look at our estimates of tax credit relief versus BC, are seeing a substantially greater refund situation in BC.

Mr. Hudak: I know that all members of the committee will probably agree that the member for Etobicoke and former Speaker was one of the more animated members of the Legislature. Is that why you're working with him here today—in moral support, a few rows behind you.

Mr. Estey: Thank you so much.

Mr. Hudak: Thank you very much.

The Chair: We'll move to the NDP.

Mr. Prue: I'm just trying to get my head around—20% netted how many dollars to your industry?

Mr. Estey: It was $4.4 million.

Mr. Prue: So 25% is maybe another $1 million?

Mr. Estey: Yes, maybe two.

Mr. Prue: So you're talking here about $1 million to keep this industry competitive and strong, and to hire Canadians?

Mr. Estey: A lot of this is optics. A lot of our members are small studios. Their test on a day-by-day basis is keeping their technology current, keeping their software current, and attracting the best talent. In an industry where there are 10 to 15 people in a small studio, another $100,000 or $200,000 really does make a significant difference. Although the dollars may seem small, the optics, like most things in the movies, is that it's larger than it really looks. When we go to our Hollywood producers and are able to say Ontario offers 25% and other jurisdictions offer 20%, that's a significantly positive market advantage to us, other than just the dollars.

Mr. Prue: I just want to clarify the previous-year residency. Does any other province have that?

Mr. Estey: BC has the same requirement as Ontario: the prior year. Quebec does not. For the federal tax credits—although they're not animation tax credits; they're film tax credits—the residence requirement is when the work is done, not the prior year. That's correct.

Mr. Prue: I would take it that a great many people in this industry move back and forth, depending on the jobs, between Quebec, British Columbia, wherever it's done. If the job is for two years, at the end of two years you go off to look for another job. Is that pretty much it?

Mr. Estey: Generally, that's correct. It's actually quite an itinerant populace. You may have noticed in the Globe and Mail's Review section on Saturday Steve "Spaz" Williams, the iconic animator who did The Mask and was the actual director on the film we just delivered for Disney; he's a Sheridan College graduate and one of the leaders of the industry who's supporting bringing back work. But yes, you're right: There is quite a large itinerant workforce globally that will go and look for work. The objective of the studios in Ontario is to provide a stream of work where we curtail that and where we keep that talent in Ontario.

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

Mr. Wilkinson: Thank you, Ron, for coming in and sharing with us Ontario's success story in regard to research and development in an industry that didn't exist. We're world leaders, and we want to try to help support that.

I just have a couple of quick questions. Is there a separate federal definition? You mentioned Quebec, but you also mentioned the word "federal."

Mr. Estey: That's right. There are fundamentally five tax credits that operate in the film industry. Two are service tax credits where the copyright holder is not Canadian. There are two where the copyright is owned by Canadians, and there's the computer animation tax credit. For the two federal tax credits, the residency requirement is that the individual be resident at the time the work is done. For all of the Ontario tax credits, the requirement is a prior year's residency. That includes the Ontario production tax credit, the Ontario production services tax credit, and the Ontario computer animation tax credit.

Mr. Wilkinson: Following up on my friend Mr. Prue's question, you think to go from 20% to 25%, the revenue cost to us would be $1 million?

Mr. Estey: The total amount of OCAC that was claimed in the province for the year 2003-04, the numbers I received from the OMDC, was about $4.4 million.

Mr. Wilkinson: For that $4.4 million, do you have the benefit side of the equation, I mean in increased provincial revenue, because we're attracting jobs here, great R&D jobs?

Mr. Estey: The analysis that we provided last year showed a multiplier of about six times, dollar for dollar, in terms of increased revenue.

Mr. Wilkinson: Revenue for Ontario?

Mr. Estey: For Ontario, yes.

Mr. Wilkinson: That helps out.

At the federal level, are you asking for an increase in the capital cost allowance? You were saying that to stay current—it's the latest of computers, the latest of technology, so it must become old-fashioned in a very short time.

Mr. Estey: The life of a computer in today's market is about two years. Most of the studios lease the equipment and fundamentally will go on an evergreen program where the equipment—

Mr. Wilkinson: And write it off that way.

Mr. Estey: That's right. Most of us do claim SR and ED as well for our own proprietor software that we develop.

The Chair: Thank you for your presentation.

Mr. Estey: Thank you so much.

The Chair: For the committee, a reminder that there's a change for tomorrow morning. We'll begin at 9, as usual, and the bus should be out front. We are adjourned.

The committee adjourned at 1540.

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