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Jeudi 2 février 2006

Standing committee on finance and economic affairs

Pre-budget consultations

Comité permanent des finances et des affaires économiques

Consultations prébudgétaires

Chair: Pat Hoy
Clerk: Trevor Day

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Thursday 2 February 2006

Jeudi 2 février 2006

The committee met at 0904 in room 151.

PRE-BUDGET CONSULTATIONS

REGISTERED NURSES' ASSOCIATION OF ONTARIO

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. Our first presentation this morning will be by the Registered Nurses' Association of Ontario, if you would 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.

Ms. Joan Lesmond: Good morning. My name is Joan Lesmond and I'm the president of the Registered Nurses' Association of Ontario.

Ms. Sheila Block: My name is Sheila Block and I'm the director of policy at the Registered Nurses' Association of Ontario.

Ms. Lesmond: Thank you for the opportunity to address the committee. I am here to tell you about pressing needs that must be addressed in this year's budget.

Over the first two years of its mandate, the government has started rebuilding the public sector in Ontario. The urgent need for this investment was underlined by tragic events last year, including the evacuation of the community of Kashechewan and increased gun violence in Toronto.

Rebuilding social infrastructure and strengthening the social safety net is crucial to reducing social exclusion. Social exclusion is a shorthand term for what can happen when people face a combination of problems such as unemployment, low income, discrimination and poor housing. These problems are mutually reinforcing and can create a vicious cycle in people's lives.

Income inequality is a marker of social exclusion, and at least 40 international studies have shown a strong relationship between homicide rates and income inequality.

A main cause and consequence of social exclusion is also poverty. Poverty is directly linked with ill health and premature death. Poverty levels in Ontario remain too high. The child poverty rate is 16%, with close to half a million children who live in poverty. The experience of poverty is not randomly distributed across populations; it is linked with race and gender. Growing up in poverty and being socially excluded is a powerful influence on children's lives that can affect their life chances.

For Ontarians' health, registered nurses urge the government to continue rebuilding social programs. The safety of our communities depends on it. While the government's 3% increase in social assistance rates was a welcome first step, urgent action is required in this budget. The real value of social assistance rates remains more than 30% lower than it was in 1995.

Ontario's public health units have calculated that the Ontario Works and Ontario disability support programs do not provide for adequate nutrition after housing costs are taken into account. As a result, families receiving social assistance cannot afford adequate nutrition. The situation is far worse is northern and remote aboriginal communities.

An integrated approach to reducing social exclusion also requires access to employment that pays a living wage. While we support the government's commitment to increase the minimum wage to $8 an hour next year, the National Anti-Poverty Organization estimates a living wage of at least $10 an hour is needed to escape poverty.

To address social exclusion and to improve the health and well-being of Ontarians, we urge the following actions in this year's budget:

—Increase social assistance rates by 20%.

—Increase the minimum wage to $10 an hour.

—Increase funding to programs and services to strengthen families and communities.

The government is engaged in the budget-making process in a very different health care environment than it did last year. The combination of the Supreme Court Chaoulli decision and the change in government in Ottawa has shifted the policy landscape. As a result, it has become even more urgent that Ontario act to protect medicare. While we support the government's response to the Copeman clinics, we are deeply concerned about threats to medicare posed by increased costs and negative impact on the quality of care associated with the government's alternative financing and procurement plans for hospitals.

Recent information about the British experience with P3s provides further cause for concern. The Economist stated that the extensive use of private finance to fund new hospitals is bad policy and that the right lesson from the Queen Elizabeth Hospital is to suspend further P3 commitments.

We urge the McGuinty government to make the following commitments:

—Do not approve or announce any additional AFP hospital projects.

—Transform any AFP hospital projects that have not been finalized to traditional government finance methods.

—Prohibit any AFP hospital projects that are going ahead from including contracts for operation of services.

0910

RNAO fully supports the efforts that the government has made so far as part of its nursing strategy. However, we ask the McGuinty government to reinforce its commitment in six key areas:

—Increasing targeted funding to increase the share of registered nurses working full-time in health care organizations in all sectors.

—Additional targeted funding to ensure that all new graduated registered nurses can attain full-time employment.

—Tuition reimbursement for new graduating nurses willing to relocate to underserved northern and rural communities.

—Additional targeted funding toward the 80/20 strategy. This funding will allow experienced registered nurses to mentor new graduates, to ease their transition into the workforce and support retention of both new graduates and experienced registered nurses.

—Hiring at least 150 more nurse practitioners.

—Targeted funding towards the hiring of chief nursing officers for all public health units.

I thank you for the opportunity to speak to you this morning and express my hopes that this budget will take the necessary actions to improve the social safety net, rebuild our communities, and sustain and strengthen medicare and our nursing workforce. Thank you.

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

Mr. Toby Barrett (Haldimand–Norfolk–Brant): I wish to thank you for your presentation on behalf of the Registered Nurses' Association of Ontario. In your conclusion—I'm sorry I missed the beginning of your presentation—you are requesting investments in this year's budget to cover a number of areas, including promises made to the registered nurses. During the pre-budget consultations, the Minister of Finance set out a number of criteria for deputants and for this standing committee, essentially a recipe book to follow, if you will. One question that the Minister of Finance has put before this committee is that if spending should increase in some areas, as you are advocating, what areas should be cut to balance off the additional spending?

Ms. Lesmond: Sheila will get that.

Ms. Block: We feel that there are two issues that must be considered when you ask that kind of question. The first is, is that a false choice that the finance minister is suggesting? We feel that in fact there is more fiscal room than the government had expected previously. Second of all, if the fiscal room is insufficient, the government has a number of revenue-raising options that are available to it on the one hand, and on the other hand we really feel that these investments will decrease other costs, both in the shorter term and in the long term.

Mr. Barrett: Another direction from the Minister of Finance asks deputants and people concerned with what's in the coming budget an additional question: What other measures should be implemented to eliminate duplication and waste? Do you have any proposals on that, given that your members work in our hospitals and so many other health care institutions?

Ms. Block: I think our association is very clear that we have a need in the health care system for surge capacity, so while in other areas you might consider this duplication or waste, in fact some room for surge capacity and the need for room for events such as SARS, such as a potential pandemic, is very important. We also have a lot of nursing research that actually shows that there are better patient outcomes and better work environments when in fact you don't have your nursing workforce working at 100% full capacity. Again, I think we have to be very cautious of false economies, those kinds of false economies where you think you're going to save money in the short term, but in the long term, due to readmission rates and health outcomes, you actually wind up spending more.

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

Mr. Michael Prue (Beaches–East York): I would like to thank you, because you gave a long deputation. It was only at the end where you actually asked for something for the RNAO. You started off by asking for people in poverty, and I want to thank you for that, because we desperately need to address that. The last budget contained no increase at all for ODSP, it contained no increase for general welfare, it did not end the clawback, it did not help autistic children—it didn't do a whole bunch of things that we all hoped it would.

You want to increase the social assistance rates by 20%; that's a fair hunk. You want to do that, and I commend you, by closing the loopholes and exemptions in the tax system and rolling back some tax cuts from the previous government. Which tax cuts do you want to roll back?

Ms. Block: There are a number of possible options that are available, and we leave some of those decisions to the Minister of Finance. As I recall, the fiscal capacity available to the province, through the course of the previous government, was reduced by, I think—and I'll have to get back to you on this—some $30 billion a year, if you actually reinstated the tax system as it was in 1995. So we know there's a lot of room for government. We also know that there are going to be shifts in the approach that the new federal government is going to be taking. We don't know whether they're going to be opening up more fiscal room for the provincial government.

Clearly, an area where there are possibilities is in terms of taking a really hard look at tax expenditures.

One set of tax expenditures that we could look at is the employer health tax and the provisions in the employer health tax that are available for smaller businesses. That's one area we can look at, I'm sure. Perhaps the deputant who's following after me might have a few comments about that as well. I've opened up for one of her first questions.

Mr. Prue: Getting back to that, one of the tax cuts the previous government made was to remove the surtax on those who earned above $150,000. Simply putting that back would be $1.5 billion, which would more than pay for increasing the welfare rates, getting children out of poverty and ending the clawback. That alone would do it, would it not?

Ms. Block: Yes, it would do it. In fact, $1.5 billion would more than do it.

Mr. Prue: You talked about the greater use of environmental taxes. What do you see there?

Ms. Block: We're really looking for more of a reflection of the actual costs of consumption, and one of the areas that we think would definitely be possible would be raising gas taxes. That would be one where you could actually do some funding of other environmental activities. You could make a greater contribution to transit systems and others by doing that. That's one area.

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

Mr. John Wilkinson (Perth–Middlesex): Good morning. It's good to see you again. Thanks so much for coming in. On behalf of everybody, we really appreciate the work that your members are doing across Ontario, keeping us all healthier and being there when we need you.

I noticed that this year—following up on my colleague's comments about you putting the social determinants of health request first, would it be your testimony that, if we were to put the investment there, that would save money, because we'd be reducing a very high-needs population on our health care system? And if we did that, would that therefore reduce the demand that we would have with your own association? Is there a direct connection? You're asking for both, but did you put that first in the sense that your fiscal advice to us is that if we put money there, that that would lessen our burden on health care and therefore on the nursing side?

Ms. Block: We absolutely believe that an investment there would lessen the burden on the health care system. Unfortunately, there are always timing issues here, and those timing issues are particularly difficult on a shorter political cycle and they're also difficult when you have sort of short-term fiscal goals there; but we do believe absolutely that it will decrease health care costs. We do not believe that it will be an immediate impact, and we do believe, as I think we mentioned in the brief, that you do have to fund those transitional costs.

Mr. Wilkinson: Two further quick questions: One is hiring more nurse practitioners. We've heard of barriers, so kind of an update: Are we still having barriers for our nurse practitioners to being fully utilized? The second question is, we're struggling to have chief medical officers of health attracted for the 36, and you're saying that we should take one of our nurses and upgrade them, somebody in situ already and upgrade them to be a chief nursing officer, working in conjunction with a chief medical officer of health per health unit?

Ms. Lesmond: I think the roles are very different, because when you talk about a chief nursing officer for public health, you're looking at the nursing issues and the nursing component, whereas a chief medical officer of health, although complementary, focuses on very different things. I think that since the erosion of the chief nursing officers, a lot has been missing in the health care system. So being able to bring that standard back into the public health system, I think, would also—

Mr. Wilkinson: We used to have that?

Ms. Lesmond: Yes, we used to, and it was totally eroded. I think if that's back in the system, it's going to complement the system.

There are still barriers to the utilization of nurse practitioners, and although we've increased the coverage for nurse practitioners, I think the difficulty and the challenge is that we still have to work with the physicians to be able to accept the complementary roles of those individuals. I think with the beginning of the family health teams, you'll see more collaboration and maybe more use.

Nurse practitioners function independently and entirely when they work in remote areas. So we really need to bring that back into the system, especially with the shortage of physicians.

The Chair: Thank you for your presentation.

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CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Chair: I call on the Canadian Federation of Independent Business 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 state your names for the purposes of our recording Hansard.

Ms. Judith Andrew: Good morning, Mr. Chairman. I'm Judith Andrew, vice-president, Ontario, with the Canadian Federation of Independent Business. I'm joined by my colleague Satinder Chera, who is CFIB's Ontario director. We appreciate the opportunity to appear before your committee and to give our advice on the important work you're doing this year in respect of the Ontario budget—this, on behalf of our 42,000 Ontario member independent businesses. This is a milestone year for CFIB: It's our 35th year. For many of those 35 years we've had the opportunity to appear here, and we appreciate it.

In practice, at this occasion, we typically deliver more information to you than can possibly be referenced in the short deputation, so we would especially commend to your attention some new documents in your kits. One is the new small business profile, which is a compilation of external data summarized in chart form for your ease of use. Also, we have our quarterly business barometer, Ontario results, which gives a much closer look at small business expectations for the Ontario economy, and we commend that to you.

I'd like to turn now to our brief, which is entitled, Taking the High Road. Looking at pages 2 to 3, first of all, the sectoral analysis we have done on the Ontario economy shows that although Ontario seems to be on par in a general way with the slight rebound we saw in December, in fact the sectoral analysis shows that there's been an overall decline of business confidence in pretty much all sectors. That's something to bear in mind.

We're also noticing disturbing increases in our members' priority issues: total tax burden, government regulation and paper burden, cost of local government, shortage of qualified labour, workers' compensation, and provincial labour laws. You have the data there in figure 4 on page 4.

The federal events—recently the election and the events that led to that—have certainly changed the landscape in Ontario. Issues of accountability, transparency and honesty have taken on a greater importance with the general public, and certainly with our members, we think those events are not confined to the federal level of government or to one political party. They will have an effect at all levels and with politicians of all stripes and with public servants. So we urge you to do what you can to restore Ontarians' confidence in the system of government we have in this province—this, by keeping your commitments.

I'd like to touch on one other area of future change and uncertainty and possible difficulty for small firms. That is the issue of business succession. Policy-makers have thought a fair bit about the changing demographics on such important matters as health care, but really no one has given much attention to the fact that our small and medium-sized enterprise sector is going to be affected by the same demographic pressures that are playing out elsewhere.

Our study on this subject, which is in your kits, found that four in 10 small business owners planned to exit their businesses within five years and seven in 10 in the next 10 years. We have also found that just over a third of those people have a succession plan. This isn't enough time to accomplish the transfer, and obviously there's a huge chunk of the economy—more than half of the employment—that would be at risk certainly if this handoff is not handled well. The two key obstacles are financing for the successor and actually finding a suitable leader or buyer of the firm. If the successor cannot finance the acquisition of the firm, the vendor can't depart with a reasonable nest egg.

So, in this area, we are recommending that governments work together, and the province would need to parallel any federal move in this area, to adjust the capital gains tax exemption to bring it up to date to inflation. It hasn't been adjusted since 1987. This long-standing, invaluable element of relief would help a business owner or a farm owner to accumulate savings for retirement and facilitate that handoff.

I would also like to say one or two things in response to the previous deputant regarding tax burden and the notion that bumping up taxes on small business, whether through the employer health tax or the corporate income tax, is a good idea.

First of all, we reject the notion that there's something called "tax expenditures." That assumes that all of a business's monies are due to the government except what government benevolently allows businesses to keep. That is not at all the way small businesses look at it. They pay onerous taxes, they are enduring a very heavy regulatory burden from government, and we think it would be a very sorry mistake to raise taxes on the sector that is really the backbone of every community in this province.

Mr. Satinder Chera: If I can direct members of the committee to page 17 of the pre-budget document. One of the questions that the Minister of Finance had asked this committee to take a look at is, what else can the government do to create a new generation of economic growth? We think the first step is to address the unfair property tax burden small firms face in this province. If you look at just the example of Ottawa and Toronto, small business owners pay anywhere from two to five times more than residents on property of equal value. Fortunately, the Bill 140 hard cap was making inroads in terms of trying to rebalance that load. Unfortunately, the government decided two years ago to suspend the Bill 140 hard cap, despite the Premier's commitment to CFIB members to uphold that piece of legislation.

We think a first step, in terms of a short-term step, is to reinstate the hard cap. Not only will this get at the minister's question of economic growth because it will allow small business owners who are operating in their garages or basements to be able to transfer their businesses to a storefront, but we also think that in terms of a long-term solution a small business threshold would be the way to go. Just very quickly, what we mean by that is having small business owners pay tax at the lower residential rate on the average value of property in a particular municipality. Some analysis that's already been done by the Ministry of Finance suggests that it is a doable option. We believe that the government should pursue this aggressively going forward.

As well, we think that both of these, not only reinstating the Bill 140 hard cap but more of a long-term solution around the threshold idea, would also be a good strategy in terms of getting northern Ontario back on its feet. There are a lot of challenges that the north is facing, and if I can refer members to page 15 of the pre-budget document, which deals specifically with northern Ontario, one of the recommendations that we've made is to pilot the threshold concept in the north to see if that has an impact. We believe it would. Again, based on some analysis that we've seen from the Ministry of Finance, it would help to lower the property tax burden and, as I say, get businesses out of garages and so forth and let them own a property front and thereby also contribute to the local tax base.

0930

In addition to northern Ontario, one of the big challenges—and the Minister of Finance acknowledged this is his pre-budget deputation—is that energy costs are having a very significant impact on northern communities. We've had businesses tell us that not only are they having difficulty making ends meet, the reality is that a lot of them don't know if they're going to be in business a year from now, given the challenges they face on the energy front. We think a real strategy around dealing with those costs that businesses, not just in the north but that indeed small businesses are facing across the province in terms of their energy costs would be a prudent way forward. To that extent, we commend to the committee's attention our recommendations on the electricity front, which are located on page 11 of the pre-budget document.

One of the urgent issues before the Minster of Energy currently is whether or not to extend the revenue cap on the Ontario Power Generation's certain assets. No decision has been made, based on the information we've been able to gather from the minister's office, but it is very much a decision that the government is still in the process of determining—whether or not to keep those caps in place. It's widely recognized that if those caps are taken off, it will increase energy prices. We think that those caps should be extended on those assets to provide immediate relief to small businesses, or certainly not exacerbate the problem that's already facing those businesses.

The other key recommendation that we have is that we have advocated the creation of the office of the provincial electricity auditor. We think, again getting at the minister's question about how to increase transparency and accountability in government, this is a truly non-partisan issue. All parties, it's fair to say, have had a kick at the can on this particular front. It's now time to ensure that any changes that are made or are being contemplated are actually going to solve the problem. We think a way to ensure that ensues, without having the political imperatives cloud the issue, is that there should be the creation of this office. We would strongly recommend that the committee take that forward. Thank you.

Ms. Andrew: We'd be glad to attempt to answer your questions.

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

Mr. Prue: So many questions, so little time; they only gave me three minutes. I'm going to concentrate on what you were saying about the Toronto legislation. You are recommending, and I think correctly so, that the government should consider uploading social services, starting with welfare, off the property tax as a method of reducing property tax. Would you recommend that—I guess you're recommending it. That would save, just the welfare portion, about $1 billion across the province and would probably lower taxes in cities by 3% to 5%.

Ms. Andrew: Absolutely. We think the city of Toronto legislation really missed the mark in terms of the real problem. In fact, it will probably exacerbate the problem in Toronto for businesses. If you've got legislation that permits the city to bring on a plethora of fees, licences, charges, more regulation, on top of the onerous tax burden that Toronto businesses face, that'll give them many more reasons to exit to the 905 surrounds. Instead of aggravating and driving more businesses out of Toronto, it makes sense to look at the real problem: Establish the fiscal condition of the city. There's been a lot said about that, but the province hasn't properly inquired into it. It should be a number that is signed off by both levels of government. Then look at ways to finance the city's responsibilities. Our members would like to see discrete responsibilities at each level of government, with an aligned revenue source. That would also increase accountability for the spending. The notion of transfers and all sorts of muddying of the waters is just taking us in the wrong direction.

Mr. Prue: If the government uploaded the big five, other than education—public health, daycare, welfare, public housing and ambulance—it would save cities $3 billion. They could all reduce the taxes enormously. The government of Ontario would then have to find the $3 billion. Where would they find it? Because you don't want to pay more taxes.

Ms. Andrew: They would, and it's too big a subject for about 10 seconds, but we are doing some more analysis on the fiscal arrangements that affect all three levels of government and we'll be bringing that forward shortly.

Mr. Prue: In terms of finding that money, I agree with you totally. The tax burden on property is enormous—it's high and it's wrong—and most small businesses, even when they don't make money, still have to pay that tax. I would like to see them pay taxes on the money they earn, not money for services that they don't have any use for.

In the long term, are you looking to separate those out and bring all of those functions back to the province, which administers them and should, I think, be paying for them?

Ms. Andrew: We are. Last year at this time, we tabled a study with this committee called The Real Deal on Municipalities. We tested some of those ideas, where our members think responsibility should lie on many of those key files, and it's quite clear that there needs to be a realignment.

We're not naive enough to think that the tax burden on Toronto businesses is going to be lightened overnight. It's good to see the city focusing on it. They have to because people are fleeing. But our threshold idea, the notion that the first X thousand dollars of business property assessment would be taxed at the residential rate, would do three things: It would deliver some low-end relief to small businesses, it would help the new business entrepreneur get out of the basement or garage and graduate to a business premise on Main Street or Yonge Street and it would in fact be a strategy for gradually rebalancing the tax burden over time. It's got to be sensitive to the residents as well. We've put forward what we think is a very workable strategy for getting out of this predicament.

The Chair: Now we'll go to the government and Ms. Marsales.

Ms. Judy Marsales (Hamilton West): Good morning. Thank you very much for your wonderful presentation. I have a couple of questions. Over the past two weeks, we've heard of both job losses and the lack of availability of skilled labour. I guess my question would be, has your organization looked at the potential transfer of employment from the loss to the availability and, if so, are there impediments to that transition and/or other obstacles that we need to look at?

Ms. Andrew: We're both jumping to answer this question. I will say something very quickly. There is a one-page leaf on this subject, page 19 of the brief. We actually have a specialized website dealing with all of our research on this issue. There's no question that half of our members in Ontario are saying that a shortage of qualified labour is a big issue for them presently and they fear for the future in terms of staffing up their businesses. We do need to make those transitions and give people the skills they need.

Mr. Chera: If I can just add to that, the recent signing of the Canada-Ontario labour market agreement is a step in the right direction, we think, in terms of influencing that particular issue. We would strongly recommend that the government gear the monies they've received under that program or that agreement towards helping small businesses be able to train new employees, but also get at that specific issue of the shortage of qualified labour. Recent developments out of the ministries suggest that they may be headed in that direction, but it never hurts to give them a nice push.

Ms. Marsales: With regard to the northern perspective that you offered, is there an opportunity to accommodate some of the people losing their jobs in other sectors to where they are needed, for example?

Ms. Andrew: Absolutely. In northern Ontario, we have looked at the various programs that the government has launched under its prosperity initiative. Most of them are not strongly supported by our members.

I think what would really help is if there was some property tax relief to allow those fledgling businesses to get into business premises. That way, they would be in a position to hire more people and of course laid-off employees. Often, you find all kinds of entrepreneurs amongst those folks. They would also be able to get into business. So basically, what we're arguing for are better conditions for people to pursue entrepreneurship as a strategy and of course train people up to do those things.

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

0940

Mr. Barrett: Thank you, Ms. Andrew and Mr. Chera. I have a number of CFIB members in my area and they appreciate the work you do. They appreciate the survey research and the consultation through your organization.

You've pointed out that in 2003, there were several promises—no deficits, no tax increases—and this has not happened. What would you suggest would be required to try and turn around that trend? It's probably not going to happen for a couple of years, but what will this economy require to balance the books and for this government to meet its commitment to start paying down the debt?

Ms. Andrew: Our recommendations in this area are very straightforward: We ask the government to refrain from increasing taxes and actually balance the budget by controlling spending. We know that's difficult, but if this is done in tandem with measures to grow the economy, then more tax dollars will flow into the coffers and be able to be deployed on the priorities of health care and education where the pressures are coming from.

We also think there's an important aspect around compensation for public sector employees. We do a fairly academic study called Wage Watch, where we take census data and look at matched occupations in the public and private sectors. We typically find very large disparities between the pay and benefit compensation for public sector employees as against private sector employees. A lot of that would be in the pension arena as well. We know that right now, for example, the Legislature is looking at Bill 206, and that in itself could worsen or exacerbate the problem, in fact exposing taxpayers to additional cost for public sector pensions. We think public sector employees need to be paid fairly, but it needs to be on a fair comparison to a wide range of matched occupations in the private sector, not just on a few selected high-paying companies, which is where the comparisons are typically done.

Mr. Barrett: I appreciate your section on northern Ontario. We visited the north last week on this committee, and it's a disastrous situation. I'm concerned that that issue has been neglected, that the horse is already out of the barn. Are there any suggestions of how, literally after the fact—we talk about this northern prosperity plan, but what do you do after the fact? Companies have either left or are shutting down and are not really amenable to government loans at this point because there's no reason to invest.

Ms. Andrew: We're a nation of entrepreneurial people, as your colleague Ms. Marsales pointed out. There will be a lot of people out of work. Often, people have a dream in terms of starting a business. You will find some evidence of that in our profile in terms of the kinds of positions that people desire, in terms of their working life. Being an entrepreneur or small business owner is the number one choice when you ask people. So I guess our argument is not to do a whole lot of targeted programs that look like they might do something and in fact don't deliver much, but rather create the conditions for those entrepreneurs to be able to start something, to be able grow something and succeed. We think there's great spirit in northern Ontario and lots of talent there, and people will be able to do that if they're not beaten back by onerous property taxes and other regulations and things that make it difficult.

The Chair: Thank you for your presentation.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Chair: I call on the Ontario Public Service Employees Union 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'd ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Leah Casselman: Thank you very much. I'm Leah Casselman, with a sinus cold. So keep your BlackBerries away, if you were watching my other presentation the other day. Good morning. I'm president of the Ontario Public Service Employees Union. With me is Jordan Berger, who's the supervisor in our research department.

OPSEU represents over 115,000 public sector workers, including most direct employees of the province, full-time staff at Ontario's colleges and more than 60,000 workers in the broader public service, including over 5,000 employees of the Ontario liquor board.

The upcoming provincial budget marks the midpoint of the current government's term in office. These consultations provide a fitting opportunity to reflect on the past and to look at the future. My comments touch on a variety of public services, as our members are found throughout Ontario's public sector, but the presentation points to a general theme: this government's confusion about its mandate and the future direction that it will take with regard to public services.

I see two paths ahead for Ontario. The first path is to honour our collective achievements as a society: the network of public services that make our province liveable and that reduce social inequality. The second path is to follow the lead of the United States and to continue to blur the respective roles of the public and private sectors. In the States, public service design and delivery, as well as strategic policy advice, have been effectively privatized to the point that their government has arguably lost control over spending priorities. We know which vision of Ontario's future we prefer. When we hear Liberals talk about "modernization" or "clear agendas," we know that these buzz words are fundamental deceptions about the role of government.

Let's be clear: During the 2003 election campaign, the defining issue for Ontarians was rebuilding public services that had suffered so greatly under Mike Harris. This reality has been acknowledged by the Premier, the former finance minister and other cabinet ministers. We have not withheld our praise for the government when it does the right thing, like finally injecting funds into health care and education, for example, but we would be doing a disservice to our members and the public if we were not brutally honest about some of its shortcomings. We do not expect the government to be able to completely reverse 10 years of Harris-Eves mismanagement in one term. However, we do expect you to at least move in the right direction.

The sad reality is that, despite promises to restore public services, spending on public services and infrastructure continues to decline as a proportion of the provincial economy, and there seems to be no clear vision for fixing the situation. In fact, repeating simplistic slogans like "no tax increases" compounds the problem and feeds public cynicism about government. The public is no longer interested in the shell game where governments cry poor during their term in office, then discover billions in extra revenue on the verge of an election, make extravagant promises and then renege on them right after re-election. We expect and we deserve more from this government; frankly, from any government.

Moving on to specific issues: Funding rules and employment practices in the broader public service are a mess. There seems to be no plan in place to ensure that the institutions and agencies that educate, care for and protect society have stable funding and consistent working conditions. For example, children's mental health services need core funding. Most people recognize that children with mental difficulties are among the most vulnerable members of our society. Ignoring their needs is no longer an option.

Wages and working conditions in developmental services have declined to the point where agency management is joining with our members to demand increased funding. OPSEU always hopes for positive relationships with employers, but we would rather that they were not based on shared poverty.

Proxy pay equity—a program designed to bring fairness to women workers—continues to be neglected. Funding was provided only until the end of 2005. Do we really need to go back to court to fight a Liberal government over fairness for women in the workplace?

Sadly, the province's failure to get past the Harris-Eves agenda and revitalize broader public sector programs is also affecting the Ontario public service. We have not forgotten that the promise to restore successor rights for direct government employees remains unfulfilled. This is not a trivial matter for our members, and it should not be a trivial matter for the government as employer.

The maybe-private, maybe-public approach to corrections and other public services is not sustainable. Do the right thing. Repatriate the Penetang superjail, so that our tax dollars are no longer being used to support the profits of American companies.

Although the Ontario public has, for now, been spared the spectre of a private liquor store on every busy intersection, we obviously remain nervous about this government's sense of a progressive and safe balance between public and private sector services. OPSEU will remain vigilant about the merits of not tampering with the success of the LCBO.

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The Auditor himself has pointed to abuses within the privatized driver licensing system, a lack of value-for-money auditing of private medical laboratories and no minimum standards or monitoring of downloaded land ambulance services.

The Ministry of Health and Long-Term Care recently announced plans to contract out delivery of Ontario's Trillium drug program. This program provides vital subsidies to 200,000 Ontarians who face extreme drug costs as a result of arthritis, cancer, cystic fibrosis, heart disease, HIV/AIDS, multiple sclerosis, respiratory diseases and other serious health problems. Privatizing this program will put clients' confidential health and income tax information, and the decision about whether they get the drugs they need, into the hands of a private for-profit corporation. It will also undercut public accountability for the operation of this $142-million program and the quality of services clients receive.

You also have plans to divest the sole remaining water quality agency in the province, the Ontario Clean Water Agency. Liberal caucus members will need to explain that every time they speak about rebuilding public services and improving our quality of life.

Let me briefly address one more example of what can happen when the province fails to put the public interest first. An elevator crash just occurred in an office tower a few blocks away from this hearing. It underscores the reality that the cost of offloading public services can emerge at any time. Perhaps the Liberal committee members here and the Premier could call the victims who are now on morphine drips and whose bones were shattered and suggest to them that you cannot afford to rebuild and, in the case of elevator inspections, repatriate vital public services. Tell them that only the private sector should have a bigger role in modernizing Ontario's public services. Tell them it's about keeping taxes low enough.

Those are just a few examples of the failure to address the consequences of public service downloading.

Again, according to the Provincial Auditor, the government continues to ignore its own rules about conflicts of interest and time limits on the use of temporary staff within the Ontario public service. A large majority of these employees spend significantly more than six months in their positions, again violating government policy.

For the neediest members of our society, the government has allowed inflation to erode benefit payments to the extent that poor people are actually more desperate today than they were when Ernie Eves was Premier.

How can the government possibly deny, let alone justify, the declining living standards of injured workers, social assistance recipients and people with disabilities? Many of these programs are among the hidden public services, like elevator inspections once were. They are tragically not part of the official agenda, but I can guarantee that we will do whatever it takes to ensure they are not hidden from the public during the next election.

Even the core Liberal agenda is in trouble. In education, additional funding is welcome but most observers agree the structural problems caused by the funding formula in schools and the reliance on tuition in post-secondary education have not been addressed. In health care, the relief that accompanied additional funding has been completely undermined by the unanswered questions related to the local health integration networks. Put simply, the government must decide if the model for the LHINs will be the contracting-out disaster imposed on Ontario's home care system.

If efficiencies are not to come from attacking vulnerable clients and public servants, you had better send a strong message soon. Our patience is running out. Governments are addicted to health care restructuring, but the victims of resource reallocation always seem to be the front-line staff and taxpayers. When will politicians take on the real cost-drivers in health care: physicians, hospital administrators and private sector drug companies and clinics?

Finally, in the area of infrastructure spending, the McGuinty government is perpetuating the decline in capital expenditures while promoting public-private partnerships as the solution to bridge the gap. There is simply not enough time and certainly not enough goodwill to seriously believe that the private sector can address our infrastructure gap. Ontario cannot afford this solution and key decision-makers in the private sector recognize that privatization is not politically sustainable.

Our members are not interested in rhetorical band-aids and half measures to rebuild critical public services between elections. We share something in common with all citizens: We are deeply concerned about the long-term cost and control implications of public-private partnerships and public sector mismanagement in general.

We will not allow the electoral cycle to bracket our entirely justified anger about the direction this province is going. I submit to the Liberal members of the committee that your government simply cannot go to the polls in two years without reversing these and other negative trends. And in this post-Walkerton era, our members are not willing to wait for citizens to die before blowing the whistle on mismanagement and poor decision-making. We need to hear your commitment to public services and public sector workers. If we do not, believe us when we say we will be heard by the electorate in 2007.

Thank you very much. I will now take any questions.

The Chair: Thank you for the presentation. We'll begin with the government.

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge): Leah, thank you for being here this morning. We appreciate your comments. Personally, I'm pleased with the progress we've made over the past two years with OPSEU. I can attest to that. Both yourself and Minister Phillips in particular have been instrumental in that. Certainly, there's always a long ways to go, but I think we've made some headway in crawling out of a deep hole, and there's still some ways to go yet.

Among your earliest and latter comments during the course of your presentation, you commented on those most vulnerable in our society. You mentioned children's mental health as one of those. Would you provide me with some further insight from OPSEU, as you see it, on what we can or should be doing for the most vulnerable in our community, whether it's children with mental disabilities or those who are on the lowest rung of society, those who may be homeless, those who are unemployed, those who rely on social services and those who need extended health care or long-term care of some sort.

Ms. Casselman: First of all, it's funding, clearly. There are people who actually go into colleges and universities to take on professions to work with these clients. They can't stay in those professions because the wages are simply substandard. They don't have the resources in their work locations to offer programming. They don't have the resources in their community to go out and offer services to those clients. So it really is a matter of looking at the whole program and trying to figure out where you're going to put the money in.

I actually have a meeting scheduled, I think it's next month, with some senior managers in the children's mental health sector, and they are joining us, like the developmental services sector, to talk to the government about getting real about providing funding, community by community and agency by agency. You really have to address it.

One of the big problems, of course, that we're going to run up against again—hopefully not in court—is the pay equity issue. A lot of the workers in these fields are women and their wages are substandard, I guess because they are women.

Mr. Arthurs: In essence, or at least in part, one needs to start with ensuring that those who are working in those fields are paid an adequate amount, a responsible amount, to ensure they stay in the field and not move elsewhere, so we have well-trained people, as well as providing the support for programs and community agencies and ensuring there's a clear balance of payment, regardless of sex.

Ms. Casselman: Yes, all of those. Just to go back to children's mental health, mental health is clearly the poor sister in the health care sector. You don't hear about mental health at all. Now that you're continuing to divest psychiatric hospitals in the public health care system—you go to a community and they're going to say, "Let's go raise some money for an MRI or mental health services." What do you think the public's going to say? "Hello, I want an MRI." They have no understanding of the need for not only children's mental health, but mental health services in particular.

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

Mr. Barrett: I want to thank OPSEU. I appreciate the frank presentation. You make reference to spending on public services and infrastructure continuing to decline; granted, compared to the provincial economy. The present government is increasing taxes considerably and is running considerable deficits. Obviously, you have figures of the economy as surging ahead of that in proportional spending on public services. How should this government continue to put in more money? Are you advocating more tax increases or more deficit spending to fund the public service?

Ms. Casselman: Clearly, tax increases. Your government took $18 billion out of the economy through tax cuts, and then folks in their communities just ended up having to pull it out of the other pocket to pay for all the services that used to be provided. We're short of tax dollars in our economy in Ontario.

In the previous presentation, there was a question, I think from you, about northern Ontario. You actually attract workers and occupations and industry when you have a stable public sector base in those communities because then doctors and dentists show up and industry realizes, "Gee, that's a good place to build a new industry," because we actually have that kind of stable public sector base there, so we can attract workers and keep workers in those locations. So, yes, I think clearly it is; it's a matter of not having enough tax base in this province because of previous cuts.

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Mr. Barrett: Contracting out: You make reference to the Trillium drug program and the concern of health or income tax information falling into the wrong hands. I know in my community to go for an X-ray or blood test, it's a private company that does it. We don't have an Ontario government laboratory in our village. Is there evidence of misuse in other sectors where, for some reason, they would be selling information or misusing it?

Ms. Casselman: Yes. We did a whole presentation on that when your government contracted out the driver examiners. We saw, of course, the biker gangs in Quebec getting hold of those private companies—I guess they actually owned the companies when they bid on them—and getting that information. We're concerned, with some of the recent issues here in Ontario in relation to driver exams, that personal information would be out. I think there's a big court fight in BC right now about what they've contracted out. The health care information system in British Columbia is controlled by a US company, and now George Bush will be able to find out all of your pertinent information in relation to his save-the-US legislation down there.

Mr. Barrett: You used another example, the offloading with the recent elevator crash. I've been on the road. I'm not aware. Is there an inquiry? Obviously, you're suggesting something has gone wrong there. Has someone been charged or has there been an inquiry? Has someone been found culpable?

Ms. Casselman: I don't know if they've asked for an inquiry yet, but I do know that elevator inspection used to be part of the civil service. We used to have elevator inspectors who would go out and inspect elevators on a regular basis. I don't know that there's any ability for the public to find out right now what the current company or agency is that's responsible for those inspections, whether or not they're open to freedom of information or not. I don't know what their record is, but clearly we don't need to see any more tragedies than we had last week.

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

Mr. Prue: I'd like to ask you as well a question I asked yesterday in Kitchener. The Kitchener chamber of commerce came forward and commended the government for uploading its income tax auditors to Ottawa, sending them off, as if somehow this was a good thing. My understanding is that the people who work there take in tens of millions of dollars more in extra revenue for the province than the cost of their wages. Could you tell me a little bit about what's going on there and why it's going on?

Ms. Casselman: Yes. It's two different programs, two different types of workers and two different volumes of workers. Our folks have been much more productive in relation to getting taxes into the coffers. We did actually talk to this government and, subsequent to that, they have actually hired folks to go out and get the money. It's one thing to go out and assess a company and say, "You owe us money." It's another thing to have someone go out and say, "Give me the money." So there has been an increase in that area.

My understanding is that this function will now be uploaded, I guess, to the feds with, in my understanding again, fewer workers available to do the job. So you're not going to have the ability to do the kind of hands-on work that our members are clearly doing here in Ontario.

Mr. Prue: So the government will be at a considerable risk of declining revenues when companies choose not to pay the taxes or hide from them or—let's be careful—inadvertently forget to pay their fair share of taxes?

Ms. Casselman: Our concern is not only for the workers but you'd now have to go and knock on the feds' door to say, "Would you mind looking after this for us here in Ontario?" because we don't have the ability to do that ourselves anymore. I don't know that knocking on the door federally these days would be a real good thing to do. So they actually might want to reconsider that move, since it hasn't happened yet.

Mr. Prue: I'm trying to get them to do it.

In terms of government services, when we were in northern Ontario, some of the government services people came and talked—actually, I think it was in Cornwall—about the lack of MNR people and the fact that the fish stocks aren't being replaced, that people are out there overfishing and doing things that are illegal and there's no one to catch them. Has that been one of the ministries most hard hit?

Ms. Casselman: Yes. Clearly environment and natural resources have just been gutted. I've met some of our conservation officers, and their schedule is 9 to 5. Well, I don't know many folks who are jacking deer who are out there doing it during the daytime. Clearly there's been a real and continued gutting of that ministry. So our natural resources, which we used to talk about quite proudly in Ontario, are pretty much on their own right now.

Mr. Prue: I've still got time?

The Chair: Yes.

Mr. Prue: Then I'd like to go back to the elevator crash. When did Ontario stop inspecting elevators? I noticed a number of years ago, a sign would be on the elevator saying it was inspected. You don't see them any more. How long ago did that happen?

Ms. Casselman: We're thinking 1996, but I'm not—

Mr. Jordan Berger: I believe it was one of the first—

Mr. Prue: One of the first Harris cuts.

Mr. Berger: —services to be sent out to the independent agency that they set up for industry self-regulation.

Mr. Prue: We pay some private person to go around and look at these elevators?

Ms. Casselman: Either that or through an industry-regulated company. So it's self-regulation.

Mr. Berger: The basic principle around self-regulation seems to be: Until there's a problem, it doesn't appear. When these services were transferred out of government, they also changed the regulations. For example, when you go into an elevator, you no longer see that certificate signed by the minister, with a clear expiry date. You have to go to the property office during the day to actually see the certificates on the elevators.

Ms. Casselman: If you can get out of the elevator.

The Chair: Thank you for your presentation.

For the committee, there's a typo in the next presentation. You'll notice that the board chair for this particular group and the following group are similar. That's incorrect. The first one should be Scott Courtice.

ONTARIO UNDERGRADUATE STUDENT ALLIANCE

The Chair: Now I call on the Ontario Undergraduate Student Alliance to come forward.

Mr. Scott Courtice: Thank you very much for the opportunity to speak to you this morning. My name is Scott Courtice and I am the executive director of the Ontario Undergraduate Student Alliance. I am accompanied today by Jen Chan, who is our research and policy analyst within the organization. Obviously I'm here to talk to you today about higher education.

Higher education is a wise public investment. It is one of the key building blocks in the socio-economic development of individual Ontarians and the province as a whole. Strategic public funding for post-secondary education must continue to be a centrepiece of the province's strategy to increase our capacity, competitiveness and the quality of life for all of our citizens.

The significant public investment that was announced in the 2005 budget has been universally lauded as a step towards the rehabilitation of the post-secondary system. However, it would be premature to conclude that the task of renewing the system is complete. The government must ensure that the long-term investments that were committed in the 2005 budget are allocated and they must ensure that those monies are also allocated wisely and for the greatest effect.

In my remarks this morning, I will outline the importance of higher education to the future well-being of the province, and I'll detail three key priorities that our members have identified.

First on the importance of higher education: More than infrastructure investments, business subsidies or tax cuts, a highly educated population is the primary vehicle for driving socio-economic prosperity and growth. By creating better employment opportunities for graduates, post-secondary education has the broader economic effect of increasing graduates' wages, lowering unemployment rates and increasing the tax base.

A Statistics Canada survey of labour and income dynamics examined 15,000 families in 2002 and found that university graduates made up slightly more than 15% of the total population but paid almost 35% of total income taxes and received only 8% of government transfers. Clearly, post-secondary education and post-secondary graduates are an important component of Ontario's economy.

While some of the benefits of higher education are easily measured, many of the other returns are less tangible but equally important for the prosperity of the province. One such benefit is that post-secondary education increases individuals' ability to learn new technologies, which thereby increases the flexibility of the workforce to adapt to emerging industries in the future. This capacity is crucial to positioning Ontario as a leader in years to come.

The announcement of a new Toyota plant in Woodstock in June 2005, and other Ontario success stories such as the rapid growth of Waterloo's Research in Motion, show how some businesses are recognizing Ontario as an education leader. However, these successes do not tell the entire story. Ontario continues to lag behind other jurisdictions in its level of productivity. In order to retain and expand our global competitiveness, higher education must remain the top priority.

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The recent task force on competitiveness and prosperity argues that in the long term, underinvestment in higher education has led to Ontario lagging behind its former peers in vital economic measures such as per capita GDP. They note that Ontario and Massachusetts were peers in the levels of prosperity in 1977. However, the two jurisdictions diverged in their growth strategies in the intervening years, with Massachusetts out-investing Ontario in post-secondary education at three times per capita. In 2004, Massachusetts' GDP per capita had moved ahead of Ontario by almost 46%. By strategically investing in post-secondary education, that state has become, as the task force describes, the richest jurisdiction of meaningful size on the planet.

In order to shift the province's current economic path and invest in future generations, the task force recommends first and foremost that investments in post-secondary education should be increased, as a well-funded higher education system is essential to increase Ontario's productivity and prosperity, which is a returning theme that I continue to hammer on. We have provided other case studies in our full submission that also demonstrate this point.

Having established the importance of post-secondary education, I will now outline three areas that our members have identified as a priority in the coming year:

The first priority, probably unsurprisingly, is tuition and student financial assistance. One of the provincial government's main roles in the post-secondary field is the setting of tuition rates by establishing a maximum rate by which tuition can increase each year. OUSA's foremost recommendation for Ontario's tuition framework is that tuition should not be examined in isolation, but rather in tandem with student financial assistance. This approach will recognize that any changes to tuition fees in the short or long term must be balanced by investments in student financial assistance, and that this responsiveness must be embedded in the design of a financial aid system. This might seem intuitive but in fact in the past, student financial assistance and tuition have not been linked, and as a result, the level of student financial assistance stayed static until last year while tuition increased dramatically over a 10-year period. So it's important to link those two issues together.

At the end of the current 2005-06 academic year, the two-year tuition freeze that was instituted by the current government is set to expire. In order to promote fairness and predictability in student tuition fees, we recommend that students and their families should contribute no more than 30% of the costs of their education and the government should fund the remaining 70%. In the last year of reported data, which was last year, students' tuition fees in Ontario comprised 44.7% of university operating income.

To bring tuition costs in line with the 30% ratio, the provincial government has several options, the first being cutting back tuition sharply or increasing government operating grants over a number of years while keeping tuition levels constant. As the first option would likely result in a reduction of funds available in the university system, we recommend that a progressive injection of government funding be coupled with a cap on tuition levels at the rate of the Ontario consumer price index. This would hold students' costs in check at a predictable level while allowing increased provincial operating grants to fund improvements in the system and catch up with the increase in costs borne by students through the past 15 years.

With smart and effective reforms to student financial assistance, such a scenario could strike a balance between the need to maximize the impact of recent government investments in enhancing quality and the need to adequately meet student need and reduce debt loads carried by students upon graduation. We have provided more detailed recommendations to further enhance student financial assistance in our first submission, because we could probably speak about it all morning if we would like to.

The second priority is accountability and university governance, and there are three points under this heading.

In the final report of former Premier Bob Rae's post-secondary review, he recommended the creation of multi-year plans negotiated bilaterally with each university as the main framework for funding and accountability in the post-secondary sector. While multi-year plans were one of Mr. Rae's main recommendations in the review, they have yet to be implemented. For the 2005-06 academic year, interim accountability agreements have been negotiated or are in the process of being negotiated. However, these agreements were finalized only recently, meaning institutions did not know the total size of their operating grant until well into the academic year. Clearly, this situation is not an optimal one for universities.

While we appreciate that the ministry has been working under an unusually tight time frame in 2005, it is our hope future agreements will be made on a multi-year basis and announced well in advance of the commencement of the academic year, to allow universities to use the investments more strategically.

The second point under accountability is the creation of a Higher Education Quality Council of Ontario. In the 2005 budget, the government announced its intention to create such a body to act as an arm's-length organization that would develop and make recommendations to the minister on targets for post-secondary performance measures and quality enhancements. According to the budget bill, the organization will have a board and the council will be responsible for producing yearly reports and advice to the minister. The budget bill was approved in November of 2005 but the council has yet to be established. The council will play a key role in advising the ministry on how best to deploy the resources that were announced in the budget to improve quality, so it's critical that this body is in place before the next round of accountability agreements are negotiated, so you can use the investments to maximize the impact of them.

The Chair: You have about a minute left.

Mr Courtice: Thank you.

The final thing on accountability is student involvement. It's a final but crucial recommendation, that we believe that student, as an investor or as an important stakeholder in the post-secondary sector, play a more meaningful role in the governance of universities at the institutional level.

The final priority of our membership, though it goes beyond the mandate of this committee and government, is to begin to aggressively approach the federal government to engage them in the process of funding the operating costs of universities. In the past election, the incoming Conservative government said that they will address the fiscal imbalance generally, but they also have committed to a dedicated transfer to post-secondary education more specifically. There's a summit at the end of the month of stakeholders and the provinces, hosted by the Council of the Federation. I hope that we can all show a united front in pushing the federal government to reinvest in post-secondary education as well. Thank you.

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

Mr. Barrett: Thanks for the presentation, Ontario Undergraduate Student Alliance. It's important what you're doing. I imagine many of your members wouldn't be interested in doing the kind of work that you're doing, so I think they're lucky to have you lobby on their behalf. It's quite timely, your arrival today. I'm just looking at headlines in today's paper: "Cost of Tuition to Rise"; "Ontario is Out of Options: McGuinty"; "University Tuition to Rise, Premier Says." Another headline: "Howls from College Kids." Is that accurate? Are you getting that kind of feedback from your members? Are students aware of what's actually happening as far as no more tuition freeze, or proposed no more tuition freeze?

Mr. Courtice: I think you'd have a difficult time finding anyone who would want tuition to rise. I think that there's a general consensus among students, especially students from middle-class and lower socio-economic backgrounds, that the cost of their education is too high. Tuition is only one aspect of the formula itself. If tuition increases beyond what we propose, which is CPI, I can't understand how—because tuition is at a level that is so high I'd have a difficult time imagining very many students who would support that.

We've suggested that you can use the student financial assistance program as a mechanism, though tuition might increase slightly, to reduce the overall costs of lower- and middle-income students, so though they see their tuition increasing slightly, you can actually have a greater impact with the student financial assistance. Depending on how it's designed, it could be bad as well.

Mr. Barrett: It looks like things are going to move quickly. The projection is the increase is coming in September. I see Premier McGuinty is quoted in the paper: "We are going to have an important conversation shortly about tuition." I would imagine they'll be making a decision in the very near future. Do you expect to be part of this conversation or consultation?

Mr. Courtice: The conversation actually began in July, and the government engaged stakeholders, both students and universities, to discuss what their ideal framework would be. That discussion, as far as we're aware, has been completed. We've just been waiting to see what the results of that consultation will be. I would imagine, as well, that the announcement has to come shortly, because universities are coming fairly close to where they need to have their budget cycles completed.

Mr. Barrett: Are many of your members—

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

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Mr. Prue: I only get a couple of minutes, so I just want to look at the last two recommendations you've made. Guaranteeing student involvement on university governing bodies up to 25%—do any universities currently have that many students on their governing bodies? I know when I was there, and albeit I'm an old man now, there were none.

Mr. Courtice: Right now, on average, on a university governing body of about 40 people, you might have two or three students that traditionally—it's representation, but it's fairly token representation. On university senates there's a higher percentage, but not a real, true, effective voice that would be able to really have some power on the university body.

Mr. Prue: The thing about these governing bodies is that the people who served on them then, and probably today too, served for a long period of time, and the students might be in university for four or five years. By the time they had the wherewithal around them to actually get on the governing body, they'd probably be in their final years or in graduate school, so they wouldn't serve for a very long period of time. Would they have the necessary qualifications to understand the intricacies if they're only to serve for one or two years and then get out?

Mr. Courtice: I believe so. I think there are many examples on university campuses where students hold governing responsibilities multi-year. Right now there are many students on university senates who sit for two or three years. When I was at Queen's University, I sat on the senate for three years. Also, if we really are serious about universities as training future leaders of our society, I think we should put our money where our mouth is and trust the students who are being trained to actually be able to practise that on university governing bodies.

Mr. Prue: I was hoping you'd answer that way. Okay.

Recommendation 17 is to aggressively lobby. The Prime Minister-elect has said that he's going to do a typically Canadian thing in that he's going to talk with Premiers about tax points; that is, you take down the tax points for the federal government, you correspondingly reduce the provincial ones so that the province gets more money, the feds less, and the whole thing balances out. Do you think that we should be aggressively lobbying, or should we be looking for the tax point and then forcing the government here to spend the money appropriately?

Mr. Courtice: I think that what we saw in the early 1990s when the Liberal government at that time took power, they—there used to be a dedicated transfer to universities, but that was blended in with a much larger transfer. We also saw correspondingly less money coming to provinces, but what we saw as a result was the province not making good choices in terms of post-secondary education. Obviously, I think we would prefer the money to be targeted specifically to PSE so we know that the money will be spent there.

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

Mr. Wilkinson: Great. Thanks for coming in this morning. I think your organization is going to look back 20 years from now and say that you were part of the greatest reinvestment in post-secondary that we've had in a generation, and so you should be commended for the work you have been doing.

Specifically, though, because we're dealing with budgetary pressures, I just wonder if you could briefly explain recommendation number 9, where you're recommending that we eliminate the tuition tax credit and use the money to fund other student financial aid programs. Maybe that's a Jen question. If you'd like to give that a shot, just to go through the numbers for us.

Ms. Jen Chan: We've done some research on the tuition tax credit, and what's been shown is that the money is not being used most effectively. What tends to happen is that the people who disproportionately benefit from these tax credits tend to be at the higher end of the income scale, because they actually have the income in order to deduct the tax credits and so on. So for lower-income people, if they do take the tax credits, they don't benefit any more than their higher-income counterparts. I think the statistic we had was that 60% of these tax credits are taken by people with incomes above the national median. So what we're saying is that instead of using these tax credits, it can be more effectively used to actually increase access, help people who need it the most. So use that for grant programs for low- and middle-income students. We think that would be a much more effective use of that money.

Mr. Wilkinson: How much money are we talking about re-profiling if we did that?

Ms. Chan: That would be about $300 million, and according to our research, about 40% of the dollars allocated to student financial aid is actually going to these tax credits. So that's a significant portion of student financial aid money.

Mr. Wilkinson: In a self-serving way, because I have a daughter going to university, you're suggesting there be a new scholarship for entrants with an average of above 85%?

Ms. Chan: Right. That's one of our suggestions, which has been used in Alberta, that we think would really help students sort of plan ahead and see that they will be able to get there if they study hard enough.

Mr. Wilkinson: How much money are we talking about?

Ms. Chan: I think we were suggesting $1,000 or $2,500.

Mr. Wilkinson: That would just be for Ontario students or for all students, including those coming from other jurisdictions?

Ms. Chan: Ontario students.

Mr. Wilkinson: Ontario students with a residency, like in Quebec.

Ms. Chan: Yes.

The Chair: Thank you for your presentation.

ONTARIO HOSPITAL ASSOCIATION

The Chair: I would call on the Ontario Hospital Association 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. Garry Cardiff: Good morning, ladies and gentlemen. I'm Garry Cardiff. I'm CEO of the Children's Hospital of Eastern Ontario and the chair of the Ontario Hospital Association board. Helping me today is Hilary Short, president and CEO of the Ontario Hospital Association.

It's been a year of tremendous change for the Ontario hospital care system, particularly for the hospitals themselves. While we've made substantial progress, change of this magnitude inevitably brings new challenges. While both hospitals and the Ministry of Health and Long-Term Care have learned a lot so far, there's still a way to go. Our shared goal is to get the hospital system in balance and continue on a path to stability. Today, we want to talk to you about the progress that has been made and the issues that still remain.

As we move forward with these changes, it's imperative that we look to the future and determine the policy direction, the financial resources and human capital needed to make these changes work. Hilary will detail some of these for you now.

Ms. Hilary Short: Thank you, Garry. The adoption of the multi-year hospital funding model and the introduction of two-way accountability agreements have fundamentally changed the way Ontario's hospitals plan, budget and operate. Multi-year funding provides hospital boards and administrators with a degree of funding predictability never before experienced in our province. This will serve us well as we work to provide the best possible patient care.

Two-way accountability agreements are mandatory, negotiated, legally binding contracts between the ministry and hospitals. Hospitals set out the precise range, scope and volume of services that they will provide. The ministry in return provides an agreed-to amount of funding.

OHA strongly supports the principles of multi-year funding and hospital accountability agreements. We have long advocated for multi-year funding and we worked closely with the ministry to design the agreement being used today. But implementing accountability agreements for the first time has been extremely challenging for both the ministry and hospitals. It takes time to complete these agreements, and the longer this process takes, the harder it is to achieve our agreed-upon budget targets.

We do, however, expect that the majority of hospitals will be in a position to sign an agreement by the end of the current fiscal year. Regrettably, some hospitals will continue to grapple with fundamental, long-standing fiscal challenges. These hospitals will be unable to achieve the balanced budget commitment required to sign an agreement without cuts to staff or patient services. Some of these hospitals will undergo an external, third-party or peer review. The OHA supports this approach because experience has shown that such reviews usually identify areas for additional efficiencies and validate hospitals' need for additional resources.

There is, however, one aspect of accountability agreements that we do need to monitor carefully. Every hospital has a degree of operational flexibility through performance corridors. These are upper and lower ranges of clinical volumes that hospitals can operate within while still meeting their contractual obligations. If the system functioned at the top of its range, we would see a 6.1% system-wide increase in the volume of acute care cases provided compared with 2004-05. Conversely, if the hospital system operates at the bottom of its range, there would be a 3.5% reduction in the volume of acute care cases provided compared with 2004-05. Hospitals have an obligation to inform and work with the ministry if they are going to fall outside of these performance corridors. This issue is very important and has to be monitored very carefully.

1030

I will now turn to the issue of hospital working capital. Ontario's hospitals currently carry more than $1 billion in working capital deficits. Hospitals pay approximately $20 million a year in interest costs on these deficits. These are funds that could be spent on improving patient care. We encourage the government to resolve this issue quickly so that local health integration networks can assume their funding responsibilities with a relatively clean slate.

Just a word about hospital capital renewal. On average, Ontario hospital plants are 40 years old. Their capital construction and upgrade needs are estimated at $8 billion. Hospitals welcome the ReNew Ontario capital improvement strategy and support the use of a variety of funding models including alternative financing and procurement, or AFP. A number of hospital projects were approved through this program in 2005. That having been said, the future of many necessary hospital renewal projects remains uncertain. Investments in hospital capital are really investments in patient care, and we will work with the government to ensure that it remains an investment priority for the government.

Local health integration networks, or LHINs, are the keystone of the ministry's system transformation plans. Experience in other jurisdictions clearly illustrates that system integration was successful where governments made necessary, upfront foundation investments, particularly in e-health technologies, which both support and enable many aspects of modern health care delivery: administration, education and research, patient safety and system efficiency. E-health is fundamental to the success of further system integration and should be treated as a critical investment priority by the government.

Mr. Cardiff: Let me conclude the way I began. By working together, hospitals and the government have made a great deal of progress in improving Ontario's health care system. We're confident that with time, commitment and the appropriate investments, our communities can continue to access the high-quality care they expect and deserve. All of us who work in Ontario hospitals are dedicated to building a better health care system. Let's keep working together to make this system a reality. We'd be happy to take your questions.

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

Mr. Prue: Two sets of questions: We had a gentleman yesterday in Kitchener who gave us quite a compelling argument about the necessity of new hospitals and that new hospital funding should be in places of high urban growth, particularly in the 905, and that the money should be spent in that direction as opposed to upgrading, building and keeping the older hospitals in places like Toronto, which are not experiencing high urban growth. What is your position on that?

Ms. Short: Well, I don't think it's an either/or. I think all hospitals have to remain whole. Communities across the province have to have equal access. The issue of the funding of hospitals in areas of high population growth is a very complex one. It's one that the OHA and the ministry and the hospitals have wrestled with for a number of years. Getting the right funding formula is the issue before us. So I think that work will continue. There's been in-depth work for many years in terms of how you actually fund all hospitals fairly, and that work will continue. There are some who feel the funding formula for hospitals in areas of high population growth doesn't adequately reflect their needs. That's an area of continuing research and we will continue to work in that field, along with the ministry and the joint forum we have with the government called the joint policy and planning committee.

Mr. Prue: The second aspect I want to ask you about is the alternative financing and procurement, AFP. It's only the Liberals who call it this. Everybody else calls it P3s. It is what it is: It's allowing the private sector in to make a profit on the hospitals. Why do you support this? I'm curious. It's going to end up costing more, and the money that could be used for health care will be siphoned off to someone's pocket.

Ms. Short: That's not the way we see it. As I alluded to, there is approximately $8 billion of unmet needs out there. If we are to truly modernize the hospital system, have a modern system, that's the size of investment that's needed.

It's clearly a number that no government is going to be able to come up with all at once or meet in any measured fashion, so our feeling is that we need to look at new and creative ways of funding these capital investments. The ideas that are being proposed now, we feel, are very sensible. At the end of the day, the private sector has always built hospitals. I would argue that is going to continue, that there is going to be some upfront support from the private sector. But ultimately, these hospitals are still publicly owned and publicly operated. We believe that just as we in our own lives usually have to find a mortgage to finance our house, maybe this is the kind of approach we need to use to finance the hospitals. All that being said, the care that is provided is public and they remain in public hands. That is why we support them, because we don't see that there is any alternative if we are truly to have a modern system.

The Chair: We'll now move to the government and Ms. Mitchell.

Mrs. Carol Mitchell (Huron–Bruce): Thank you very much for taking the time to make a presentation today. I will be sharing my time with the member for Perth–Middlesex.

As you are speaking to the finance committee, you have addressed the hospital system and, with regard to acute care, the volume. How will that affect the budgets for the hospitals, or does it, whether or not they are high-volume in acute or lower-volume in acute, based on their contract?

Ms. Short: Sorry, I don't quite understand—

Mrs. Mitchell: You've addressed at the top of page 4, "If the hospital system achieved at the top of its range, there would be a 6.2% system-wide increase in the volume of acute care," and then conversely the flip, the other side of the contract or agreements. So is there a financial impact based on the volume of acute care cases?

Ms. Short: The way they work is that the hospital accountability agreement specifies, regardless of whether it's acute care or complex continuing care, which services the hospital is going to provide, how many, and so on. But there is flexibility in there to account for unexpected events, let's say, that aren't within the control of the hospital. Let's say that in a teaching hospital like Garry's, the flexibility is 3% at each end, so you could perform at the lower end or the higher end and still meet your obligations under the hospital accountability agreement, but you have the same amount of money regardless. Is that clear?

Mrs. Mitchell: It's clear. You've identified it as a point. That's why I asked if there was a financial impact of being at the higher end or the lower end.

Ms. Short: No. Your budget is the same regardless.

Mrs. Mitchell: Is that what you're looking for, then, the incentive, to make that part of a financial indicator, the case?

Mr. Cardiff: No. Our point is that there is a potential variation in the total services at the top and the bottom, and we could find ourselves, if everyone is forced for varying reasons—if my hydro goes up, I have no control over it. I have to cut back on services. We could find ourselves at the end of the year with the whole system operating, on average, at 3% below what they thought we were doing. We just don't want that surprise. That's our point.

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

Mr. Tim Hudak (Erie–Lincoln): Thank you both for the presentation. A couple of questions. Currently, hospitals are in negotiations behind closed doors with the government to meet the requirement to balance budgets in line with the accountability agreements. Are the hospitals able to do so with the current funding commitments by the province, and if so, what will be the cost in terms of reduction in services to patients?

Ms. Short: As we alluded to, this is the first time we've gone through this. It is a very difficult process. It's taking time, because what the hospitals collectively are trying to do is to extract all the savings and efficiencies they can without impacting patient care. That takes time. It's a new approach.

As we also said, if a hospital is in the position where it is unable to meet its budget without impacting patient care and services collectively, the government wants to take a look at that. Those are the situations where you get what we call the peer reviews, where you have the external review go in to see if there are other savings and efficiencies that can be made or to validate the case that additional resources are needed. That's why we say that while we think the majority of hospitals will be in a position to sign an agreement that does not significantly impact patient care, there are others that will not be able to, and that's where the review comes in. But as you know from reading the media in your own communities, this is not an easy process, and it can be controversial.

1040

Mr. Hudak: Even the term "does not significantly impact patient care" implies some impact on patient care, at the very minimum.

Ms. Short: Changes in the nature of the services provided—it is changing certain things.

Mr. Hudak: On the hospital capital side, there's another grave concern. There have been a series of announcements using, as my colleague described, the AFP approach. Our complaint from the opposition's point of view is that very few of them actually have the funding supports publicly announced. We don't know how the financing mechanism is going to work exactly, nor do we really know what year. We've had to call hospitals themselves, who have not been given that information. I'm worried that it's simply a house of cards.

Ms. Short: It cannot be a house of cards. I would say that we are at the beginning of this process, and a lot of it is in the announcement stage. There's a lot of work going on behind the scenes to try and move these forward. The OHA itself is having a special task force to help understand where these projects are all going, because our understanding is that each one of them is going to be slightly different. But no, they haven't begun yet, and some of them won't begin for some time. So while we agree with the approach of these ultimate funding plans, we want to be sure that they come to fruition and that they are done in the right way, in a way that is constructive for each community. But we are at the beginning of the process, I think it's fair to say.

Mr. Cardiff: Not all of them are AFP. My own organization, CHEO, has a major expansion scheduled to start in 2007, and it will be funded in the traditional fashion, with the hospital providing a third of the cost.

Mr. Hudak: Either way, the lack of information is disconcerting [*failure of sound system*] sufficient finances or any in their budget plans to meet these capital needs.

Ms. Short: That's certainly something we'll be monitoring pretty carefully, because clearly the public of Ontario expects to have a modern hospital system. We're hopeful, but we need to monitor it and make sure the projects get off the ground and are done in a reasonable manner and in a reasonable time frame.

The Chair: Thank you for your presentation.

I would remind members to speak directly into their microphone. The system clearly is not as loud as on the road.

CANADIAN HEARING SOCIETY

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

Ms. Kelly Duffin: I'd like to thank you very much for allowing the Canadian Hearing Society to present before this distinguished committee. My name is Kelly Duffin. I'm the president and CEO of the Canadian Hearing Society. I'm here with my colleague Gary Malkowski, who is our special adviser on public affairs.

The Canadian Hearing Society is a 66-year-old non-profit organization that provides services to deaf, deafened and hard-of-hearing people in 28 offices in Ontario. We come before you today, then, in two capacities: (1) as a community health care provider in the voluntary sector, and (2) as an agency serving people with disabilities. From both perspectives, we will first be sharing with you the priorities as we see them for the provincial budget, and secondly, we'll give you our thoughts on how they can be easily and fully funded.

First, the priorities as we see them for the voluntary sector. This is an increasingly key part of the Canadian economy. A 2005 study commissioned by Imagine Canada and funded by the federal government demonstrated that the non-profit sector now employs two million people. That's almost the job size of the manufacturing industry in this country. At the federal level, an accord and a set of good funding practices was established in 2001 to guide funding and partnership interactions in this key sector. This type of accord should be considered at the provincial level as it is critical for a number of reasons, first, because of the value per dollar delivered through this sector. Many recent studies substantiate the claim of the Ontario Community Support Association that for every $1 of funding, the voluntary sector delivers $1.50 worth of value. In part this is due to the unpaid contributions of volunteers; in part it is due to the fact that the voluntary sector organizations are not fully funded by government as a result of client copayments, donations and other contributions.

Second, while that return on government dollars is attractive, it is also unsustainable. CHS has been heartened to receive in the last two fiscal years some increases to our base funding from the province, but those increases have yet to catch up to the erosion of funding in real terms that has occurred in this sector over the last decade or more.

Here are some examples of that erosion and its impact on services. In 1996, cuts of $19 million in government funding resulted in the closure of 33 agencies and the elimination of 313 programs across 629 non-profit organizations surveyed. Over the last nine years, provincial funding for administrative and core cost expenditures has increased by, at most, 1%. Until 2004, most government grant programs had provided no administrative increases for five years. With inflation, that represents an effective loss of at least 15% in agency operating expenses throughout the sector.

Adding salt to the wounds, some departments have begun to elevate the competition for contracts, often opting for the lowest-cost provider. In the case of home care, this lowest common denominator approach almost decimated the traditional service providers, who had operated for decades and brought real expertise to their work. More importantly, it left clients in the lurch during a transition and with reduced or eliminated services afterwards. Ultimately, this proved to be an ineffective solution for Ontarians who needed home care, and as a result, the government has gone some way to reverse its original position. But the damage done as a result of that process is, in some cases, irreversible. Worse, history threatens to repeat itself if cost becomes the only factor considered in awarding contracts going forward.

This leads to the third point, which is that salaries in this sector continue to lag behind other sectors. When combined with cuts, constraints and the general climate of uncertainty caused by eroding funding, staff recruitment and retention is increasingly challenging. In a vicious circle, this in turn has the potential to impact quality of service.

For these and other reasons, it's critical that the provincial budgeting process not enable further erosion to this major, underfunded and critical sector. This is especially important given the reforms being implemented in health care. A real potential value of the local health integration networks, or LHINs, could be in enabling hospitals to focus on those activities that only they can do, such as surgeries and emergency procedures that tend to be high-cost. Community health care providers could assume increasing responsibility for other services with the potential to both reduce wait times and costs. This must be premised, though, on appropriate funding for the community health care sector, not further erosion to that funding. Improvements in the health care system as a system cannot come on the back of agencies that are already overstretched or staff that is chronically underpaid.

The provincial budget's funding of this sector and these services will demonstrate the value the government places on non-profits and community health care, and the funding decision will impact all Ontarians. For this reason, it's our strong recommendation that the budget provide for increased funding in the voluntary sector, particularly in the area of community health care. Minimally, this increase should be in the order of 4%, to account for cost-of-living increases over the last year and to go some way to remedy the loss of capacity experienced in the last decade.

Now Gary will make our presentation from the perspective of the disability service provider.

1050

Mr. Gary Malkowski (Interpretation): As Kelly has indicated, the Canadian Hearing Society provides 17 different services, including hearing health care to Ontarians with hearing loss. Hearing loss is in fact the fastest-growing disability, and aging is the leading cause of hearing loss. Approximately 1% of the general population is culturally deaf and uses sign language. Almost 25% of people report experiencing hearing loss, although closer to 10% of people would actually identify themselves as deafened or hard of hearing and would use interventions such as hearing aids or other amplification devices. This means that at least 1.3 million Ontarians require accommodation for hearing loss, and that accommodation is unfortunately not regularly provided either in government, in health care, in social services or in society more broadly.

To give you a sense of that experience, I'd like you to see the world from the other side of the fence, so we're going to do a little experiment. I'd like you to imagine you are in a doctor's office or in hospital. I'll give you an update about your condition and I'll give you some instructions about medication. This is critical information, so I know you're going to be trying hard to make out what I say. I want to be clear that this is not an overdramatization. This is honestly my experience of interacting with doctors when access service is not provided. OK, so is everybody ready? Here we go.

Witness communicates in sign language without interpretation.

Mr. Malkowski (Interpretation): All right. I signed nice and slowly and clearly. How many of you had difficulty understanding me? OK. What I did was I asked you to take Pramnodel and Hexamine. Did you understand how often you were supposed to take those and for how long? Did you understand my request about monitoring your blood pressure? Did you know what was likely to happen to you next? For most people with a hearing loss, this is a daily reality. Being in a stressful situation such as a medical appointment, it increases their isolation and frustration, and in this situation could lead to very serious health implications.

We chose a health care setting for this type of demonstration for this very reason. There can be no health care without communication.

The Ministry of Health and the LHINs and the services they fund must have a budget line for access and communication. Deaf people will need sign language interpreters. Deafened and hard-of-hearing people will need note-takers or other supports. Devices such as visual—not only audible—alarms must be in place in hospitals. Critical health information should be provided on websites in sign language. Health care centres must be accessible by TTY. I'm going to say it again: without communication, there can be no health care.

Now to the AODA. We applaud the government, indeed all parties, as the passage of the Accessibility for Ontarians with Disabilities Act received unanimous support. Action on this legislation has the real potential to make society more accessible to all people with disabilities and in fact to get closer to equal citizenship and full human rights. That's the good news. The bad news is that at this time no new funds have been announced to make it become a reality. To demonstrate any true commitment to equity, there must be a budget for the AODA.

Lastly, support programs, including the Ontario disability support program—the ODSP—must not be cut.

Indeed, it should be enhanced. ODSP has had no increased funding in five years, which again represents a loss of capacity in real terms. With that loss of capacity comes the real risk of focusing on the easiest to serve only, especially in the employment support streams. There appears to be movement towards leaving harder-to-serve clients on income supports as a cost-saving measure, rather than funding them to seek employment.

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

Mr. Malkowski (Interpretation): As you are no doubt aware, employment is a key social determinant of health. Life on income support leads not only to economic disadvantage and reduced participation in the social and financial aspects of society, but also to health and mental health problems that put demands on the system.

Ms. Duffin: Gary did have some other points that will be captured in our submission, which will be coming to you later today. I wasn't aware that we only had 10 minutes for our presentation. So I'll now try to wrap up with how we believe these things would be affordable.

Our first key budget recommendation is related to funding in the voluntary sector, which we quantified at a 4% increase being minimally necessary. Of course, we'd like to see more than 4%, but recognizing that the province is currently in a deficit situation, we see that as a starting point. It also exactly corresponds to the increase in the anticipated provincial budget overall. So it wouldn't require any cuts or percentage changes elsewhere in the budget.

The second key recommendation, which Gary touched on, was access for people with hearing loss being built into the provincial budget in a more systemic way, in the spirit of AODA and to support access in the health care reforms under way. Here we are recommending that, again, as a starting point only, 0.2%, or one-fifth of 1%, of the provincial budget be earmarked for accessibility. Recognizing that there are over 1.3 million Ontarians with hearing loss, that would provide only $129 of accessibility services a year, and they are the types of things that Gary outlined.

How would this be affordable? We see three primary possibilities, as well as a combination of those three. The first is to reallocate dollars in the current budget. We've already expressed that that would represent approximately 0.2%. The second is to aggressively pursue the fiscal imbalance and allocate some of that for this purpose. The $129 of accessibility for each Ontarian with hearing loss would represent only 0.7% of that fiscal imbalance. A third option is to raise new funds through a levy, surcharge or small tax premium that would provide accessibility for people with disabilities. To fund it at the same level, this would require $14—note that that's not in millions—per resident of Ontario, or only $1.16 per month.

It's also important to note that, as well as these possibilities or a combination of them, 56% of the current complaints received by the Ontario Human Rights Commission relate to people with disabilities—56%. That's as much as sex, pregnancy, race and colour combined. So we see the real possibility that not only would revenue sources generate some of this funding but also reductions in expenses, if the province became more accessible to people with hearing loss.

We have more remarks, but in the interest of getting to questions, I'll leave it at that. We'd also be happy to work with anyone in further exploring these concepts or their implementation.

The Chair: We'll allow one question per party.

1100

Mr. Arthurs: Kelly and Gary, thank you both for being here this morning and making a presentation. A couple of things. You commented, Kelly, in your submission on both the erosion over a decade or whatever period of time, more or less, as the case might be, and that there's been some modest improvement over the last couple of years—not substantive—but we certainly haven't caught up from where we were.

You commented on salaries, both from the standpoint of recruitment and retention. OPSEU made a presentation this morning that focused in much the same way on particular needs, on recruitment and retention over a salary base and creating stability in that sector.

Clearly, you've put some numbers to that, and thank you, because I was going to ask you what the 4% might mean in real dollars. I am pleased, I tell you. You've presented a case that says we recognize some modest inflation, we're in a bit of a catch-up, but we can't do it all at once. So those things are incredibly important.

Would either yourself or Gary comment just a little further on how you would see the funding for the AODA focus? Where would you want to see those monies spent in the early going, if those monies were available?

Ms. Duffin: We imagine two possibilities for accessibility funding generally. One is that the resources could be pooled centrally, so there was now a provincial budget line related to accessibility, and that may be under the auspices of the AODA. The other is that accessibility as a budget line could be built into ministry and department budgets, as well as budgets for the agencies and services that those ministries fund. So we saw two possibilities and would be open to further discussion on that.

The other point, if I can just go back to your point about 4%, is that I wanted to emphasize again, at least according to the 2005 budget, that that was essentially the growth in revenues or growth in overall budget that was already anticipated. So you're right, we're not asking for leaps and bounds as a minimal starting point.

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

Mr. Barrett: I thank the Canadian Hearing Society for presenting. You pointed out the frustration and the isolation of people who have trouble hearing or can't hear. What structures are in place, or how successful are mechanisms—and I'm thinking more of young people in larger urban areas to be able to socialize or get together with other young people who have hearing problems.

Secondly—I guess this is an ODSP question—are we able to enable them to get work experience or to get into work programs?

Mr. Malkowski (Interpretation): The difficulty is that the federal agreement has not provided fully for the cost of services. For example, there's an imbalance which is making things much more difficult for this government to implement and operate on a fully funded basis. The biggest problem with access to work experience programs is that high school students, or even students in college and university, who are seeking work experience are not often considered eligible and do not receive ODSP support for those employment opportunities. So there's a real gap there.

What we need is something that I think we would call a transition between school and work. This becomes a really critical opportunity for deaf and hard-of-hearing students to get information about programs that are available within the colleges and universities where there are qualified supports and access. This is where the real gaps exist. The ODSP programs have had the same budgets for the last five years and at the same time the population of youth is growing and the population of youth with disabilities is increasing. So ODSP is not able to meet the need in that growing population.

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

Mr. Prue: Prior to my question, I'd like to preface it with two thank yous. The first is to the hearing society for persisting against all odds to get here today, because your message has been very important. The second is a thank you to Gary Malkowski himself for all the work you did around the Ontarians with disabilities, your own act, which did not pass all those years ago, and your perseverance in keeping up the pressure till we finally got one.

My question relates to ODSP and to the many, many people with hearing loss and other disabilities who have been on ODSP who have not had an increase, or have had one very small increase of 3% two budgets ago. Has the life of most of the people you deal with who are on ODSP significantly worsened over the last 10 years? And how much of an increase would be necessary to get you back to a standard of living comparable to what there was in the early 1990s?

Mr. Malkowski (Interpretation): I can give you an example. There was a special diet allowance of $250, which was reduced to $50 at the change of government. So people need help just buying the kind of nutritional food they need. There are many people with disabilities who are also suffering a number of health issues. So this is one area they've suffered a terrible loss in.

Counselling services have also received serious cuts, and this has had a profound impact particularly for people who are deaf and hard of hearing. One of the net results of this is that the enrolment in colleges and universities of young people who are deaf and hard of hearing has been reduced by 75%. So we have only a handful of people getting into colleges and universities. Many who are there find that they can't stay and have to withdraw because they have no funding and because there aren't the kinds of counselling support services for them when they're there.

So when we talk about the AODA and we're talking about the transition between school and work, the example I gave you just recently with ODSP, they're going to be announcing that they're not including training or the presupport for employment. These are huge gaps that are going to be announced very soon. This is also going to be transferred over to the Ministry of Training, Colleges and Universities, so there's a transition between these two ministries, MCSS and MTCU, but the MCSS has claimed that it's going to be a priority. I think the Liberal government needs to play a strong role in relationship to the federal government and challenging them to take care of the fiscal imbalances so that we can get enough funding to provide these supports.

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

COMMUNITY LIVING ONTARIO

The Chair: I would call on Community Living Ontario 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. David Barber: Thank you. My name is David Barber. I'm the past president of Community Living Ontario. Also presenting with me is Marty Graf, executive director of our local community living association in Tillsonburg. We'd like to thank the committee for this opportunity to bring to you some of the critical needs facing organizations such as the one Marty is director of that provide supports and services to people who have an intellectual disability.

For more than 50 years, local associations for community living have created and operated supports and services for people who have an intellectual disability, and we remain today, collectively, the largest provider of developmental services in the province.

The Ministry of Community and Social Services is currently engaged in a transformation process to establish a plan for the future evolution of this sector. We are encouraged by this initiative and hope that it will result in progressive policy and funding changes in coming years that will significantly enhance the lives of people who have an intellectual disability. We also applaud the leadership of Minister Pupatello and her work with other federal, provincial and territorial partners in seeking a federal funding agreement to support these initiatives. We hope that through her efforts we will see significant new federal investments in disability services in the coming years.

While there is hope for future improvements, the developmental services sector is currently in critical need of a significant increase in funding to address persistent and increasing demands that threaten to destabilize the sector. We will describe in this presentation how an investment of $1.35 billion over the current annualized funding is needed. Clearly, an increase of funding of this magnitude cannot occur overnight. Given the demands on government, we propose a multi-year approach to enhancing funding to this sector focusing on priority areas of investment in the early stages.

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The developmental services sector relies on human support as its primary tool. Eighty per cent of funding to the sector is spent on human resources. It is in this area that service providers are feeling the most acute pressures. We cannot pay workers a wage comparable to those paid by other human service providers in sectors providing similar kinds of support. The effect of this is predictable and profound. The turnover rates of community support workers in the sector are unacceptably high, averaging about 22%. Such a high turnover rate poses significant cost to the sector, given the expense of training and orienting new staff.

Meanwhile, enrolment in college programs that train workers for the sector are decreasing as people choose career paths with a greater promise of providing an adequate living wage. This trend threatens to result in decreased skills in the sector, leading to poorer quality of services and more than likely to grave consequences such as serious harm to people receiving supports, potential lawsuits, and criticism of the government for not keeping its commitment to a strong community support system.

There exists tremendous disparity within the developmental services sector with respect to wages paid. For instance, wages paid to front-line support workers range throughout the province from $14.55 an hour to $23.31 an hour. This disparity results in a tremendously destabilizing situation for those agencies paying wages on the low end of the scale as their employees leave to pursue jobs with higher-paying employers. A wage comparability plan must be developed to address this issue. Community Living Ontario is currently working with others in the developmental services sector to explore the key elements of such a plan, which we hope to present to the Ministry of Community and Social Services for consideration.

Employees and the unions which represent them are becoming increasingly restless about the wages paid in this sector. The government has already been subject to court cases related to the failure to meet pay equity obligations. It is time to address the poor wages paid in this sector and, in doing so, research ways of addressing the pay equity burden. By adopting a commitment to parity, the government may be able to negotiate an end to pay equity for this sector, thus ending a very vexing problem for both the ministry and community agencies. Without a satisfactory response to the wage issue, workers may feel that litigation and labour unrest are the only avenues available to them. Last year, there were three work stoppages in the sector.

Of course, the government has made investments in recent years, including a four-year, $197-million investment in 2001. Still, salaries paid to community workers in this sector resulting from that increased investment barely kept pace with the cost of living and remain where they have historically been: 25% to 30% below those of other workers.

I would now like to call on Marty Graf to outline our recommendations.

Mr. Marty Graf: We are asking the Minister of Finance to take immediate action to implement an initiative to adjust funding to the developmental services sector to allow community agencies to pay wages comparable to those of other employers. Following are our recommendations of what is needed to achieve this objective.

Given that fully 88% of staff positions are engaged in direct support to individuals, our strategies are aimed primarily at providing an appropriate increase to the primary front-line support worker positions in our agencies. These strategies are aimed at achieving, by April 2009, a wage comparable to that of workers in similar workplaces.

Providing an adequate upward adjustment in wages and further adjusting for an average cost of living of 2% over the next four years, we recommend a salary target for our front-line positions, as of April 2009, of $24.02 per hour. Based on current salaries, this will require an average increase of 34.5%. Other positions within each agency would be adjusted by a percentage factor equal to that of the front-line position. We also propose that benefits, including EHT, CPP, WSIB and EI, be equalized across agencies at 23% of salaries. Adjustments to benefits must also address the need for adequacy of the non-mandatory benefits such as extended health benefits and retirement savings plans.

We estimate that these adjustments to wages and benefits can be achieved through a targeted annual funding increase to the sector of approximately $253 million.

We recommend that funding to address wages of workers in the sector be the first priority for new funding. Future plans for the sector envisioned by the current transformation planning process cannot succeed if the foundation of the sector—the quality of our direct front-line support staff—is eroded any further.

Clearly, our primary concern is ensuring the adequacy of supports and services to individuals who require such assistance. This is the aim of the above recommendations. Significant funding is needed as well to address the needs of those who are not currently receiving services or who are awaiting additional services that are not available at this time. Estimates based on regional ministry data indicate that approximately 8,000 people are on waiting lists for support in this sector. We estimate that $500 million is needed to respond to these needs.

Since 1983, the Ontario disability support plan income supports have been adjusted only once, and only by 3%. Currently, the maximum income payment available through ODSP is $11,760 annually—less than $1,000 a month—and many live on an even smaller amount. This income is critical to people with disabilities. From it, they pay for all of their daily living costs, including shelter, food, clothing, transportation, etc. The amount is not adequate. An increase to provincial funding for ODSP income support of $600 million is required to provide people with the buying power they enjoyed in 1983 before benefits were frozen.

Government must also focus on continuing improvements to the ODSP employment support system. People with disabilities want to work. Employment provides a tremendous social and economic benefit to individuals. As well, a focus on employment is a sensible strategy for government as it is aimed at increasing self-reliance while potentially reducing an individual's reliance on government income supports.

In all, we estimate that new investments in the order of $1.35 billion are needed in the developmental services sector. We recognize the magnitude of these recommendations and the challenge that the government will face in addressing them. We recommend that these challenges be addressed through a multi-year funding commitment. Specifically, we recommend that over the next four years the wage issue be addressed through a targeted increase in funding totalling approximately $253 million annually, resulting, as of April 2009, in a wage for workers in the developmental services sector comparable to other workers.

We also recommend the establishment of a funding allocation mechanism for ensuring parity among community agencies to ensure that those employers who are further behind with respect to salaries catch up with others. Funding allocated to this initiative must be targeted so that agencies use funding to address wages and not other pressures.

We recommend, as well, that income supports paid through the Ontario disability support program be adjusted by an additional 3% in 2006-07, resulting in an accumulative increase of 6% over the three years that the current government will have been in power, which is roughly the amount that the cost of living has increased during that period. In conjunction with this funding initiative, the government should renew its commitment to employment supports. Research in Ontario has demonstrated how investment in good job coaching for people who have disabilities can reduce the cost of ODSP income support.

Finally, we recommend that an initial investment be made in 2006-07 to address the current waiting lists while the Ministry of Community and Social Services completes its transformation planning process which will help guide future investments. This recommendation should be implemented through a multi-year plan aimed at addressing the needs of individuals and families who are waiting for services.

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We would like to thank you for providing this opportunity for Community Living to present its concerns and recommendations. Issues facing people who have an intellectual disability in Ontario are complex and require a focused and coordinated response from all parts of government. We applaud the efforts of the Minister of Community and Social Services, including her commitment to a long-term plan for the sector and for her work to strengthen relationships with federal partners in order to address funding issues. We call on the Minister of Finance and the Legislature as a whole to acknowledge disability as a key priority issue in the coming provincial budget, and we ask for this committee's support to that end.

The Vice-Chair (Mr. Phil McNeely): Thank you for the presentation. We go to the official opposition for questions.

Mr. Hudak: Gentlemen, thank you very much for the presentation on a very serious issue. I think all of us have probably been meeting with our Community Living organizations in our ridings that face these challenges. I've had the pleasure of meeting with three in Niagara, in my riding.

The amount of funding that you ask for, $1.35 billion, is a significant request; in fact, probably one of the largest this committee has heard at its hearings. That takes you up to $24.02 per hour for April 2009. That's the highest of the tiers that you're recommending, I believe. Where's the $24.02? Is that what folks who are working in the institutions are currently paid?

Mr. Graf: That is the wage that's going on out there. Similarly, it's going on within a number of the community agencies as well. So there are a number of agencies that, through other mechanisms, when the HLDAA process was in place, are at an average of $22 an hour already.

Mr. Hudak: Community-based agencies.

Mr. Graf: Community-based agencies that are paying that already. This graph here shows the variation from the $14 to the $22 that is going on currently within our system.

Mr. Hudak: Help me out: Is it OPSEU? Is it CUPE? Is it a mixture that you have working in the Community Living homes—the unions that do the collective bargaining?

Mr. Graf: There's a wide range: There's CUPE, OPSEU, SEIU, Steelworkers and a few others. But the larger components would be CUPE and OPSEU.

Mr. Hudak: It would obviously be a very difficult situation for those who deliver the services or the people in the community if there were a strike in the Community Living organizations. I think one of the unions has talked about that, if they don't get a significant increase in wages. Am I correct?

Mr. Graf: There are documents out there from their planning processes suggesting a big movement by the year 2007, that there could be some province-wide strikes. We certainly don't want to go in that direction. It is very difficult when agencies have to deal with strikes or potential strikes.

The Vice-Chair: Thank you. That's the end of the time. We'll go to the third party.

Mr. Prue: First of all, a very brief question: On page 3, fifth paragraph, it says, "To provide people with the buying power they enjoyed in 1983 before the benefits were frozen." Is that 1993, or were benefits frozen way back to 1983?

Mr. Barber: It was 1983 that we had the last increase under ODSP, prior to the one that happened just two years ago, where we got 3%. But that means people went from 1983 to 1993—10 years, 11 years or more—before they saw a small increase.

Mr. Prue: I'd like to go into the waiting lists. I hear horror stories constantly in my constituency office. I had a man come in with his son who had severe cerebral palsy but didn't really have a mental disability. But the waiting list to get his son into any kind of accommodation, any kind of group home, is seven years. I understand people in the Pegasus foundation in the beach are talking similarly about getting their sons and daughters in—seven to 10 years in order to get the kind of assistance that you could provide. Is that standard throughout Ontario?

Mr. Graf: The wait lists have continued to grow. For example, in the community of Oxford that I work out of, the list is about 26 waiting for group living. With the funding that's come through in the last year, one individual was taken off the wait list. So at places like that, if you're the 26th person on that list, it's going to take a long period of time.

Mr. Prue: There is some controversy in the Legislature about the closing down of the institutions. I think members of all parties want to close them down, but the opposition wants to see something in place first. They want to know that the people will go to a better place than the institution. What impact would an additional thousand people leaving the institutions have on your waiting lists and your ability to look after them?

Mr. Graf: When we've closed many of the other institutions, our experience has been that when there is good investment going on in community services at the same time that the resources from the institution are going into the community, you do end up with better community services and you are able to accommodate both streams of activity at the same time.

Mr. Prue: I grant that, but in terms of your budget, how much more are you going to need to have an extra thousand people who are deinstitutionalized taken over and looked after by you? That's not in here. You're not talking about how much more you're going to need for that. It's obviously going to be huge.

The Vice-Chair: Your time is up, but if you could answer that in about 10 seconds.

Mr. Graf: Yes. Usually the money that is in the institutional process already, those resources are adequate to follow the individuals into the community. So the resources are usually a straight, "Here's what the resources were in the institution." Those resources are now in the community and they're usually able to adequately support those individuals.

The Vice-Chair: Thank you. Mr. Wilkinson from the government.

Mr. Wilkinson: Thanks so much for coming in. I think Mr. Hudak was right that we all deal with our community living organizations in our ridings. They are a wonderful resource to members, for us to understand that. It helps us to see something we don't see in our day-to-day activities. Many of us have been able to go out and visit, and that's been very educational for us, particularly for newer members.

We're grappling with this issue. You've highlighted what you feel is the inequity about the adequacy of wages in your sector, how people are being bled off into alternative systems, and you're not competitive. You have high turnover; that's hard on staff. I know from a business model it's particularly difficult to retain good people.

We are also faced with this issue of trying to address the ODSP inequity about lack of funding. So the question: From a priority point of view for this budget, the beginning of your multi-year request, how do you rank that versus the need to actually get money increased to the people you're serving? I know that's a very Solomon-type question but I'd be interested.

Mr. Graf: It's a very challenging question. If you look at all the pressures within the system, every one is screaming out to be addressed and they all build upon one another. So we understand, from a government perspective, that you've got to be able to allocate resources to the best of your ability. In consulting with all of our members throughout Ontario—and not just our members of community living but all the people in the sector who are delivering service to people with an intellectual disability have identified this wage issue as absolutely fundamental. If the people aren't there to provide the service, then all the rest of it doesn't matter.

Mr. Wilkinson: Great. Thank you. We'll pass along your comments to Minister Pupatello.

The Vice-Chair: The time is up. Thank you very much for the presentation.

CANADIAN TAXPAYERS FEDERATION

The Vice-Chair: The next presenter is the Canadian Taxpayers Federation, Tasha Kheiriddin, provincial director. Would you please come forward? Good morning. You have 10 minutes to make your presentation. To start off, if you would state your name for the purposes of our recording Hansard.

Ms. Tasha Kheiriddin: Tasha Kheiriddin, Ontario director for the Canadian Taxpayers Federation. First, I just want to apologize for the state of the presentation. We had a problem at the printer's, so this is the home-grown version of it.

For those who do not know the CTF, we are the largest taxpayer advocacy organization in Canada. We currently have 72,029 supporters nationwide, of which 17% reside in Ontario. In fact, Ontario has seen the largest growth of any chapter of the CTF in the last two years: an increase of 323%. I think that's in part due to the fact that there is so much taxpayer angst in this province that we have to deal with.

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We have an executive summary of our recommendations at page 2. I will go into detail on each of them in the time that I'm allotted. Let me start simply by saying that, in our view, the Ontario government in the last two years has truly not been honest with taxpayers. Ontarians are being told that higher taxes will lead to better health care, that subsidies to industry will create jobs and that the city of Toronto needs to tax you more to manage its affairs. Also, people are being told that the government cannot balance its budget until 2007-08, and that the fiscal imbalance with Ottawa is at the root of most of its budgetary problems. Meanwhile, property taxes are skyrocketing. That is one of the most critical issues facing taxpayers today, and the government is silent on it.

In the area of health care, which is the largest spending envelope this government deals with, where there is so much room for innovation—and we are seeing other provinces innovate—the Ontario government is taking the opposite approach and closing the door to all sorts of private health care, and not respecting the decision by the Supreme of Court of Canada which also said that private health care is not a threat to the public system. In Quebec, people are allowed to purchase private insurance.

The first point I'd like to deal with is implementation of personal income tax relief. That's at page 4. That's our first recommendation. We've been saying this ever since the health tax was introduced. In the 2003 provincial election—I will put this on the record to remind everyone—Liberal leader Dalton McGuinty signed a CTF pledge not to raise taxes, not to run deficits and to abide by the Taxpayer Protection Act and Balanced Budget Act. This was made at a full-court press conference that our organization was part of. We have this pledge, and he signed it. It marked a significant turning point in the provincial election.

In the 2004 Ontario budget, the health tax was brought in and, so far, the result of that has been to increase the middle income tax rate from 9.15% to 10.6%, which is essentially what it was in 1999. As we made clear last year in our submission, this is essentially reversing all the income tax gains that were made under the previous government. When you look at the amount of personal income tax that has been collected, personal income tax revenues, including the health tax—at page 5—increased by 24% over two years. At the same time, services in health care have been cut, as we know. Optometry, physiotherapy and chiropractic care were delisted. In fact, despite the increase in revenues and increases in federal transfers, as a percentage in year-over-year increases, the current government actually increased health spending less than the previous administration: 17.2% in year-over-year increases for the period of 2004-06, versus 17.8% under the previous government for the period of 2002-04.

Our message is the same as it has been for the past two years: We do not believe the health tax would be necessary if this government had its finances under control. Ontarians are already taxed beyond what they can bear. We would like to see the government implement personal income tax relief by eliminating the health tax and holding the line on other personal income taxes.

Our second point has to do with provincial spending. As is clear from the previous chapter, the government doesn't really have a revenue problem—revenues are up—it has a spending problem. Unfortunately, it has continued to increase spending far beyond the level of population and inflation growth: 9% in its first year and 4.5% last year. We look at the amount of per capita spending that is going on and we can see that it actually exceeds, when adjusted for inflation, the per capita expenses under the government of Bob Rae. We know what the legacy of that government was: $66 billion in public debt, and that's debt that we're still paying for today.

Contrary to what has been told to taxpayers, there is room for savings in the areas of health care and public administration and through privatization. The area of health care I'll tackle first because it is the most important. It comprises 40% of total spending and 46% of program spending in last year's budget. In addition, we can see that 17.5% of total program spending was related to the operation of hospitals.

This government knows—in fact the Fraser Institute issued a study last year, a very thorough review of hospital workers and wages, that clearly showed they are out of line with the typical wages that would be paid by the private sector for a similar job, such as cleaning or security or other services that are not necessarily health-related. What we recommend is to simply mandate the outsourcing of jobs in hospital support and administrative services where this work can be less expensively performed by the private sector. This is not rocket science. Other provinces are doing this as well.

Ultimately, the health care system in Ontario will have to be reformed. If you look at the increase in health care spending in the past decade, it has increased by 33%. It's gone from 31.5% of the budget to 40% of the budget, and the curve on this is simply going up. Essentially, by maintaining a single-payer, state monopoly system, funding for health care is squeezing out other priorities. The long-term solution is very clear. It's one that's adopted by every single OECD country in the world, which is to have both public and private health care—two systems—operating in tandem, allowing Ontarians and Canadians the choice of health care.

We're seeing movement towards this in Alberta. Recently, the Alberta Health Care Insurance Act is set to be introduced in that province. Quebec and British Columbia have many private clinics currently operating. The Supreme Court itself has said: "It cannot be concluded from the evidence"—that was presented in the Chaoulli case—"concerning the Quebec plans or the plans of the other provinces of Canada, or from the evolution of the systems of various OECD countries, that an absolute prohibition on private insurance is necessary to protect the integrity of the public plan." We say the first step here is for the Ontario government to repeal section 14 of the Health Insurance Act, which forbids Ontarians from having private insurance for services currently covered under medicare.

The second area where there is room for cost-cutting is in terms of public service reform and public-private partnerships. The chart on page 9 clearly shows that public sector wages have been increasing at a far greater rate over the four-year span from 2000 to 2004 than have wages for Ontarians in other sectors. What is the reason for this? We cannot see it, apart from political expediency and approving year-over-year increases in contracts that are negotiated by very powerful public sector unions.

If we look at the wages by industry, the increase from 2000 to 2004 for public administration in Ontario was 18%. The average increase for Ontarians in all other disciplines was 10.5%. Again, there is no explaining this in terms of value for money. If taxpayers are paying these wages, they should be getting good value. What we recommend is that the government freeze all public sector salaries at 2005-06 levels and then conduct a thorough value-for-money audit of all departments to determine whether these salaries should in fact be reduced or whether taxpayers are getting value for their dollar.

The Vice-Chair: You have one more minute.

Ms. Kheiriddin: I will move then to two things. First of all, subsidies. A chart on page 13 clearly demonstrates that this government is on a corporate welfare rampage. It has given over $1.5 billion—

Laughter.

Ms. Kheiriddin: —I wish it were funny, Tim; I do—to various automotive strategies, and we see that employees are being laid off by Ford and GM; bailing out Stelco—that's still not resolved—the interest-free loan increased from $100 million to $150 million; the ethanol growth fund, which doesn't even obligate Ontario corn producers' corn to be used—how is this going to help Ontario?—and the advanced manufacturing strategy, to pay companies to modernize when they should have done that anyway, instead of relying on our high dollar for their success.

The final point that I will hit, because I don't have a lot of time, is property tax. This is the unsung issue. It is a critical issue. You will see on page 18 of our report that Ontario pays the highest municipal property tax in the country. That is, of course, in part due to downloading of services. However, what we are seeing, in combination with an aging population, the implementation of current value assessment and amalgamation, is a disaster. People's assessments are rising by double—in some cases, triple—digits. Seniors are in danger of losing their homes. It is an issue that we think will be critical in the next two years, and we call on the government to reform CVA before it's too late.

I see you're looking at me, so I'm probably out of time. Thank you.

The Vice-Chair: Your time is up. We'll go for questions to the third party.

Mr. Prue: Let's go right into the CVA. There are several ways of doing that. The province currently takes in some $3 billion for education and $3 billion for other services like daycare, welfare, housing, ambulance services and public health. If those were uploaded back to the province—first of all, the first group, $3 billion, and the second group, $3 billion—that would absolutely take the reliance on property tax and probably cut it in half. Would you be in favour of that?

Ms. Kheiriddin: We are in favour of uploading of some services. That is addressed actually in the section on the City of Toronto Act, at the end, which concerns obviously the property tax impact on citizens there. What we do recommend, though, is a change in the way property is taxed in this province. We would like to see the end of CVA. We would like to see a tax cap being implemented, as well as more of a user-for-service model, as is available in other jurisdictions, but we would not rule out looking at some uploading of some services to tie them to income as opposed to property tax.

Mr. Prue: The tax capping was instituted for businesses, and it seemed to work all right for a year or two, but it's now been lifted over and over again in Ottawa and Toronto because of the cash crunch that those cities are in. What kind of cap would you like to see put back on?

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Ms. Kheiriddin: What we talk about is something similar to proposition 13 in California, whereby for evaluation purposes you would not require an independent evaluation of value. The price at which you purchased your home would be the valuation point and there would be a cap on year-over-year increases of a percentage that your tax bill would go up. So 1% or inflation. You could tie it to the cost of living index.

In terms of the city of Toronto and its constant need for money, we address that in the city of Toronto section as well. Toronto has to get its house in order. It should not be getting any additional taxing powers. That is a big mistake.

Mr. Prue: Okay, but if the uploading happened, they wouldn't need it at all, and they've even said as much.

Ms. Kheiriddin: If the uploading happened, considering the record this council has had, I venture they would still be coming to Queen's Park for more money.

The Vice-Chair: We now go to the government.

Mr. Arthurs: Tasha, thank you for taking the opportunity to present before the committee. I need to start by making a bit of a correction. The government's stated position is to balance the budget in 2008-09, and 2007-08 if the reserves aren't needed.

Ms. Kheiriddin: If the reserves, yes; I'm assuming, since you're going into an election—

Mr. Arthurs: Nonetheless, it's 2008-09, and if the reserves aren't needed—anything can happen during an election year.

I appreciate your comments acknowledging that the former government actually increased spending on health care, during a period of time, greater than the amount we've increased spending on health care. Talk about tax and spend. They managed to leave us with a $5.6-billion deficit to do that spending. I think you've made an accurate observation.

You made reference to some increase in public sector wages of 18% from 2000 to 2004. I recall some pretty serious strikes. I don't think it was through good public sector negotiations that one saw those kinds of increases. I think it was a lack of ability to negotiate, and allowing a situation to arise where employees found themselves in a situation with a need to withdraw services. I suggest that the strategy we're using to work with the public sector and establish good working relationships and value for money on an ongoing basis—

Ms. Kheiriddin: Is there a question, sir?

Mr. Arthurs: There will be. It's my three minutes, thank you very much.

Can you tell me which of the services you would like us to upload? I don't disagree at all that we need reform of some sort in property tax assessment and that the downloading has put stresses on the municipalities to an extent they can't continue. What service or services would you like us to upload?

Ms. Kheiriddin: We have indicated that in the areas of social housing and welfare there is some room for that. We do not take a firm position on a particular amount or a particular program. We are part of a coalition in the city of Toronto called the JOBS Coalition that is working on a more detailed report on that sort of issue.

Mr. Arthurs: Would that be reflective across the province as opposed to just the city of Toronto?

Ms. Kheiriddin: We're dealing particularly with the city of Toronto, but across the province there may be room as well. We have not looked at that as yet.

Mr. Arthurs: Thank you. I'm hoping that the chair of Durham region, the president of AMO, may be able to provide us a provincial context for all those who are members of AMO.

The Vice-Chair: That's the end of the questioning for the government. Now the official opposition and Mr Prue—Mr Hudak.

Mr. Hudak: Thank you, Mr. Chair. No problem.

He was scoring a lot of goals for the government there, so Mr. Arthurs didn't want to give you the puck until the very end.

Ms. Kheiriddin: He took all my time.

Mr. Hudak: Is there anything you wanted to use to respond to Mr. Arthurs's comments?

Ms. Kheiriddin: To respond, yes. In terms of the increase in public sector wages, this government certainly hasn't taken a hard line on that. We're seeing increases that are being negotiated well above the level of inflation. That continues to be a problem. I'm not saying the previous government got it under control either. We're saying that all governments have been at fault in this, and that the public sector in Ontario has increased and that has to stop, when you compare it to the average wage increase for average Ontarians.

In terms of the other points raised, as I mentioned to Mr. Prue, uploading certain services is not simply the end of the equation when it comes to property tax at all. CVA is a huge problem and we get complaints on this in our office more than on any other issue. People are upset with the way current value assessment is not working in this province. It has to be dealt with, and we suggest before the next election.

Mr. Hudak: It occurs to me that Dalton McGuinty likes to engage in the blame game. They always point to previous governments, or it's George Bush's fault there's gun violence in the city of Toronto. If you look at the increase in revenue from the federal government, it's actually almost doubled in the last five years.

Ms. Kheiriddin: Are you referring to the health revenues?

Mr. Hudak: Just the general federal transfers to the province of Ontario.

Ms. Kheiriddin: Yes. This is why we're saying that the federal transfers have increased substantially in the past two yeas; as well, the health tax has been collected. Yet the percentage increase in terms of the budget on health care has been less than the previous government. We certainly don't recommend that this government go into a deficit position, but like we said, you don't have to do that if you spend more efficiently in other areas, if you allow the development of more private health care to take pressure off the system and if you keep public sector wages under control instead of simply imposing another tax to do what you should be doing anyway.

Mr. Hudak: We've seen revenue up $14 billion in the last, I think, three years, yet the government still continues to run deficits. Do you think their spending financially—they've had an increase in revenue of $14 billion.

Ms. Kheiriddin: We know that overall program spending has gone up 9% in the first year and 4.5% in the second, which, like we said, is inexcusable considering inflation, population growth, hovering between 2% and 3%. There's no need to be adding programs to the list that's already being delivered. They should more efficiently deliver the ones that are there or cut back things that don't need to be there in the first place.

The Vice-Chair: Thank you for your presentation. That's the end of the questions.

ASSOCIATION OF MUNICIPALITIES OF ONTARIO

The Vice-Chair: The next presenter is the Association of Municipalities of Ontario. You have 10 minutes for your presentation. Please state your name when you start, for our recording by Hansard.

Mr. Roger Anderson: Chair, could I just get clarification on the presentation time? We were told 20 minutes.

The Vice-Chair: It's 10 minutes for your presentation and 10 minutes for questions.

Mr. Anderson: I see. Thank you very much. My name is Roger Anderson. I'm chairman of the region of Durham and president of the Association of Municipalities of Ontario. With me are two of the best staff in the province—fortunately, they work in the municipal sector—from the association.

AMO has long advocated for strong communities. Ontario's citizens expect all three orders of government—federal, provincial and municipal—to work co-operatively in the interest of these priorities. I think we all agree that Ontario municipalities are struggling under an unsustainable fiscal situation.

In 1998 the province sought to balance its books by pushing provincial programs and service costs on to the municipal property tax bill. As a result, the province improved its fiscal situation and municipal governments were left with a mess. This mess must now be addressed in the interest of all Ontario municipalities and Ontario's future prosperity. Without dealing with this systemic problem, the government of Ontario will have a very difficult time in its objectives of creating a new generation of economic growth.

As Leader of the Opposition, Premier Dalton McGuinty said of the downloading: The Harris government "had better return to the drawing board now and come up with a better solution fast before they do any more damage." At the same time, he also said, "The property tax system, when it comes to paying for social services, is a recipe for disaster." These statements were made a number of years ago and today we still have no plan to address the problem.

The new Ontario municipal partnership fund is not the plan. It is a reshaped, resized band-aid for municipalities. For some communities, it is an improvement to the former community reinvestment fund, but it will not do the job that it's required to do. The longer we wait, the more it will cost us in lost opportunity and investment in core municipal responsibilities such as transit, transportation and essential water and waste water infrastructure.

The facts speak for themselves, ladies and gentlemen. Ontario property taxpayers pay the highest municipal property taxes in the country. As of 2003, provincial health and social service costs consume an incredible 25% of municipal property tax revenues. No other jurisdiction in North America funds health and social services this way. No other jurisdiction has chosen to follow Ontario's download example.

There is a resulting $3-billion dollar gap between the costs municipalities pay to fund provincial health and social services programs and the province's contributions to these programs. That $3-billion gap leaves little room for investment in municipal infrastructure, and the result is a massive and growing infrastructure deficit that can no longer be ignored.

It is time for the province to turn its attention to the needs of Ontario's municipalities. This government delivered a multi-year health care budget in 2004 and a multi-year education budget in 2005. In 2006, Ontario needs a multi-year municipal budget that recognizes the needs of every community in this province.

1150

AMO is urging this committee and all Ontario MPPs to seize the following three priorities in this year's budget: Provide an immediate and meaningful reduction in the municipal contribution to the provincial health and social services program, with a view to the eventual elimination of the $3-billion gap; commit to ensuring that predictable and sustainable revenue is available to all municipalities; and commit to providing a plan to eliminate the municipal infrastructure deficit over time.

We recognize that the province has a range of goals to achieve. Competing demands and limited fiscal resources are a reality for all orders of government today. However, Ontario is the only province in this country that requires municipalities to subsidize health and social services programs. That means, in effect, that one out of every four dollars that municipalities collect in property taxes is remitted to the provincial treasury. As a result, Ontario property taxpayers have the highest property taxes in the country.

Municipal governments are forced to defer investment in municipal services and infrastructure, while individuals and families in Ontario communities watch services decline. Municipalities have not been able to keep up with capital infrastructure needs while trying to hold the line on property taxes. This inequity has resulted in a deferred maintenance and delayed infrastructure investment of about $5 billion annually.

AMO appreciates that the provincial government has taken steps to shield municipalities from escalating costs in the areas of public health and child care and is making a welcome offsetting investment in municipal public transit. However, a great deal more needs to be done if Ontario communities are to be livable, sustainable and competitive in the national and global marketplace.

There is a growing understanding of the challenges that municipalities are facing as well. Leading academics, economists and public policy research institutes agree with municipal governments and property taxpayers that requiring municipalities to subsidize provincial services is not good policy. We all agree that it is not economically sustainable as well.

In speaking to this very committee last December, the Honourable Dwight Duncan, Minister of Finance himself, acknowledged that "although municipalities have benefited from the gas tax and other recent measures, they continue to feel the effects of downloading from the previous government." The costs of these downloaded services have compounded, having risen steadily, and in many cases quite sharply.

A system that subsidizes the province by $3 billion annually is not a system that supports communities. It is not a system that supports accountability for municipal property taxpayers either. And it is not a system that creates opportunities where opportunities are needed most.

Ontario municipalities play a large part in building strong, productive and competitive communities across this province. We construct, maintain and operate the entire spectrum of facilities required to deliver water and sewer services, transit and transportation, waste management, cultural and recreational centres, and parks.

In the information age, viable, safe, well-serviced communities attract jobs and investment. Yet growing responsibilities and shrinking resources are stifling our communities, both large and small. A key priority for the province must be to ensure that municipalities function well and provide a foundation for Ontario's and Canada's economies.

The Ontario government's Water Strategy Expert Panel released its report on Ontario's water infrastructure, estimating that Ontario will require a $34-billion investment in the water system alone over the next 15 years. If we were not subsidizing the province for the last 10 years, that $3-billion gap would have resulted in a $30-billion potential investment in infrastructure.

Provincial and federal government investments in transit and environmentally sustainable infrastructure are a further recognition that municipal governments are not in a financial position to make such investments. In fact, the federal and provincial gas tax revenues for Ontario municipalities will amount to just over $1 billion when they are fully mature. One billion dollars in additional revenue for municipal infrastructure is important progress, but it does not do the job of solving the $5-billion-a-year infrastructure deficit. Ontario municipalities need long-term structural solutions by this government. We need a sustainable framework that matches appropriate revenues to the services that we provide. The current arrangements leave municipalities vulnerable to ongoing and anticipated growth in the provincial programs that we currently subsidize, like drug and disability benefits, and leave us vulnerable to considerable risk where costs are tied to economic shifts, such as Ontario Works.

The former community reinvestment fund, CRF, did partially offset small portions of the cost of provincial health and social services programs. Last year, AMO petitioned the government of Ontario and this committee to ensure that the 2005 budget included CRF reconciliation funding owed to municipalities. We were very pleased that the government did the right thing and fulfilled its CRF reconciliation obligations.

The replacement for the CRF, the Ontario municipal partnership fund, provides limited assistance to many municipalities. The grants for 2005 were a total of $656 million, distributed to 87% of municipalities. Like the CRF, OMPF is underfunded, and it is designed to address the symptoms but not the disease.

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

Mr. Anderson: With clear municipal winners and losers, the OMPF has to date proven to be very difficult to implement. AMO has urged the provincial government to maintain the stable funding guarantee in 2006 and onwards, until real steps are taken to address provincial-municipal fiscal gaps.

I congratulate the Minister of Finance for the increase in the amount of $51 million that will benefit some of the municipalities this year. The one-time special assistance in OMPF will ensure that no municipality will see OMPF reductions in 2006.

Municipal contributions to Ontario's prosperity cannot be overstated. Municipalities in this province are being forced to compromise the future of our communities, more so than at any other time in our history. We have an opportunity to turn this situation around with the co-operation of the government of Ontario. That situation can only be improved if the government of Ontario sits down with the Association of Municipalities of Ontario and starts to wean itself off of the money that we pay to the provincial treasury. We're prepared to start doing that today, tomorrow or next week, but it has to start, and it has to start soon.

Thank you very, very much.

The Chair: Thank you for your presentation. This round of questioning will begin with the NDP and Mr. Prue.

Mr. Prue: You began the last one with me. I'm willing to do it, but I asked the first question last time.

Mr. Hudak: Yes, I think he's right.

The Chair: Okay. We begin with the government.

Mrs. Mitchell: Thank you very much, Roger, for coming and making the presentation. Certainly, it is a recurring theme that we have heard, addressing the $3-billion gap, so I do want to acknowledge that.

But we have also heard many presenters talking about property tax reform, and there certainly has been lots of conversation that's happened over the years. You heard the previous presenter talking about tax caps and all that type of thing. I don't want to get into the gap, because you quoted the minister, you quoted the Premier, and you've certainly documented the $3-billion gap. What I wanted to talk about was your opinion, how you see property tax reform moving forward, if there is a willingness to move in that direction.

Mr. Anderson: The way municipalities levy taxes is not a problem; it's what municipalities have to levy taxes for. Municipalities shouldn't have to levy taxes for provincially mandated programs. We should levy taxes for what we do. You take back what you're responsible for and we can reduce taxes by one third, or we can put that one third into an investment in our infrastructure, in our sewer and water programs. If water isn't the number one priority of this government, I don't know what is. If you freeze taxes, then you're going to cut programs, because that's our only option. The bills you send us—we don't have any discretion; we don't get any proof of how much it was. We just get a bill.

Mrs. Mitchell: So you see it, Roger, as being an adjustment of a third, basically, on an average property tax?

Mr. Anderson: We're sending one dollar out of every four we collect to the province of Ontario.

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Mrs. Mitchell: I see the member from Perth–Middlesex is anxious to ask a question.

The Chair: Quickly.

Mr. Wilkinson: Just following on: If we are able to get a newer understanding with the new federal government about the imbalance, if we uploaded all the soft services off the hard taxes, which I think we all agree is a public policy mistake that needs to be corrected, that would then free up the municipalities to actually focus back on the hard services that their municipal taxpayers see. I think we're all on the same page. That's the place we need to get to.

Mr. Anderson: If I had the 15 minutes we thought we had, I would have said exactly what you just said. The government of Ontario and our opposition parties have an opportunity today to do something that hasn't been able to be done for a long time. We have a Prime Minister who's willing to discuss with the provinces the fiscal gap. We think you should take every advantage of that and get back some of the money you so rightfully deserve.

Mr. Wilkinson: And you'll join us?

Mr. Anderson: We'll be at the table with you. But I want you to understand that you as a government can look so much better, not only to Ontario but to the federal government, by your entering into the same agreement with your partner, which is us. Why would the federal government, in all fairness, give you money? You're the only province in this whole country that forces municipalities to pay for your services. So enter into our agreement and then go to the Prime Minister and say, "We did what you said you were going to do. Now you do it."

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

Mr. Hudak: I think we all agree that the province's revenue has gone up some $14 billion in the last three years, so the province does have room to address priorities. Unfortunately, AMO's case is they haven't received the funding that they believe should flow through to municipalities.

There are really three approaches. You can upload a service to the provincial level or you can increase transfers to municipalities to deliver existing services. The one the McGuinty government seems to be pursuing is getting municipalities more taxing authority, like for theatre tickets and alcohol beverages and that sort of thing. What's your view on the best way to proceed?

Mr. Anderson: Despite what I heard from the previous delegation, no matter how much taxing authority you give us, it's not going to cover the $3-billion gap. No matter how much you give the city of Toronto, it's not going to cover the $3-billion gap. It's absolutely impossible.

We firmly believe that if you allow us to deal with the responsibilities that you originally assigned to us as municipalities—which are now an order of government and your partner—we don't need any more authority to increase taxes. We'll be able to manage our own business the way we normally do and we won't need other sources of revenue, although, as opposed to increasing property taxes all the time as the sole source of revenue, I don't think it's up to us to say any municipality should not have an alternative source of revenue other than the property taxpayer. Taxes are out of control. Property taxes have reached a limit. Seniors are going to start losing their houses. Every time we do a budget, that's the first thing we hear. Unfortunately, when you do your budgets, we're just passing on your bill. It doesn't work.

Mr. Hudak: You've also made some very strong statements about OMERS and the impact on the municipalities. Mayor McCallion today said that it makes any previous exercises look like "chicken feed," I think was the term she used. What's your feeling on the impact of OMERS to exacerbate the situation that you've brought forward ?

Mr. Anderson: Bill 206 is the worst piece of legislation I've ever seen. I can't be any more blunt than that. There isn't a municipality in this province that supports it. Out of the 900 employers who are members of it and employees, I think you have two groups in favour of it. That's got to tell you that there's something wrong. I think it's more than appropriate that the government of Ontario takes a long second look at this legislation. Listen to some of the delegations that appeared here on Bill 206, and take some of the amendments they thought of, as opposed to some of the amendments that the two or three groups in favour of it thought of. It's just bad legislation. It's a 3% tax increase on the municipalities.

Mr. Hudak: Why do you think they're proceeding?

Mr. Anderson: Why do I think they're proceeding? I have no idea. We're still waiting for the information that we filed for freedom of information from the province to justify it.

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

Mr. Prue: Thank you very much. What you said earlier—and I think we've heard it before—is that Ontario is the most highly taxed re municipal property taxes in Canada. It's my understanding that it also has, next to some parts of Britain, the highest property taxes in the entire industrialized world. Is that your information as well?

Mr. Anderson: As president of AMO, I have a tough time keeping track of Ontario and parts of Canada. I certainly don't want to go outside of our borders. I know the provinces and the territories, and I know we're number one in taxes.

Mr. Prue: You talked about $1 out of every $4 going to back to the province, but surely it's more than that. If you include education, it's really $1 out of every $2, is it not?

Mr. Anderson: I think it might be a little less than that.

Mr. Brian Rosborough: As a clarification on your remarks, I think the education funding derived through the property tax is actually about $6 billion a year, not $3 billion, and then the $3 billion of property taxes that goes into provincial health and social services.

Mr. Prue: The reason I asked is that on page 12 and the top of page 13, "Amazingly, almost half the local property tax base"—49% or $1,663 per home—"is for provincial services." Everybody's throwing around numbers and I want to make sure that I've got yours right. Is it a quarter or is it a half?

Mr. Rosborough: That refers to taxes for Peel region. At the regional level, where municipalities are charged with actually delivering those social services and health services, it's as high as, for example, 45% in Peel.

Mr. Prue: Of all of those social services—health services, public health, daycare, welfare, housing, ambulance services—that are there, we've had some discussions about which ones should come off. The government may not be able to take them all off in one year. In what order—we've heard from northern communities that they think it's ambulance. We've heard from some of the more urbanized communities that they think it's welfare. We've had a couple who have said that they think it's social housing. An Ontario plan: Which ones should come off first? On behalf of all the municipalities, in which order should they be taken off?

Mr. Anderson: Mr. Prue, we'd like them all taken off, but we know it can't happen tomorrow. We're prepared to sit down and start the process, and we'd like the process to start in 2006. If you want to make municipalities really happy, walk into the Good Roads conference in about three weeks and say you're going to pay your bill on ambulance, just your 50%, because most of us are paying 70% of the bill. But what we're asking, Mr. Prue, is that the government of Ontario, the Minister of Finance and whoever at this committee, sit down and start a process where we can take $3 billion—and those are 2003 dollars—off the property taxpayers. We know it can't happen in one year, but we're certainly prepared to make it into a five-year program.

The Chair: Thank you for your presentation. The committee is recessed.

The committee recessed from 1208 to 1306.

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

CANADIAN CENTRE FOR POLICY ALTERNATIVES

SCOTIABANK GROUP

The Chair: The standing committee on finance and economic affairs will now come to order. Good afternoon, gentlemen. We're pleased that you can be here with the committee this afternoon. Each of you will have 10 minutes to make a presentation—I'll give you a one-minute warning if need be—and then we'll go into a round of questioning from all three parties. We have up to an hour for that. I would suggest 10 minutes for each party in two rotations. That way, you could maybe come back to something that's been said before or follow up or whatever. So we'll go 10 minutes for each party, twice in rotation.

Gentlemen, what I'd ask each of you to do is to state your name for the purposes of Hansard. We can get that on the record. Then I'll ask Mr. Martin to begin. So if you would each identify yourself.

Mr. Roger Martin: My name is Roger Martin, dean of the Rotman School of Management at the University of Toronto.

Mr. Warren Jestin: Warren Jestin, chief economist, Scotiabank.

Mr. Hugh Mackenzie: Hugh Mackenzie, research associate with the Canadian Centre for Policy Alternatives.

The Chair: Very good. We have that completed. Now, Mr. Martin, you have up to 10 minutes.

Mr Martin: Okay. What I will talk about is the competitiveness, productivity and prosperity of our province, and my core message is going to be that we currently are under-investing in future prosperity and consuming too much of our current prosperity, and that is hurting our long-term prosperity and competitiveness.

Just quickly on this, we compare Ontario to the other jurisdictions in North America that are half our size or above. That turns out to be 14 US states and one other province, Quebec, because Quebec is 7.4 million to our 12-and-change million. Against this group, we are behind by $6,000 in GDP per capita, which is a pretty substantial gap. You might quickly say, "Well, that's just because they're a more prosperous country and that's the way life is." Well, it's not the way life has always been. In fact, as recently as 1989 we were actually ahead of the mean by $1,000 in GDP per capita, and we're now behind it by $6,000. Every time we say it's hard to fund education and health care and everything to the extent that we want, the real reason, more so than any other reason, is that we have lower prosperity with which to afford all those things that we would like to buy. It was not the case in 1989 when we had as much to spend—individually, as businesses, as governments—as those peer states. It all comes down to decisions we make on whether to invest in growing future prosperity or consuming our current prosperity. All societies have got the option to do either, and the price to pay for having high consumption and low investment is that this line on the graph moves out more slowly and the choices are made at a lower level in the future, and if you have relatively lower consumption and higher investment, these lines move out more quickly, so you have more to spend in the future.

Governments, businesses and individuals all have the choice every day to either invest for future prosperity or consume current prosperity. An individual can choose to get more education. That doesn't do anything for them right at that moment; in fact, it takes them out of the workforce, typically. It's all an investment in future prosperity, and that's why it's on the left-hand side of this chart. Or they can take leisure time, which is consuming. Government can build infrastructure or spend on research and development, and that is a pure investment in future prosperity, or invest in things like transfer payments for the less advantaged. Are those a bad thing? No. They're one of the things we do to consume the prosperity we have. However, if we end up consuming too much and investing too little, we will develop, as an economy, to a lesser extent. So it lowers the prosperity potential for the future and, most importantly, reduces consumption opportunities in the future.

If we say, "Is this really a big deal?" the state to look at is Massachusetts versus Ontario. In 1977, not that long ago, we had the exact same standard of living as Massachusetts. Now their standard of living is 50% higher than ours: $19,000 in GDP per capita. That means, for a family, $72,000 higher—a huge, huge difference. And that's two economies that were, not that long ago, at exactly the same level of prosperity. Why would that be? It would be because consistently Massachusetts—its people, its governments and its businesses—have invested more in generating future prosperity, and they're now in a position where as a government, for instance, they can spend more and invest more every year and their people have much more to spend.

To give you an example, their businesses invest more every year in machinery, equipment, computer hardware and software, to the tune of 11% to 12% more over a long period of time. When given the choice of investing in the future competitiveness of the companies, they do more of that. Governments have ramped up investment dramatically. This is just a picture of the decade from 1993 to 2002 and the decisions of governments to either spend money on consuming current prosperity or investing in future prosperity. The dark bars are the consumption, which is bigger than investment in both cases. So what you can see is that during this decade, Ontario, in order to get its fiscal house in order, cut both, but it cut investment twice as much as it did consumption, whereas in Massachusetts during this period they ramped up investment almost four times as much as they ramped up consumption. They're rich enough now that they can invest in building future prosperity to a greater extent than we can and consume current prosperity to a greater extent. You can see that their 2002 bar is higher. That's the kind of payoff to wise investing now; you get the payoff in the future. One thing that Massachusetts invested in to a much greater extent is post-secondary education. Now, this is investment by everyone: the students and their families, the government, donors and the like. They consistently invest in creating a skilled workforce to the tune of approximately four times what we do per capita—four times.

This is a story about the fact that if you invest now, you'll have all sorts of opportunities to be prosperous in the future. One thing that discourages investment, especially by our businesses, is that we have a very high marginal effective tax rate on business investment. I wish it weren't true, but arguably, among all developed countries on the face of the planet, we have the highest tax rate on business. What you'll notice from this chart is that there are countries that have relatively high tax rates—Sweden. The horizontal bar says how high your taxes are in general, what percentage of the economy is taken up with taxation. You can see that Sweden is way off to the right. However, they've figured out that you've got to have businesses investing to be prosperous and they have an incredibly low tax rate on business. Socialist Sweden has an incredibly low tax rate on business, whereas we actually have a medium tax level but have extremely high tax rates on business. High tax rates on business ensure that they invest at a lower level than they would otherwise, so they provide fewer jobs and lower-paying jobs that impoverish the economy.

You'll notice that the United States is not great on that front but has a very low tax structure overall.

Germany, Italy and France have the worst of both worlds: They've got high tax rates that discourage business investment—high taxation generally.

Our message is that we need to rebalance. The rebalance I've talked about most is from consumption of current prosperity to investment in future prosperity. This is an easy thing to not do, right? It's always easy to consume current prosperity. In my view, we need to have a target. Just like the Bank of Canada has an inflation target and said, "We're going to take action to make sure inflation doesn't get above this number," similarly we have to have an investment/consumption target. In the government's spending, we have to have this much investment for every dollar of consumption, because otherwise we will cheat investment every time for a little more consumption. We've got to rebalance from taxation that discourages business investment in many ways, which we have now, to taxation that encourages business investment.

Sweden proves beyond a shadow of a doubt that this is not a left-right issue. A leftist economy, which has been leftist forever, has figured out that taxing businesses highly is just bad for everybody involved.

There are other things in the report that I won't go into, in keeping with the time. Fiscal federalism, innovation, commercialization are things we've got to rebalance as well, but the one I want to leave you with is rebalancing from consumption to investment, and that is necessary for the health of this economy in the long term.

The Chair: Our next presenter will be Mr. Mackenzie.

Mr. Mackenzie: I'm going to make a relatively limited number of points, and they're different points than the previous speaker made. It's always tempting, when you get on panels like this, to talk about what the guy who spoke just before you talked about instead of what you came to talk about. I hope we'll get a chance to talk about what Roger talked about as well.

I've got six key points to make. It would be my view that some of these points dovetail with some of the points Roger Martin has been making, although he might not agree.

I'm focusing on the narrower question of the province's fiscal position: where it stands at the moment and what our needs are, heading off into the future. I've got basically six key points to make.

One is that if you look at the current fiscal situation, notwithstanding the pleas of poverty that you're hearing, the government is actually ahead of its deficit reduction schedule.

Secondly, and this is actually borne out by one of the slides that was just up, in the aggregate, Ontario's public services are not being rebuilt, despite the claims of the government to the contrary.

In particular, in my view, probably the most shameful gap in the government's policy is its failure to address issues of poverty and income inequality.

Here's one of the places where I dovetail enthusiastically with Roger Martin: We've had a great deal of yakking about rebuilding infrastructure but not a lot of action.

1320

The combination of the two things I just raised is creating a hugely dysfunctional fiscal relationship between the province and local government, and I think that's beginning to have significant negative implications for our economy as those engines of our economic growth, local governments or the local areas in the province, are really struggling to maintain both their service levels and their infrastructure investments.

I conclude by making a point which I think I've probably made here before, that at the root of all these problems is a problem of fiscal capacity. A number of other things happened in the 1990s that weren't alluded to in the previous presentation. One of them was a massive cut in taxes that, in terms of the service needs and the infrastructure needs of the province, we couldn't afford.

I'm just going to put some pictures up here that I think illustrate these basic points. To put this first slide together, I looked at the government's four-year projections. One of the nice things this government has done that previous governments did not do is that it has actually made a serious effort to provide forward-looking forecasts in a bit more detail than the very simple-minded, big black graphs that we used to see in budgets that always showed everything being wonderful four years from now. The government has so far released four of these four-year forecasts. They do it at budget time and they do it again in November or December in the economic statement.

This chart plots the forecast budget balance through this cycle. You can see that the initial target of the government—which I'll remind you was helped along a lot by an accounting change that they thought they would be able to implement in 2005-06 but it turned out they couldn't—shows the path towards budget balance as it was originally announced in the 2004 budget and continuing in the 2004 fall update. The dotted line is the forecast as of the 2005 budget. This is an interesting one, because the 2005 budget actually came in after the end of the fiscal year 2004-05, yet it was spectacularly off in its projections of the deficit. It was projecting a deficit of about $3 billion but the deficit came in at about $1.6 billion, and this is despite having loaded on some end-of-year adjustments. In the fall of 2005, you can see that it recognizes the reality of 2004-05, but then very quickly heads back to the forecast in the 2005 budget that was so spectacularly off.

The answer to the mystery of how these forecasts changed from 2004 to 2005 is found in the next chart, which looks at federal government transfers to Ontario. The 2004 budget forecast transfers starting at about $10.8 billion in 2004-05 and going to $11.8 billion in 2007-08. Then we had a minority government, and significant new federal investments in health care in particular, and we had a bump up significantly in that line. That's the major reason why the budget balance targets are running ahead of themselves.

Despite all of that activity, one of the things that's really remarkable—and the government does a pretty good job of making a lot of noise about the areas in which it's making significant new spending initiatives. There's been significant new spending in elementary and secondary education, in post-secondary education and in health care, but if you step back and look at what's happened to the public economy as a whole, you find, remarkably, that according to the government's current four-year projection, program and capital spending as a share of GDP will be lower in 2008-09, the last year of their forecast projection period, than it was in the fiscal year in which they took office, so this change is very selective.

In the introduction, I made a particular point of talking about income security programs and social assistance in particular. One of the things that I certainly felt was most outrageous of the things the Harris government did was the massive cut in social assistance rates and ODSP rates that was implemented in the summer of 1995, virtually the first thing the government did. What is shocking, though, is that when you measure it in real terms, the purchasing power of social assistance benefits and Ontario disability support plan benefits in this province now is lower than it was when the government took office. Despite the 3% increase in rates that took place at the time of 2004 budget, people dependent on social assistance are actually worse off today, in real terms, than they were when the government was elected.

The next chart shows in fairly stark terms what that implies. This is a measure of the percentage increase that would be required in disability benefits in order to get back to their real level in 1993. It shows that that gap has grown significantly since the election. It dropped noticeably in 2004 when the rates were increased by 3%, but they have not been adjusted for inflation. As we sit here today, the real purchasing power for the least advantaged in our society is worse than it was at the end of 10 years of pretty regressive government from the perspective of people who have those dependencies.

I want to take a moment to talk about infrastructure funding. Here's an area where we've really had a great deal of talk without a whole lot actually happening. The government, curiously enough, has adopted a thinly disguised version of P3s as its one and only way of funding infrastructure development. Despite commitments to transparency that keep being made over and over again by the government, we really only learn any details about these things when somebody takes the government to court and forces the disclosure of this information.

When we get disclosure, what we discover is that the embedded financing costs for borrowing money for public infrastructure through P3s are exorbitant relative to what it would cost the government to do itself. So in effect, in order to accomplish what amounts to a change in the accounting reporting of capital spending, we're spending far more for the same capital investment than we could—I think I'm probably running out of time, am I?

The Chair: You have about half a minute left.

Mr. Mackenzie: Okay. Let me just turn to my last point, which is about the issue of fiscal capacity. I actually wasn't going to talk about this today, but then I picked up my newspaper and the Premier again is talking about widening of what he calls the fiscal gap from $2 billion in 1995 to $23 billion this year, so I couldn't restrain myself.

1330

The fact is that when you look closely at the numbers, what you discover is that most of the swing in the fiscal gap as measured by the government from $2 billion to $23 billion is a feature of the fact that in 1995 the federal government was running a massive deficit and in the current year it's running a big surplus. Of course, in 1995 the gap was small because every province was getting a better bang for their buck because the federal government was spending more than it was taking in. If you get rid of the influence of the swing in the surplus/deficit position of the federal government, the revenue/spending imbalance actually does not look like it's changed nearly as dramatically as the Premier suggests. The interesting thing is that if you look closely at the components of the gap, about half of the $23-billion gap is attributable not to federal government spending but to the fact that Canada's revenue system raises more per capita from Ontarians than it does from the country as a whole. Why does it do that? Because Ontarians tend to be wealthier than the average Canadian, they tend to pay higher taxes than the average Canadian, and therefore the federal government gets more revenue per capita from Ontario than it gets from other places. So it's not a gap that is going to resolve anything.

My final slide, just as I'm finishing, is that if you want to find where the problem is with Ontario's fiscal capacity, you just have to look at the tax cut record of the 1990s to figure out how we got ourselves into this situation where we're not able to afford the public services and the infrastructure that we need.

The Chair: Thank you very much. Mr. Jestin will begin his presentation.

Mr. Jestin: Let me just get my slide show up here—competing slide shows.

What I'm going to do is come at some of the issues that have already been addressed, particularly by Roger, and make almost exactly the same point as he did from an entirely different point of view. It's really in two parts: I'm going to give a brief overview as to how I see the competitive realities changing for Ontario, and then focus on some of the policy recommendations we made at the end of our paper that we brought along, which Mary Webb and I wrote over the last few days.

The point of the first slide is that the economic landscape is changing pretty rapidly. We believe that in Canada and the US, growth is going to be, in Canada's case, below 3% over the next couple of years, basically where it's been over the last four; the US is slowing down. Europe is probably caught in a growth trajectory that is under 2%, and while Japan is accelerating, 2% is about as well as it'll do as well.

What's really happening globally in terms of shifting balances is that emerging economies are taking over in terms of overall economic weight. We believe the type of growth that we're witnessing in China right now is going to continue. It's very important for Ontario in the longer term. Last year's growth in China was about 9.9% We think it's going to be in the 9% range over the next couple of years. It has in fact been around 8% on average over the last 20. India also is expanding. Both economies are doing much better than analysts expected at the beginning of the year. So that's a global scenario. Growth is moving east globally, to Asia and other developing areas.

In Canada, of course, growth is moving west. Where you see these three time periods, inevitably, we think, over the next couple of years BC, Alberta, Saskatchewan, even Manitoba, will tend to be at the top of the scales. Newfoundland, because of energy, and perhaps the offshore in Nova Scotia will bring their growth rates up. But Ontario and Quebec will be in the slow lane. We expect, in Ontario in particular, that growth over the next couple of years will do well to exceed 2%. By the way, our whole forecast is outlined in the document that I brought along.

Explaining the significance for Ontario really begins with this particular slide. On the left-hand side, you'll look at how we fare with other countries in the US market in terms of share of imports. You'll notice, at the very top, that Canada has the largest share of imports into the US, although the share has been going down. Equally, you'll notice that China is moving up very dramatically. It has passed Japan and Mexico more recently. You'll notice a line labelled "Canada ex energy." If we take energy out of the equation—in other words, our exports of natural gas and oil and electricity and the like—China has already passed us in market share in the US. We still have bragging rights in terms of the major supplier to the US simply because of our energy abundance, but at the end of the day, the shares in the non-energy component, which Ontario is heavily influenced by, have changed very dramatically. In my view, that is going to continue.

On the right-hand side, just looking at exports, you can see exactly what's happening. Energy exports have been rising very rapidly. Take a look at autos and parts, which are nearly half of what we export in this province. They have been going nowhere fast since the late 1990s. My strong suspicion is that that line will continue to be flat to down.

Looking at the energy situation in terms of its influence on doing business in Ontario, it's a very difficult thing, of course, to try to predict where we are going with the natural gas and oil prices over the next little while. We do know that the US is becoming more dependent on natural gas, and in my view that's going to keep a floor under natural gas prices in the $9 to $10 for an MCF range, below the peak that we've seen recently, but still very high—double what we had a year ago. On the oil side of the equation, whether it's going to be $60 or $55 or $70, it's very profitable for investment in western Canada and very expensive energy relative to what we've seen. Electricity I can throw into the equation as well, where we have effectively lost a competitive advantage that a long time ago we used to enjoy historically, and our costs are relatively high. So the overall cost structure in Canada is changing very dramatically at a time when we're finding international competition changing pretty substantially.

The motor vehicle industry is truly a global one, and here I've shown production and sales on a global basis. On the left-hand side the bars represent 2005 production. For a couple of countries I don't have 2005; I've got 2004 here. But the story is fairly obvious. You'll notice that China now produces more motor vehicles than Canada. And if you look at the numbers on the left-hand side of the equation, over the last five years Chinese production has gone from a very low level up 145%. Over the same period, Canada's production has actually dropped. In the US it has been going down as well. The name of the game is a very expanded production capability in relatively low-cost areas.

Look on the other side of the equation: sales. A similar type of pattern, in a sense. The strongest growing markets in the world are India and China—in fact, the growth of the Chinese market from virtually nothing to its current state is nothing short of remarkable in the last few years—whereas western Europe's market has actually been stagnant. So has the US market. Canada's market has grown a little bit, but not a lot. You have to ask yourself, when GM and Ford and Daimler-Chrysler and a variety of other companies are making decisions, are they going to put production focus in areas where production costs are low and demand is growing very rapidly, or are they going to put new production where production costs are high and growth is not occurring at all? I think the answer is that there's going to be a natural focus towards the low-production-cost/high-growth markets into the future. So that industry is going to be, in my view, in the vortex of change over the next five years, not adding a whole lot of jobs to this particular province, at least in the standard types of jobs we look at.

No economist who works for a bank could resist talking about interest rates and the dollar. We believe that the Bank of Canada will be moving interest rates up a little bit, but that's not going to turn off the economy. We think maybe another half percentage point or so, but historically, rates are relatively low. The key issue is where the Canadian dollar is going. If you think back on what I've said, with very strong growth in Asia, very strong demand for commodity markets, we believe energy prices are going to remain high and commodity prices are going to remain high as well, which will underpin investment into Canada in that segment, which inevitably, in my view, will create demand for the Canadian dollar and the currency will be hitting the 90-cent threshold some time in the next few months. Moreover, as we go beyond that, the tendency for the US dollar to weaken because of its big balance-of-payments issues will tend to keep our currency there.

So new competitive realities. Two issues—higher costs from resource inputs coming into Ontario, and higher currency, which affects us more because we can't offset it with the type of production that we have—inevitably put Ontario into a slower growth profile.

What does that mean for policy? Well, I go back to some of the things that Roger has said: We are underinvesting in our industries; we are overconsuming. The policy recommendations that we are making here are fairly clear: We should be investing in infrastructure, which is both educational infrastructure and our transportation and technology infrastructure, to enable us to compete in those areas. We will never be the lowest-taxed jurisdiction in the world. We will never have the lowest labour costs in the world—nor do we want to. What we can compete in is industries that are fast on their feet that can use a world-class transportation and communication infrastructure.

One of the particular points I would make is in the area of apprenticeship programs. As I've travelled across the country—and I've been in six provinces since the beginning of the year already—the point that comes clear almost everywhere I go, west or east, is that we are having a severe shortage of not so much the astrophysicists and the PhDs and the high-end research, but of technicians and plumbers and pipefitters and bricklayers. In fact, the competition is becoming intense. We have to focus more educational dollars on individuals who are actually producing to meet the requirements of the new infrastructure.

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In terms of taxes, I don't think there's a whole lot of room to manoeuvre them down in general. I think we can reform the tax system to help the competitiveness of our province, but I think we have to spend a whole lot more on our infrastructure in general.

The final point I would make is that we have to focus on our deficit realities. The type of investments that I'm talking about are needed, but at the end of the day, most provinces now have a strategic advantage relative to Ontario in that their fiscal houses are in order. We are not there yet, and one of the ways we can get there is by being very aggressive with the federal government in rebalancing fiscal federalism, which, contrary to the previous speaker, I believe is very heavily penalizing this province in its need to reinvest and reinvigorate its economy. Thank you.

The Chair: Thank you all for your presentations. We'll now move to 10 minutes of questioning through two different rounds, and we'll begin with the official opposition.

Mr. Barrett: We have 10 minutes, for all three parties?

The Chair: You have 10 now and 10 after one rotation.

Mr. Barrett: Thank you, gentlemen, for presenting so much information. Mr. Martin, just looking at your document—this is your document here? I just want to make sure.

Mr. Martin: Yes.

Mr. Barrett: On page 44 or 45, you go through a number of suggestions for reducing or eliminating taxes: for example, on capital investment, the issue of companies that have to pay PST on plant equipment and construction equipment; considering eliminating the corporate income tax; and also lowering individuals' marginal tax rate. How would that compare to Massachusetts, for example, or maybe our closer neighbouring states like Ohio, Michigan or New York? I know you gave a bit of a detailed comparison with Massachusetts and some other—

Mr. Martin: Right. US corporate taxes are not all that much lower than ours, but we are higher than theirs. One of the things that makes us higher, for instance, is charging provincial sales tax on capital equipment. We've figured out ways to penalize companies for doing exactly what we want them to do.

Mr. Barrett: Before, we had the manufacturers' tax.

Mr. Martin: Yes, and switching to the GST was great. Not harmonizing the provincial tax structure with the GST was a bad idea for Ontario. I'm sure there's lots of politics behind that, but that perpetuated the notion of taxing the input to the business process.

It just strikes me that we haven't figured it out the way clever economies have, and, in this case, Sweden is a clever economy from a tax standpoint.

The Chair: I might say that the questions can be put to one of the gentlemen, but it is for the panel. If all of you care to answer any particular question, that can occur, too. So would any of the other gentlemen care to comment at all?

Mr. Mackenzie: I'll jump in. One of the things that always fascinates me about international comparisons is how easy it is to cherry-pick, to pick out one thing that you like amongst a bunch of other things that you may not like. I think it's worth noting one thing that really jumps out at you when you look at the slide that was put up there. It wasn't just Sweden, but there were a number of countries that would be considered to be leftist, to have leftist governments or to have a much larger public sector than we have in Canada, which show up very high on international competitiveness rankings like, for example, the World Economic Forum's competitiveness ranking, on which a number of the Scandinavian countries ranked very high. Those countries have extremely comprehensive social insurance systems, health insurance systems, income security systems and very generous systems for funding post-secondary education. So one of my rhetorical questions—I hope it's not rhetorical, but I guess it might be—would be, if we're running around cutting taxes on everybody, who's going to pay the taxes that are going to generate the investments that we need to make in infrastructure and public education? I find myself in the rather odd position—as somebody who used to be accused, when I was much younger, of paying for public services with magic money—of listening to people from the business community talking about how we can pay for more public services with less taxes.

The Chair: Thank you. Would you care to make a comment, Mr. Jestin?

Mr. Jestin: Yes. I think one of Roger's points is that there are ways to reform the tax structure in Ontario that would be more conducive for investment, whether it's looking at capital taxes or accelerated depreciation and the like. We don't have a lot of room right now to lower taxes; it's simply not in the cards. But at the end of the day we do have a system that we can reform.

I think a lot of the problems that we have in Ontario with respect to putting investment into place may well have to do with jurisdictional issues and the bureaucratic ooze that tends to envelop projects when it happens that they cross multijurisdictional boundaries. In fact, whether you're looking at the Union Station project or a variety of other ones, the amount of complexity that we build into the system—which has actually been fostered by a lot of the fiscal arrangements we have with the federal government, because of the complexity that has been built into those—has tended to frustrate problems, I think, to streamline our economy. So taxes I think are a big issue that we can help, that may make us more competitive with Massachusetts. But at the same time, making our regulatory environment as streamlined as possible also will give us a competitive advantage.

Mr Martin: I would just make a comment. I'm not cherry-picking; I have been quoted on the record as saying our tax system is so dumb that I would swap Sweden's, holus-bolus, for ours—not cherry-picking.

Mr. Barrett: Just briefly, Mr. Mackenzie, you made mention of the reduction in social assistance in Ontario. I think it was cut back by 22%. I'm not sure where it is in Sweden. I know they've reduced much of their social programs as well. Are you advocating that this government bring social assistance back up to where it was before that 22% cut?

Mr. Mackenzie: No, I'm not; not because I think that rates shouldn't go up by 22%, but because I think we actually need a pretty thorough rethinking of our whole income security system, not just in Ontario but in Canada. There are two significant events that have taken place in the income security environment in the last 15 years that really make it impractical and not terribly sensible simply to pump a whole bunch more money into the old social assistance system.

One of them is that we no longer have a federal government program. The Canada assistance plan was eliminated in 1995, and in fact was one of the things that paved the way for the huge cuts in social assistance that took place in 1995. That program's not coming back any time soon. We have a new kid on the block in the child tax benefit, which wasn't there in 1993. That's a completely different kettle of fish as well.

I think really importantly, the combination of changes in the structure of the labour market and cuts in unemployment insurance benefits have really meant that the unemployment insurance system, which used to do a lot of the heavy lifting in the income security system in Canada for working-age adults, doesn't do it now at all. To give you a couple of examples, only 26% of the unemployed in Ontario qualify for unemployment insurance benefits. The rest of them, if they have to look anyplace for any income at all, they have to look to the social assistance system. In major urban areas it's even worse. In Toronto, for example, 22% of the unemployed qualify for unemployment insurance benefits. There is something seriously wrong with the system. It has significant economic and social implications as well, because one of the things that's happening in our major urban areas is that unemployment is becoming more and more a feature of immigrant communities. It's driving poverty deeper and deeper in immigrant communities and creating all kinds of other social problems that I think we really need to address.

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The Chair: Thank you. We need to move along here, and the 10 minutes has expired. We'll go to Mr. Prue of the NDP.

Mr. Prue: Okay, I have a number of questions. First of all, to start with this little book, Rebalancing Priorities for Prosperity, page 44 calls for the elimination or reduction of taxes levied on capital investments. This, I understand, would cost—I've seen figures before—the Ontario government about $1 billion. Would that be about right?

Mr. Martin: It's a perfectly fine number. It would depend on how you did it.

Mr. Prue: Now, I can understand with all the pressures on the manufacturing industry that this may help their bottom line and help keep jobs. But two of the biggest corporations, the banks and the insurance companies, would make a bundle off this. How would this help our prosperity, other than allowing the big banks and the big insurance companies to make scads more money than they make now?

Mr. Martin: I guess the question for me is: What are you trying to accomplish by having the highest taxes on corporate investment in the world? If you're defending that system, what are you trying to accomplish? I think what you're trying to accomplish is making sure they create the fewest jobs possible with the lowest salaries possible, and I think that's not the best way to go about it. I'd rather get the tax revenues from individuals who own stock in that corporation or individuals who have high-paying jobs in that corporation than try to discourage the corporation from creating those jobs and creating those salaries in the first place.

Mr. Jestin: I think you're raising an important point, because I mentioned earlier that there's not a whole lot of leeway for lower taxes and, in effect, what we're suggesting is more a rebalancing or a reform of the system so that the taxes are on things that don't discourage overall investment. It's very similar to the question that was answered earlier in terms of social assistance, where we have extraordinarily high marginal rates for people who are trying to get back into the labour force and are poor. It's a huge disincentive. Restructuring the system, rather than simply taking taxes down for a particular group, has a lot of merit, and we should be looking very closely at it.

Mr. Prue: Do you have any comment on that? We might as well give all equal time.

Mr. Mackenzie: The problem is that the way we tax income from capital is like walking along an ice-covered rail: There are slippery slopes in every conceivable direction. These things are linked up with each other so inextricably that you end up—I'll give you an example: Mr. Harper's proposal to exempt capital gains from taxation if they're reinvested. That's just a hole in the bottom of the capital gains taxation system. Superficially, it sounds pretty interesting, if you think that lower capital gains taxation will produce higher investment, but the inevitable result is that our ability to raise revenue from income from capital is going to be significantly reduced. The problem with Mr. Martin's point about taxing income in the hands of the shareholders is that in an economy like ours, which is so heavily foreign-owned, that, in effect, amounts to saying that we're not going to tax a whole lot of the income that's generated in this country. I'm not sure we're ready to do that. I'm not sure we're ready to say that we're not going to tax income from capital.

Mr. Prue: Okay, if I can go on to the next—how much time have I got left?

The Chair: About five minutes.

Mr. Prue: About half. Okay. Hopefully, this is a short one. In the Scotiabank, you talk about the global currency realignment, and I note that the Canadian dollar is doing relatively well against the US currency. The Mexican peso has fallen, and I see somewhere else that it's likely to go back up, slightly. But the real problem that I see is the Chinese yuan, because they refuse to revalue it. That currency is so undervalued; that is amazing. Yet there doesn't seem to be any international pressure to revalue that money, and that's what's causing a lot of the problem.

Mr. Jestin: Actually, there's a huge amount of pressure on China to revalue, and I suspect over time you will see some movement up. But even if the yuan were to rise by 20% or so, that doesn't mean that production of consumer electronics is coming back to North America; it may well go to Vietnam. In fact, that's one of the issues that China has right now: the intense competition from low-cost labour in Vietnam.

The reality is that we might wish the currency was at a different level, but in a high-resource-price environment where the US has a massive, chronic and undeniably intractable deficit at this particular juncture, our currency is probably going up. The question, then, is: What do we do about it? We could just say that all our problems could be solved by changing the Chinese exchange rate, but that doesn't do anything for us here. We have to figure out how we become competitive and sustain our competitiveness; what industries can do to create jobs in an environment where the exchange rate and where input costs for energy and some metals and the like are substantially different from what we had three to four years ago.

Mr. Prue: Any other comments? Okay. Then I'll go on to the next one, which was about the power price impact on competitiveness. It's quite clear that Ontario is no longer competitive, according to this chart on page 4 of the Scotiabank material. Whereas at one time we were competitive, we now have double the price, it appears, of Hydro Québec, and we pay more than Montreal, Vancouver and Winnipeg, and in fact most of the United States with the exception, here, of San Francisco and New York, both of which had problems, especially California, with Enron.

Should we, as a province, be trying to get back to low-priced power? We've had a lot of people come before us and talk about clean or cleaner coal because we can't lose our economic competitiveness. Now we've got the environmental argument saying no. But should we be looking at low-priced power? Is it essential to our economy, or should we just simply move on?

You wrote it, so you go first.

Mr. Jestin: I imagine you can get a lot of different answers on that particular one. There are two issues that I think are of concern to businesses that I talked to across the province. One, obviously, is the ratcheting up in price because we've gone to a market environment and we have big legacy costs that are feeding through to the bottom line in terms of cost, and there are some technology breakthroughs, hopefully, that we can take advantage of. But we are not going to have electrical power any time soon as a competitive advantage. It's simply not going to happen.

The other issue that worries consumers is that, three to four years from now, we may not have a dependable source of power. Next to the issue of labour training and skills training, in infrastructure, getting across the border and ensuring the dependability of our hydro sources, of our electricity sources is probably the top priority in this province beyond anything else. It's a political issue as to whether you go with clean coal or not; it's an environmental issue. But we have to ensure that the mechanisms, the contracts and the production is put in place so that we actually have the power available for our industry three years from now.

Mr. Prue: Any other comments?

The Chair: You have about a minute left.

Mr. Mackenzie: I think, on the electricity front, we need to be a whole lot bolder in the way we approach encouraging conservation and improving efficiency. If you compare the incredibly weak, virtually non-existent strategy for electrical energy conservation in particular in Ontario with some of the very dramatic moves that, for example, the state of California made in the wake of its crisis—I'm old enough to remember in the 1950s when Ontario Hydro switched from 25 cycle to 60 cycle. Because it dramatically improved the efficiency of transmission and production of electricity, Ontario Hydro replaced every electric motor in the province. I can remember the Ontario Hydro technician coming out and replacing the motor on our fridge. We don't have that kind of boldness today. I ask myself the question often, if we hadn't built a subway in Toronto in the 1950s, would we be thinking about building one today? I don't think so. I think we've really lost the ability to grasp these big problems and address them. The problem is that some of these big problems are just going to overwhelm us.

1400

The Chair: Thank you. Mr. Martin, briefly.

Mr. Martin: Just very quickly, the one thing I would not do is subsidize and keep prices of power down. It works exactly against the conservation principle and it's like keeping the yuan down. It's wasting revenues by selling something for less than its real cost.

The Chair: Thank you. Now we'll move to the government. Mr. McNeely had indicated—

Mr. Phil McNeely (Ottawa–Orléans): I think Mr. Arthurs wants to take the questions.

The Chair: It looks like Ms. Marsales.

Ms. Marsales: Charged with the responsibility to make recommendations on fiscal policy, I find myself, when listening to your three presentations, reminded of the old saying about statistics.

Having said that, Mr. Martin, if I might summarize what you've said—do I understand?—we have to create the wealth in order to share it. My biggest concern right now is our loss of competitiveness in the province. I understand, Mr. Mackenzie, you're saying we're not doing enough to address poverty right now, but is that not speaking to that very slippery rail you're talking about? May I have a comment with respect to that? Adding to that, we're looking at a higher Canadian dollar, which is eroding our manufacturing base. We heard over the last two weeks of many job losses and so on. We have to make our companies competitive; we have to create the jobs to create the wealth to handle our fiscal responsibility with poverty. I'd like to hear what each of you have to say in that regard.

Mr. Martin: I'd just briefly say I think you're absolutely right that the quality of a society is judged on the basis of how it handles and takes care of the poorest and most disadvantaged of its members, and that is a function of the overall wealth of the economy. If we can't make sure that our economy keeps moving forward and generating that kind of wealth, we will be in a worse position to take care of less fortunate members of it. That's my concern. I don't like falling from tied with Massachusetts to having them be 50% ahead of us, because that provides more options for them to take care of theirs.

Mr. Mackenzie: I don't disagree fundamentally with the chart that Mr. Martin put up that had this continuum between investment and consumption. I think, though, that there are feedbacks back and forth between what he describes as consumption expenditures and what he describes as investments. I would suggest, for example, that there is an enlightened self-interest, if I can put it that way, in not allowing poverty to grow and to deepen. Deep and growing pockets of poverty in major urban areas have an impact on the competitive position of a community like Toronto or any other community that has significant pockets of poverty.

One of the points I raised was the problem we have with investments in public infrastructure. Right now we're engaged in a pretense that we can rebuild public infrastructure without paying anything for it. I just don't think that's a reasonable way to approach it. If you look at the economics of the schemes that are being discussed for refinancing public infrastructure, they all have a much higher embedded cost of capital than it would cost the government to borrow the money directly itself, and therefore it's obvious, it seems to me, that for the given number of dollars that we're putting into long-term infrastructure investment, we're going to be able to do less of it doing it through these games than we would if we did it directly.

The Chair: Mr. Jestin, do you have a comment at all?

Mr. Jestin: I could talk for two hours on that as well.

The Chair: You have more like a minute and a half.

Mr. Jestin: I know. I think the issue that you have to put the investment in place before you consume is a no-brainer; it comes without saying. As I indicated earlier, I think there are a lot of things that are fairly low-cost that we can do in terms of regulatory reform and rebalancing our federal-provincial finances to give the money to the jurisdictions that actually need the funds to put the infrastructure in place.

One of the things that was just said that worries me in a way is that all we have to do is borrow the money through the government and put the infrastructure in place and we will solve our problems. We have learned very painfully over the last decade that not getting our fiscal house in order—cutting taxes, for example, before we actually balance the books—can lead to some very serious long-term problems. So I would put staying the course and eliminating the deficit as absolutely number 1; number 2, revitalizing our competitive infrastructure; and number 3—and it can happen at the same time as number 2—is of course reforming our tax structure so that we take away the disincentives to investment in this province and really provide some incentive for a broad range of groups, whether they're business or actually individuals who want skills training, to actually make that investment.

The Chair: Thank you. We have about three minutes left.

Ms. Marsales: I'm sharing my time with my colleague Carol.

The Chair: Ms. Mitchell, three minutes.

Mrs. Mitchell: Thank you, gentlemen. I always look forward to this day when you come forward to make the presentations on the forecasts.

I represent many rural communities in southwestern Ontario, so I would be very interested in you giving me your opinion on what role you see for our rural communities and how you see agriculture in helping with Ontario's competitiveness, and the total part of moving Ontario forward with the rural communities, and agriculture being the second-greatest economic driver, where you see it going.

Mr. Martin: I'm quite familiar with rural communities, having lived the first 18 years of my life in Wallenstein, Ontario—population 50.

Mrs. Mitchell: I know where that is.

Mr. Martin: You should be happy to know that on that chart that shows Ontario as 15th out of 16 jurisdictions overall in prosperity, if you just look at rural Ontario versus rural other jurisdictions, we're number two. So actually, our rural areas do remarkably well, second only to Indiana. In fact, they punch above their weight in the prosperity equation. It's our cities that punch dramatically below their weight.

Mrs. Mitchell: Thank you very much. I'm standing a little taller today.

Mr. Mackenzie: Does that lead to an economic prescription? I don't think so. That's the problem. Because it doesn't lead to the economic prescription that we should all move to rural Ontario to be more prosperous.

Mr. Martin: Are you somehow suggesting that I said that? Come on.

Mrs. Mitchell: It wouldn't be rural any longer, then.

Mr. Mackenzie: The reality is that in terms of the overall economic performance, economic growth, of the province, rural Ontario makes its contribution to Ontario's prosperity in two ways. One is, it gets more and more efficient at doing what it does, and by becoming more and more efficient at what it does, it reduces its need for people. Those people migrate to urban areas and contribute to the overall urbanization of the province.

One of the things that we're sometimes not as conscious of as we should be is that the process of urbanization in Ontario and in Canada isn't over. Both Ontario and Canada are becoming more urban every census. So, in a sense, rural Canada is almost the author of its own destruction. It becomes more efficient at doing what it does. By becoming more efficient at doing what it does, it finds itself with more people than it needs to do the work that is available there and people move to the cities.

1410

The Chair: Now we'll move into the second round and Ms. Munro.

Mrs. Julia Munro (York North): Thank you very much.

Mrs. Mitchell: I didn't get—

The Chair: I'm trying to get some control of this again in this new experiment. Ms. Munro?

Mrs. Munro: I'd like to ask a question, Mr. Martin, on the presentation that you provided for us, on slide number 5, on the question of investment leading to prosperity, that consumption is the benefit of investment, and when you look at the further slide that deals with a comparison between Massachusetts and Ontario. When I looked at the slide on page 5, where it talks about the examples of consumption from government, business and individuals, I wondered if you could give us a sense, given that both Massachusetts and Ontario would have much of the same culture—and by that I mean the culture of consumerism. So when I look at the slide on page 5, I'm struck by the idea that somehow there has been some kind of shift in thinking and planning in a state like Massachusetts, obviously, that hasn't taken place here. When I look at things like early retirement, which we hear of constantly as a goal of many people and certainly something that's celebrated—there are those who have reduced it from 65 to over 50 and things like that—I wonder if you could comment on what you see as drivers in Massachusetts that appear not be in Ontario.

Mr. Martin: It's a very good question and there isn't an easy answer to it. I'll quickly talk about some of the things that I think are different culturally. One is with respect to education. The investment that Massachusetts citizens and the government make in higher education is dramatically—four times—higher. There is more of a sense that families save for education and you just make a big investment in education. That would be one thing.

The other thing I would say is that if you look at the Massachusetts economy, it is an economy that is focused on fewer industries, and those are all highly successful, competitive industries. In education, they're number one in the world. In medical care, they're number one in the world. They're number one in medical devices. They're number one in a whole bunch of parts of the software business. They're number one in asset management. So it's an economy that is a little more attuned to being in fewer industries, and in those industries they are setting as their standard to be the best in the world. That I think causes higher levels of investment in those industries by industry itself.

Those would be a couple of things that I would say are different between Massachusetts and Ontario.

Mrs. Munro: I appreciate that, because I think back to one of your first reports where you talked about—this is my word, not yours—the psyche of people in this province, who haven't been made to think of themselves in that way, in a competitive sense. Obviously, this would hark back to that original contrast that you made, and here we see the fruits of it.

Mr. Martin: Yes. If I could just say on that, I do think it is truly unfortunate that we have protected our infant industries for 111 years. There aren't many species that I know of that stay infant for 111 years. I think that caused many of our industries in Ontario, more the manufacturing and services than natural resources, which weren't protected—we had protection in these industries and it caused those industries I think to look inward rather than imagining looking outward to a greater extent. I think that then feeds on the culture.

Mrs. Munro: Thank you very much.

Mr. Mackenzie: Can I just make an observation on that point? I can't pretend to have a full understanding of all of the dynamics that are going on here, but I can't resist pointing out that—it really struck me when the chart was put up with 1989 as the last year when we were on a par with corresponding jurisdictions in the United States. That was the last year before free trade. Free trade between Canada and the United States was supposed to produce a lot of the things that Mr. Martin has been talking about: It was supposed to produce greater specialization. It was supposed to produce a greater concentration on high-value-added industries. It was supposed to encourage companies to give Canadian plants world product mandates to enable them to become more efficient.

There's something structural about the way our economy works that—don't get me wrong; I'm not suggesting that it's either reasonable or feasible to roll the clock back to 1989. But I think it speaks to the need to address some fairly fundamental structural questions in the way our economy works. One of the things that made the 1990s such a lost decade for this province is that we began the decade with an exchange rate policy at the national level, at the same time as free trade was opening up, that was extremely punitive to the competitive position of our manufacturing industries, precisely at a time when they were facing structural pressures.

The Chair: Thank you. Mr. Jestin has indicated that he wants to speak as well.

Mr. Jestin: Having worked at the Bank of Canada, I'd say we did not have an exchange rate policy; we had an interest rate move based on other issues.

But going back to just a couple of points that I think are worth mentioning, when we compare Massachusetts and Ontario, I think what Roger is saying—and I may be putting words in your mouth—is that the industries in Massachusetts are not only getting the benefit of investment, but they are benchmarking themselves against the rest of the world, when you say they're number one, in a variety of industries. That is their purview. I think when we start talking about the free trade agreement or the Canada-US dollar, we're losing sight of the real issue, and that is, industries in Canada are no longer competing just against Germany and the US. This is a global market.

Getting to your rural question, I was up at a Muskoka Futures symposium last week, and I was amazed to see a number of industries that are competing globally—manufacturers that are competing globally—and their biggest complaint is local laws with respect to expansion of their plants, which is forcing them to go elsewhere.

Last night at a Chinese New Year's celebration, I was addressing a company that is in a brutally competitive global environment and has actually been adding jobs. Why? Because they see their market as global. They try and figure out what they have to do. They get out of the things they're not competitive in and they get into the things that have a value-added to bring forward. Whether you're in rural Ontario or whether you're in the big urban areas, that is the issue. It is not the Canadian dollar; it is not free trade. It is looking at the world as your market and adjusting accordingly.

The Chair: Mr. Hudak.

Mr. Hudak: How am I doing on time, Chair?

The Chair: Two minutes.

Mr. Hudak: I have three questions that I'll ask Mr. Martin to respond to specifically, and then if the other gentlemen want to respond to those three. I'll just ask all three in the interests of time.

Mr. Martin's report talks about our cluster effectiveness in business being weaker than the peer states. While our mix is good, our effectiveness is weaker. What's your advice to government? We do things like invest in the auto sector, that you recognize as one of the strengths of clusters. Is that the approach you'd advocate? How do we strengthen our effectiveness?

On the educational side, Mr. Martin's report talks a lot about business education and I think postgraduate work, and Mr. Jestin had talked a bit about the trades. Is it both, or is one preferable to the other?

Third, you talk about disincentives to investment and the prescription for capital tax elimination acceleration on the business side. What advice do you have for the committee on encouraging personal investment?

Mr. Martin: Okay. Just quickly, on the cluster effectiveness front, it goes to the previous comments, which is that I think the thing that's most important on our clusters being more effective is setting their sights higher, setting their sights on being globally competitive. It would be absolutely helpful to them to not have as much of a disincentive and a punishment for investment, but a lot of it has to do with attitudes, and we just have to have attitudes and better managers that are going to take on the world. I wish it weren't so simplistic sounding, but after having studied it for as long as I have, I think there are no real barriers to their doing it, other than themselves.

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On the educational side, it's definitely a bit of both. I think we're going to have to wake up and smell the coffee to a certain extent on the skilled trades. There's a reason why there's an imbalance there, and it has to do with not making it attractive enough. We're just going to have to recognize that we're going to have to price up those job categories to attract more folks into that; that is one side, and the other side is that in a modern knowledge-based economy, having the deficit we have on post-secondary education is a bad idea and not good for us.

On disincentives to personal investment—this is back to the cherry-picking. We can't have it all. I'm less worried about that, Mr. Hudak, than I am about corporate investing. Would I like to see people invest more? Absolutely. If we're going to have the kind of social infrastructure we have, we're going to have to have taxes at a certain level and that is going to create a disincentive to a certain amount of investment. It is not my greatest worry. My greatest worry actually is business investment. So I'd make a little trade-off there.

The Chair: Now I'm going to have to move along. We're getting way behind here. Mr. Prue, NDP.

Mr. Prue: I'd like to ask a question first from this book, Rebalancing Priorities for Prosperity. On pages 25 and 26 there are two charts. Page 25 shows that our GDP is among the world's highest; then on page 26 we're the lowest. I would assume that's because you have chosen all of the richest US states. When I look at the actual amounts of money involved—$45,000 as an average in the United States, and then I don't see anybody much below $45,000 on the next chart. You've left out all the Louisianas and the Alabamas and all of those. Can you tell me why? Because you're trying to compare us to the richest parts of the United States, instead of that country.

Mr. Martin: No, in fact not. The criterion is states that are half as big as Ontario or bigger. It wouldn't be useful to compare us to Alaska, with 500,000 people, which is the richest US state, or Delaware, with 2.5 million, which is the second-richest US state. What we're trying to do is pick the large industrialized states, some of which are among America's richest and some of which are among America's poorest, like Florida and Indiana. So it's actually a fairly great mix from top to bottom. Of course, it doesn't include Louisiana, which is a small state in population, but it doesn't include Alaska either. That is the methodology.

Mr. Prue: That's the rationale behind it. I don't think you need it. I was just trying to figure that out.

Next I'd like to question Mr. Mackenzie about one of his six points—we haven't dealt with it too much: "The dysfunctional provincial-local financial relationship is creating significant economic and social problems." We know the social problems. I think everybody around the committee knows that. What are the economic problems that that is causing, I assume, for the cities?

Mr. Mackenzie: Drive around any major city in Ontario and you find roads in pretty poor shape; you find public transit systems significantly strained; in parts of the province we have sewer and water infrastructure that's badly in need of renovation. I think the underinvestment on the infrastructure side has a real negative effect on the functioning of local economies. The engines of global competitiveness, if you want, are businesses that are located in major urban areas. If we underinvest in local infrastructure, I think we damage the economic foundations of our future prosperity.

Mr. Prue: Are there other comments, or are you in agreement?

Mr. Mackenzie: The other point I'd make is that on the social side it's kind of a double-whammy, because not only are our major urban areas suffering the consequences of our undersupport of the least advantaged in our society, but because of the provincial-municipal fiscal arrangements, they end up bearing an unreasonable share of the cost as well. It's completely ridiculous that we have a property tax base that's expected to support publicly supported housing and social assistance.

Mr. Prue: In my travels to the United States—I do go to that country from time to time—I can tell you that 10 or 15 or 20 years ago, going to some of the American cities was practically a nightmare. Infrastructure was terrible; there were holes in every road; there were boarded-up windows. If you go to some of the bigger American cities today, downtown they're pretty spiffy.

Chicago has come a long way, and even Cleveland—some of these are pretty nice. Is this what you are talking about, that we should be investing that way? Is that part of the economic drivers? I've listened to Richard Florida. He says it is. Is he right?

Mr. Martin: I think Richard Florida is right on, way more than he's wrong. He's right in that reinvestment in the inner cities in the US has been impressive, or at least in some of them like Chicago, Boston, Manhattan. I think what makes for a healthy city can become more of a driver of economic expansion.

Mr. Prue: You would think that's a good thing, that the province should be investing in the cities in order to drive that economic expansion, not letting them go.

Mr. Martin: Yes. Now fortunately, we've never let Toronto, for instance, go as badly as the big US cities, and we didn't have the same level of out-migration, but that doesn't mean we shouldn't invest in it.

Mr. Mackenzie: But I think we lost our right to be smug about 10 years ago.

Mr. Martin: I would agree.

The Chair: Mr. Jestin

Mr. Jestin: I think one of the issues—you mentioned the provincial-municipal. I think the infrastructure requirements of this province are such that it's simply not something that is contained within the province. The federal government has to be involved, and this goes back to our disagreement on the amount of money that's flowing out relative to the amount of money that's flowing in. You mentioned unemployment insurance. It's a perfect example of a program that, because of the way it has been restructured and rejigged over the years, is powerfully oriented away from this particular province. We have to stop putting in place policies that actually do that. It might have been okay when we were driving the economy and we were leading by a mile in terms of income, but now we have big restructuring issues here, and in order to do it we have to also have the federal government onside.

Mr. Mackenzie: On a point of personal privilege, I don't want my skepticism about the $23-billion number to lead one to the conclusion that there are no problems in the federal-provincial fiscal relationship. I just wanted to point out that when you break that gap down, there are some components of the gap that clearly we should be doing something about. For example, the huge subsidy that Ontario provides to other provinces through the unemployment insurance system is completely unjustifiable. I've never understood why, as a matter of national public policy, we seem to think it's more of a problem to be unemployed in Nova Scotia than it is in Ontario. If you're unemployed, you're unemployed. You're just as unemployed regardless of where you are. The counterargument that comes back is that it's easier to get a job in Ontario than it is in Nova Scotia. That's fine. That means more people in Ontario will get jobs. But the people who don't get jobs are just as unemployed whether they're here or outside Halifax.

Mr. Prue: How much time? I've got one minute?

The Chair: One minute.

Mr. Prue: In terms of the $23-billion gap, just a last word from each one of you. Much has been said that part of the reason is because this is the richest province. Some have said that the gap is much smaller. Have you any comments on whether this is a real $23-billion gap? I've heard figures of $16 billion; I've heard figures of $12 billion; I've heard that it's not at all; and I've heard that it's because we're so rich that it's there. I've got three experts: Tell me what you think.

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Mr. Martin: There's some truth to that, and we did a working paper on it, which we can happily get all the figures on for you. It is more like $16 billion or $17 billion than $23 billion, when you make the proper adjustments, and a big chunk of that is indeed the fact that we're richer and therefore pay higher levels of personal income tax. But it doesn't work; it's structured badly, unemployment insurance being one particularly egregiously badly structured approach. And it is in the camp of consuming current prosperity. Fiscal federalism is not an investment in generating future prosperity, which it should be, investing in building future prosperity in the have-not provinces. It doesn't, it does a crummy job and it needs overhauling, even if it isn't $23 billion and it's more like—

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

Mr Mackenzie: I'll try to remember what you asked and I'll figure out some way of getting it in.

Mr. Wilkinson: I'll try to help you out on the time question here. It is wonderful to have the Three Wise Men, I call you, come every year. It helps us a great deal to talk about the larger issues, because as we do consultations, we're talking about specific groups. So it's wonderful to look at things at the 30,000-foot level or even higher. I just want to give you a synthesis of what I'm hearing and see if we're on the same page, because we have to give the minister some advice.

Basically, what you've said is, we've got ourselves in a pickle because previously we were cutting taxes while we were still in deficit. So we've ended up with a surplus of deficits—you said infrastructure, fiscal, social and energy—which are all challenges we have. And now we're walking into a perfect storm because we're in the only G8 country that's a petrol country, so a big chunk of the economy is going to grow out in Alberta in our energy, and we're the manufacturing guys, so we're going to get higher energy costs and we're going to get our dollar going up. Now, we've got the advantage, I suppose, of having a higher dollar, which means, in a wrenching way, we're going to end up having to have better productivity if we're going to survive, which is what you get from a higher dollar. You're also saying that we need to have growth to pay for social justice, not the other way around. I think that's a consensus on your advice. Then finally, you're saying that we have this structural fiscal imbalance between all three levels of government, because no matter what the deficit is, my taxes are paying down the national debt whilst this province, which has its unique challenges in the storm that we're in, is turning around trying to figure out how to deal with these deficits without running a deficit. That's why the municipalities have come to us, to say, "You've downloaded your soft costs to us, as the feds downloaded their responsibilities."

So would your advice be to us that, really, we should have this key priority to get the imbalance at all three levels of government, something that is—if we don't do this, you're telling us that the future is very, very wrenching for this province. Do we have an agreement that that is something that we need to recommend to the Minister of Finance and to the Premier, that we may even have a historic opportunity, that we have got to—and here, we're struggling with OW whilst we're paying into a huge EI surplus to help people who are unemployed, which pays 25% per cent of the people who are unemployed whilst we pay for OW, and we can't help those people get themselves retrained and back to work, just as an example.

Mr. Jestin: The bottom line or the final paragraph on the paper I brought to you addresses exactly that, and that is getting all three levels of government sitting down to streamline the issue.

If you look at what's been happening over the last five years, the federal government has really ramped up spending dramatically, and Ontario, because of the particular way programs are structured, ends up paying a fairly large share of that. I think at the end of the day, it is in the interests of all provinces to sit down with the federal government, streamline this issue and start looking at the purpose of inter-provincial transfers, because what we have now are the bilateral deals that layer one more level and then another level on top of the basic system until we've lost sight entirely of what the system is there to do. Streamlining would not only have enormous efficiency gains, but it would highlight what the programs were there for in the first place. I would take employment insurance out of the political orbit, set it up on its own and strip out those things that lead to inter-provincial grants or transfers and judge them on their own merits. Make it an insurance program.

Mr. Martin: Mr. Wilkinson, I think your analysis is sound. I think you've got a good analysis, and I would say that one of my worries is the Venezuela syndrome. What happened to them is that they found oil, were sitting on lots of oil in the 1970s, had their economy become a high-currency economy because they were exporting lots of oil, and it killed the rest of the economy. Now they don't have any oil and they're desperately poor and have no hope now. We have a great economy in comparison to theirs, but it's a real challenge that we're facing. I think you're right to focus on that challenge and I think having, in the midst of that challenge, a fiscal imbalance situation that is structured very badly for Ontario, and is not good for the rest of the country's future either, is a good thing to go at hammer and tongs.

Mr. Mackenzie: One of the things that I think we need to be careful of is not to slip into thinking that there's kind of one bullet that's going to address all of these issues; sometimes the hydraulics are pretty complicated. I'll give you an example. Mr. Jestin just raised the increase in federal spending. Most of that increase in federal spending is in the area of transfer payments to the provinces, largely for health, but for other things as well. Sometimes it's a question of, be careful with what you wish for because you might get it. Ontario was a major part of the lobby for increased federal transfers for health. As the transfers for health go up, they're distributed on a per capita basis. They're paid for out of federal general revenue. When the federal government raises money from Ontario to pay for a per capita transfer, the gap goes up. That's just part of the hydraulics, part of the way it works.

On the other hand, the problem is—and this is where I think governments, provincial governments in particular, get some very tough decisions to make—if the resolution to this fiscal gap question is going to be that the federal government reduces its revenue take, as it appears it's headed towards doing, at least under the government that's about to take office, that means that there isn't going to be this money coming in over the transom to go out to the provinces to redress the fiscal imbalance. The fiscal imbalance is going to be redressed by reducing the revenue take, and if provinces aren't prepared to occupy the fiscal room that's created by the federal government pulling back, then we're in the worst of both worlds.

Fundamentally, I think one of the things that we would agree with here is—we might disagree with questions of emphasis about where we get there, but one of the measures of our success in dealing with the problems we're dealing with now is to rebuild our fiscal capacity in this province. I think that people at this end of the table would probably agree that we do not have the revenue base available to us at the moment to meet the needs that we currently have. We don't have the revenue base that we need to make the infrastructure investments that we make. We're not investing enough in education, and we're not providing enough for the least-advantaged. But there isn't a single answer to those things. Part of that has to do with the federal-provincial relationship, but part of it is Ontario's own problem of how to deal with its own revenue problems.

The Chair: Thank you. We have about two minutes left.

Mr. Wilkinson: But then your advice, if you're following on my premise, is that there has to be the political courage at both the federal and the provincial—and the municipal—level to solve this problem. In other words, if the federal government says, "We're going to solve it by cutting taxes," and then the provincial government turns around and raises that capacity, that becomes a political issue, right? Or if we turn around and get a new deal with the municipalities to get these soft services that shouldn't be on hard property back up—we have to recognize that as a country we have the fiscal capacity. We're allocating resources to the wrong levels of government, as opposed to an exercise of just cutting taxes. What we have to do is take the taxes we have and get those taxes where the service demand is. We've got health care. The municipalities have the infrastructure problems. Really, it takes, I would think, political courage at all three levels of government to come together to—

Mr. Mackenzie: You're starting to really scare me.

Mr. Wilkinson: It strikes me that that would be required.

The Chair: Thank you. We need to move on, Mr. Wilkinson.

Mr. Martin: Do I have time for a quick response?

The Chair: Yes, you can answer—quickly, please.

Mr. Martin: I would just say that it's only partially true. It is a revenue problem, but it's a revenue problem that's a function of the economy underperforming. So if we were to be back to where we were in 1989, relative to the US, we'd have about $20 billion more to spend per year in Ontario. When we think of our then little deficit of $2 billion, it would just be a surplus of $18 billion instead. So we've destroyed an incredible amount of revenue capacity: $72 billion for the country in total and at least $20 billion in Ontario. That's the daunting thing. We have to rebuild the revenue capacity of this country that's based on being a more productive economy.

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Mr. Jestin: We have to avoid two other things as well. We have a problem avoiding dreaming up a new program to fix it and, secondly, reorienting an industrial priority or an industrial policy to focus in on one industry. We need laws and an environment that treats all industries the same. Then the industry, in a competitive environment, can figure out the winners and the losers.

The Chair: On behalf of the committee, I want to thank all of you gentlemen for being with us here today.

TORONTO COMMUNITY HOUSING CORP.

The Chair: I would ask the Toronto Community Housing Corp. to come forward, please. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Dr. Mitchell Kosny: My name is Mitchell Kosny. I'm chair of the Toronto Community Housing Corp. I certainly want to thank you for the opportunity of being here and speaking with you this afternoon. I'm joined on my left by a Toronto Community Housing tenant representative, Jaquie Waldren, and on my right, Keiko Nakamura, who is our chief operating officer.

We are also here on behalf of 164,000 people who live in our housing to ask the Ontario government to invest $224 million to fix our homes. We own and manage over 2,000 buildings and houses. As I said, we have 164,000 residents who live in our communities. It's the second-largest housing company in North America.

All of our housing was built and funded by the federal and provincial governments. In 2001, a very large part of this portfolio was downloaded by the provincial government of the day to city of Toronto ownership. These buildings are the oldest public housing in Canada. Most are close to 40 years old and some are 50-years-plus. They've been undermaintained for a very long time.

When Toronto Community Housing took responsibility for all these homes, our commitment was to quality housing. We do not think or believe that our tenants are second-class citizens. We don't believe that just because they receive a rent subsidy, they should have to sacrifice the basics—and I do mean basics: heat, water, ventilation, roofs that don't leak and elevators that they can count on.

Toronto Community Housing immediately squeezed an extra $25 million from our operating costs and diverted it to capital repairs. That was a drop in the bucket. We borrowed money so we could spend another $100 million on 19 communities that are in desperate need of refurbishment, but this spending really isn't coming close to solving the root problem.

Let me give you an example. At Yorkwoods Village, which is a 305-unit townhouse community in the Jane-Finch neighbourhood, 43-year-old furnaces break down regularly. They cost $400,000 to replace, so we make do. We pay the price with high utility bills that keep going higher and costly repairs. We don't have $2.5 million dollars, so we patch leaky roofs and then we patch them again, and we deal with water damage. We don't have $850,000 to replace 43-year-old kitchen cupboards, bathroom fixtures and plumbing. We don't have $200,000 to replace obsolete and inefficient fridges and stoves.

As chair of TCHC, what I've done over the last six months is actually visited every single community housing unit across this city. I know what we're talking about, and I can tell you that the story I just gave you about Yorkwoods Village is repeated community after community. Many of your colleagues, primarily in December, accepted our invitation to spend a night at Toronto's community housing and see first-hand what tenants face. Mr. Prue, a member of this committee, stayed in one of our communities at Jane and Finch. I spent an evening with Minister Gerretsen in Moss Park. I also spent another evening with Minister Smitherman at 200 Wellesley East in downtown Toronto. John Tory also stayed with us at Flemingdon Park. I think all of their experiences will confirm our own.

We've done our research. We've retained engineering firms to determine in great detail the short- and long-term investment needed to bring our buildings up to basic living standards—and I mean basic. The audit identified the need for an immediate capital investment of $224 million, and $53 million every year from now to 2014. I think you would agree with me that Toronto Community Housing can't keep going into debt. Frankly, we would be fools to take money away from our youth programs, from social investment in community economic development and our revitalization of Regent Park, Don Mount Court and our plans, hopefully, to reconnect Lawrence Heights and other communities with the surrounding neighbourhood.

For many years, the federal government and then the province saved money by underfunding these communities. Our tenants have paid the price. We are at or beyond the crisis point. We are calling on the provincial government to budget $224 million this year to make up the shortfall that we inherited. We certainly invite you to work with us and the city of Toronto to ensure that the federal government continues and contributes their fair share of this shortfall. We know; we've seen the first-hand benefits. Reflecting back on your last conversation, we're not at 35,000 feet, we're at ground zero. We know the benefits of investing in our communities. We've seen the payoff, not just in better buildings, but in stronger, safer, healthier communities. We're not telling you what you don't know. You've already made education a priority, but you also know that education, that investment, is completely undercut when thousands of children go home to substandard accommodation. I also accept that you're often confronted with problems and it's really difficult to know what to do. Where do you go? How do you solve this? We know the solution. This is not rocket science.

Last April, the provincial and federal governments got together to put real money into new affordable housing. The Canada-Ontario affordable housing agreement brought the total amount committed to new affordable housing in Ontario by the federal, provincial and municipal governments to $734 million over the life of the program. That's great news for the many households on our social housing waiting lists. But let me be very blunt: Not one cent, not one penny, of that money goes to fixing what we already have. So we build new communities, but the old ones remain a blight in this city, which prides itself across North America on not having ghettos for the poor and on not being a city of two classes.

This is about families. This is about investing in the lives of people. On behalf of our 164,000 people, the people who spend 12 years on a waiting list, we're asking you to deal with the $224 million shortfall we have inherited and invest in the communities that need it most.

Jaquie, I'm going to turn it over to you for some comments and then we'd be happy to engage in discussion.

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Ms. Jaquie Waldren: Good afternoon. My name is Jaquie Waldren and I'm delighted to be able to add my voice to the call to fix our homes. I lived in Lawrence Heights in the Allen Expressway and Lawrence Avenue area for 31 years. I now live at Joseph Brown, another building owned by Toronto Community Housing. This is a newer building, and the contrast is unbelievable. Here, the apartments are bright, cheery and in excellent repair.

In my old building, TCHC has put in a lot of money. They replaced the archaic windows and replaced some of the water pipes that were leaking like sieves and dealt with the fire safety problems. But you still can't plug in a kettle and a toaster at the same time because it blows the fuse. The floor tiles have not been replaced since the building was put up over 40 years ago. The ground floor units are freezing and hard to heat. We need better entrance doors. Right now, you can never feel settled because you don't know whether the doors are locked or not.

I look forward to the day when all 164,000 tenants at TCHC—the seniors, the youth, the children and the parents—have a decent place to live, and also pride in the places they live. We are not there yet and we will not get there until we have the $224 million we need to fix our homes.

Those of you on the committee who have visited our homes and talked to other tenants know how strongly TCHC tenants support the campaign to fix our buildings. I am one of the nearly 400 elected tenant representatives who sit on TCHC tenant councils across the city, and I can assure you that we are all in agreement that we simply cannot go living in substandard housing.

You will be hearing a lot from us. There's a new campaign starting up called Fix Our Homes. I'm part of it, and I know that there are thousands of tenants who won't rest until we see money flowing and our homes brought up to decent standards. We are not asking for frills, we are asking for the basics: heating, plumbing, roofing, ventilation, kitchens and bathrooms and safety features. We know that annual maintenance budgets can never catch up with 30, 40 or 50 years of underfunding. We certainly do not want to see our programs for youth, young parents and seniors bled dry in the effort to patch up our buildings.

Every Ontarian has the right to a decent home. In Toronto, thousands who live in publicly owned housing are denied this right. Our homes need to be fixed. I ask the Ontario government to invest the $224 million to bring our homes to the standard worthy of a publicly owned landlord and the basic standard that every Ontarian should expect.

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

Mrs. Munro: Thank you very much for coming here today. I just have a couple of questions that I wanted to ask you about. The first one is with regard to the Canada-Ontario affordable housing agreement. Were you aware prior to its announcement that it would not include money for retrofitting?

Ms. Keiko Nakamura: No, we were not aware that it would not include any retrofits for the existing stock.

Mrs. Munro: And had it been your assumption? Had it been part of the assumption you worked with that there would be money for that?

Ms. Nakamura: It was certainly our hope. We weren't included in the consultation itself, and I do understand that the focus was to reduce the overall waiting list, but certainly our focus right now is on improving our existing stock.

Mrs. Munro: I can understand that. My question, frankly, came from the fact that I assumed that would have been part of the package. On the way in which this $734 million is divided, do you have any sense of how much of that is earmarked for Toronto?

Ms. Nakamura: No, I'm sorry. I'm not aware of that percentage.

Mrs. Munro: Okay. I feel that's a remarkable omission, in terms of not assuming that funding would be appropriate for your concerns. I can understand that you would be instituting this initiative, because I think most people would assume that it would include that. Thank you very much.

Dr. Kosny: You will certainly all know about Don Mount in Regent Park, which is really groundbreaking in both process and product of what we're doing. That gets a lot of press and a lot of coverage. But we're dealing with buildings that are 50 years old where they're basically substandard at the same time, so it's a case of the optics being that we're doing fabulous, but meanwhile most of our portfolio is in an incredibly difficult situation and we have nowhere to go.

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

Mr. Prue: Thank you very much for inviting me to stay at Jane-Finch. I don't know whether you know, but I grew up in Regent Park; that's where I'm from. I want to tell you that the condition I found that building in was worse than anything I remember growing up in either Regent Park or in an Ontario housing complex in Scarborough. There's no question that repairs are desperately needed. I've asked the minister in the House and I've made a couple of speeches in the House about what I saw. Have you had any indication whatsoever from ministers who stayed there, the finance minister, anyone at all, that they are sympathetic to what you're asking and that we can see some action in the upcoming budget?

Dr. Kosny: I was in St. James Town with Minister Smitherman and with Mr. Gerretsen in Moss Park, who actually made the comment that one of his previous visits there was in his role on the OHC, and it had board meetings. His comment was that things haven't changed all that much. So I put the years in between that time and now.

I will say to you quite frankly that everybody who's been at an overnight in our housing, regardless of their political stripe, walks out with an understanding that these issues are real. As you know, we haven't painted up the buildings when someone comes to stay over. What you see is what you get.

In terms of their oral response and written thank yous, everybody's supportive and everybody says they understand and they get it and are onside. As to commitments to do anything from that point, I haven't heard any.

Keiko, do you want to add a comment on that?

Ms. Nakamura: I would definitely share that. We also received quite a bit of support in relation to how we are continually trying to balance the priorities in our communities. The reality is that we could move all our monies over to the buildings and invest every penny into them. The problem we then have is that we have unbalanced, unhealthy community in that we have, obviously, safety concerns in Toronto right now, we have youth programming that is in dire need, so we had quite a bit of recognition in relation to what we are trying to strive to do at a community level.

The Chair: We'll move to the government.

Mr. Arthurs: Thank you for the presentation. It's precise, it speaks to the issue very clearly. Mr. Prue has raised the matter in his speeches in the Legislature and during our budget hearings about his experience, and we've heard that very clearly as well.

The second-largest property owner in the country: Is that correct?

Dr. Kosny: The second-largest housing company in North America.

Mr. Arthurs: In North America.

Dr. Kosny: Yes.

Mr. Arthurs: Okay. We've also heard clearly that housing is one of the fundamental, if not the fundamental—maybe apart from feeding oneself. It's among the two most fundamental needs that individuals and families have. From your business and resident experience, can you tell me a little more about how fundamentally important housing is, based on the experience you have as a tenant or with your neighbours or as a board chair or as an executive?

Dr. Kosny: Maybe I can start off. Let me say that while I'm here as chair, I've been a professor of city planning for 25 years, so I understand some of the linkages between physical, social and economic. I would only say that part of our core mission as a housing company is that we're in more than the housing business; we're in building healthy communities and healthy neighbourhoods, and that's where that linkage between—as Keiko said, we could divert all of our funding and fix the housing. That would eliminate all youth programs, all community activities. I don't want to promise or threaten, but I think we know full well that when you remove all of those kinds of programs in a neighbourhood—the straight-line projection is that we're sort of there now.

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For us, you can come home from school, you can come home from work, but if you don't have a home that you feel safe and secure in bringing your friends to, let alone yourself, or you can't lock the door or that physical environment isn't just basic, everything else, in my view and I think ours, crumbles. You've got to start with some—and I keep saying this—very basic shelter. That's all we're asking for. If you can't provide that right, as I would call it—it's not a privilege to have housing. Our view is that we're not two classes here. Everything else starts from that basic right, and without it, the whole house of cards about economic development, involvement, engagement, interaction and infrastructure falls.

Jaquie, I don't know if you want to—the very personal. How does it start?

Ms. Waldren: Part of the problem for residents is that because of the poor condition of our homes, we really don't feel comfortable inviting our co-workers and our other friends from outside the community home because we're embarrassed to show people what it looks like in our places.

At one point, from leaks in the walls, the walls in my bathroom were peeling apart, and the concern from the housing staff was how much it was going to cost to fix it. It wasn't that they didn't want to fix it; it was a matter of, "How much is it going to cost to fix it and how can we afford to do it?" Then you have your friends come over and, needless to say, they go down to the end of the hall, and there's this bathroom that's falling apart and they're thinking, "Why do you live in a place like this?"

Working so closely with upper management, I understand the nickels and dimes, but a lot of people don't. It's very hard to be proud of the place you're living in and raise a family and go to work when all this is going on around you.

The Chair: Thank you.

Dr. Kosny: The other quick, quick comment, if I can, Mr. Chair, is that we're moving very quickly and sliding fast into what I will call gated communities, but they're not the kind of gated communities that some of us think about. We're talking about gated communities that are defined by lack of income, by lack of adequate structure, by lack of services. This isn't the gated community that you see in seaside Florida. This is the lack of, and they are islands just as well, defined by their absence of things. That's not the Toronto that we're used to or that our tenants or residents should accept.

The Chair: Thank you for your presentation this afternoon.

MERCK FROSST CANADA LTD.

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

Ms. Tama Donoahue-Walker: My name is Tama Donoahue-Walker, and I am director of corporate affairs for Ontario.

We appreciate the opportunity to present to the committee and share with you our views on how Ontario's economy can benefit from a strong and robust innovative pharmaceutical industry. I going to highlight for the members that our written submission contains additional information and evidence that, in the interest of time, could not be presented here today. Our presentation today will focus on two themes: the benefits of a strong biopharmaceutical industry in Ontario and the importance of access to medicines.

Merck Frosst Canada Ltd. is one of the country's leading research-based pharmaceutical companies. The Merck Frosst Centre for Therapeutic Research is the largest private biomedical research facility in Canada. Each year, we invest more than $100 million in research and development in Canada.

Knowledge-based industries, including the pharmaceutical sector, are key drivers of productivity, economic growth and improvements in the standard of living. The innovative pharmaceutical industry develops new tools for health care providers and new ways to improve quality of life for patients. Moreover, it creates new opportunities for high-value research and, in the process, produces high-value jobs and significant spin-off economic activity.

As a company, we are encouraged by the government's commitment to growing the economy and investing in highly skilled jobs. The Premier sent a strong signal when he created the Ministry of Research and Innovation and appointed himself minister. It was this type of thinking that led our company to invest more than $3 million in the MaRS Discovery District, moving some of our business development, corporate affairs, patient health management and vaccine operations there.

Merck Frosst looks at several factors when making investment decisions, chiefly, whether the jurisdiction supports a productive innovation system and whether it holds the conditions which make it attractive to commercialize. These would involve having policies that provide intellectual property protection, fair and reasonable market access, efficient regulatory review times, R & D commitments from local government and tax credits that incent investment.

High-quality science also plays a role in our investment decisions, and Merck Frosst values our relationships with the research and academic community. Our company spends millions of dollars annually on research, salaries, benefits, grants and sponsorships. In 2004, Merck Frosst invested $5 million in the Robarts Research Institute in London to establish the country's first research centre dedicated to respiratory imaging.

While these investments are important, there are steps the government can take to increase investment. As committee members may know, Quebec represents 42% of Canadian pharmaceutical research and development expenditures, the largest share of pharmaceutical R & D. We are often asked about how Quebec has successfully attracted this level of investment. Some years ago, Quebec made the decision to develop a thriving economy based on two industries: aerospace and innovative pharmaceuticals. They put in place policies that attracted companies and investments there. They are currently in the process of reviewing their drug policy, and it is based on four pillars: accessibility to drugs, fair and reasonable prices, optimal use of drugs, and maintenance of a dynamic pharmaceutical industry in Quebec. Any proposed policy must not violate any of these core tenets.

Quebec has implemented such policies as BAP 15, where innovative products are reimbursed on the formulary for 15 years and are not automatically switched to a generic product even after the patent has expired. The Ministry of Finance in Quebec has analyzed this policy and has found that the economic benefits of this industry outweigh the costs of reimbursing the products.

The province also offers a five-year tax holiday for foreign researchers where they are exempt from paying income tax on a sliding scale for the first five years they are in Quebec. Quebec has also made a commitment to refrain from implementing a reference drug pricing policy.

Finally, in an effort to maintain a balance between health policies and economic development, Quebec has established a committee that allows for discussions between the Ministries of Health, Economic Development and Research, as well as pharmaceutical manufacturers.

The Ontario government also needs to ensure that their health policies are not detrimental to their economic development policies. We would recommend that the government create an innovation commission or mechanism that requires all new government policy and cabinet decisions to be viewed through an innovation lens, recognizing the importance and priority that this government places on supporting innovation.

An example of a proposed policy that could be reviewed through this mechanism is one known as off-formulary interchangeability. For ODB recipients, when a product is listed on the Ontario drug benefit formulary and a generic version is available, the pharmacist must dispense the generic version of the drug. This regulation facilitates the government achieving lower generic prices since these products must be no more than 70% of the brand name product price as a requirement for listing. The automatic substitution rule does not apply to products not listed on the formulary.

Because generic prices are not regulated by the Patented Medicine Prices Review Board, unlike brand name, innovative pharmaceuticals, a generic company can charge whatever price they choose for non-ODB listed products. Off-formulary interchangeability would result in a transfer of business from brand manufacturers to generic manufacturers without any guarantee of a price reduction for private payers or for patients. This would be detrimental to our business without producing a single dollar in savings for the government or taxpayers. In fact, the government would now be responsible for protecting the pharmacist from liability for products that they never listed on their formulary.

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New medicines have allowed people to live longer, improve their quality of life and lead more productive lives. For example, it was once the case for patients who were diagnosed with HIV/AIDS that death was a near certainty. Thanks to innovation in pharmaceutical therapy, including incremental innovations, these individuals are now able to live more productive and fulfilling lives.

Medicines have also enabled the transformation of health care to less institutional care and more outpatient and community-based care, contributing to superior outcomes and the reduction of waiting lists.

In order to sustain our health care system, prevention of diseases altogether will play an increasingly significant role. Vaccines play an important role in disease prevention. In the last century, infectious diseases were the leading cause of death worldwide. Today, they cause less than 5% of deaths. In the last 50 years, immunization has saved more lives in Canada than any other health intervention.

This government has taken leadership in providing vaccines for flu, chickenpox, meningococcal meningitis and pneumococcal disease. Major advances are being made today in the development of vaccines that prevent cervical cancer, rotavirus and shingles. We would recommend that the government start to plan now in order to ensure that Ontarians are able to benefit from these vaccines that prevent illness and lessen the overall burden on the health care system.

We recognize that the government is faced with many fiscal challenges. We are also aware that medicines are one of the fastest-growing components of health care spending. There are many reasons for this growth: a growing and aging population, a shift from hospital care to community care and newer and better medicines that are being discovered. Despite all these reasons, innovative medicines within the Ontario drug benefit program represent about 6.5% of the Ontario health budget.

Unfortunately, while Ontario is viewed as generous in terms of patient contribution to the plan, it remains one of the most restrictive provinces with respect to product access, with only 17% of all new medicines in the past two years listed on the formulary. For those products that do receive a listing, it takes, on average, 500 days to get listed. In contrast, Quebec lists double that amount and about 150 days faster.

While we recognize the difficult immediate fiscal situation, evidence suggests that cost containment measures or policies that further restrict access to medicines not only provide less than optimal care for patients, but over the long term end up costing the health care system and patients more. Policies such as reference-based pricing and maximum-allowable-cost, or MAC, pricing result in additional costs for patients, additional patient visits for therapy switching, potential for side effects and additional administrative burden for health care providers. Studies have shown that those most impacted by these policies are individuals who cannot afford to pay the difference. In addition, discussion about putting in place further restrictions on product access only creates uncertainty in the investment climate.

As committee members are well aware, the ODB program provides benefits to seniors and those who may be economically disadvantaged. Therefore, further restricting access on the drug formulary or employing cost containment measures that create a greater financial challenge for those who are eligible for the ODB program will result in denying access to those who need the medicines the most.

Instead of implementing initiatives that focus on cost containment, we would recommend implementing health system changes that can improve the health of all Ontarians and our ability to deliver optimal care. In keeping with the new LHINs, we believe in a community-based approach to improve the delivery of health care. Key to this model is the collaboration of all health care providers, including physicians, pharmacists and nurses, along with government, patients, academia and the pharmaceutical industry.

Merck Frosst is a leader in the field of patient health management, an approach to health care that promotes wellness and health management by focusing health care resources on closing care gaps to improve health outcomes.

In the interest of time, I would like to refer the members to a recently published resource by Dr. Terrence Montague, a cardiologist and the author of Patients First. He has written this easy-to-read reference entitled Patient Health Management for Dummies. It is a practical guide to understanding the programs, how they work and why Ontario should proceed with implementing these programs.

Ontario has the opportunity to attract much more investment from the pharmaceutical industry than it currently does. It holds many of the prerequisites for the potential of increased investment, such as strong science and research infrastructure. We encourage the government to look at Merck Frosst and the pharmaceutical industry as a partner in fostering economic growth. We appreciate that the government faces many challenges to keep its fiscal house in order. However, we would like to emphasize that medicines and vaccines should be viewed as an investment and serve as a means of not only providing better outcomes for patients but also as a means to more effectively using our health care dollars.

Again, I thank you for the opportunity to present to the committee today. At this time, I would be pleased to answer any questions you may have.

The Chair: Thank you. We begin this round of questioning with Mr. Prue, NDP.

Mr. Prue: Thank you very much. As an MPP, I have been frustrated from time to time when my constituents come in—they can't get medicine their doctors prescribe. What steps could we take to be more like Quebec in terms of taking on the advances of new medicines? As you said in your report, they do twice as much in less time. How do we do twice as much in less time?

Ms. Donoahue-Walker: Thank you for your question. There are a number of regulatory hurdles that appear to be slowing down the listing of new medications on the provincial formulary. One of those is a mechanism called the Common Drug Review, which is a federal group that evaluates new drugs. Through the federal Common Drug Review, there are very few of these new drugs that are actually recommended for listing on provincial formularies. There are only about 40% of them that are actually recommended for listing. Then Ontario makes a decision after the Common Drug Review makes its decision on whether or not to list those new products. Quebec, actually, does not participate in that Common Drug Review.

Mr. Prue: That's what I thought.

Ms. Donoahue-Walker: So that's one of the differences.

Mr. Prue: So Quebec goes its own way, as they do with so many of the programs. They just do it themselves. They bypass the entire federal system. I don't know that we can, but I guess we can. If Quebec can, we can. So you would recommend that we do what Quebec has done and simply go it alone.

Ms. Donoahue-Walker: I would recommend that we reconsider our involvement in the Common Drug Review. I think we have the expertise in Ontario to make these decisions ourselves and to know what is best for Ontarians.

Mr. Prue: This being the budget committee, any idea what it might cost us to go it alone? Right now, it's being funded in Canada. We would have to pay anyway, even if we went it alone—maybe.

Ms. Donoahue-Walker: Yes, and that's a great question. I haven't got any numbers to tell you exactly how much that would cost, because even if we look at Quebec, they reimburse more broadly across the entire population than we do in Ontario, which is really just for seniors and for those on the Trillium drug program. So you couldn't really even take those numbers and apply them. It wouldn't, unfortunately, give you the best estimate.

Mr. Prue: How do we stack up in terms of Quebec, in terms of pharmaceutical companies? I know if I go out to Mississauga, there's a whole swath of them. If you travel around Ontario, there are quite a few, too. Does Ontario have as large a pharmaceutical manufacturing and research group as Quebec does, or are we bigger?

Ms. Donoahue-Walker: I don't know which is bigger in terms of number of companies, for instance. There is certainly a large number of companies, Merck Frosst included, that are in Quebec. However, I do know that in terms of R&D dollars, the R&D dollars that are spent are greater in Quebec than in Ontario.

The Chair: Now I move to the government.

Mr. Arthurs: Tama, thank you very much for your presentation. I was pleased to see that you commented on the Premier's establishment of a new ministry, Innovation and Research, and heading it up as a strong signal. Since you have the audience, either of his caucus or the opposition when we get to the question period, when we get that far, within the set of recommendations—I think there are eight recommendations that you've made—can you highlight from within those which ones you would want to point out most clearly to that minister as a means of strengthening the position of the industry in Ontario?

Ms. Donoahue-Walker: I think one of the key recommendations I would ask the Premier to look at would be the recommendation regarding the innovation of LHINs, looking very closely at each of the policies that would be put forward and whether or not it truly would be consistent with what they're trying to do in terms of improving the environment for innovation and commercialization of new products. So I think that's really the key recommendation.

Mr. Arthurs: Getting to the point of commercialization of the product as well.

Ms. Donoahue-Walker: Absolutely.

Mr. Arthurs: Which would certainly align nicely with Minister Cordiano's objectives from the standpoint of looking at research and commercialization as one of the key ways to move the economy forward, to actually getting a product out there as opposed to just getting through the research phases.

Ms. Donoahue-Walker: Absolutely. That's the key. It's great that it gets to the market, but then if it's not reimbursed once it gets to the market, then certainly that's very difficult for a company if they don't have those revenues coming in to support the research they've done.

Mr. Arthurs: Thank you very much.

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

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Mr. Hudak: Thank you very much for the presentation. It's also good to see the hard-working, very astute Amanda McWhirter here in the committee room. I want to recognize on the record that Amanda has joined us as well.

You cite off-formulary interchangeability as an example that should be viewed through this R & D lens. Is that something that's under active consideration?

Ms. Donoahue-Walker: I know there is a number of policies under active consideration as a result of the drug system secretariat and the review it is considering. Certainly, this is one of the policies that has been raised in some circles as a possibility for consideration. I'm not sure where it is at this point. The recommendations have gone to the minister and are waiting to go forward from there.

Mr. Hudak: I remember that at about this time last year there was a great concern about reference-based pricing. A number of seniors' groups had come forward and expressed concern. Is that a dead issue or is it still an ongoing concern among seniors or the pharmacy industry?

Ms. Donoahue-Walker: Reference-based pricing will always continue to be an area of concern, and also another policy called maximum-allowable-cost, or MAC, pricing. That's a similar policy, but instead of choosing a product it chooses a cap in terms of a dollar amount that would be spent and then the patient would have to pay the difference. That policy, in addition to reference-based pricing, are probably options that are also on the table.

Mr. Hudak: One of the challenges we have in our health care system in Canada is that there's not much of an incentive for us to stay in good shape, keep our health in top condition, except for when you get sick. But there's not a financial incentive, so to speak. Second, we all pay into a large CRF and then the finance minister decides how much will go into the health care system. In that type of system, how would something like patient health management actually work? Practically, how could you institute that sort of thing into our system?

Ms. Donoahue-Walker: One of the important components of a patient health management system is where you involve the patient in their own health care and they're very intimately involved with the nurse or any other kind of health care providers who would be helping to instruct them on what is good for them and their own health. If it requires additional exercise or whatever the other activity is, way beyond pharmaceutical care—it's looking more broadly than pharmaceutical care, and I think that's the important thing. It's the interaction between the health care practitioners and the patient that really helps to move this along. Certainly, that was our experience in the program called ICONS in Nova Scotia, where we looked at cardiovascular outcomes in Nova Scotia. There was very strong patient satisfaction with that system, where they felt their health care practitioners were more involved in their care. I think that kind of thing would help, from a health promotion perspective.

The Chair: Thank you for your presentation.

UNITED STEELWORKERS, DISTRICT 6

The Chair: I call on the United Steelworkers, District 6, to come forward, please. You have 10 minutes for your presentation. There could be 10 minutes of questioning. I would ask you to state your name for the purposes of Hansard.

Mr. Charles Campbell: My name is Charles Campbell. I am the research director for the United Steelworkers union Canadian national office.

I am appearing here today on behalf of Wayne Fraser, the union's director for Ontario and Atlantic Canada. He was called away suddenly because of the announcement this morning of the closure of the B.F. Goodrich plant in Kitchener, where more than 1,000 of our members work. This was announced by the Michelin company, which is the parent company. So he is busy with our members there dealing with this, which unfortunately is really just the latest of a number of difficult or problematic warning signs about the manufacturing economy in Ontario, which I will be touching on in the course of what is Mr. Fraser's presentation.

We appreciate the opportunity to present our union's view of the actions the we believe the government of Ontario should be taking in the 2006 budget, or possibly sooner.

As you know, the Steelworkers in Ontario work in almost every sector of the economy, including universities, health care, security, banking, transportation and hospitality, as well as mining, primary steel and secondary manufacturing, where we're probably best known.

We have thousands of members in the forest industry in Ontario and across Canada and, for that matter, the United States. In Ontario, this industry is truly in crisis and looking for urgent government action. Your committee heard last week in Timmins from my colleague Roger Falconer from the Steelworkers national office in a presentation focused completely on the forest industry and the threat to mills across the north. As he told you in more detail, the economic health of many communities in northern Ontario is directly at risk these days, along with the jobs of our union's members.

The Ontario government came out some months ago with a $350-million loan guarantee program for the industry that unfortunately, as many in the industry said at the time, was totally missing the point. Since we finalized our presentation earlier this week, in his comments yesterday the Premier more or less conceded that that program has not been effective and that something more has to be done. We certainly welcome that, and there is absolutely no time to lose in taking action to deal with the crisis in this industry.

For one thing, we need the government to deal with energy costs that have soared because of the misguided system of deregulation of energy that was put into effect under the Harris and then Eves governments and which has really not been reversed. Under the system that's still in place, hydro costs for lumber and pulp mills in northern Ontario skyrocket at the whim of the market in southern Ontario. This means when people in the south flip on the air conditioning, mills up north suddenly see their power bills go up. This has no relationship to the actual cost of delivering electricity in the north, and it's a recipe for disaster that we're unfortunately seeing unfold.

The increasing delivery costs for fibre, stemming from fuel prices and the cost of building roads, also needs to be addressed, and we need to involve local communities to ensure that the natural resources of northern Ontario produce local job creation and local economic benefits.

As it happens, fixing Ontario's hydro policy would have benefits that go far beyond the forest products industry. The entire secondary manufacturing sector of the province is in trouble, losing something like 50,000 jobs since the McGuinty government was elected. It appears that along with the rising Canadian dollar and other things, the high energy costs are among the problems facing the Goodrich plant in Kitchener that they have announced they're closing.

There may not be much the provincial government can do about the soaring Canadian dollar, but delivering reliable power at a reasonable price has long been something that Ontarians expect of their government, both as workers and as consumers.

In the brief time we have today, I want to touch on several other issues that are priorities for the Steelworkers in Ontario. Last year's budget, responding to the Bob Rae review of post-secondary education, made a welcome multi-year commitment of increased funding to colleges and universities. Unfortunately, progress has been extremely slow in terms of actually seeing the new money make a difference on the front lines, where university staff struggle to provide high-quality services to students. We've been urging the government, as an accountability measure, to earmark a portion of the new funds for hiring and retention of staff. We still believe this would be a timely step to make sure that the funding increases that the government has committed to actually produce results.

Another disappointment comes from the indication that the McGuinty government is going to walk away from the success it has had in keeping a major campaign promise by freezing tuition for two years. Ensuring affordable access to college and university is extremely important to our union. Our members want to be sure that their children and grandchildren will be able to continue their education without taking on exorbitant debts. A post-secondary degree or diploma today is becoming a basic credential for any decent-paying job, like high school completion might have been a generation ago. Premier McGuinty had the right idea with his tuition freeze when he was campaigning for office; there's still time to do the right thing and extend the freeze, although in this area, unlike the question of action in the forest industry, the Premier's comments yesterday were not encouraging at all.

I also want to take a moment to urge the government to take action on pension regulation and retirement security. This is an issue the Steelworkers have always felt strongly about, but it's even more true after the experience we've just gone through at Stelco. For two years, our members and retirees faced the threat of a company that was saying it needed bankruptcy protection because of its pension obligations. It continued to maintain this position even when it started reporting record profits. Our union fought back with everything we've got, and we're proud that we've been able to reach the end of that process with no cutbacks in wages, no reduction in pensions and a solid plan to get the Stelco pension plan properly funded again, and a solid plan that we hope will restore prosperity to that company.

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In November, the Ontario Federation of Labour adopted a comprehensive pension policy at our biennial convention. The Steelworkers support that full agenda. I'll only take time now to emphasize the need to bring the provisions of the Ontario pension benefits guarantee fund up to date. Unfortunately, many of our members and retirees have had to depend on this guarantee fund in the past two years, as a wave of bankruptcies has hit the manufacturing sector in this province. Without the back-up from this fund, there would have been serious suffering. The ceiling for the fund's protection, however, has been frozen at $1,000 per month since 1988. This is now grossly inadequate. We support the OFL's call to raise this limit to $2,750 per month, and then create an automatic indexing link to inflation so it is not allowed to fall so far behind the times again.

The government's interest in pensions, sadly, seems to be mostly focused on trying to tap pension funds for expanding privatization of public services, especially through public-private partnerships or alternative financing and procurement, which appears to be the name for it these days. We believe the record is clear that P3s or the AFP approach will cost more, funnel public money into private pockets and close off these deals to proper scrutiny and accountability.

I also want to urge the committee to consider the effects that persistent poverty has on our economy and society in Ontario. The distressing fact is that people who have to rely on social assistance or disability benefits are actually worse off now than they were in 2003 when the Conservatives were defeated. We saw charts of that earlier this afternoon. The token increases provided by the McGuinty government have not kept up with inflation. It's time to get serious about building affordable housing, about guaranteeing affordable tuition rates, about expanding public health care services, about making sure that people on social assistance have enough to live on. We would like to see this year's budget abandon token measures and declare a serious effort to address poverty in our otherwise prosperous province.

Finally, I want to repeat a point that Mr. Fraser and other Steelworkers representatives have made to the government and this committee and other committees before. Extending the right to card-check certification in the organization of labour unions only to the construction sector was unacceptable. It's discriminatory, especially against the women and minorities who dominate in other sectors of the economy such as the service sector. It has the appearance, if not the reality, of political payback for support of the McGuinty Liberals in the last election campaign. Card-check certification worked well in this province for decades under Conservative, Liberal and NDP governments. When the Harris government abolished card-check certification to make it easier to defeat union organizing campaigns, the Liberals in opposition voted to keep the card-check system. We don't accept the government's position and will not rest until a fair system for union organizing is restored in Ontario.

Thank you for your time. I look forward to your questions.

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

Mr. Wilkinson: Thanks, Wayne. Roger did do a good job for you as well.

Mr. Campbell: My name's Charles. I'm here on Wayne's behalf.

Mr. Wilkinson: Sorry, right. But Roger's still the same guy.

Mr. Campbell: Roger is still the same guy.

Mr. Wilkinson: And he did a good job.

We hear a lot up north about the concerns you're raising. The Minister of Energy just announced, either yesterday or this morning, consultations with the public in regard to the energy mix. I would encourage the Steelworkers to partake in that. I think the minister wants to hear from a broad cross-section.

Just one quick question: You were talking about freezing tuition. We had the undergraduate students here today, and their recommendation was that they thought we should eliminate the tuition tax credit, which helps those students, particularly their parents, of higher income, and actually target that money into student assistance for the lower-income young people. If we did that, they thought it was acceptable to allow tuition to rise with inflation as long as direct financial assistance was going to be there, including a proposal based on marks, that there are entrance scholarships provided by the province. Do you see that as another way of achieving the means that you want to see, in other words, greater equity, particularly for accessibility for those bright kids who want to get off to university, who have the marks but are unable to go because of the cost?

Mr. Campbell: I think there is considerable merit in looking at taking the leakage of revenue from the tuition tax credit, which of course is of no use to people who don't pay income taxes or who can't attribute it up to their parents or whatever, and finding better use for that. I would not be prepared to endorse their idea that that would then make it okay for general tuition levels to rise. There is substantial research that suggests that tuition levels in and of themselves are deterring folks from families who have not gone to college and university before and that scholarships for folks with high marks or other kinds of things that may well have their place to encourage certain kinds of outcomes aren't sufficient to diminish the effects of the sticker shock of high and increasing tuition rates. While it's worth looking at some of the suggestions they've made, we think they should be combined with a continuation of the tuition freeze.

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

Mrs. Munro: I wanted to ask you a couple of questions related partly to the question of post-secondary, but before that, on the same page you made reference to the problems with regard to the secondary manufacturing sector and the job losses that have taken place, recognizing that the strong Canadian dollar isn't something we have control over, but that the delivery of reliable power is. I just wondered whether or not you had any position on the types of generation that we have available to us now or the direction in which we should be moving.

Mr. Campbell: I'm not in a position to state the union's position on moving from one type of generation to another. It's an important and difficult question that we'll be addressing in a number of forums. I think it's vital to do this in a context that recognizes how poorly it has worked out to confuse the cost of generating power with the price the market will bear. It has worked out especially poorly in Ontario's system of postage-stamp prices across the province so that even with little ability to transmit electricity from the northwest to the southeast, it's had all the effects that you've heard about.

Whatever the most appropriate mix is, both of generation types and of the most aggressive possible efficiency and conservation programs, it's going to be essential to put in place quite a different structure for pricing in order to recapture some of what Ontario at one time had in terms of a structural advantage from abundant and attractively priced power. There was a suggestion earlier that those days are gone forever, which we would categorize as defeatist.

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It's sometimes said of George Bush that he was born on third base and thought he hit a triple. To a certain extent, in terms of the Ontario economy, much of what was done over 100 years amounted to hitting a triple and a lot of people think we were just born on third base. There was a conscious industrial policy of attractively priced power that created much of the industrial infrastructure that's taken us where we are today.

Mr. Prue: By way of prefacing my question, yesterday Wayne Samuelson came before the committee and talked about how five out of the six factories in the downtown core, when he was a younger man, had closed up, and he was glad he ended up getting a job in the sixth one. By the way, that was the one they announced today, so it now means all six are gone. Have they given any reasons why they're shutting this down? Is it energy cost? Is the building too old? Is it unproductive? What have they said?

Mr. Campbell: This announcement came out only a few minutes before I left the office to come here. Wayne Fraser called and said, "You're on, not me." I looked quickly at their announcement. They make tires for cars which fewer people are buying, so the first thing out of the gate that they announced really doesn't have a great deal to do with those policies. They are moving the production to the United States. It's fair to assume that the Canadian dollar has a part to play. And I think it's extremely likely that part of the reason that plant was located here was because they had an energy price advantage. Not only are the costs they're paying no longer lower, but the volatility and uncertainty in the current Ontario system is something that employers just can't live with.

Mr. Prue: You went on to talk a little bit about pensions and what happened at Stelco. Well, we've been having quite the debate here in a legislative committee over the last few days about Bill 206, the restructuring of the OMERS pension plan. You said that the Ontario Federation of Labour adopted a comprehensive pension policy. Does the OFL or Steel have a position on this new bill? Will it have any impact on your members?

Mr. Campbell: We don't have any members who are under the OMERS system, so it doesn't have a direct impact. I've read some of the analysis and position papers put forward by both CUPE and by the municipal association. They don't agree on very much, but they seem very persuasive that there are considerable problems. Putting in structural impediments that make it nearly impossible for the pensions ever to be improved is something we would certainly have a big problem with if it related to our members' pensions.

The Chair: Thank you for your presentation.

YORK CENTRAL HOSPITAL

The Chair: I call on York Central Hospital 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.

Mr. David Weldon: Thank you very much. My name is Dave Weldon. I'm the chair of the board of trustees of York Central Hospital. It's a pleasure to be here today. It's doubly a pleasure: I was here on Monday to talk about Bill 36, and during those hearings the fire alarm was going off the entire time, so it's nice that we don't have that as background.

Our presentation is entitled Building, Caring and Meeting Our Community's Health Care Priorities; it's the York Central Hospital's position on some things we would like to see in the 2006 Ontario budget.

I want to thank the committee for giving us the opportunity to contribute to this year's pre-budget consultation process. I hope that our contribution to your deliberations will be valuable as you prepare advice for the government in advance of the 2006 budget. Quite frankly, we hope that our presentation has the same kind of effect as it did last year, and I'll get into that.

First, some background: York Central Hospital is a 426-bed community hospital located, as I mentioned, in Richmond Hill. While our patients are mainly from York region, 25% of the patients we see come from other areas of the province. We are proud of our mission to provide excellence in community and regional hospital services for the people of York region and beyond.

In 2004, the population we serve grew by almost 35,000 residents. That's like plunking down the city of Orillia in the middle of our catchment area in one year, and that's been going on for probably something close to 10 years now. In terms of patient care, in 2004-05 this resulted in over 65,000 ER visits and an additional 105,000 other ambulatory visits at our hospital. Additional information on the range and scope of programs and services we provide is included with this package.

Under the heading of "Improving Capital Infrastructure," we need the committee to know that last year, as part of your 2005 pre-budget consultation process, we provided a submission that spoke of the need for government to invest in hospital-based services in high-growth areas like ours to ensure that timely access to modern health services in local communities can continue. We offered several recommendations to the provincial government about how health care infrastructure in York region could be strengthened, and we specifically asked this committee to recommend to the government that phase 1 of our hospital's capital redevelopment be a top priority in the 2005-06 fiscal year and to have it immediately approved so that York Central Hospital could take full advantage of that year's construction season.

Well, I am pleased to be here today to formally thank the government for responding to our submission, for recognizing the unique health care needs of York region that are being driven by unparalleled growth and for acting immediately on our request to approve our capital redevelopment project. On April 1 of last year, York Central Hospital was pleased to host our local MPPs, including Greg Sorbara, Mario Racco and Frank Klees, for the announcement of the final approval of phase 1 of our major expansion and renovation project. With a total cost of $93.2 million, this redevelopment project is the first major expansion to the hospital's facilities since the building of the Langstaff wing over 30 years ago. When that wing was approved 30 years ago, the population of Richmond Hill was 32,000 people. In 2004, 35,000 people were added to our catchment area—a significant change.

There has been outstanding local support for our facility. To date, the Ministry of Health and Long-Term Care has contributed $55.5 million toward the total cost of phase 1, including $9.1 million to cover project planning and preparation. The balance of funding is provided by the region of York and the York Central Hospital Foundation. The outstanding support from the town of Richmond Hill, York region and from our local community for phase 1 has gone a long way in ensuring that the goal is realized. Moreover, through the work of the York Central Hospital Foundation board, staff and all of the local volunteers, we are 90% complete in our campaign to ensure that the community funding required to support phase 1 has been achieved.

We have strong local representation. I want to take the opportunity here today to recognize the support of all of our local MPPs: Mario Racco and Greg Sorbara from the government caucus and Frank Klees from the Conservative caucus. We are fortunate to have such strong local representatives who all passionately support strengthening health care for the residents of York region. They've been able to put party differences aside and have put the interest of York Central Hospital where it needs to be: front and centre. Those efforts are for their constituents. Their efforts were instrumental in ensuring that we moved forward so quickly, and we were very pleased to have them all attend the formal funding announcement. In fact, a week from today—next Thursday morning—we will have the formal, official groundbreaking for phase 1.

What is it doing? It is improving patient access. Phase 1 will have a significant impact on the delivery of critical health care services in our region. For example, the redevelopment will:

—triple the size of our emergency and diagnostic imaging departments;

—double the size of the critical care unit;

—create a state-of-the-art birthing unit;

—provide schedule 1 mental health facilities, including six new secured beds;

—expand fracture, plastics and ophthalmology clinics; and

—add a total of 87 new in-patient beds, including new acute care medicine facilities.

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Of course, the main goal of phase 1 of the redevelopment is to strengthen our services for our patients. Our emergency room patients can expect shorter waiting times, greater privacy and comfort in treatment areas, and faster access to a range of diagnostic services such as MRI and CT scans. For hospital in-patients, they can expect faster admission to an in-patient bed, improved access to critical care and birthing services, and new and renovated patient care units featuring negative pressure isolation rooms for isolation of highly infectious patients. We were one of the hospitals that was closed for a while, a year or so ago, because of SARS, and the need for isolation negative pressure rooms was very apparent then. It will also provide faster and more convenient access to outpatient services following discharge.

Work, as I said, is well under way. We officially awarded the tender for phase 1 of the redevelopment on November 16, and we hope to be able to fully realize the benefits of that phase in just less than three years. We recognize that this is an ambitious time frame; however, our patients, our staff and the new residents moving in deserve nothing less.

The government has been investing in York region health care. In addition to the approval of phase 1, I want to quickly recognize the government's other health care investments at our hospital. The addition of a new MRI, a CT scanner and special procedures suite with a fluoroscopy unit has allowed York region residents to access services much faster and much closer to home. We support the call of the GTA/905 Healthcare Alliance to expand local access to both hospital and health care services. The government investments will do just that. The addition of the MRI at our hospital we believe will reduce current waiting times by 50%. We have recently received approval from the ministry for a new dialysis unit. Once completed, the new unit will provide traditional hemodialysis treatments for up to 108 patients and home hemodialysis therapies for 50 or more patients in their homes.

We also work closely with local community health care partners to expand the health care services available to people in our community. In that vein, we were pleased to recently announce the official opening of the district stroke centre, located at York Central, offering enhanced preventative, emergency and stroke rehabilitation services to York region and beyond. York Central Hospital has been proud to play a leadership role in the establishment of a coordinated response to the care of stroke patients in York region.

Newer, more modern facilities, better access to care, services closer to home, accountability to our patients: These are all part of York Central Hospital's plan to implement our mission to provide excellence in community and regional hospital services for the people of York region and beyond. But we still need a plan for the future. York region is one of the fastest-growing regions in Canada. Phase 1 of our capital redevelopment project represents an important, albeit limited, part of the critical capital improvements that need to happen at York Central Hospital. In order for our staff to be able to deliver quality health care and our patients to receive the health care they need, both phase 1 and phase 2 of our capital redevelopment program must be completed. The two phases are interlinked and should be thought of as one complete program.

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

Mr. Weldon: Okay. Phase 2 is important because it directly addresses the government's priority on reducing waiting times for priority services. We recognize that it's still a few years away. We've always worked cooperatively with the ministry staff. We would ask this committee to recommend that the government give York Central Hospital the tools now to plan for future growth by approving phase 2 of our capital redevelopment program as early as possible.

The main message of our presentation today is the need to build on what's been started. I want to also briefly touch on some of our operating challenges. Health care facilities in Ontario are working hard to balance their books, but it's difficult to do this with rapidly rising prices and in growing communities.

We support the recommendations of the GTA/905 Health Care Alliance. We agree that until a new provincial hospital funding formula is developed that fully takes into account population growth, the government of Ontario needs to immediately establish a separate growth funding envelope that is adequate in size and provides catch-up funding in rapidly growing communities.

As well, we would like the government to consider the reintroduction of development charges for hospital purposes to be levied on new development. The growth that new homes bring can help pay for the capital needs of hospital expansion.

In conclusion, I want to thank the government for acting on the recommendations of York Central Hospital last year. We are moving forward with our phase 1 and we dearly need your assistance to get phase 2 going and to ensure that appropriate operating funding is there to serve our residents and our patients. Thank you very much.

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

Mrs. Munro: Thank you very much. As a York region member, I can certainly attest to the kind of challenges that growth presents in York region. I want to compliment you on your success last year in looking at phase 1. The dilemma for you and for me, as residents of York region, is to be looking at the ways in which that catch-up funding—because, as you would know, it is in both the health care and social services part of the basket of services and it's one that, as a member, I'm very conscious of. I congratulate you on getting phase 1 and certainly look forward to you getting phase 2 as well.

Mr. Weldon: Thank you.

The Chair: Now we'll move to Mr. Arthurs of the government side.

Mr. Arthurs: Mr. Weldon, welcome. As well, congratulations on your success in York Central. There have been a number of announcements throughout the course of the year on hospitals, a number of those in the 905 regions—as opposed to 905 Hamilton—that are going to lead us in the right direction and context, not all of them this year, but over the next two or three years.

You did take the opportunity to comment on the 905 alliance's position that there should be a strategy for high-growth areas. Yours is one of those, a part of the overall package. You might want to comment on why you see that as important. We had Tariq Asmi from the alliance with us yesterday commenting from that context. You also made reference to their submission on development charges and the importance for their inclusion in capital campaigns. On that side, do you see the reintroduction, if it were to occur, of development charges diminishing the capacity to garner the support from the local development industry to contribute to the hospital campaigns or do you think they would still, as corporate citizens, step up to the mark when requested and required?

Mr. Weldon: On the development charges, I don't believe it would diminish the contributions that are made to hospital foundations by developers. A number of the developers understand that the homes that they build and sell bring pressures on hospitals, and some of them, as a result of that, have donated to hospital foundations, certainly to the York Central Hospital Foundation. Some don't—some big ones don't.

When there were development charges, we were lucky, I guess, that we had not only DCs coming in to fund our hospital but also contributions from developers. Quite frankly, the contributions that are made right now, although they can be large in total, don't equal what the development charge used to be, and not all developers are doing it. On balance, I would hope that developers would not withdraw from contributions to hospital foundations in total, but if they did, the history, at least in our case, would suggest that the amount of money generated through development charges would be larger.

The Chair: Thank you for your presentation this afternoon.

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COLLEGE OF PHYSICIANS AND SURGEONS OF ONTARIO

The Chair: I call on the College of Physicians and Surgeons 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 yourselves for the purposes of our recording, Hansard.

Dr. Rocco Gerace: Thank you very much. My name is Rocco Gerace, and with me is Louise Verity, who is the director of communications. I'm an emergency physician who practised for many years in London, Ontario, until joining the college about three years ago as registrar.

We are pleased to have the opportunity to make a submission today, and I'd like to focus our submission in three areas: firstly, the need for increasing and urgent attention to address the health human resources challenges; secondly, that we move swiftly and definitively to improve patient safety in the health care system; and finally, recommending that government take immediate steps in respect to the public appointments process. I'll go through each of these in turn.

Firstly, in respect to the health human resources challenges, I'm sure all of you know that in virtually every area of the province, there are issues with patients unable to get doctors. This clearly has to be a high priority. As the population is aging, so is the physician population aging, and the shortages we see now I think will only get worse.

The college, over the past seven years, has been very active in this area, having had multiple iterations of a physician resource task force, planning collaboratively with medical schools, with government and others, and we've had successes. We've been able to facilitate on a collaborative basis the process to assist international medical graduates into practice, and as you know, more than 25% of the doctors in this province are international graduates. Further, the college itself has enhanced and reduced barriers in its registration policies. These enhancements, without compromising standards, have led to an additional 523 doctors registered in this province. But it's not enough.

We know that family doctors are less and less willing or able to accept new patients. In the year 2000, 39% of doctors were accepting new patients. In 2004, it fell to 16%, and we believe that this year that percentage will fall even further. So we have a number of suggestions:

—We think we should further facilitate access to postgraduate training for Canadians who are studying in medical schools abroad. We frequently get asked questions about this from all sectors of the province.

—We think we should further increase our domestic capacity by increasing enrolment in medical schools.

—We have to further increase our postgraduate training capacity. We know that doctors tend to stay in the area in which they do their postgraduate training, and by increasing our capacity, we will draw and train more doctors and hopefully keep more doctors in the province.

—The government has been very kindly assisting international medical graduates in their assessment and training, and we think this should continue.

—Ontario is a great place to work. We in the college have 3,500 members living outside of Ontario. Clearly, there are many more who've been in Ontario and who've left. I think we should market this province as a great place to work and try and bring some of these doctors home.

—There are a number of health professionals who deliver care, and we have to exploit or take advantage of their expertise and look at collaborative care models. There aren't going to be enough doctors in the future, and we have to look at how else care might be provided.

—Finally, and not least important, is that we recommend the creation of a health human resources planning body, a body that will look at all health human resources and will give advice and recommendations so that we don't get into the situation in which we now find ourselves.

The next area I would like to address is the area of patient safety. I think patient safety is the hidden epidemic in the health care system. A recent Canadian study in the year 2000 demonstrated that somewhere between 140,000 and 230,000 adverse events that are preventable occurred in hospitals. The number of deaths from adverse events in hospitals ranges somewhere from 9,000 to 24,000 per year—24,000 people a year dying as a result of error in hospital.

The human cost in respect of suffering and death is immense, but I think we should also look at the fiscal cost. What these events precipitate is an increase in the length of stay in hospitals, somewhere between three and seven days. If we do the math, we can see that the number of days that would be available for other patients on wait-lists would be immense. I think there really has to be a clear and aggressive strategy, involving all stakeholders, to address this issue as a public health imperative.

Finally, I'd like to talk briefly about public appointments. In many agencies, boards and commissions, members of the public appointed by government play a critical role. The College of Physicians and Surgeons is no exception. On the college council or board, we have 16 elected physicians, three physicians appointed from universities, and anywhere between 13 and 15 members of the public. From the beginning of my involvement in regulatory processes, I've been most impressed with the significant and important role played by members of the public. They are integral to every component of our regulatory process. Indeed, by statute, it's required that every discipline hearing have two public members serving on the panel.

In the past year, the college had to take an unprecedented step of cancelling a hearing due to a lack of eligible and able public members. We are facing continuing difficulties in filling panels, and this is a problem that's shared by other health regulatory colleges.

We have a number of recommendations in this regard. We think it would be helpful to improve the initial screening process in a way that ensures that potential candidates for public appointment have the time and ability to serve on the boards or councils for which they are being considered. We believe that these public appointees should receive strong and effective orientation, and that their per diem should increase from the $150 a day they're now paid. It's important that all regulatory bodies have adequate public representation at all times. This is clearly in the public interest.

Finally, public members should be given the opportunity to participate in all components of the regulatory process. Not infrequently, we find that the process does not allow them to attend to some of the areas we think are very important in the regulation of medicine.

Summarizing, the three areas we're bringing to you today are, firstly, the issue for urgent attention to health human resources; secondly, that there be attention to the issues of patient safety in the health care system; and finally, that the public appointments process be streamlined and enhanced.

Thank you for the opportunity of presenting.

The Chair: Thank you very much for the presentation. We'll begin with the government.

Mr. Arthurs: Thank you for the presentation. There are two areas that I haven't heard and that I don't think the committee, at least in this go-round, has heard much about. There's the issue of patient safety. I'm interested in the types of issues that, more specifically, arise on the issue of patient safety that effectively cost us more in the overall system by keeping the patients there longer than they should be. Secondly, as to the commentary on the appointments process, I agree with you fully that public engagement on boards and commissions across the province is critically important. Your comments are well placed around the need to ensure they have the availability, have the skill set and also have adequate and appropriate orientation with respect to the boards and commissions they might sit on. Those matters I haven't seen raised with us during this time.

Given our limited time, could you comment a little bit more on patient safety and the types of experiences you've seen that cause issues for the system?

Dr. Gerace: I'll relate back to my experience practising in the emergency department. There's a whole host of issues that lead to patient injury and patient death. Many of these revolve around drug error, problems with mixing up of requisitions and reports, the wrong drug being given or the wrong treatment being given at the wrong time, wrong limb surgery. There is a whole spectrum of problems that occur, some of them life-threatening, some of them not.

The reality is that throughout the Western world this has been recognized as a significant problem. In the US, it's suggested that up to 100,000 people per year die as a result of medical error. We thought we were doing better in Canada, but the numbers are equally staggering. If we extrapolate those numbers to Ontario, it's a severe problem, and I think a problem that will not only, if addressed, keep patients happier, but will free resources for other types of care that are so sorely needed.

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Mr. Arthurs: And probably provide a high degree of confidence in the professionals, whether it be the docs, the nurses or the support staff who are providing that level of service.

Dr. Gerace: Absolutely. I think it's critical that we as regulators participate in the process, because what we often see is fear among the health professionals to acknowledge errors, fear of sanctions from the regulatory bodies. We have to come up with strategies that will help the system improve. For example, at the college we've initiated a policy where it's incumbent on doctors to advise patients when they've been harmed in the health system. This leads to increased confidence in the system and we hope a reduction in preventable adverse events.

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

Mr. Hudak: Thank you, Registrar. Ms. Verity, always a pleasure to see you as well. Thanks for taking the time to present. I know my colleague Ms. Munro has a question as well.

With respect to a proposal to allow Canadian or Ontario residents who do their training outside the country to come back for the residency, are there enough positions currently funded to allow that to take place, or how short are we?

Dr. Gerace: I can't speak to exact numbers. We have recommended in the past that for every graduate of an Ontario school there be 20% more positions to accommodate training for those from outside the province, including Canadians who are studying abroad. We think it's important because these young doctors tend to stay where they do their postgraduate training.

Mr. Hudak: To understand, then, I think we've probably all dealt with folks from our ridings who trained in the States or somewhere else. I just want to make sure there's the proper matchup to make that a reality.

Dr. Gerace: There have been, I think, artificial barriers to these kids coming back to Ontario. These have begun to be addressed. There was a recent announcement indicating that these students can come back in the second iteration of the match. This is all complex. The problem with that is that when they match, it's after the US match, and so they take a chance by not going to the US, for example, waiting to hope to get a position here in Ontario. I think we have to create a process that will not only facilitate but encourage these students coming back to Ontario.

Mrs. Munro: I want to quickly go back to the issue around patient safety. I had a family member where a mistake was made when surgery was desperately needed—two breaks in one leg—and they gave her lunch. Then it was a four-day wait for somebody who had come in by ambulance, simply because there wasn't operating room time and things like that. I think it's a huge issue. I appreciate your concerns. What I question, though, is the complexity of who's really responsible. You talk about wrong medications and things like that. Do we have any best practices? My feeling as a family member was that it was just, "Oh well, that's too bad." It was a good thing it wasn't life-threatening, although it was extremely difficult for the person to wait four days for something that should have been taken care of right away. The complexity of who is actually responsible and how you would have some kind of process in place: Have you explored any of those, or have you seen other jurisdictions tackling that kind of issue?

Dr. Gerace: We've begun to explore it, but it's very difficult to do in isolation. It can't be focused on doctors alone. It can't be focused on health professions alone. It has to involve the health professionals; it has to involve hospitals; it has to involve systems.

We often draw the analogy with the aeronautics industry. You may recall that years and years ago there were frequently plane crashes, and you don't hear about those very much any more. They made a concerted effort to look beyond the individuals and look at the system and focus on fixing the system so that the problems don't arise; create an environment where they can look at almost errors, near misses, and see what the problems were so that those problems wouldn't happen again. It clearly is an example of success.

Some of the specific disciplines have done the same thing. Anaesthesia used to be highly problematic, and the anaesthetists have created systems to deal with anaesthesia problems. I think it's a problem we have to look at collectively, all the health professions working together with hospitals, with government, looking at a systems approach to dealing with patient safety. I think that attention to this is long overdue. We need to deal with it.

Mrs. Munro: I would certainly agree.

The Chair: Thank you for your presentation before the committee

Mr. Arthurs: Mr. Chair, I have a motion for us, and I believe we have agreement on it. I move:

(1) That the research officer prepare a summary of presentations by Friday, February 10, 2006.

(2) That the research officer provide a draft report to the committee members by Friday, February 17, 2006.

(3) That the committee request authorization from the House leaders to meet on Monday, February 20, 2006, and Tuesday, February 21, 2006, if required, for the purpose of report writing.

(4) That, if authorized, the committee meet for the purpose of report writing on Monday, February 20, 2006, and, if required, Tuesday, February 21, 2006.

(5) That for administrative purposes, proposed recommendations be filed with the clerk of the committee by 9 a.m. on Monday, February 20, 2006.

(6) That the deadline for dissenting opinions be 4 p.m. on Thursday, February 23, 2006.

(7) That the English version of the committee's pre-budget report be tabled in the Legislature on Monday, February 27, 2006.

(8) That the committee request authorization from the House leaders to table the French version of the pre-budget report during the intersession.

The Chair: Any debate?

Mr. Hudak: The official opposition agrees with the motion that is put forward as is. I also want, as I'm sure all members agree, to commend the clerk and Mr. Johnston and the team. We went to some places that are often off the beaten path for the committee historically, and it was a very well-organized tour. I commend them for their efforts.

Mr. Wilkinson: Briefly, I just want to note that our colleague Mr. Prue wasn't here for the last two delegations, but not for lack of interest. One of his constituents is receiving a medal of bravery from the Lieutenant Governor. I think that's a commendable excuse for not being here at this moment, and I'm sure he agrees.

The Chair: Thank you.

All in favour? Carried.

I too want to thank the staff who have travelled with us over the last two weeks. They have done a fine job for the committee.

The committee adjourned at 1617.

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