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(Hansard)**

Tuesday 30 January 2007

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Mardi 30 janvier 2007

**Standing committee on
finance and economic affairs**

Pre-budget consultations

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

Consultations prébudgétaires

Chair: Pat Hoy
Clerk: Douglas Arnott

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Tuesday 30 January 2007

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Mardi 30 janvier 2007

The committee met at 0904 in room 151.

PRE-BUDGET CONSULTATIONS

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. For the committee's information, our first presenter and second presenter have reversed their positions in this morning's presentations.

The committee is pleased to be in Toronto this morning. We were in North Bay and Kenora, for example, and experienced no weather-related or technical problems at all.

ASSOCIATION OF MUNICIPALITIES
OF ONTARIO

We'll begin this morning with our presentation by the Association of Municipalities of Ontario. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. Please identify yourselves for the purposes of our recording Hansard.

Mr. Doug Reycraft: Good morning, Mr. Chairman. My name is Doug Reycraft. I'm mayor of Southwest Middlesex and president of the Association of Municipalities of Ontario. With me this morning is AMO's executive director, Pat Vanini, and our director of policy, Brian Rosborough.

Municipalities are an order of government that is critical to the prosperity of our communities, our province and our country. There is a shared understanding now, I believe, that the current state of municipal finance does not provide municipalities with the resources they need to fund their immediate responsibilities, let alone invest in their future. While the municipal community has been saying this for years, the chorus has grown to include the federal government and all three political parties represented here today. Ontario has stood alone for far too long in its approach to provincial-municipal fiscal relations.

Municipalities struggle under arrangements that are ill-conceived, poorly executed, unaccountable to taxpayers and devastating to our communities. The result is the highest property taxes in Canada and deteriorating infrastructure.

Is help on the way? We believe it is. We believe that the Premier's launch of a joint review, with AMO and

Toronto, of how municipal services are financed and governed in Ontario will get us solutions. The Premier understands the need to create a sustainable, provincial-municipal fiscal relationship where both orders of government can meet their responsibilities efficiently and effectively. Conservative Party leader John Tory has pledged that, if elected, he would "create a clear, agreed-upon framework for provincial versus municipal responsibilities with a realistic funding model behind it." Similarly, the NDP has shown consistent leadership and long advocated the uploading of provincial health and social services costs from the municipal property tax base.

While I'd like to suggest that AMO's advocacy work has led to this consensus, the sad truth is that a decade of unsustainable municipal finance is now coming home to roost in Ontario. The damage is visible. The public sees its effects in our streets and the business community measures it in terms of lost opportunity.

We recognize that the Ontario government faces a number of serious fiscal challenges that cannot be ignored and that the Ontario government has set a number of priority goals it wishes to achieve. Some of these are evident over the course of the last three provincial budgets: deficit reduction, investments in health care and investments in education. Each of these is a laudable goal and has merit in its own right.

As community leaders, we understand the value of provincial investment in people, in research and technology and in services for vulnerable Canadians. But failing to invest in municipal infrastructure, and undermining our ability to invest municipal revenues in municipal services, is a false economy with long-term consequences. There is an urgent need to address the provincial-municipal fiscal imbalance and the resulting municipal infrastructure deficit.

There are a number of areas where immediate changes to funding arrangements will provide an immediate return on investment for our communities. What's more, it is the right thing to do if we are truly committed to good public policy and good fiscal policy in Ontario. Here are two examples. First, billing municipalities for 20% of the province's ODSP disability benefit program makes sense to no one. Sending us a bill for half the cost of the provincial delivery of the program is equally unaccountable. Second, charging municipalities for drug benefits of low-income Ontarians is a prescription for escalating property taxes and the decline of our com-

munities. I could go on with additional examples, but I know that the provincial-municipal \$3-billion gap is well known to the members of this committee.

The combination of education property taxes and the \$3-billion gap means that 50 cents of every property tax dollar collected from Ontario residents and businesses ends up in the provincial treasury. The bottom line is clear: Municipalities need to be free to use the municipal property tax base for their own services and capital expenditures. This gap has prevented municipalities from reaching their full potential as drivers of economic development and challenged the basic municipal infrastructure that underpins the quality of life in our communities. It has undermined our ability to deliver safe, clean water and wastewater systems, effective transit and transportation systems, suitable waste management systems, well-maintained roads, and the cultural and recreation infrastructure that must be key elements in a healthy and competitive Ontario.

The municipal response to the Canada-Ontario municipal rural infrastructure fund, COMRIF, provides a breathtaking example of the need. Each of the three COMRIF intakes has resulted in \$1 billion worth of applications.

The Canadian Council of Professional Engineers has estimated the municipal infrastructure gap in Canada to be \$60 billion, growing at \$2 billion a year. The Ontario Ministry of Public Infrastructure Renewal itself estimates that Ontario's total infrastructure gap is \$100 billion.

0910

The need is great, and all orders of government have a responsibility to ensure that the infrastructure that underpins our economic prosperity is not allowed to fail. Ontario's municipalities require a fiscal relationship that is sustainable, predictable and accountable. Reducing the province's dependency on municipal property taxes is the only solution.

This budget provides the government an opportunity to begin to establish a sustainable fiscal framework for infrastructure investment in Ontario communities. There are many areas where improvements can be made. I want to highlight three specific issues for you today.

The first concerns the costs associated with crown lands. While crown lands generate substantial revenues for the province—stumpage fees alone bring in an estimated \$100 million a year—they generate no revenue for municipal governments. Yet municipalities must operate a wide range of services that support activities on crown land. These include road and bridge infrastructure, as well as ambulance, fire and police services. This can be a considerable responsibility—in eastern Ontario alone, crown lands cover more than 11,000 square kilometres—and the costs of these services fall solely upon municipal property taxpayers outside of crown land. In the interest of equity and fairness, we believe that these costs should be shared with the province. A provincial payment-in-lieu program for all crown land, based on local and county residential tax rates, would assist in reducing this burden.

A second issue is provincial programs that are designed to meet provincial environmental and agricultural policy objectives but are funded by municipalities. I am speaking specifically of the managed forest tax incentive program and the farmland tax program. The managed forest tax incentive program is a voluntary program administered by the Ministry of Natural Resources. It provides a 75% discount on property taxes to landowners who agree to manage their forests, including commercial forestry operations, shifting the property tax burden to others in the community. While the total costs of this program are not extraordinary, the principle of forcing municipalities to subsidize a provincial forest management program is bizarre, and it's unaccountable. Likewise, the farmland taxation policy taxes farmland and farm woodlots at only 25% of the municipal residential rate. When the cost of this program was downloaded by the previous government, the cost to municipalities was estimated at \$165 million a year for about \$30 billion worth of farmland. I cannot tell you what the cost of the download is today, but we all know it's significantly higher than it was in 1998. Members of this committee may wish to put that question to officials from the Ministry of Finance.

You will often hear that the impact of these policies is offset by the government's Ontario municipal partnership fund, but the fact of the matter is that in 2007 the OMPF will include only \$49 million in total offsets for the farm tax and managed forest programs.

AMO has long advocated on behalf of rural Ontarians, and we are acutely aware of the importance of a sustainable agriculture industry and environmental conservation efforts. However, provincial programs based on municipal tax expenditures are flawed in principle and in practice.

A third priority, and one of the simplest ways to begin addressing the infrastructure deficit and promote sustainable growth, is to fix the discounting and limitations on development charges. Growth should pay for growth. The Development Charges Act, as currently structured, destabilizes the municipal revenue base and forces existing property taxpayers to subsidize Ontario's development industry. In this government's election platform there was a commitment to ensuring that developers absorb their share of the costs of new growth, but there is no sign yet of the promised review of the Development Charges Act. Municipal governments continue to lose out on hundreds of millions of dollars in revenue and property taxpayers continue to pay a higher price as a result.

These examples have one thing in common: Property taxpayers are being required to subsidize non-municipal programs and priorities. Subsidizing services to provincial crown lands, subsidizing provincial agricultural and conservation programs and subsidizing the development industry diverts municipal resources away from municipal services in a way that subverts any notion of good public policy.

AMO and its member municipalities are calling on you to undo the harm wrought by the current fiscal

relationship and to lay the groundwork for a new fiscal relationship that will make our communities and our province competitive in the global marketplace.

Thank you. I look forward to questions.

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

Mr. Ted Arnott (Waterloo–Wellington): Thank you very much for your presentation this morning. On behalf of our caucus, we want to express our appreciation to the members of AMO for the excellent work that you do representing the municipalities of Ontario and their interests.

You've highlighted quite a number of issues in your brief presentation today. You initially talked about the ongoing review of the municipal-provincial financial relationship. This is something that I think our party agrees with—there's a need for it—but I think it should be done expeditiously and resolved expeditiously, not punted off until the next election, like the MPAC issue. How long would it take for AMO to prepare for that discussion and put its case forward to the government?

Mr. Reycraft: We've already started talking to the government through the fiscal review. It's basically being managed by two groups, a political table and a coordinating committee. There is an enormous amount of research that's required in order to get this job done properly. It is a very extensive and comprehensive undertaking, and we think it's far more important that when we do that review, when we establish a new provincial-municipal fiscal relationship, we get it right. We don't expect the solution to happen instantly, but we do want to see a program that leads us to a relationship that is sustainable. The current situation is not. So while we'd like to see it go faster, we recognize the fact that there's a lot of background work that needs to be done, and it's far more important that we do it right than it is that we do it quickly.

Mr. Arnott: How long would you then expect it would take for this issue to be resolved?

Mr. Reycraft: We really don't have any argument with the fact that it's going to take us well into 2008—I think that year is mentioned in the brief—in order to complete the project.

Mr. Arnott: You also talked about the needs of municipalities in terms of their infrastructure, and this is something that I hear about every week in my riding when I am speaking with municipal officials. If you look at the COMRIF program that was announced with great fanfare by the provincial government a few years ago, bragging about a \$900-million program—of course, you have to look into it deeper, and you see that \$300 million is coming from the municipalities, \$300 million from the federal government, and that it's stretched over five years, which means the provincial government is setting aside just \$60 million a year for rural infrastructure towards this program. I would submit, from what I've seen over the last three years in this Legislature, the provincial government spills \$60 million a month on questionable priorities and programs.

I'm pleased that the government has come out with the rural infrastructure investment initiative recently to try and respond to this issue, but could you just give us a little more information about the needs of municipalities, especially the rural ones, which I think are in particular need with respect to infrastructure projects and the assistance they need from government?

Mr. Reycraft: I think COMRIF is a program that provides very strong evidence of the need. As you indicated, the total amount of project value that was applied for through that program was \$900 million. And yet, for each of three different intakes, the applications totalled over \$1 billion, so you've got over \$3 billion in applications for a program that really offers less than \$1 billion. I acknowledge the fact that probably some of those programs were repeated in the second and third intake from the first, but the need is substantial.

Municipalities are really caught in a fiscal vice. On the one side, we're being pressured by the need to pay for health and social services programs, and on the other side comes the pressure to meet these infrastructure demands. The result of that pressure from both sides is the highest property taxes in this country, the highest property taxes on the continent, maybe in the developed world, for that matter—there's evidence from an international organization that substantiates that—and yet this great and growing need for infrastructure, construction, replacement and repair that's going unmet.

0920

Mr. Tim Hudak (Erie–Lincoln): How are we doing for time, Chair?

The Chair: About a minute and a half.

Mr. Hudak: Thanks very much for the presentation. I'll ask two quick questions, if I could. The first is with respect to the province's gas tax program for municipalities. The federal program is more open. It goes to all municipalities, whereas the provincial program is targeted only at transit municipalities. Do you have any comments on that program?

Secondly, with respect to the services on the municipal tax bill you dedicated a lot of your presentation to, if you had to pick one of those areas that the province should upload first, what would it be?

Mr. Reycraft: I think I indicated in the brief that I think one of the easiest programs to upload would be the Ontario disability support program. That's a program that's designed by the provincial government. Municipalities have absolutely no control over the details of the program nor of the costs, yet we get the bill for 20% of the benefits that are provided through the program and 50% of the cost of its administration. So the ODSP is one that I think could be very easily changed.

Mr. Hudak: And the provincial gas tax program versus the federal gas tax program?

Mr. Reycraft: Well, AMO is certainly supportive of programs that offer funds to municipalities on a per capita basis, such as the federal gas tax program does. Certainly we recognize the need for transit funding across the province, but rural municipalities that don't

have transit systems have infrastructure needs of their own that frankly aren't recognized through the provincial gas tax program. We did appreciate the \$400 million Move Ontario program that was contained in last year's budget, which helped to balance that situation up.

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

Mr. Reycraft: Thank you.

CANADIAN HEARING SOCIETY,
TORONTO

The Chair: Now we will hear from the Canadian Hearing Society, Toronto. Please come forward. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Gary Malkowski (Interpretation): Good morning, Mr. Chair, and standing committee members. My name is Gary Malkowski. I'm the special adviser to the president of public affairs. Sitting next to me is Kelly Duffin, our president and CEO of the Canadian Hearing Society.

I have provided a briefing for you. At this point I am going to read the quote off the first page, which is from a study conducted in 1995:

"Consider someone who has a chronic illness, lives alone, and is having trouble coping. Without any concerted effort to help them with problem-solving and adjustment to their particular circumstances, this person will probably spend a lot of time seeking medical help. When we compared a group who received counselling and support to a group who were left to cope on their own, the people with chronic illness, poor adjustment and poor problem-solving capacity who struggled with depression and loneliness on their own were half as well adjusted, and cost the health system 10 times more (\$40,000 per year per person versus \$4,000)."

I am here to help you save money, or at least try to. The Canadian Hearing Society is a 67-year-old non-profit organization that provides services to deaf, deafened and hard-of-hearing people, with 28 offices across Ontario. We believe we share with your government the fundamental goal of making Ontario a better place for people who are deaf, deafened and hard of hearing. Your government has taken several initiatives that have helped, and the thousands of people who we serve acknowledge these efforts. Congratulations. But there is more to do.

Our submission comes from the perspective of the three ways we function: first as a community health care provider, secondly as an agency serving people with disabilities, and thirdly as a member of the voluntary sector.

From all perspectives, our submission will make recommendations that we believe are essential for the provincial budget and, as you requested, we will give you our thoughts on how they can be funded.

Ms. Kelly Duffin: Good morning. The first priority that we're speaking about relates to health care. In the

transformation of health care currently under way, we do see a number of opportunities. Our strong hope is that the important will not be overlooked by the urgent in the transformation currently under way.

As baby boomers age, the percentage of seniors, as we all know, will increase dramatically. We believe that the 2007-08 budget should form part of the planning process to address the health care needs of this burgeoning senior population, particularly with respect to mitigating chronic conditions. Chronic conditions are no less significant than acute, although acute does tend to get the bulk of attention and funding, and also can tend to be easier to measure. It's easier to measure wait times and times in surgery, for instance, than it is to measure the impact of when Mrs. Smith doesn't hear the doctor's instructions or can't read the doctor's instructions related to her health care and all the knock-on impacts that has throughout the system. As we move towards more evidence-based and metric-based decision-making, it's important that we develop and invest in the same measures for chronic care needs.

Our first recommendation is that appropriate metrics be developed around chronic care and that system-wide plans, procedures and funding are in place to address chronic conditions as well as acute. As Gary mentioned, in our submission at the back with the recommendations, there are some thoughts on either how it would be funded or how savings could be generated. I won't go into those, but they are, as you've requested, in the submission.

Our second point on this topic relates to hearing health care. There's considerable anecdotal evidence and research that suggests that hearing loss is often misdiagnosed as dementia in older patients, and often older patients also admit to not being compliant with their medication simply because they didn't hear the doctor's instructions. Hearing loss is the fastest growing disability in Canada because age is the number one cause of hearing loss. Approximately 45% of people over 65 are hard of hearing. Detected early, successful and cost-effective interventions can take place. This relates to the quote that Gary read at the beginning of our presentation.

We believe, and our second recommendation is, that just as there are provincial strategies to deal with things like stroke, cataracts and Alzheimer's, a provincial strategy to deal with hearing loss should be funded and developed in consultation with stakeholders. As I think we've highlighted, because communication is central to other aspects of health care, that strategy would not only improve hearing for the population in Ontario but would also improve their ability to deal with their other health care issues.

We also believe that community health care providers are important partners, particularly in the transformation currently under way. We believe that community health care providers can be leveraged to take some of the work from institutions that may not be acute, urgent or high cost—provided, however, that funding is in place for community health care providers to do so.

Our third recommendation is that whenever health care delivery is moved from institutions to community

health care providers, sufficient funding for service delivery must accompany that move. It may represent a savings, but funding has to be there to provide the service. Now Gary is going to speak about our second priority.

Mr. Malkowski (Interpretation): We applaud the government, indeed all parties, as the passage of the Accessibly for Ontarians with Disabilities Act, AODA, received unanimous support in 2005. Action on this legislation has a real potential to make society more accessible to all people with disabilities and, in fact, to bring Ontario closer to equal citizenship and full human rights.

In addition to the AODA, there are other substantial factors, federal and provincial pieces of legislation and regulation—see appendix A—that assure people with disabilities the right to access and equitable treatment. The newest addition to these requirements is the August 11, 2006, federal court decision in *Canadian Association of the Deaf v. Canada*. In his ruling, the Honourable Mr. Justice Mosley wrote: “As Canadians, deaf persons are entitled to be full participants in the democratic process and functioning of government. It is fundamental to an inclusive society that those with disabilities be accommodated when interacting with the institutions of government. The nature of the interests affected is central to the dignity of deaf persons. If they cannot participate in government surveys or interact with government officials they are not able to fully participate in Canadian life.”

0930

Although technically the federal court decision only applies to the government of Canada, on a substantive and ethical level, the decision applies to municipal and provincial governments. Should the municipal and provincial governments ever be challenged in a court on a similar basis, there is very little to differentiate the provision of services as well as involvement in the democratic process and functioning of government with respect to deaf and hard-of-hearing persons required under the Charter of Rights and Freedoms. However, despite the recent judgment and the passage of the AODA, no new funds have been announced to turn these legal tenets into social realities. Rights without capacity do not guarantee social progress.

In democratic renewal, government cannot represent constituents with whom they cannot communicate. Society as a whole loses when people with disabilities are unable to volunteer, make educated choices about candidates via vehicles such as all-candidates meetings, vote or run for office. As was reaffirmed in the federal court decision cited above, people with disabilities are entitled to be full participants in the democratic process and the full functioning of government.

In these and other ministries and programs, there must be a budget line for access and accommodation to ensure that the objects of the Charter of Rights and Freedoms and Ontario Human Rights Code are met: the fostering of a “climate of understanding and mutual respect for the dignity and worth of each person so that each person

feels a part of the community and able to contribute fully to the development and well-being of the community and the province.” Recommendation 5 is that ODSP and ADP budgets should be increased.

Ms. Duffin: The third priority we are speaking to relates to the voluntary sector, where many services for people with disabilities and community health care are provided. The voluntary sector must be acknowledged and respected as an increasingly important 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 nearly two million people—almost the job size of manufacturing in this country—and a February 2006 labour force statistics study revealed that one in 11 Ontarians works in the non-profit sector. It’s also a very valuable sector. Many studies have demonstrated that for every dollar invested, \$1.50 worth of service is provided.

While the Canadian Hearing Society has been heartened to receive some increases in our base provincial funding in the last three fiscal years, those increases have yet to catch up to the erosion in funding in real terms that has occurred in the sector over the last decade or more. Our submission cites a number of studies that suggest the loss of capacity is 15% or more.

For these and other reasons, it’s critical that the provincial budgeting process not promote further erosion to this major underfunded and cost-effective sector that has an impact and in fact touches the quality of life of everyone in Ontario. Our last recommendation is to urge the government to provide increased funding in the voluntary sector, particularly for those agencies engaged in the health care of seniors. Minimally, we believe this increase should be in the order of 5% and should be a base funding increase to go some way towards remedying the erosion of capacity in this sector. Thank you very much.

The Chair: Thank you for the presentation. The questioning will go to the NDP.

Mr. Michael Prue (Beaches–East York): Just on the last point—let’s deal with that first: You are looking for an increase for the voluntary sector. Is that increase in funds to go to hiring more people or is it, as I’ve heard from some agencies, to go to increase the wages of those who work there, who, for the most part, are underpaid—or is it a combination of both?

Ms. Duffin: I would say it’s a combination of both, but largely the former. As you point out, the sector is largely underpaid, and part of the problem is that with expansion dollars rather than enhancement or base funding, we are required to do more. But the erosion to what we were already doing continues to persist. That’s why our strong recommendation is that it relate to base funding to do the two things, and primarily the first, of what you’re suggesting.

Mr. Prue: There are many agencies out there, some of which are more capable, do better work, than others. I have heard it suggested, and I’d just like to hear your comment, that we should be funding those agencies that

excel and giving them more money and resources. Or should we just trust in the sector overall and continue to fund all of those that exist?

Ms. Duffin: I think things like quality assurance are very critical. People should not have a fear of being certain that where taxpayers' dollars are going is well spent. I would agree that there should be quality assurance. However, some of the systemic loss of capacity I think has probably, for some agencies, compromised their performance as well. So I think we have to separate out what people are able to achieve from what they've been funded to do.

Mr. Prue: You talk about increasing the ODSP and ADP budgets. There has been a lot in the newspapers in the last few weeks. I haven't heard anything from the government side, whether there is going to be any increases. In your view, is the amount of money being given to ODSP and ADP sufficient? First of all, is it sufficient for ODSP residents and their families to live on? I think not, but what's your view?

Mr. Malkowski (Interpretation): When we look at the aging population and the change that is quickly happening with the baby boomers—we're seeing age 50, 55 individuals—they are acquiring disabilities. However, ODSP has not seen an increase in the last five years. We've seen no new funding. How are they going to be able to manage the growth of that population and the changing population when individuals start to come under ODSP? There is not enough money available to accommodate the baby boomers and those individuals who would be laid off or otherwise disabled and who would then apply for ODSP.

Ms. Duffin: And related to ADP, it has been our experience that when people are provided with devices that allow them to stay in their homes independently, that ultimately represents a saving to the alternative. We also would encourage that legislation not increase barriers or create an even less level playing field, as happened with the passage of the fire alarm and smoke detector legislation, where there was no concurrent ADP increase for people who require visual smoke detectors and visual smoke alarms.

Mr. Prue: This is election year in Ontario, this coming October, unless of course the date is changed. Has the government, to date, made adequate preparations to allow people with disabilities to vote and to participate? What you have said here is, and you're right, "Society as a whole loses when people with disabilities are unable to volunteer, make educated choices about candidates ... vote, or run for office." These questions have been asked in the House; not answered to my satisfaction. What is your view? Has the government done enough to put programs and resources in place to allow the disabled to fully participate in democratic life?

Mr. Malkowski (Interpretation): I think it's important to recognize all levels of government. They must accept the responsibility aligned with that, not just the provincial government. We need to see a fiscal balance. If we look at the structure and how it's deteriorating, how

are we going to be able to deal with the aging population? When we're looking at all parties, for each of them to be able to participate in the democratic process—elections, yes, that's an issue. Access is an issue; it's a huge issue. And we're looking at voters. We need to be able to listen to their message and by doing so accessibly.

The Chair: Thank you for your presentation this morning.

0940

CANADIAN BANKERS ASSOCIATION

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

Mr. Luc Vanneste: Good morning. My name is Luc Vanneste. I'm the executive vice-president and chief financial officer of the Bank of Nova Scotia. I am also the chair of the Canadian Bankers Association's financial affairs committee, and it is in that capacity that I am appearing before you today. Also with me is Karen Michell, vice-president, banking operations at the Canadian Bankers Association.

Thank you for the opportunity to talk to you about the CBA's recommendations for the 2007 Ontario budget. Our industry's recommendations for the upcoming budget focus on the need to promote greater economic prosperity in Ontario. We believe that one of the most effective means by which to do this is through creating a more competitive tax environment.

First, allow me to provide a quick overview of the contribution the banks make to the Ontario economy. Banking is a key sector and a major economic partner in the province. In terms of tax, we paid over \$1.6 billion in tax last year in the province. Banks' contributions to the Ontario economy are much more than our physical presence. Banks provide financing and credit to Ontario residents and businesses. This type of financing not only supports our customers but fuels growth and job creation in virtually every industry in every community. Also, it is important to remember that the banks are widely held businesses, with individuals being investors in the banks through the Canada pension plan and through their RSP or other pension funds. When banks do well, Ontarians and Canadians do well.

On slide 4, we show that the contribution of deposit-taking intermediaries—banks, credit unions—to Ontario's GDP is 4.2%. This is the highest in the country.

As can be seen on slide 5, the banking sector is helping Ontario to grow. Our contribution is on par with other key sectors in Ontario's economy.

Financial services are also an engine of Toronto's economy. Toronto is the third-largest financial services centre in North America and is a key driver of quality, highly skilled employment both in the industry itself and in business support sectors like accounting and consult-

ing. Banks also made donations to Ontario charities totalling \$76 million in 2005.

As I mentioned earlier, our 2007 budget recommendations focus on the need to create a more competitive tax environment in Ontario. Why is tax our budgetary priority? Ontario is competing for investment with other provinces and with jurisdictions in the US and elsewhere in the world. Capital is very mobile and jobs can move very quickly. Also taxes, corporate income taxes and capital taxes in particular, are critical decision-making factors for potential investors, including those in our industry.

The CBA's first recommendation is that the government should reduce the general corporate income tax rate to make it competitive with other key jurisdictions in Canada.

In looking at slide 8, you will see that the increase in the general corporate income tax rate to 14% undermines Ontario's competitiveness against its key provincial counterparts.

The next slide shows the percentage GDP growth over the last five years and illustrates why Ontario needs to lower corporate income tax rates if it wants to increase investment and employment and stimulate long-term growth. Quite simply, tax is a factor when making an investment decision.

Although cutting taxes often leads to fears about decreased government revenues and decreased services, as someone helping to make investment decisions, I can tell you that the opposite is true. Creating a more competitive tax environment is an effective means by which to increase revenues by attracting and retaining investment in the province. This helps to pay for the government programs that the people of Ontario need and value.

Capital tax is also a barrier to investment and growth. Why? It applies regardless of whether or not the business is profitable. It is a tax on jobs, since employee wages are part of the formula used to attribute capital within a province. And for banks, it is particularly perverse since we are required to hold capital to protect our depositors and then we are taxed for doing so.

While we appreciate that Ontario is taking some action on the capital tax, we recommend that it be eliminated immediately. An alternative would be to eliminate it in stages, faster than currently planned. As an absolute minimum, we recommend that the government legislate the announcement made in the 2006 budget that the elimination of the capital tax would be accelerated to 2010, if affordable, in order to provide certainty for businesses for planning purposes.

From a competitive perspective, Ontario needs to keep pace with capital tax trends in Canada. Alberta and the federal government have eliminated capital taxes and Quebec is reducing its capital tax rates by 50% by 2009.

To conclude, in order to attract investment and employment and stimulate long-term growth, the government must make the tax environment more competitive. As such, we recommend that the general corporate income tax rate be reduced to be competitive with other

key jurisdictions. Even if there were an announcement that this would be done within the next two or three years, this would have a positive impact on business planning. Also, we recommend that the capital tax be eliminated, if not immediately, then on a legislated basis in the near future.

Again, we strongly encourage Ontario to focus on tax competitiveness in its 2007 budget as a means to achieve greater prosperity for this province. Thank you.

The Chair: And thank you. This round of questioning goes to the government. Mr. Arthurs.

Mr. Wayne Arthurs (Pickering-Ajax-Uxbridge): Thank you for your presentation. I don't know if you had as tough a time getting in as many of us did this morning, but probably so. It's a little hectic out there.

The two primary tax initiatives that you would like to see movement on, as you've identified clearly, are the corporate income tax and the capital tax. We've made moves on the capital tax front and set out a time frame for that, and you've asked that that be expedited. Can you speak a little bit more to the corporate tax initiative? Obviously, you said ideally immediately. Do you want to articulate again what you might think is a time frame and a reasonable staging of the reduction if immediately were not an option for the minister, should he consider this as one of the budgetary considerations?

Mr. Vanneste: Businesses tend not to plan just for a one-year time frame, and major capital investments, infrastructure investments, tend to take a longer period of time. When we make those decisions, we really take a look at a number of factors, and taxes are one of them. So if the government were able to communicate to business in Ontario, "This is what we see the corporate tax rate being in 2009, 2010, 2011," for example, when we are looking at those major infrastructure and capital investments, that would give us an indication of whether or not it is better for us to do it in the province of Ontario or in another jurisdiction.

Mr. Arthurs: On the capital tax front, I found it interesting—I gather that your word was "perverse" relationships with the banking industry, because you're required to hold capital to protect your investors and then you're taxed on that. Can you elaborate just a little bit more?

Mr. Vanneste: You mention investors; it's really the depositors who pay. We are legislated to hold minimum capital levels. In realty, we as an industry are holding beyond that, so protecting the investors is costing us because there's a tax on that, and that just doesn't seem to be right. What we really should be doing is encouraging greater investment in Ontario; not sacrificing the protection of depositors but taking away taxes to encourage investment in the province to expand the tax base, over time increasing those revenues and increasing the prosperity in Ontario.

Mr. Arthurs: My general thoughts around the capital tax were that it's the implication more on the manufacturing sector with the investment in purchasing equipment. I didn't realize the implications on the banking industry.

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Mr. Vanneste: Indeed, on that point, the banks pay more than anybody else.

Mr. Arthurs: The financial services industry overall, though, seems to have been doing well in the province as a business over the past few years. Is that a fair assessment?

Mr. Vanneste: It is, but I think if you take a look at a number of the industry players, a lot of that income is coming from outside of the province; indeed, outside of the country. I think the key focus here in terms of our message is that we want to increase the prosperity within Ontario.

Again, as I mentioned, when the banks do well, everyone does well. I think there's nothing better for an economy than to have a stable banking system. But when you take a look at one of our slides in our written submission, many Canadians, either directly or indirectly, have a significant component of their net worth through pension funds, whether it's through their employer, through the Canada pension plan or through other associations that they're involved with. So we really do want to keep that vibrancy going, because it protects not only Ontarians but Canadians.

The Chair: Thank you for your presentation

ONTARIO FEDERATION OF LABOUR

The Chair: I call on the Ontario Federation of Labour to come forward, please. Good morning.

Mr. Chris Schenk: Good morning.

The Chair: You have 10 minutes for your presentation. There may be five minutes of questioning following that. Please identify yourself for the purposes of our recording Hansard.

Mr. Schenk: My name is Chris Schenk. I'm the research director at the Ontario Federation of Labour. I thank you for this opportunity to speak this morning.

I want to just cover three points in the time allotted. One is just a little bit about the economy. Secondly, I want to talk a little bit about some of the problems with other government policies and initiatives, or lack thereof. Thirdly, I want to talk a little bit about what to do about some of the problems that we see.

There are a number of ways to talk about the economy and most of them are a cure for insomnia. So to brighten up your day, I thought I would just take one feature article from the Star and talk about what it tells us, because it's quite typical. This is the Star article from January 6, and it's headlined, "Labour Market Sizzles." It points out that there were 345,000 new jobs created across Canada in 2006. I was surprised about that, because it turns out that Ontario produced more jobs than Alberta. We all hear about the boom in the west, and yet Ontario gained 42,000 jobs. It also talks about—again, this is quite typical—the national unemployment rate being down, which is good news for everybody; it's down to its lowest in 30 years. Of course, you have to be looking for work to be counted in that and there are a

number of issues there. But it looks like the economy, according to most of the articles, including this one, is running on all cylinders. Yet when we disentangle the big picture a little bit, we find that the situation is not quite so optimistic, that the rising tide of economic growth is not really raising all the boats.

The first point I found there was that while the economy has been growing and unemployment is down, there is a widening gap between rich and poor. This has been going on for some time in Canada and in Ontario, and I think we need to come to grips with that growing inequality.

It also doesn't talk to these figures—Stats Canada and the Star article don't talk very much about this—about the quality of jobs. What is the level of compensation? Do they have a benefit package? Are they full-time or part-time? In fact, the article did give us a hint about that. Out of the new jobs created in Ontario, 30,000 were part-time and only about 11,000 were full-time. That tells me something right away. Part-time jobs are generally not compensated at the same level as full-time, permanent work. They often don't have a benefit package. Again, we can see that there are some issues here that we have to deal with. The part-time issue really broadens out when you read through most of these articles and see that the highest number of new jobs were self-employed. So this, to me, looking at these issues fairly regularly, is a continuation of an ominous trend across the country: more part-time jobs, more contract jobs, more self-employment jobs, more irregular work jobs.

I took a look at that and I found that in 1989, we had 67% of the workforce in full-time permanent jobs; by 2003, we were down to 63%. That left us with a full 36% of jobs that were not full-time permanent jobs. You will find that women and youth are overrepresented in these jobs, and, of course, immigrants. And you'll find that the compensation level, while uneven, is generally low.

So the initial picture we get of a sizzling economy, when we take it apart a little bit, we find that it's a bit problematic. Certainly, we have felt that in the Ontario Federation of Labour, having all kinds of occupations across the country. I just want to mention two of them.

One is that there's a certain crisis in manufacturing, a crisis to deal with a number of cost issues, including energy costs and the high Canadian dollar, which has appreciated tremendously over the last period. We have over two million workers across the country employed in the manufacturing sector; that's 12.9%, or virtually 13%. We find that the wages in this manufacturing sector are about 28% higher than the Canadian average, yet we have a mass exodus out of this sector due to plant closures, pulp mill closures etc. So when I looked at that—I went back to August 2002 and went forward right to May 2006—we have about 125,000 people who have lost their jobs in Ontario. That's an awful lot. Those of you who are from northern or northwestern Ontario will know this in terms of pulp mills and all those closures that affect whole towns. But we can see it here in southern Ontario too if we look, but we virtually have to

look because it's masked by the fact that we have a low unemployment rate. The problem is, we're losing manufacturing jobs that pay way above average and we're gaining all kinds of non-full-time permanent jobs in areas like the private service sector. That's certainly a problem, a reality that's kind of disturbing, I think, for those of us who are looking to protect working people through the trade union movement, and for anyone else who is concerned about the quality of jobs and work in this country. I will leave that there, with those highlights, and just move on to some of the other problems that I see.

We have a whole number of needs in Ontario. I think the one I've already pointed to is the income gap, but there are a number of other gaps that I see; for example, affordable housing. I don't think the government has moved on affordable housing like it should have. I think there's a real crying need for it. And it is a real employment builder. If we're talking about job creation, that's one area to do it. Canada Mortgage and Housing Corp. figures show that there are only about 23,000 vacant rental units across Ontario, and they have an estimated 124,785 households on Ontario's social housing waiting list. Talk about a social need where government policy could make a difference. That would be one of them.

We have other problems that I point to in the submission that has been handed out to you around education—some of the issues there that are bothersome and that I think could be corrected. The government has done some positive things in this area; we're certainly more than willing to admit that. But I think there are some changes that need to be made, including to the funding formula, which has been pointed out a number of times.

There are also a number of problems in health care. Again, the government has made some moves in this area, and some of them are appreciated, but I think we have a few problems that really bother us from our perspective. One of them is the continued attempt to privatize the public health care system through the mechanism of P3s. My reading of the evidence suggests that this is not the way to go. Our reading of the evidence from Britain certainly suggests that it's not the way to go. They went this way some years earlier and have pulled back from that direction.

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Understaffing is another area that needs to be looked at in the health care sector.

I think all of these things are documented in the now-drafted but just to be released Ontario Alternative Budget. But the other issue that you've probably heard about and know about is the issue of inequality, which I began with, and the issue particularly of poverty in our province, and health. Recently, the Health Council of Canada identified the biggest health problem in Canada as inequality and poverty, and I think that's an area we have to look at.

There are a number of others here: the infrastructure gap that previous speakers have talked about, our problems with infrastructure. I don't think they've made up for the Harris-Eves years in this province. There's money

being put into infrastructure, but I don't think it has at all made up for the deterioration of infrastructure under the previous government.

There are a number of other gaps that I've pointed out there, and I won't go through them all, given our limited time, but certainly the environment is an area that we see as increasingly of concern in the public, and I think there are real initiatives that can be taken there, that need to be taken there, and that should be taken there. I hope the government would move on that area.

The Chair: You have about a minute left.

Mr. Schenk: Right. I want to just talk about the job strategy there. We think there are a number of things that can be done differently in this province.

I guess our fundamental concern is that we've sort of been through an era of what is called neo-liberalism, or you might just call it market fundamentalism, where we've been going for more free trade, more private initiative, less government, more constraints on government, a huge cry about deregulation when in fact we need regulation in certain areas. Just think of the environment. If you don't regulate, you don't keep our environment as clean as we should. So we see that we should have more active government intervention, and that is a different direction that we would like to promote on the part of government.

That would involve some major changes in the way government operates. For example, we think we need a sector-wide manufacturing jobs strategy. There's no reason why you can't look at things on a sectoral basis—look at the steel industry, look at the retail industry, whatever it is—and bring people together and work on issues: How do we build this sector? What changes need to be made to make this sector viable? How can we maintain and create jobs in this sector? There have been attempts at this and we have seen some of this work in western Europe, and I think it can work here.

There's really no thought given to procurement policies. It's all, "What does the market want?" Well, in some cases there are procurement policies that can build on industry in Ontario.

There is no overview of foreign ownership. Anybody can take over anything, make any promise, and do what the heck they want. That's not a way to run a province, it seems to me. If they're going to take over an industry, we want to know what they are going to do. Are they going to maintain it here or are they going to close it down here? Are they going to build jobs or not? All of those things—research, innovation—everybody would know about.

There's the exchange rates that I've already talked about. Again, that's a federal issue as well as a provincial issue, but I think there are some things that can be done there. I think some things can be done about energy prices. There are some things that can be done to expand education and training. I try to just note them in this overview. But this is the kind of direction that I think we need to look at for Ontario, instead of the sort of market fundamentalism that has gone on over the past period.

I'll leave it there, and thank you very much.

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

Mr. Arnott: I want to thank you for your presentation.

More than a year and a half ago, in May 2005, I brought forward and tabled in the Legislature a resolution which called upon this committee, the standing committee on finance and economic affairs, to immediately begin an investigation into our economic competitiveness as it affects our manufacturing jobs in particular. I wish we had done that work a year and a half ago and come up with an action plan that could have been brought forward in the Legislature and that the government could have proceeded with, at least in an effort to send a signal to our manufacturing industries that we're trying to work with you; we're trying to find solutions; we're trying to find a way for you to protect your markets and to protect your jobs.

Over a year and a half has passed. As you pointed out, more than 100,000 manufacturing workers in the province of Ontario have lost their jobs in recent months. Would you support this committee undertaking that kind of investigation right after we finish our pre-budget hearings, and would the Ontario Federation of Labour be willing to participate in that?

Mr. Schenk: I think we'd be enthusiastic about any kind of investigation into this economy, particularly manufacturing, and how we can make sure that Ontario maintains a strong manufacturing base and, with it, quality jobs. We'd be most willing to be a part of any efforts in that direction.

Mr. Arnott: The resolution passed the House, but as of yet no hearings have been scheduled. I'd ask the government members to support what we're saying.

The Chair: Mr. Hudak.

Mr. Hudak: Thank you very much for the presentation on behalf of the OFL. You point out very well at the beginning of your presentation that one Toronto Star article does not an accurate economic profile make. In fact, in the third quarter, as you probably well know, we had negative growth in the province of Ontario.

Mr. Schenk: Yes, and it was amazing; a whole series of articles came out like this, and then we began to see a little bit of a different picture. But the point is that actually over the past period the economy has been pretty good, on paper at least, in terms of macroeconomic growth. But when you disentangle that, you see that there are some real social problems and inequalities there that I think government policy can make a difference about.

Mr. Hudak: What has always been the bread and butter of the Ontario economy, a strong manufacturing base, is slowly being whittled away, with, as you say, over 100,000 well-paying manufacturing jobs that have been chased out of the province of Ontario.

Mr. Schenk: Like the BF Goodrich plant in Kitchener recently, right?

Mr. Hudak: We were just in Hamilton yesterday, where the Kitchener-Waterloo chamber of commerce made that exact complaint.

I was going to ask too—further in your presentation you talked about energy, and I know that the Hydro workers' union has objected to the government's plan of closing down Nanticoke, Lambton, Thunder Bay and Atikokan, and suggest instead that clean coal technology should be pursued. You mentioned the importance of controlling energy rates. Do you have a comment on the coal-fired energy generating plants?

Mr. Schenk: Well, that gets into a lot of technical issues, and of course some of our members would be concerned no matter what I said. But the fact is that we need the cleanest environmentally produced energy that we can possibly get. The question is, what kind of adjustments do we make between now and then to get there? Can we in any way transform some of these coal-generated plants into something different, and can we do something around labour adjustment for the workers there? I think part of their concern is what happens to their members, and that a lot of what is public hydro is being privatized in the way the government is moving into solar, wind and other forms of energy.

Mr. Hudak: You also take issue in your presentation with the McGuinty government's claim of the \$23-billion fiscal gap. You say in your presentation that it's really only about \$2 billion. Would you care to go a bit further and explain your point of view on that?

Mr. Schenk: Well, I'm going by some recent material that I think Hugh Mackenzie has written over the last period of time, over the last year or so actually, in the Ontario Alternative Budget. When he looks at what equalization this country really needs and wants and really has been agreed to for many years, and you take that all out, it really is a small amount of gap—more like \$2 billion than \$23 billion. I just tried to make that point, citing the Ontario alternative budget and pointing out that there's much more money lost in the tax cuts that the Harris-Eves government did, which now, again according to Hugh Mackenzie, is about \$15 billion annually. So I know it's a hard deal to try to talk about raising taxes, especially when I hear the bankers' association, which was just here, but I think we have to look at ways that we can maintain and increase revenue in Ontario without trying to make what I consider just political theatre on the part of the Premier around the \$23-billion gap. That's why I use the term "gap" here all the time, because there are other gaps that I think are more significant.

The Chair: Thank you for your submission.

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CANADIAN AUTOMOBILE ASSOCIATION, ONTARIO

The Chair: I now call on the Canadian Automobile Association, Ontario, to come forward, please. Good morning.

Mr. Kris Barnier: Good morning.

The Chair: You have 10 minutes for your presentation and there may be five minutes of questioning

following that. Please identify yourself for the purposes of our Hansard.

Mr. Barnier: Thank you, Mr. Chair. My name is Kris Barnier, and I'm here on behalf of the Canadian Automobile Association. We have 2.2 million members in the province of Ontario. Last year, I had the opportunity to come before this committee, and I asked for your help on behalf of our members. We asked that the province transfer an additional two cents of its existing gas tax revenue to municipalities to help them repair their desperately-needing-of-repair roads and bridges in the province of Ontario. We saw a great start with transit, but we identified that as a need as well.

We also had the opportunity last year to come to Queen's Park with members of our boards of directors from our three Ontario clubs and with our executives. Many of you took the time to come out and speak to us at our reception, and many more of you took the time to have either your staff or yourselves meet with us to hear what we had to say. I tell you, the response that we had was absolutely great, and it was clear that members of all three parties understood where we were coming from. That's why we were so glad and ecstatic to see the \$400 million in the Move Ontario program that came last year. We definitely think it was a phenomenal start in the right direction.

One of the hats that I wear in my job is that I'm also one of the co-chairs of the worst roads campaign. I'm sure it's a campaign that many of you are familiar with, because maybe you've had one named in your riding. A little while ago I had a chance to talk to Tim Hudak about this. He asked, "What kind of results are you getting out of this campaign? Are you getting these roads fixed? What are they telling you?" We listened to Mr. Hudak's advice and we went and called every single one of those municipalities across the province of Ontario, to ask them, "Are you getting these roads fixed? Do you have enough money? If you're getting the money to do it, where is it coming from?"

What they told us overwhelmingly is that, yes, they are taking action to fix these roads. In fact, 86% of the roads that we have named in the last few years are in the process of getting fixed or have been fixed. But one of the things that became so clear when we asked municipalities, "How are you getting the money to fix these?" is they said that Move Ontario money made a big difference.

One of the places that I went to was Sarnia. My parents happen to live out that way. There's one road in particular there, Blackwell Road, that was in horrible shape. It was flooding, and the mayor was getting a lot of pressure to fix it. When I went out there to do a media event to encourage more voting, the mayor made the point of saying, and the local paper says it as well, that that Move Ontario money helped them fix Blackwell Road. That's a story that we heard many times as we went across the province.

But the other thing we're hearing from so many municipalities is that, while that's a great start, that money has

to be sustainable if it's going to make a long-term difference. Just last week I had the opportunity to go to London for a pre-budget committee hearing with Minister Sorbara. Before I had the opportunity to speak, I heard from three municipal officials. All three of them identified their own municipal fiscal gap. Two of those individuals made the crux of their presentation on road and bridge infrastructure and how municipalities don't have enough money to deal with that. We heard from AMO as well, who raised the same point. We also heard from the gentleman from the Ontario Federation of Labour, who raised the same point again. So I think we're hearing a common theme here: that there has to be long-term, sustainable funding to help municipalities fix their road and bridge infrastructure. It's a safety issue. It's an economic issue.

One of the things we know is that the longer you put this problem off, the longer it takes to fix it. In fact, Ontario's own Auditor General has said that if you follow a proper road maintenance schedule over a 15-year period, you're going to spend about \$1,000 per lane-kilometre to keep it properly maintained; that's just the surface. But if you're neglectful, if you put it off because there are other priorities, that \$1,000 can quickly become \$80,000 per lane-kilometre if you need to resurface, or \$250,000 per lane-kilometre if you have to dig up the whole bed and reconstruct. So clearly, it makes sense to make this investment.

That's why, as the Canadian Automobile Association, we're calling for a permanent gas tax program that will help municipalities of all kinds deal with their needs. Specifically, what we think makes the most sense is for there to be a shared federal-provincial-municipal gas tax program that will have shared objectives. Specifically, being that this is money paid by motorists, we think that roads and bridges ought to be a key component of it, and perhaps the driving force behind it.

But we recognize that before we can reach such an agreement, what needs to happen is that we need to understand the full scope of the problem. That's why we were very glad to hear that the province is working with municipalities to take an audit of Ontario's roads and bridges to determine just what kind of state they're in and how much it's going to take to fix them. Our hope is that once we have determined that amount of money, we can have all three levels of government come together and develop a strategy to tackle this problem in a fair and meaningful balanced way.

The other thing that needs to happen—we know it's going to take some time to reach that. But we've heard from so many groups that have already said that we need to tackle this issue immediately. That's why we think that what the province ought to do, much in line with what happened with the Move Ontario money last year, is that the province should commit an additional two cents of its gas tax revenue to help municipalities of all sizes deal with their infrastructure needs, including roads and bridges. So that's essentially what we're looking for on that front. We just think it's the right thing to do, it will

help municipalities of all sizes and it will address an immediate and important need in a fair and balanced manner.

There are a couple of other things that some of our clubs are interested in, and I'd like to touch on those. Many of us would be familiar with ITS technology. Basically, that's the sort of technology where you see things like compass signs on the highways. We've all had that situation where we've been stuck at an intersection, traffic is dead stopped going in our direction, but there's a green light going the other way and we have no idea why we're stuck at these intersections. ITS technology does things like creating smart intersections, which have the ability to change the lights according to actual traffic demands. The benefits there are, one, a safety benefit. In Toronto, studies have been done and it has been found to reduce left-turn violations by about 70%. There's an economic savings because cars and vehicles and goods aren't stuck in traffic, which also translates into an economic benefit because it, frankly, reduces the cost of transporting goods. As an environmental benefit, it makes a lot of sense too: Because cars aren't necessarily stuck in idling traffic, they're moving more efficiently. We're looking for a \$35-million investment from the province. We would see that being a multi-year program, where municipalities could make a proposal to the province. We think that's the right way to go.

In addition, we're also involved with traffic management associations. That's one thing I've talked to Mr. McNeely about a number of times. What these organizations do—the one we're involved in is with the Markham Board of Trade and the city of Thornhill. They go out to businesses and they talk to businesses about their hours of operation, looking at things like, "Do you really need all your people coming in at 9 o'clock in the morning and leaving at 5?" They take a look at simple things like perhaps allowing more employees to work from home. They come into your business and survey all of your employees to ask them, "If car pooling was available, would you do it?" They facilitate websites that help people find suitable matches. They also ask employees, "If transit were in front of our building, would you take it?" That is such an efficient way to reduce traffic demand. We know that with an intensification policy in our province, it's going to be hard to get people out of their vehicles. One of the most efficient, cheapest, straightforward ways to deal with this is to empower organizations like traffic management associations to go into businesses and help find ways to reduce traffic at off-peak hours. All these folks are looking for over a five-year period is an investment from the federal and provincial governments of about \$7 million. We think that's, frankly, peanuts when you look at the benefit that these organizations have the potential to provide. These organizations would be able to put up half of the money themselves, and they would be looking for federal and provincial government support for the rest. That would be enough to set up and continue to operate these organ-

izations across 10 communities for the next five years or so.

The Chair: You have about a minute left.

Mr. Barnier: Okay, thank you. In addition, we also support all parties that have called on the federal government for additional support. We would like to see more money come from the federal government to support a national highway strategy.

Finally, the other thing that we would like to see in this budget—we've been very supportive of any move to create economic incentives for people to buy hybrid vehicles or to buy other fuel-efficient types of vehicles. We were encouraged by what happened in last year's budget. We encourage the government to continue down that road with more incentives as well. Thank you very much.

The Chair: Thank you. This round of questioning goes to the NDP.

Mr. Prue: Your key point was a permanent gas tax for municipalities, which we would not oppose, but you skirted around the point, and I think it's important for us to hear it, of whether or not that would be from the existing gas tax or adding an additional two cents that the municipalities would then get.

Mr. Barnier: Our belief is that it would come from the existing gas tax revenue. Based on what the province of Ontario collects, about \$3 billion a year in gas tax revenue, about \$1.2 billion of that goes into highways; last year, I believe it was \$1.4 billion. There's a little bit of money that goes into the COMRIF pot and perhaps into OSIFA, but nonetheless, considering what motorists are paying, we think that's pretty fair.

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Mr. Prue: It begs the question, then, where does the province make up the shortfall? You're looking at hundreds of millions of dollars there.

Mr. Barnier: Well, they managed to do it last year. Frankly, we hope they can do it again this year. We also have supported them on the fiscal imbalance issue with Ottawa. That's something that I think we've heard governments talk about consistently. We want to see more money coming from the federal government to help with these priorities.

Mr. Prue: You talked about hybrid vehicles at the end. Of course, we all support hybrid vehicles and the lessening of our reliance on fossil fuels. Would you support a government initiative that, quite frankly, made it more difficult to buy gas-guzzling SUVs and easier to buy hybrid vehicles, or do you think that the government shouldn't have such a place in the marketplace?

Mr. Barnier: I think the more appropriate way to go is to provide positive incentives to people rather than punishing them. While certainly we all encourage people to buy the vehicle that's right for their family rather than an SUV that they may not need, we think the right way to go is to provide the right incentives. Quite frankly, when you look at people with lower incomes or people with large families, they don't necessarily have the means to afford hybrid vehicles or more fuel-efficient vehicles.

That's why we think that something like that would be punitive and unfair, to add additional penalties rather than to create positive incentives.

Mr. Prue: Thank you very much, Mr. Chair.

The Chair: Thank you for your submission.

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

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

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

You should have our kits before you; you'll see there a slide deck and a brief. Our brief is entitled *Chose Small Business for a Change*. So if we could just turn to the slide deck.

As always, this presentation is derived from the input of our more than 42,000 small and medium-sized member independent businesses in Ontario. First today, we would like to acquaint you with fresh research on the contribution of small and medium-sized enterprises to Ontario, on the outlook for this year and then turn to our members' budget priorities and recommendations.

I should tell you, we won't have a chance to talk very much about many of the issues we're tracking, but those are summarized in the index to our brief. You may find those interesting as well.

Looking at the slide entitled "Focus on SMEs for Job Creation," SCFEA members will know that the small and medium-sized business sector accounts for 98% of all the firms in Ontario, about half of the gross domestic product and more than half of Ontario's jobs, as well as the lion's share of new job creation. We bring to your attention recent research published by Industry Canada that shows that our sector actually makes the strongest contribution to job creation regardless of the initial growth category, and there the research is divided into hyper- and strong-growth firms and slow- and declining-growth firms. So I think there are some messages there in terms of how one targets, because you cannot necessarily target certain sectors and know that that will work out.

The next chart is drawn from CFIB's Ontario quarterly business barometer report, and you'll find the full report in your kit. This is an index of expected performance of businesses for the next 12 months. It is an accurate coincident indicator of the economy. The Ontario Ministry of Finance's own numbers support the latest findings of CFIB's business barometer. The economy is slowing down.

I think what's significant here is that business confidence in Ontario has actually fallen from third to fifth

across the country, and we now trail the provinces of British Columbia, Alberta, New Brunswick and Nova Scotia in terms of the index.

If you look at the sectoral breakout for the Ontario business barometer, you can see that most Ontario sectors have seen their outlook slide generally sideways. There have been some gyrations, but the notable thing that we found in the December analysis was that there was a dip in the retail sector index, which was quite surprising given the holiday season shopping and so forth.

The other sector charts, again, show rather sideways sliding and overall a slightly downward trend, but the one bright spot is the uptick in agriculture, and that's something that we have looked at in detail in terms of farm income, should any of the committee members be interested.

We asked our members for their input on what should be the primary focus of the 2007 Ontario budget. The result was a three-pronged thrust: lower taxes for businesses, lower taxes for individuals and less government intervention and regulation.

We would note that the government's prior budgets have addressed important matters of health care, education and municipal infrastructure, so in this final budget the small and medium-sized enterprise sector is looking for some support for being the mainstay of Ontario's economy. Choose small business for a change.

We posed the question to our members, "If the government were to reduce taxes, what should be the tax reduction priorities?" The top three are: corporate income tax, personal income tax and property tax.

We then asked our members, "How would your firm use the tax savings?" Certainly the key things that show here are that they would give back to the community, they would expand the business, invest in equipment, increase employees' salaries and benefits, hire more employees and expand work hours for current staff.

Certainly one thing that comes out here is that leaving more money in the pockets of small business owners would translate into more jobs and more money for workers. In determining wages, small business owners balance the need to pay a living wage with the ability of their firm to pay, and clearly, giving them some tax savings would allow them to do that.

Turning to the property tax chart, we have the dubious distinction of being the worst property tax jurisdiction in the OECD world. Ontario is more reliant on property tax as a source of government revenue than any other jurisdiction. During the last provincial election, Premier McGuinty made a commitment to CFIB members. He said, "Ontario Liberals will uphold" the Bill 140 "hard cap and will work with small business to fix the property tax mess."

Regrettably, the hard cap was suspended in 2004 and we're still looking for the fix to the property tax mess. The property tax burden has continued to worsen.

If you look at the next chart, it is drawn from our recent study, also in your kit, entitled *Overtaxing Peter to Subsidize Paul*. The table shows how commercial prop-

erty taxpayers were treated by municipalities and the province in the year 2005. These numbers are actually the average of 142 municipalities studied, including the top 100 municipalities by population.

When you puzzle through the numbers there, you can see that Peter and Paul own same-value homes and appropriately attract the same taxes on their homes, but Peter's choice of occupation, in retail, running a store, causes him to pay many more taxes on that business property. His occupational penalty for being an entrepreneur is \$4,600. In our view, this is not only unfair, it's actually unethical, and it must be fixed.

The next chart shows that government spending has risen rather dramatically and I would just like to make the point that fixing Ontario's uncompetitive and unfair or unethical property tax burden is indisputably a matter of priorities. Clearly there has been much spending on many things. This is a key priority for our sector. Satinder?

1030

Mr. Satinder Chera: Just building on the last slide, the next one shows our members' opinion when it comes to government spending. The provincial spending spree hasn't gone unnoticed in our members' ratings of the different levels of government. Quite frankly, when it comes to the argument about the fiscal arrangements, our members just aren't buying it, particularly when you see spending increases like the ones that are illustrated in the previous slide. They're quite skeptical of governments making the argument that they don't have the necessary revenues to pay for services. Our members do take a thoughtful approach when it comes to the need for each level to have adequate resources, but quite honestly, there's a lot of room there for governments to rein in their own spending when it comes to picking priorities.

The next slide, the regulatory burden on small firms: During the last election, Premier McGuinty made a commitment to our members to work with them on businesses. Regrettably, the regulatory burden has continued to rise, and we take no joy in having to put this scale together. It was quite disappointing, given the fact that the government had made a stated commitment to our members to reduce their burden. If you go to the next slide, CFIB's "Rated R" study that we put out about a year ago found that regulations in Ontario are costing businesses about \$12.8 billion annually. Couple that with the chart that shows that on a per employee basis, Ontario exceeds the OECD world when it comes to the costs that smaller firms have to bear in terms of complying with government regulations.

The next slide there also shows you that the regulations can significantly reduce productivity in small firms, and this really isn't a surprise since in smaller firms it's the owner/manager who typically handles most of the needs of the business during family time, around the kitchen table.

As a result, our main recommendations are two-pronged. One is to reduce the regulatory burden on small businesses, as committed to in the last campaign; place a

moratorium on all new provincial legislation and regulations; and start the process of establishing a firm regulatory reduction target based on a count of the number of regulatory requirements that you have on the books. This has already been tried in British Columbia. It's been successful; it's doable. The federal government recently also announced a 20% reduction or target to reduce their regulatory burden on small firms. We think that it's high time that the province did the same.

Next, the property tax commitment. Again, there was a clear commitment from Premier McGuinty in the last campaign. At the very least, we would like to see the re-instatement of the Bill 140 property tax "hard cap." As Judith mentioned, there is no reason why that cap should not be placed back on, given the enormous burden that small firms continue to shoulder in the province of Ontario. With that, we'll take any questions you may have.

The Chair: Thank you very much. The questioning will go to the government. Ms. Marsales.

Ms. Judy Marsales (Hamilton West): Thank you very much, Judith and Satinder, for your presentation and also for all your advocacy on behalf of the small business sector and your involvement in the small business agency. I know we've worked a lot on some of these issues going forward. There are a couple of things I wanted to ask you about. You noted in your first slide the huge increase in job creation in the very small business sector. Would you be able to identify where the largest percentage of growth is coming from within that small business sector? We've had a couple of deputants mention a couple of things. I just wonder what your experience is.

Ms. Andrew: It tends to come across the board, but I don't think that particular study got into that. They were actually tracking given firms at the beginning of the period and categorizing them into the two categories, so that particular study didn't find that. We just thought it was interesting because the argument tends to be—and we have a leaf in our brief dealing with subsidies to business—to rescue firms in trouble, give certain studies and so forth. We just put it in there to call to mind the folly of that. It's very hard for officials to pick winners.

Ms. Marsales: I just have a quick question, then I'm going to turn it over to my colleague, who would like to ask a question. Just imagine now that government is a form of business. If you had to make a decision in the priority balance, would you like to see us balance the budget or increase our debt? Which would you recommend?

Ms. Andrews: Our members place high priority on dealing with the deficit and addressing the debt. In fact, there is a leaf in our brief that deals with that. The Premier actually made some fairly solid commitments in that arena as well. Small businesses were out front in realizing that today's debt is actually tomorrow's taxes, and with the total tax burden already being the key problem there, they're anxious to see governments manage their budgets, much as they have to manage their business

budgets or we all have to manage our household budgets. So a long story there, but debt is extremely important.

That said, the spending has been quite dramatic, and we feel there's such a huge inequity on the property tax front that has made us the worst in the world that there needs to be a realignment of the provincial-municipal responsibilities. There is a leaf in our brief that deals with that. We think that through that realignment we would be able to lower our overall tax load to bring us down somewhere in the middle of the OECD pack, and that would then permit a rebalancing of the property tax burden so that it isn't the big impediment that it is currently.

The Chair: Thank you. Ms. Mitchell? We have two minutes left.

Mrs. Carol Mitchell (Huron–Bruce): Judith, I just wanted to give you the opportunity to speak to the rise in agriculture and then, because I only have two minutes, I also have a question with regard to the property tax burden on the agricultural community. You and I have had discussions on this. AMO just made a presentation, and they talked about managed forests and about agriculture and the 25%, and how there has been a tax shift to the municipalities. That was part of their presentation. Part of what agriculture is also asking for is to move towards a shift based on the ability to earn income, and that's where they want to go. So I just wanted to give you the opportunity to speak to the rise and the shifting of the tax burden and the proposed tax initiatives by the farms.

Ms. Andrew: We surmise that the uptick in agriculture is largely due to the long growing season and the absence of difficult weather conditions for agriculture, so that's a positive. In the longer term, though, as you can see, the agriculture index is below the baseline, so it's been a rather bleak picture.

We did a study dealing with farm income. One of our key recommendations out of that was to actually reduce the regulatory burden. Most farmers want to take their income from the bottom line, not from programs. We've done analysis on CAIS as well, and there are some challenges there that need addressing.

In terms of property tax on farms, I can see that AMO would make that point, but there are some pretty major things happening in the sector. Clearly, farmers are being encouraged to have value added, which adds complexity in terms of the assessment. If you're making applesauce from your apples, then you're edging into the industrial realm, and that's one more reason why we need to get these property tax loads rebalanced, so that it can help facilitate the changes that are happening in agriculture.

The Chair: Thank you for your presentation.

TAXCUTTERS

The Chair: I call on TaxCutters to come forward, please.

Mr. Michael Polubinski: Good morning. My name is Michael Polubinski. I represent TaxCutters, small

business, and I think we have a couple of connections to previous speakers. Thank you for inviting me here.

Instead of cutting taxes, what we are proposing is a new tax to improve the air we breathe. It doesn't sound maybe politically correct to introduce a new tax, but from the concern about the quality of the air we breathe, documented by Statistics Canada, as you can see on the presentation, we think we have to do something about it. What we are proposing is a tax which will reflect the real cost, or close to the real cost, of transportation of goods and people over long distances.

1040

That would promote local tourism. That would promote, incidentally, farm income, because, for example, carrots produced in Ontario would be a little bit more competitive. Also, that would raise funds for my predecessors from the Canadian Automobile Association. We also could devote the tax collected to some development and the further minimization of pollution.

The tax formula should include several factors, and out of these factors are, most of all, distance, weight, volume, transport batch size—that is, of course, a draft proposal right now; I will continue later on how this could be developed—and transport mode, because the different transport modes have a different impact on pollution.

We could start with taxing the freight bills of companies. If they have internal transport, that would require a little bit of additional accounting. There would be complications with mixed-origin assemblies, subassemblies and things like that. As we know, some of the cars or computers or goods are produced in different locations in the world, and the tax should reflect the composition of these assemblies.

What also becomes popular in big businesses right now is just-in-time delivery. Just-in-time delivery is environmentally hurtful because it forces companies to deliver right on time, to the minute. For example, Walmart requires very timely deliveries; otherwise, companies have to pay penalties. So they put in extra effort, spending more money than needed on the transportation of small batches of goods.

Of course, the tax formula, if it will be created, should be revised, because we don't know right now what kinds of fuels will be used in the future. We see hybrids; we see hydrogen. We don't know how these will affect the transportation industry.

The important part of it is on page 2, "The Use of Funds." Please note that we have a double-sided printout, so we are trying to save a little bit of paper here, and energy also.

The use of funds:

(a) We could collect the funds and develop transportation strategies to minimize pollution, first of all.

(b) The development of clean transportation technologies that funds could be allocated to to replace fossil-fuel-derived energy.

(c) The development of technologies to minimize—item (b) was to replace; now we would like to mini-

mize—the use of fossil-fuel-derived energy. Here we have something like my colleague mentioned before, systems like autonomous vehicle guidance, which would streamline the traffic on our highways.

(d) Also, we would like to see some kind of innovative transportation systems which would optimize the use of energy.

(e) Constant velocity traffic control, which would minimize idle burning of fuels.

(f) Different systems which promote the use of municipal transport, like TTC. As I see it, compared to Europe and compared to Vancouver, for example—no offence—our TTC system is a little bit more difficult to handle as far as going between zones is concerned; for example, lack of integration between Toronto and municipalities. So you could spend some money on analyzing and developing systems to improve the use of public transportation.

How this tax could be dealt with: In our opinion, the best thing would be to have an independent agency which would be involved in collecting. We have some precedents. Highway 407 is an example of an independent agency which collects a kind of tax for driving on the system, and they also have powers to penalize people who don't pay.

The agency would be supervised by a board of directors, and in that board of directors I think all stakeholders should be present. We just put a draft here of how we would see it. Maybe we should add members of the CAA. Just to list it:

- a senior officer of the Canada Border Services Agency, because they would be a liaison for seeing the bills;

- a senior officer of the Ministry of the Environment;

- a representative of MTO;

- members of environmental protection organizations;

- members of R&D communities, because there would be lots of money spent on R&D;

- members of the transportation industries, because they would be affected; and

- members of the general public, who would also be affected because of unfortunate increased costs of goods transported from far away.

We are proposing that we could elect board members through the Internet. We can use this so it will minimize the cost to the public. We also would like to see some financial safeguards to ensure accountability of people who will be deciding about the use of that money. Of course, in the process of operating this organization we would like to see constant reviews, because the world is evolving and we have to adapt periodically to changing conditions.

The phase-in process: A task force could analyze and could do a little surveying and create a framework for this organization.

The transport tax authority would have the power to levy penalties for people who don't comply, for non-compliance. This would provide the necessary funds for everybody who is screaming for funds. The TTC is

screaming for funds. The municipalities are screaming for funds. So this could provide a little bit of extra funds, which will also stimulate the local economy and improve the environmental conditions on this planet. If Ontario implements this policy, it would be in a leadership position in the world, maybe, because I haven't heard about these systems yet.

Thank you very much. I would answer your questions now.

The Chair: Thank you. The questioning goes to the official opposition.

1050

Mr. Toby Barrett (Haldimand–Norfolk–Brant): Thank you, Mr. Polubinski, for your presentation on behalf of TaxCutters. In your preamble: Certainly, I think everyone agrees on the problem that transportation contributes to air emissions and, by extension, climate change—NO_x, carbon monoxide, volatile organic compounds.

With respect to your proposal for a transport tax, I understand the formula that you would use, taking into account, obviously, weight and distance travelled, batch size, and goods transported in individual parcels that use more energy than if they're in a container. All of this, I agree, would be a factor in the severity of pollution.

We've had a number of presentations this morning before the finance committee indicating that Ontario already has some of the most burdensome taxes, that we do have trouble competing. I think you would know that in your business, with a title like TaxCutters. In fact, you threw me for a loop when you came in with a tax-hiker approach rather than a tax-cutter approach.

I guess my question is, given the analysis that you've done, not only on the environmental impact of transportation but on these factors like distance and weight and everything, could that formula not be applied in a—rather than use the stick, use the carrot, where you would reward those trucking companies, those corporations or shipping, distribution and transportation-related industries that come out on top using that formula, as far as investing in their company's latest innovation for reducing emissions, and they would get a tax credit, perhaps, or what could well be an interest-free loan or grant. In your analysis, have you looked at the carrot side in addition to the stick?

Mr. Polubinski: Yes, we looked at the carrot side. I read some disturbing reports about emissions trading in Europe. It doesn't work.

Mr. Barrett: It doesn't work?

Mr. Polubinski: No. That's what I know. I think that this would not hurt the Ontario economy. On the contrary, it would make Ontario's economy more profitable for Ontarians, because agricultural products or cars or anything produced here would have a competitive advantage over things produced in, let's say, the North Pole or the South Pole or New Zealand. Unfortunately, the New Zealand products would be at a disadvantage here because of the long way they are transported. Does that answer your question?

Mr. Barrett: Yes. Although we do know, obviously, that ocean transport—as you’ve indicated, container transport actually has probably the least impact on the environment of anything else, even if it is coming from New Zealand.

Mr. Polubinski: But it does have an impact. Unfortunately, when we start moving things globally, we may bring more competitiveness into the economy and increase productivity. On the other hand, right now, I don’t think the human race can afford it too much. So we’ve tried to slow down this global exchange. This would be kind of a fiscal signal to people by Ontario.

Mr. Barrett: I hear what you’re saying. Mr. Hudak might have a question.

The Chair: The time for questioning has expired. We thank you for your presentation.

Mr. Polubinski: Thank you very much.

COLLEGE STUDENT ALLIANCE

The Chair: I call on the College Student Alliance, if you’d come forward, please.

Mr. Tyler Charlebois: Good morning.

The Chair: You have 10 minutes for your presentation, and five minutes of questioning could follow that. Please state your name for the purposes of our recording Hansard.

Mr. Charlebois: My name is Tyler Charlebois. I’m the director of advocacy for the College Student Alliance, which represents over 109,000 full-time college—

The Chair: I might interrupt here. The package is on your desk. It was given this morning by this presenter. You can begin again.

Mr. Charlebois: Thank you. I’m the director of advocacy for the College Student Alliance, which represents over 109,000 full-time college and college/university students at 16 colleges and 22 campuses across Ontario. As presented by the Chair, our package has been given to you. It’s called Building Prosperity and Capacity through Education.

The Ontario government recognizes that the future prosperity of this province depends on a highly educated workforce to be competitive in an increasingly global and knowledge-based economy. Almost 60% of new jobs between 2004 and 2008 in Canada will be in occupations requiring a post-secondary education designation. Higher education does build a bright future, not only for the individual but for the province and for the country as a whole. The College Student Alliance is looking to the Ontario government to increase funding in its upcoming budget to ensure that qualified Ontarians have access to an affordable post-secondary education.

In 2005, the McGuinty government announced the Reaching Higher plan, which will invest an additional \$6.2 billion over five years into colleges, universities and training programs. But after a decade and a half of underfunding to our post-secondary education system, that still isn’t enough to increase the quality and the outputs that are needed for the economic prosperity and

capacity of this province. In Ontario, it’s estimated that the ongoing underfunding of education, particularly post-secondary education, accounts for roughly 25% of the province’s productivity gap when compared to other peer jurisdictions.

Our submission outlines several recommendations and the following five issues: increasing college per-student funding; increasing transferability and mobility within Ontario; introducing reforms and increasing funding for student financial assistance; increasing funding for college-based research and applied development; and providing funding and developing an agreement for infrastructure and skills training. Due to time this morning, I’ll only focus on the first three areas.

The first one, increasing college per-student funding: Ontario’s post-secondary students have the lowest per capita funding rates in all of North America. Actually, Ontario’s colleges are ranked 10th out of 10 provinces when comparing per-student funding. Within our own jurisdiction, Ontario’s colleges are even lagging far behind universities and secondary schools on a per-student basis. College students are funded by the Ontario government at a level of 38.3% less than a university student and 47% less than a secondary school student. In 2005-06, compared to Ontario universities, which received \$7,600 per student, Ontario’s colleges received an average of \$5,400 per student. This is just 70% of the national average of \$8,800, which is combined per-student funding and tuition fees.

The College Student Alliance, on behalf of Ontario’s college and college/university students, is urging the government to increase college share based on the following facts:

(1) Ontario’s college system has played a critical role in Ontario’s prosperity. Colleges serve 53% more students than 15 years ago. Ontario college enrolment has increased by 18.4% since 1990-91, compared to a national increase of 3.5%. Currently, Ontario’s 24 colleges serve 150,000 full-time and 350,000 part-time students and graduate approximately 60,000 annually from one- to three-year post-secondary programs.

(2) Colleges do an astonishing job of preparing graduates for the economy and for the world of work. Ontario colleges make a positive contribution to the economy. The 2004 CCBenefits Inc. study showed that Ontario college graduates generate an additional \$11 billion for the economy. Furthermore, Ontario colleges provide an average annual return of approximately 12% on taxpayer investment.

(3) Ontario college programs provide the analytic and hands-on, career-focused education needed for success in the workplace. Colleges provide a wide range of specialized programs in many disciplines, requiring facilities and equipment for hands-on learning opportunities. High-quality instructional settings need to reflect working-world standards and enable students to acquire the skills they need for employment. Ongoing renewal of instructional equipment is needed across a wide spectrum of college programs.

As the demand for highly skilled and trained workers continues to grow, college graduates in Ontario will be even more essential in the years ahead. Colleges must be a policy priority. It is time to raise college per-student funding, at least to the national average.

On the issue of increasing transferability and mobility within Ontario, the college and university systems were intended to provide different educational opportunities. Many Ontario students want the advantages of combining both college and university study and to experience the best of both worlds. The Association of Colleges of Applied Arts and Technology reported that at least one quarter of college students have serious intentions of attaining a degree after a diploma, and almost 9% of college graduates go on to university within six months of graduation; in real terms, that's 5,000 students annually. Therefore, college-to-college, college-to-university and university-to-college transfers are vital to the establishment of an open, accessible and seamless education system.

However, currently the two-tier post-secondary education system does not efficiently facilitate the movement of students between the two systems. Students who choose to pursue a college education find it difficult to subsequently pursue an education at the university level as a result of undefined policies, extra time commitment and related financial burdens, and limited agreements between the receiving and sending institutions. Therefore, some Ontario students will look outside of the province to further their education. For instance, in 2004 approximately 25%, or 8,000, of the students registered at Alberta's public open university, Athabasca University, are Ontarians. As a result, Ontario may risk losing the best and brightest students to other jurisdictions that provide a better and more flexible credit transfer policy.

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Furthermore, compared to a 35% transfer rate in Ontario in 2004-05 for two-year college students, British Columbia and Quebec show a higher transfer rate, with 42% and 78% respectively. The College Student Alliance is recommending that a transfer agency be established to facilitate easy movement of students between the tiers without requiring them to retake courses or pay twice to achieve similar outcomes.

In 2004, the College Student Alliance conducted an online survey that collected approximately 7,000 responses, which is approximately 4.5% of Ontario's total full-time college student population. In response to the question, "Is OSAP meeting my financial needs?" 47% of participants felt that OSAP was not meeting their needs to some degree, while 28% felt that OSAP was not meeting their financial needs at all. And 60% indicated that they were carrying debts outside of the OSAP program. Among them, 26 had debt loads in excess of \$4,000, and 14% were carrying debt loads of \$8,000 or more. In 2005, according to statistics provided by the Ministry of Training, Colleges and Universities, a mere 14,240 dependent students qualified for the first-year Millennium Ontario access grant, and an additional

12,723 second-year students qualified for the Ontario access grant, an average grant disbursement of \$1,600 and \$1,500 respectively. Considering that there are about 600,000 college and university students in the province, that's fewer than 5% of the population that received a grant last year.

The system of student assistance is a joint policy responsibility between the federal and provincial governments, and while the CSA urges the provincial government to also expand its Ontario access grant to up to at least four years to ensure that those students who desperately need the resources that they need to attend post-secondary education get it, we're also urging that the provincial government urge the federal government to do the same thing, as there is a bill actually in committee at the federal government to increase the Canada access grant to up to four years.

Affordability plays an important role in the decision to pursue post-secondary education. Research into reasons for non-participation in post-secondary education or training conducted by the Canada Millennium Scholarship Foundation reveals that financial issues are the most important factor in consideration of post-secondary programs. The cost of pursuing post-secondary studies in Canada has risen drastically over the past 15 years. Over a 40-year timeline between 1964 and 2004, tuition fees have increased 35% above inflation in Ontario. If ancillary fees are taken into account, mandatory education fees have increased by 55% above inflation. The 2004-05 graduate tuition fees for arts and science programs at Ontario universities averaged \$4,200 and the average college around \$1,920. Since 1990-91, tuition has almost tripled. When you look at the debt levels among college and university students, we're seeing that university debt levels are starting to level off and sort of stay the same, but the Canada Millennium Scholarship Foundation reports that college graduate debt loads are now increasing more and more steadily over the last little while. If you look at it, students are carrying more debt loads in excess of \$15,000, which is quite a difference from several years before.

The research has shown that an effective way of improving student outcome, for instance, is students with high levels of financial need are almost five times more likely to earn a degree within five years if they receive a grant in addition to their loan. Another recent foundation report reveals that non-repayable financial assistance in the forms of grants and bursaries, as opposed to loans, is effective in stabilizing student debt levels and helping students to complete their post-secondary education.

The Chair: You have about a minute left.

Mr. Charlebois: Thank you.

Another area of concern that we have is that the Canada Millennium Scholarship Foundation is set to expire at the end of 2009. The Canada Millennium Scholarship Foundation, in terms of the Ontario perspective, provides over \$108 million a year to Ontario in terms of bursaries and grants to our students. I think this is a serious policy concern and we need to be urging the federal government

to extend the mandate or we need to look as Ontario at what we're going to do to replace that \$108 million annually that the millennium scholarship foundation provides to Ontario.

In conclusion, I think that as an organization that represents college and college-university students, the CSA stresses that post-secondary education, in whatever form, is vitally important to the future prosperity of this province. The benefits are worth investing in now and continually into the future to build a strong economy for Canadians and secure a better quality of life for Ontarians and for future generations.

Our province should continue to strengthen its efforts in post-secondary education and make long-term financial commitments to higher education beyond the Reaching Higher plan at 2009-10. The Reaching Higher plan has started to lay out the foundation for rebuilding our post-secondary education and training system in Ontario, but if we are to remain competitive and a leader among Canadian provinces and territories and the world, we must go beyond the original investment of \$6.2 billion and continue to invest.

The Chair: Thank you. The questioning goes to Mr. Prue of the NDP.

Mr. Prue: Thank you very much. I have to say that you crammed an awful lot into 10 minutes. I've tried to get my head around most of it.

The government took the freeze off this year. What effect has that had (a) on enrolment and (b) on the students' ability—those who've stayed there—to cope?

Mr. Charlebois: Yes, the government removed the freeze. To give you some perspective, our proposal on that was to essentially keep tuition fees at the rate that they were in 2004-05 to allow for an increase of CPI to give institutions some leeway and make sure that they're staying current. Now, with the new tuition fee policy, we're not seeing a major effect in terms of enrolment. We're still seeing students going to institutions. I think the issue we're looking at is what financial assistance is available to those from low- and middle-income families, who necessarily can't afford to keep paying the increases that are going on top of tuition. So the idea of increasing tuition fees needs to be counteracted with what assistance is available to those who don't have the financial means or their parents do not have the financial means to support them.

Mr. Prue: Quebec opted for a different solution; that is, not to raise them. They probably have the lowest fees in Canada. I don't often read the editorial from the Globe and Mail, but there it was yesterday staring me straight in the face. Did you have a chance to see it?

Mr. Charlebois: Actually, I did.

Mr. Prue: What did you think of that analysis?

Mr. Charlebois: A very similar analysis was done here in Ontario and was brought forward by the university and college administrations about the tuition freeze, at least an unfunded tuition freeze, and what it does to our system in terms of not allowing for investments in terms of quality and accessibility and those things. So

there is that argument and I do see that argument from the institutions without that, but I think you have to counteract not only whatever your tuition fees are and your student assistance but also the level of government assistance. In Ontario, even when we're not seeing major tuition fee increases, we're also not seeing per student funding increases. Actually, the college side was seeing decreases before this current government. Something that needs to be taken into consideration when you're looking at whatever your fees are going to be and whatever fee policy you want to create is, what is the level of government investment in terms of per student funding, not just to the institution but also to the students in terms of student assistance?

Mr. Prue: I see from your chart that the government, for Ontario student loans, charges prime plus 1% and you're looking to prime minus 1%. This would be, I take it, a government investment?

Mr. Charlebois: You're looking at the issue of when we're talking about in terms of repayment?

Mr. Prue: In terms of repayment, yes, and that kind of makes sense to me because the government has an obligation to educate people, but I think it also should bear some of the cost—it shouldn't be making a profit off it, anyway—when the money is repaid.

Mr. Charlebois: Yes. We would agree that you shouldn't be necessarily making more money off the money that you've already loaned, because you're going to be getting that back in terms of taxes and the economic wealth that the individual is going to be providing to you. But we're also starting to see some differences in terms of the repayment and students defaulting on their OSAP loans. That could be a result of the unattainable interest rates that are occurring and students being sort of shocked and surprised at their total debt level once they complete their education.

Mr. Prue: Thank you very much.

The Chair: Thank you for the presentation.

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RETAIL COUNCIL OF CANADA

The Chair: I call on the Retail Council of Canada to come forward, please. Good morning. You have 10 minutes for your presentation and there may be up to five minutes of questioning following that. Please identify yourself for the purposes of our recording Hansard.

Ms. Ashley McClinton: Good morning. My name is Ashley McClinton and I'm the director of Ontario government relations for the Retail Council of Canada. Thank you for the opportunity to speak to you today.

Before I speak to our recommendations, I do just want to provide a brief overview of who we are and retail's contribution to Ontario's economy. RCC has been the voice of retail in Canada since 1963. We represent an industry that touches the daily lives of Ontarians of every corner in the province. Our members represent all retail formats—that is, department, specialty, discount and independent stores as well as on-line merchants. We're a

vigorous advocate for retailing across the country and we work with all levels of government and other stakeholders in order to support employment growth and career opportunities in retail, to promote and sustain retail investments in our communities and to enhance consumer choice and industry competitiveness.

Retail is the second-largest employer in Ontario, employing more than 780,000 Ontarians. It's actually a little-known fact, but we rank right behind manufacturing and, in terms of scale, retail ranks well ahead of health care, the tourism industry and others. It's a huge industry in terms of employment.

The retail sector touches every corner of the province, as I said, but despite its significant size and scope, it's actually dominated by small businesses. The majority of retailers employ fewer than four people. Almost half of the businesses are actually classified as indeterminate. These are companies with no payroll, so they're sole proprietorships, or mom-and-pop shops. They don't employ a single person. Approximately 70% of this sector has sales of less than \$500,000 and almost 90% of the sector has sales of less than \$2 million, so this is very small business that we're talking about.

While many people may think first of Wal-Mart, Canadian Tire or Sears when they think of retail, these companies are actually in the minority at just 3% of the industry.

With respect to sales, research shows that Canadian retailers have been enjoying solid, steady sales growth. Nationally, the industry generated more than \$367 billion in sales in 2005. The most recent year-to-date figures available from Stats Canada, January to November 2006, show that sales are more than \$352 billion, which is about 6.6% over the 2005 period.

However, the results for Ontario are lower, and this is a pattern that we've been seeing over the last several years. In 2005, Ontario retailers sold more than \$135 billion in goods and services, an increase of 4.7%, but well behind the national annual growth rate. Year-to-date sales show Ontario's growth at 4.3%, again lagging well behind the national average.

Only Newfoundland, Prince Edward Island, and the territories are posting slower sales growth than our economic engine. Ontario has widely been identified by our members as their weakest sales market and these figures from Statistics Canada support that.

Looking forward, we do expect sales performance in Ontario to grow slowly again, at a rate lagging behind the national average.

When the finance minister appeared before this committee just before the holidays, he asked members to look at, among other things, what needs to be done and what more the government can do to invest in programs and services that support individuals, while creating a strong economy. As business operators that make their living selling to the final consumer, retailers are most closely aligned with this priority before the committee.

As the minister noted, the first three budgets of the government have focused on making significant invest-

ments in health care, education and infrastructure. While these decisions can play an important role in encouraging investment and improving competitiveness, the incentives are offset by the burden of personal income, payroll, sales and health taxes that are levied.

Our members believe that the government must balance the investments in infrastructure and services that have been made with targeted tax reduction in order to secure a healthy and prosperous future.

Our members place a high importance on reducing the tax burden carried by Ontarians, because tax dollars that are removed from consumers' wallets even before they enter a store are dollars that our members cannot compete for. From our perspective, a cut in the personal income tax may be a preferred instrument to reduce the tax burden because changes can be designed to flow to Ontarians with specific levels of income. Stronger economic growth in personal incomes would have a positive effect on sales, on employment and on the incomes earned by employees in the retail trade. So while the cut in the PIT may be preferred, any tax cut that puts money back into the hands of Ontarians is a good tax cut from our perspective.

Our members would also encourage the government to improve Ontario's competitiveness by eliminating the corporate capital tax. We did support the government's announcement in last year's budget to accelerate the elimination of the capital tax by 2010, but we feel that more can be done. In the interim, the province should raise the capital tax exemption threshold in order to eliminate the requirement for medium-sized retailers to pay capital tax. Not only would such a move support and encourage new investment, it would provide administrative and audit efficiencies with the impending harmonization of the collection of corporate tax by removing a number of capital tax filers from the get-go.

An increase in the employer health tax exemption threshold would also be a welcome move to our members. The EHT is a profit-insensitive tax that hits employers—large employers more adversely than others—and it affects retailers more adversely than other sectors, being a labour-intensive industry. We supported the elimination of the EHT on the first \$400,000 of payroll back in 1996, which helped us create over 84,000 new jobs between 1996 and 2003. An increase in the exemption threshold to about \$600,000 of payroll would increase jobs, improve income levels and stimulate domestic spending.

For many years, we have also pressed for harmonization of the PST with the GST. We believe the value-added nature of the GST is much superior to the RST model, and the harmonization of commodity tax into one system would bring important economic benefits and savings to governments and taxpayers alike.

We commend the government for signing the corporate income tax agreement with the federal government. We believe that streamlining corporate tax administration by giving businesses one set of forms, one audit and one set of rules will save our members both time and money.

By spending less time filing paperwork, merchants can spend more time on their business, so the potential savings for this, illustrated by this agreement, are important groundwork in what we believe is a move towards a streamlined sales tax collection system.

Accordingly, we urge the government to work with the feds to pursue harmonization of the GST and PST. The one caveat we have is that any such system must allow retailers to display their prices tax out in order to ensure that the consumers are receiving the benefits of harmonization. As a first step, we'd encourage the government to initiate a comprehensive review to examine the costs and benefits of such a harmonization.

Before I speak to our non-tax priorities, I want to point out that there are also two tax simplification issues in our submission, one on herbals and naturals and one on business software. The issue with those is essentially that Ontario applies PST differently to those products than either other provinces or the federal government does with the GST. While ideally we'd like to see the PST removed from business software, we're asking that Ontario move to streamline the application of PST on those items. So while our members recognize that they've got a corporate responsibility to act as tax collectors, we believe that the province has an obligation to ensure that the system operates as efficiently as possible and that retailers are not penalized when the rules are unclear to them.

Moving on to non-tax priorities, it shouldn't come as any surprise to committee members that our retail sector, like many areas of the economy, is facing a looming labour supply shortage in the coming years. Our members are reporting considerable difficulty in attracting and retaining people for all positions in all levels of their companies. Particularly vulnerable are small, independent retailers who don't have the recruitment and retention resources that the larger firms have.

As a sector, we've identified this as one of our top priorities and we've thrown considerable resources behind it, both staff and financial. We've established what's called the Canadian Retail Institute, which is dedicated to strengthening the industry by providing retail education, increasing career awareness and developing certification and training programs to improve the skills for our workforce. Our members have supported this initiative by investing time, money and expertise in implementation, which is a substantial commitment from an industry that's really "walking the talk" on the labour supply issue.

But we recognize that much more work is needed to enable the industry to prepare for the challenges ahead. There is no doubt that challenges and the shortages will be a dominant factor in constraining retail investment and expansion if we don't take action now. As such, we're urging the government to begin development of a 10-year, cross-ministry labour supply strategy that addresses the full work force—meaning both skilled workers and skilable workers—in co-operation with us and other stakeholders to help ensure that our future growth and prosperity is not constrained by labour shortages.

We recognize the government has already made significant investments in education and training. One of these initiatives is the employee training tax credit, which we think is a very important initiative. However, it's geared primarily to the construction, industrial and manufacturing sectors. So what we're asking for is that the government consider extending the training tax credit to the service sector so that more employers can benefit from those training programs and help to develop the skill sets of their employees. I think that's a very positive thing that the government can do and is certainly in line with the government's priorities.

I want to speak briefly to environmental levies, as the environment is obviously top-of-mind for most Ontarians and Canadians. It's increasingly becoming a concern for retailers as governments look to industry to fund all kinds of the various recycling programs that are out there. Our members are really supportive of these programs and in fact were engaged in each and every diversion program that's in place across the country right now—and there are well over 30 of those, both regulatory and voluntary. But given the significant impact they have on businesses and consumers, we feel that the Ministry of Finance should be playing a more active role in developing, approving and implementing them. Moreover, we'd like the Ministry of Finance to advocate for harmonization of these programs, ensure that they are administratively efficient and, to ensure transparency, we would like the ministry to recommend that retailers be permitted to show environmental levies on the sales receipt to consumers.

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We do have a few other recommendations in the submission dealing with energy conservation, small business and the regulatory burden, and accessibility for persons with disabilities. But in the interest of time, I won't go through them all.

I would be happy to take any questions on any of the material in the submission or any items I've raised today. Thank you.

The Chair: And thank you. Your timing was very good, by the way. This round of questioning goes to the government.

Mr. Arthurs: Ashley, it's good to see you again. I think we're together next week or the week after with the SBAO, and I see that Judith was here earlier, so I think it's an SBAO morning around here a little bit. Rob is back there as we prepare for that as well.

Do you want to speak a little bit more? We might as well take this window of opportunity to plug that particular cause about this whole issue of the small business lens that you're referencing. You made some fairly specific recommendations, through the process of establishing an MOU, so that small business in particular ensures that we're looking at it through a small business lens because of the importance and scale of small business in Ontario.

Ms. McClinton: Absolutely. Thanks for the opportunity. This is a very important recommendation, cer-

tainly one that's at no cost as well, so perhaps appealing from that perspective.

The number of specific recommendations that deal with the regulatory burden, on the front half, are for the government to adopt SBAO, the Small Business Agency of Ontario, as you mentioned, the former Red Tape Commission, and recommendations on principles of regulatory excellence and standards of efficiency for forms. This is basically smarter regulations and smarter forms, to make sure that the government is looking at a variety of ways before introducing new forms or regulations, that we're not increasing the administrative burden.

With respect to the small business lens specifically, there are a number of ways that this could be achieved. As you mentioned, I suggested a very detailed way of doing this. The purpose of a small business lens is essentially to institutionalize due regard for small businesses within government processes and decision-making. The way that we've proposed, it would be similar to what was done with the municipalities when the government originally signed a memorandum of understanding with the Association of Municipalities of Ontario. What that said was that the government needed to consult with municipalities on anything that would affect them financially within their budget cycle before any decisions were made.

So we're proposing something similar whereby any time a ministry brings something to cabinet or proposes a new regulation or piece of legislation that's going to adversely affect small business, that that be built into the approvals process and consultation take place prior to that happening.

Mr. Arthurs: The second question I have, time permitting, maybe just a little further explanation: There was another very specific matter, which was the taxation on herbals and naturals. Sometimes you get the opportunity for the one-off situation where you can correct things in spite of the broader agenda, but sometimes there's a window and you may want to take advantage of that as well.

Ms. McClinton: Our members would be ecstatic if this problem were solved. As I mentioned: corporate-responsible, happy to collect tax on behalf of the province. But this is an issue where really our members are penalized because the rules are unclear.

Essentially, if an herbal or natural product makes a health claim, it's classified as a drug, so it's taxed. If it does not make a health claim, it's classified as food and therefore it is not taxed. So marketing is really driving taxation of these products. So for retailers the issue is compounded because on the packaging of an herbal or natural the retailer may sell, there may not be any health claim; it may be included within the little packaging inside it and they have no way of knowing that, because the manufacturer doesn't disclose that information to them. So then, when they're doing PST audits, retailers are being required to remit PST on products that they didn't even know were subject to collection.

We're not saying whether or not the government should tax them or exempt them. We're just saying a

decision should be made one way or the other. At the federal level there's actually a clear definition provided by Health Canada now so that if Ontario were to amend its legislation based on the federal definition, at least that would bring some consistency to our members.

Mr. Arthurs: So it's not just the issue of whether or not it's classed as a drug. It's the issue of the inadvertent taxation in a PST audit situation where someone establishes that, because of packaging inside and the like, it's being treated as a drug and thus retroactively retailers being asked to make a PST—

Ms. McClinton: Exactly. And you could imagine that for a large retailer who may have thousands and thousands of SKUs which are herbal and natural products, to go through each and every single one individually and read the back of the package or ask the manufacturer what it says on the inside is extremely burdensome. Thank you.

The Chair: Thank you for the presentation.

ONTARIO BAR ASSOCIATION

The Chair: Now I call on the Ontario Bar Association to come forward, please. Good morning. You have 10 minutes for your presentation. There could be five minutes of questioning. I ask you to identify yourself for our Hansard.

Mr. James Morton: Thank you so much, Chair. My name is James Morton. I am here in my capacity as president of the Ontario Bar Association. I'd like first to thank you for the opportunity to present our position and advice for the 2007 Ontario budget before the standing committee. The OBA is the voice of the legal profession in Ontario. We are a voluntary legal association representing over 17,000 lawyers, judges and law students in Ontario.

Over the course of your hearings, you will most certainly hear from several organizations about needed investments in health care and education. I will be limiting my comments to the third and, we say, equally important support of our society, our justice system. But please do not take this as suggesting that we don't see the critical importance and value of the other two supports. Our position really is that there are three fundamental supports for our society, and having two legs on a stool doesn't make such a good stool.

There are many issues that our membership would like me to raise today. I'm going to focus only on two of them in the context of the 2007 provincial budget. The first is the need to increase legal aid funding by \$30 million this year and \$20 million across the subsequent two years, thereby improving access to justice for many thousands of Ontarians and permitting the justice system to deal more efficiently with the ever-increasing number of matters coming before the courts. The second has to do with rules limiting those who can hold non-voting shares in legal professional corporations.

Turning to legal aid: It will come as no surprise to you that legal aid is in a financial crisis. The crisis reached an

acute stage this fall when Legal Aid Ontario began drastic measures to deal with an anticipated \$10-million deficit. This resulted in delaying payments to lawyers and placing a spending cap on individual cases. The decision to temporarily delay the cap came down, but the circumstances leading to it have remained unchanged. The effect is that the scales of justice, we say, are tipping more and more away from those without the means to pay, and legal aid continues to fight for its piece of the justice budget.

The numbers speak for themselves. In 2006-07, one in three eligible family law applicants was turned away. In the same period, the number of family law applications refused increased by 26%. This means that a mother, in some circumstances, fighting to protect her children from an abusive father may not be successful. I'm not exaggerating here: 75% of legal aid family law clients are women, and 35% are single mothers.

Equally concerning is the rate of refusal in criminal matters, which has risen by 31% since 2004. This is particularly concerning because since 1999 the number of criminal matters heard by the Ontario Court of Justice increased by almost 40%, while in that period legal aid certificates increased by about half that rate. Our democracy and our justice system are founded on the presumption of innocence and the right to a fair trial, which can only be ensured if the legal aid system is properly funded.

Without adequate representation in court, a party is no match for a seasoned and sophisticated prosecutor. Even with judges' best efforts to ensure fairness, an innocent, unrepresented individual is going to make costly and potentially devastating mistakes. Our justice system works extremely well, but we have seen in Canada the problem of the wrongfully convicted, and that problem can only be aggravated by a lack of legal aid funding. The bottom line is that without access to legal representation, the chances for a factually wrong decision in criminal law, in family law, increase tremendously, and that impacts the entire society.

At every one of our town hall meetings, which we have held across the province from Brockville to Belleville to Barrie, we heard from a broad spectrum of people involved in the justice system saying that legal aid certificates are becoming a less and less viable option. In fact, during a town hall meeting we hosted in Barrie, Tom Bryce, an area family law lawyer, told those present that a lawyer working on a legal aid certificate would make half as much as a lawyer in regular private practice.

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I should take a moment to commend the government. They have identified the need to address this problem. They have addressed the problem and appointed Professor John McCamus to do a comprehensive and independent review of the legal aid system. But in our submission, we believe that funding for legal aid must be increased by \$30 million in 2007-08 and a further \$20 million over the next two years. This would allow Legal Aid Ontario to maintain current service levels without

resorting to funding caps, and it would be possible then to reverse the trend of an ever-increasing number of refusals. If you put this dollar amount in the context of funding allocated for the equally important pillar of our society, health care, \$30 million represents just one per cent of the increase to the Ministry of Health's budget last year.

I recognize that time is fleeting. I will speak very briefly on the second issue. You do have our speaking notes. Under the Business Corporations Act, lawyers cannot issue non-voting shares to immediate family members. The medical profession can do that. Our submission is that this is unfair and inappropriate. There is no principled distinction between lawyers and doctors, and this is an arbitrary and unjust distinction. Allowing non-voting shares to be given to immediate family members of lawyers can assist in making viable practices outside the major urban centres. People are surprised to hear this, but there is a shortage of lawyers outside the major urban centres. In our submission, this would be an appropriate change to make, and it is one that is simple fairness.

I think I've said all I need to say at this point about those two points. I thank you, Chair.

The Chair: We thank you for the submission. This round of questioning goes to the official opposition.

Mr. Barrett: Thank you, James, for testifying on behalf of the Ontario Bar Association. We had a presentation yesterday by Charles Spettigue, who practices criminal law in Hamilton. He gave us quite an extensive brief. It mirrors much of what you're saying and stresses, again, from the Hamilton perspective, that one third of the accused brought before our courts in many cases are legal aid, and in many cases are suffering from mental health problems or substance abuse or lack of affordability or viable income to foot the bill. He indicated that Attorney General Michael Bryant spoke to the Hamilton Criminal Lawyers' Association in October 2004 and announced his commitment to a robust and independent legal aid system.

Has there been any progress in the ensuing two or three years? I know there hasn't been any money in the last two years, as I recall.

Mr. Morton: There have been modest cost-of-living-type increases. Certainly we're very pleased with the appointment of Professor McCamus to look at the situation. We do think that legal aid really does need to have some focus. We recognize there are other important roles that government must play. But when you look at the amount of funding which is required, it's really quite small in terms of the other responsibilities of government.

One of the things I might note that may be useful for the future, and this is something where we're pleased to see both the federal government and the provincial government working together, is the streamlining of the justice process. I was in Winnipeg this last weekend and discovered that they have a legal aid system where the funding is not significantly greater on a per capita basis

than our own, but they're able to service more generally. That seems to be largely because in Manitoba the court system works more quickly.

There are costs that are saved by having legal aid funding. An unrepresented accused makes a much longer trial. If the accused has representation, the trial can be shortened, and that saves money in other areas of the justice system. I hope that addresses it a bit, Mr. Barrett.

Mr. Barrett: Again, going back to the Hamilton presentation, they did a measure—two years after the Attorney General's speech, legal aid is something like \$10 million in the hole. I think you made reference to that. There was in a Toronto Star article last November. You're suggesting an increase in funding: \$30 million this year and \$20 million across the subsequent two years.

There have been a number of studies and reviews and commissions; you've made mention. There's an ongoing study right now. Are we going to get the results of that study in the near future or is this going to be after the election? When will we know?

Mr. Morton: I can't tell you the precise timing. I understand that Professor McCamus is working on it presently. My impression is that we would have it probably towards the end of the summer or beginning of the fall, which would be before the election. But that's my impression. I haven't spoken directly to Professor McCamus about his timing.

Mr. Barrett: Further to these kinds of reviews, I know the Ontario Bar Association hosted a number of town hall meetings across the province. We were hoping to have one in our area. We weren't able to get one organized.

Mr. Morton: We're still available; we'd love to.

Mr. Barrett: Some of the results of those town hall meetings—what are your reviews telling us?

Mr. Morton: What we're seeing is that there are significant numbers of unrepresented people who really have a need of representation. As you indicated, in the criminal side, we see mentally challenged individuals, we see people with substance abuse, we see people who are just bewildered by the system. We also see in the family side—and this is equally troubling—unrepresented people going to court. There is a side effect of that, because often the people who suffer most from an incorrect or a poor decision in a family trial is not mom or dad, it's the kids. So a lack of legal aid funding impacts not so much on the parties as on someone who's not a party at all. We do think legal aid funding has to be addressed.

The numbers we've put here are not sort of pie in the sky, what we'd like for Christmas. We think these are the minimum respectable, responsible numbers that can address the system, and then, longer term, Professor McCamus's recommendations and perhaps changes to the streamlining of the system can help as well.

Mr. Barrett: Thank you, Mr. Morton.

The Chair: Thank you for the presentation.

Mr. Morton: I thank the committee.

COLLEGE OF PHYSICIANS AND SURGEONS OF ONTARIO

The Chair: Will the College of Physicians and Surgeons of Ontario come forward, please? Good morning. You have 10 minutes for your presentation. There may be five minutes of questioning. I will ask you to identify yourselves for the purposes of our recording Hansard.

Dr. Rocco Gerace: Thank you very much. My name is Rocco Gerace. I am the registrar of the College of Physicians and Surgeons of Ontario. With me is Louise Verity, who is the director of policy and communications.

I would ask, if you could, to go to the material we've circulated. I'm going to just take you through a number of demographic and data slides that we've submitted to you.

Today, we would like to talk about two things; firstly, about the issue of physician human resources and point out our impression that we are heading toward a perfect storm with respect to adequacy of the number of doctors in this province. Secondly, we will talk briefly about public member participation in self-regulation in the governing council and committees of the college.

If you go to page 2 of the slides, you'll see a demographic distribution of doctors in this province, and you'll see that there is a peak age of doctors at 51. There is a demographic bulge of physicians, just as there is a demographic bulge in the population at large.

I point out that this survey material comes from an annual review from our members. We get a 98% response rate from over 26,000 doctors, of whom 22,000 are resident in Ontario. This data represents Ontario doctors.

If you go down to the second diagram, you can see that the average age of doctors is increasing in this province. It's gone up 2.5 years in the last six years. That is a dramatic demographic. It really shows that the population of physicians is aging out of proportion. This should be a flat line if we were in equilibrium.

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Going to page 3, we've projected ages of doctors, and if you look at the arrow, our projection is that by the year 2015, fully 30% of doctors will be at or over the age of 65. Similarly, in talking to doctors across the province—and I refer to the bottom slide on page 3—we see that young doctors and older doctors tend to work less than doctors who are in middle age, and we think this has implications with respect to delivery of service.

Finally, we've been tracking—going to page 4—the number of family doctors or general practitioners accepting new patients. From the year 2000, when over 38% of family doctors were accepting new patients, we have been declining steadily over the subsequent seven years and we just have data for 2006 that shows that less than 10% of family doctors are accepting new patients. This is much more dramatic in the southwest and in the southeast, and data will be forthcoming to point out where those differences are.

So what are the implications with respect to this data for delivery of care? We have an aging physician population and, as they age, they tend to work less. The younger doctors coming into the practice of medicine tend to work less. Coupled with this, we have a population that is aging and a population that will require more care and more resources in the coming 10 to 15 years. We think this is predictive of a perfect storm. There simply will not be enough doctors to look after the aging population in the coming 10 to 15 years. I would suggest to you that we need innovative, aggressive and perhaps different solutions to dealing with these problems.

So what are our recommendations? First, I would think, relevant to this group, we should allocate sufficient resources to meet a plan for self-sufficiency of physician resources in this province. We have never in Ontario been self-sufficient in the production of doctors. At minimum, 25% of the doctors in this province have been graduates of international schools. We have to begin to be self-sufficient to ensure that the number of doctors we have are being produced in Ontario, and to do this, we have to liaise with the existing medical schools and we have to provide resources for the medical schools to enhance their enrolment, at the same time paying attention to health systems issues in which care and education are provided. We think this is a critically important initiative that needs to be addressed.

The second item that I would like to speak to is the issue of public members on our governing council. I think it's fair to say that the public members of council and of committees make a critical contribution to the regulation of health professionals—doctors and others. Public members participate in virtually every component of regulation in the province of Ontario. Currently we have 15 members of the public who are appointed to a 34-member panel, and public members participate in every committee. The issues that we face are that we run into shortages of public members, the time commitment is great and they often aren't able to contribute the amount of time that's necessary for regulatory processes, and the provision of these regulatory processes is absolutely dependent on public member participation.

So what we would suggest is that there be an enhanced screening process to ensure that, when public members are appointed, they are able to contribute the time necessary for this important function; that there be a rigorous orientation for public members to allow them to understand what their role is in medical regulation and ensure that they are capable of providing that role. Finally, we think it's atrocious that the per diem for public members remains at \$150 a day. This is an incredibly important role that's played and we think that to ensure ongoing participation of public members this should be increased.

Those are my prepared comments. We have circulated to you written comments that will supplement these, and I'd be happy to take any questions.

The Chair: Thank you. The questioning will go to Mr. Prue of the NDP.

Mr. Prue: Just on your last point, the \$150 a day does seem to be rather low. That would equate to about \$38,000 or \$39,000 a year, if you worked 40 hours a week and if you did that full time. It seems to me to be very much under what we should be paying. Do you have another figure in mind?

Dr. Gerace: We've often advocated that public members be paid the same as physician members of council. That is in the neighbourhood of \$750 a day. While they are treated as complete equals in the regulatory process, we think this would be a gesture that would demonstrate their equality.

Mr. Prue: How many days a year on average do these public members attend?

Dr. Gerace: I'm sorry, I don't have the exact days. I can get that to you, but we know that—

Mr. Prue: I think your colleague wants to answer.

Ms. Louise Verity: It really varies, and I think the reality is that there are simply no public members who would be required to work what we would consider to be a full year. We have some very complex discipline cases where we would need perhaps up to six weeks of time for a public member. There would also be additional council and committee work that would be required on top of that. I think the problem is that if you have someone who is of working age, to ask them to spend, for example, six weeks of their time, that would really be more than what most of us would be eligible for in vacation over the course of a year to do that. They're simply not able to do so. Many of the public members have jobs as well that they are required to fulfill.

What we've found is that we have a number of our public members who are appointed who are of working age; they're simply not able to devote the kind of time that's required. Also, you have the flip side of it, where you have people who have entered retirement. They're simply not able to devote the amount of time as well. So you really need a good mix of individuals participating as public members on council.

Mr. Prue: In terms of the appointment of these members, who appoints them? Is it the province of Ontario that appoints them?

Dr. Gerace: That's correct. They're appointed by the Lieutenant Governor in Council.

Mr. Prue: So this is a government appointment through the appointments process. You said that we need a better screening process, so I guess the process that has been used hasn't sent the right members.

Dr. Gerace: I can give you an example. We had a member who was appointed, and we were particularly desperate for someone to participate in a discipline hearing. His appointment was approved, he came, we outlined what the expectations were and he was absolutely shocked. This was an individual who had, again, a job outside the council and simply couldn't devote the time. We think that if the expectations are made clear during the orientation, this sort of issue would be avoided.

Mr. Prue: Notwithstanding that he was shocked at the time, are the people appointed by the Lieutenant Governor in Council generally capable of doing the job?

Dr. Gerace: They are. We have been very fortunate with respect to the quality of public members who have come to council.

Mr. Prue: Now, in terms of doctors and resources, there has been some effort made by government colleagues to increase the number of people attending schools in the province. I think they even opened up a new school. Is this sufficient, given the lag time, probably five, six, seven years, until we actually have graduates and they've finished their internships and everything else? Is what we're doing now sufficient that there will be doctors in that period, five, six, seven years from now, or is it still not enough?

Dr. Gerace: I think we're looking at the longer term. We're not looking at a five-to-seven-year window; we're looking at a longer term. While progress has been made—and indeed, it has been made—we think that the numbers are going to be insufficient. Traditionally, this province has relied on 25% of its physician workforce from foreign medical schools and we really believe that we should be self-sufficient. So while progress has been made, we think it's totally inadequate. We think a lot of attention needs to be paid on training more doctors here in the province.

Mr. Prue: Thank you so much.

The Chair: Thank you for the presentation.

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CANADIAN VEHICLE MANUFACTURERS' ASSOCIATION

The Chair: Will the Canadian Vehicle Manufacturers' Association come forward, please? Good morning. You have 10 minutes; there may be five minutes of questioning. I'd ask you to identify yourself for our recording Hansard.

Mr. Mark Nantais: Thank you, Mr. Chairman. My name is Mark Nantais. I am president of the Canadian Vehicle Manufacturers' Association. Our organization represents Ontario's leading manufacturers of both light- and heavy-duty vehicles. These companies include DaimlerChrysler Canada, Ford Motor Co. of Canada, General Motors of Canada, as well as International Truck and Engine Corp. Together, these companies employ roughly 50,000 Ontarians and support an additional 50,000 retirees.

Before I continue, I just want to point out that we have provided to you a more detailed submission. Included with that submission are two other handouts. One is basically an overview of the automobile industry in Canada, which I'm hoping you will find useful as a resource document, as well as a small pamphlet which talks about our environmental leadership as it relates to both smog-related emissions and greenhouse gas reductions. I invite you to review those at your leisure.

With the integration of automotive sales and manufacturing across North America, our sector accounts for over 40% of Ontario's international trade. In 2006, our member companies produced nearly 1.8 million light-duty vehicles built right here in Ontario, or 70% of the total. From a sales perspective, they accounted for over 54% of all light-duty vehicles sold in Canada. In addition, these three light-duty vehicle assemblers continue to account for the purchase of over 80% of all Ontario's parts production for the production of the very vehicles they produce for the North American market.

With the assistance of both provincial and federal governments, our sector has actively invested over \$10 billion in Ontario over the past five years, and roughly \$8 billion out of the \$10 billion has been invested by CVMA member companies.

Despite these investments, significant ongoing and necessary restructuring of the North American automobile industry means that the heart of Ontario's automotive industry actually remains under a long-term threat. These continuing threats include:

- Global automotive manufacturing overcapacity, of which there is roughly six million units.

- Continued globalization of automotive manufacturing and the supply chain.

- Pressure to shift manufacturing to jurisdictions where labour and manufacturing costs are much lower than here in Canada. In fact, Canada ranks as one of the top or highest-cost production jurisdictions in the world. There is ongoing pressure to shift manufacturing to jurisdictions where those labour and manufacturing costs are indeed lower, so therefore we have to be very cognizant of that as we look for new product mandates.

- The increasing cost of Canadian manufacturing and material inputs is also a factor and is also in aggregate, with all these other items, creating the necessary restructuring that is indeed taking place.

In the face of these challenges, we believe that Ontario's government must continue to work aggressively to bolster this province's position as a competitive location not just for automotive production and investment but manufacturing in general. To this end, our recommendations stem from the Canadian Automotive Partnership Council, of which the province of Ontario is a founding and active member. These are aimed at helping Ontario strengthen its position as a North American automotive leader in manufacturing but also in terms of environmental technology application. I will focus on these three areas, which, if addressed in the budget for 2007, will actually help our manufacturers and workers to maintain their competitive edge as the North American automotive industry works its way through a very difficult and deep restructuring.

Our first priority centres on enhancing and supporting the auto industry's environmental leadership. As part of the recent automotive investments in the province—details of which are contained in the complete submission—many of the initiatives undertaken have focused on reducing the environmental impact of our

assembly plants as well as research and development of new technologies and their application to improve the environmental performance of the on-road vehicle fleet. Our industry has an environmental plan, and we're in the process of executing that plan.

There is a popular myth that vehicles are largely responsible for the majority of greenhouse gas emissions and smog-related emissions in this province; however, the reality does not bear this out. Today, all on-road cars and light-duty trucks contribute about 12% of Canada's greenhouse gas emissions, while new vehicles represent only 1% of that total. For smog-causing emissions, all on-road vehicles and light trucks contribute about 10% of that total of smog-causing emissions, while new vehicles represent 0.1% of total light-duty vehicle smog-causing emissions. Any plan which focuses just on new vehicles is a plan which is not going to get us very far.

In addition, Canada's auto industry became the first sector in the country to agree to sector emissions reduction targets voluntarily through a greenhouse gas memorandum of understanding signed with the government in 2005. We've committed to reduce greenhouse gas emissions to the tune of 5.3 million tonnes by 2010. Since we signed that agreement, some 70 new advanced technology and fuel-saving technologies have now become available to consumers, such as hybrids, cylinder deactivation and continuously variable transmissions, among others. There are also 30 alternative fuel vehicles, including E-85 ethanol and biodiesel. Several of those vehicles are built here in Ontario, once again.

Cleaner, more efficient advanced technology vehicles have a significant role to play in achieving our air quality goals and will contribute to reducing vehicle-related greenhouse gas emissions. However, the magnitude and speed of the contribution is largely related to the speed at which consumers adopt these technologies and how quickly the alternate fuel infrastructure evolves going forward. Hence, we have four very specific recommendations.

First, expand Ontario's existing vehicle purchase incentives to include a variety of environmentally advanced technology vehicles as well as alternate fuel vehicles. While available in the Canadian market for many years, they have yet to be adopted very widely, owing primarily to consumers' familiarity with the old conventional-type gasoline engines, which nonetheless remain reliable, durable and at relatively low cost compared to some of these other more sophisticated technologies. As such, the government of Ontario should focus on providing consumer retail incentives to help offset some of the cost of these more sophisticated technologies and reflect the positive environmental benefit of the impact that the technology will have.

Second, support the next step in Ontario's renewable fuel strategy by implementing the industry's recommendations to develop and expand ethanol at 85% and the refuelling infrastructure associated with that. In terms of Ontario's E-85 fleet, realize that incentives, even at the municipal, federal and provincial fleet levels, would play

a big roll in creating the pull necessary to bring these fuels to market more quickly. Other countries, such as the United States, Sweden and Brazil, have become global leaders in renewable ethanol and have a history of producing and consuming E-85 ethanol, and higher, blended fuels. Ontario should follow their public policy lead and adopt a broad spectrum of measures in regard to ethanol production, retail infrastructure support, price support and advanced technology vehicle support for consumers.

Third, Ontario should support the acceleration of older vehicle retirement to further reduce vehicle emissions. That may sound self-serving, but let me tell you why that's very important. There are roughly 400,000 1987 model year vehicles on Ontario roads today. A 1987 model vehicle emits more than 37 times the smog-related emissions than one of today's new vehicles. Therefore, the accelerated fleet turnover offers the most immediate and significant opportunity to reduce the light-duty vehicle fleet's contribution to smog-related emissions and would also provide co-benefits in terms of safety.

By offering consumer tax incentives for the replacement of these older, higher-polluting vehicles, we can realize improvements and vehicle-related GHG reductions much sooner than would otherwise be the case. Such action would also be more effective than the existing tax for fuel conservation, which brings me to my fourth recommendation, which is to actually eliminate the tax for fuel conservation, which has both failed in its purpose and, in a perverse way, detracts from the government's environmental policies for clean air and fuel conservation.

A significant problem with the TFFC is that it taxes the wrong segment of the on-road fleet, namely, new vehicles. These new vehicles are the cleanest and safest available and are equipped with the most advanced technology available.

New vehicles represent only about 8% of vehicles on the road and account for only 1% of vehicle emissions, as I mentioned. By comparison, the older 20% of the vehicles on the road are responsible for more than 80% of vehicular emissions. By increasing the cost of a new vehicle, the TFFC actually reduces the incentive for consumers to replace their older vehicle that is less fuel efficient and is actually a higher polluting vehicle. In fact, it delays the air quality benefits that we are searching for.

I would now like to focus my comments on enhancing Ontario's fiscal and investment climate. Given a constantly changing global business climate, the province must continue to seek out areas where we can gain a competitive edge. The status quo is no longer acceptable. We need a competitive edge. With this in mind, we believe the key focus areas for an automotive investment tax policy must include a sustained, large-scale investment incentive program, accelerated reduction of corporate income tax rates and the elimination of capital taxes in order to stimulate the economy and encourage continued investment in Ontario. There's certainly more detail in the submission on these points.

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The third broad priority area recommendation relates to the province's trade infrastructure. Ontario is indeed a trading province, and much of our prosperity comes from our ability to produce products at home and export them for sale abroad. Ontario's automotive manufacturers are at the heart of this trade, exporting nearly \$100 billion of vehicles and parts annually, while importing roughly \$85 billion. This accounts for roughly 40% of Ontario's total international trade.

Reliable and efficient trade corridors are crucial to Ontario's economic stability and the competitiveness of the province's automobile manufacturers. Our sector relies, probably more than any other sector, very heavily on the transportation network to deliver production parts both from across southern Ontario and from various American states, primarily through the Windsor-Detroit area gateway. The majority of Ontario's vehicle assembly and parts manufacturing facilities are concentrated in the greater Golden Horseshoe area on or around the 400-series highways, so congestion has a major impact on the efficiency of our industry and it certainly increases the cost of doing business. It can impact—and has—investment decisions in Ontario for both assembly and parts makers.

To avoid the investment drain and reduce congestion that cripples the manufacturing sector, the province should immediately engage in thoughtful and pragmatic planning and actions to ensure that trade corridors that connect automotive assembly facilities to their suppliers—I think this equally applies to other manufacturing sectors—and major markets are effectively enhanced and developed.

Mr. Chairman, that concludes my verbal remarks, but I'd certainly be willing to answer any questions the committee may have.

The Chair: Thank you. The questioning will go to the government. Mr. Arthurs.

Mr. Arthurs: Thank you for the presentation this morning.

A spokesman for the obvious: Our \$500-million commitment at the beginning of this mandate, investment in the auto sector, clearly has been a success, in our view, although there have been those both in and outside of government who have been critical of some of those investments.

From your view and the industry's view, it's been a good-value proposition. What are some of the outcomes we are seeing as a result of that kind of investment, both by the provincial government and the federal government, and, principally, by the industry?

Mr. Nantais: Some of the positive outcomes have been the fact that even though we've had to close a couple of plants in Ontario, primarily because of this global overcapacity situation that I mentioned, the fact of the matter is that \$8 billion went into upgrading existing plants and bringing them into a more flexible manufacturing environment. What that means is that these plants can now produce more than one type of vehicle on

the same assembly line. The technology that was introduced as a result of that places them in a very competitive position moving forward, and this is the key: that if we are going to pursue the objectives of the Canadian Automotive Partnership Council and the recommendations they have made, bringing them into the flexible manufacturing environment does better place our industry for new product mandate as we go forward.

I might add that the projects—and, as you may know, there are many terms and conditions that were attached to that money that was to incentivize these companies, and it was also in partnership with those companies. So what the government was able to do was leverage a great deal more company money to bring these plants into a more competitive position. But the terms and conditions also state that they have to be equipped with some of the most advanced manufacturing technology, some of the most advanced environmental technology. So you're going to see that these plants will exhibit real environmental leadership as well from a manufacturing standpoint. Those are just a couple of examples, I think, of the benefits, not to mention the retention of many thousands of jobs.

Now, that deals with what we call the brownfield site, or the existing plants. There are also the greenfield announcements that were made and that probably got greater profile in the press. That also is good for Ontario and that is also going to strengthen the overall industry as we go forward.

Mr. Arthurs: You spoke to the infrastructure needs, particularly the 400-series highways through southwestern Ontario and/or the GTA, with the likes of Oshawa and Oakville and Brampton, to name but a few, not including Alliston—at least that kind of quadrant. What are some of the principal infrastructure demands that are of the highest priority? Which of those series of highway activities would best serve the industry and other manufacturers in being able to move goods and products efficiently?

Mr. Nantais: Despite being concentrated in the Golden Horseshoe area, we really see the automotive corridor basically from Windsor right through to Oshawa, and it actually extends beyond that because, of course, we have parts makers, who are all part of our supply chains, that are actually located in Quebec as well as Ontario. So clearly the 400-series highways are the ones that really need to be upgraded.

This government, and through the federal government's initiatives as well, has been focused on at least getting that going. We see new plants going in in Woodstock. The movement of trucks back and forth is something which must be done without impediments, and any time there are choke points on the road system or at the border—and that's probably where our greatest priority is for our member companies, at the Windsor-Detroit gateway border, both in terms of infrastructure improvements and in terms of making sure that customs processing is as free as possible. In other words, our companies have invested many millions of dollars in meeting new security-type programs, new requirements. The

FAST program, as you may be aware, is one which is indeed there to expedite the movement of goods back and forth across the border, but at the same time provide a higher level of security, which is something that both governments, but certainly the US government, seem to have primarily focused upon. Clearly, a new crossing at the Detroit-Windsor gateway is absolutely critical.

We must keep in mind that, whether it's our sector or any other manufacturing sector located in Ontario, we're all part of the NAFTA highway, which extends basically from Mexico right through to Montreal. That's something which, given the increase in trade that has taken place since we signed NAFTA, I don't think we have put sufficient resources into upgrading.

The Chair: Thank you for the submission.

INCOME SECURITY ADVOCACY CENTRE

The Chair: I call on the Income Security Advocacy Centre to come forward, please. I believe you've heard this before, but you have 10 minutes for your presentation. There may be five minutes of questioning. Please identify yourselves for the purposes of our recording Hansard.

Ms. Sarah Blackstock: My name is Sarah Blackstock. I work with the Income Security Advocacy Centre. We are a test case and law reform clinic that focuses on poverty issues in Ontario.

I'm sure all of you have noticed that poverty is increasingly getting media, public and political attention. Whether it's David McKeown, Toronto's medical officer of health, calling for a nutritional allowance for families on social assistance, the Task Force on Modernizing Income Security for Working-Age Adults calling for greater benefits and supports for the working poor, or the Toronto Star reminding the current government of its promise to end the clawback of the national child benefit supplement, we are hearing a chorus of very diverse voices calling for government action on poverty.

To be sure, the current government has made some improvements to income security programs. However, we still lack a concrete plan to reduce and alleviate poverty. Given that one in seven people in this province lives in poverty, we need a poverty alleviation plan. Given the social and fiscal costs of poverty, we need a poverty alleviation plan.

With appropriate policy and appropriate programs, low-income people could be ensured a decent standard of living and the causes of poverty could be effectively addressed. But establishing such policy and programs requires political leadership to explode the powerful myths and stereotypes that currently provide politicians and the public with permission to neglect low-income people.

What is needed is a coherent alleviation strategy, a vision, that can begin to be implemented in this 2007 budget. With growing public understanding of poverty and support for poverty alleviation programs, and with a government that has consistently expressed its concern for Ontario's vulnerable people, now is the time to act.

Social assistance reform must be a critical part of any poverty alleviation program. People relying on Ontario Works and the Ontario disability support program are living far below the poverty line, no matter what poverty line you use, and they don't have enough money to make ends meet. A single mom on Ontario Works with one kid has \$1,008 a month. The average Ontario rent—that's the Ontario rent, not Toronto—for a two-bedroom is \$919 a month. That leaves \$89 for food and everything else. That's what is driving people like David McKeown and medical officers of health across the province to call on the government to do something to improve the incomes and health and well-being of people on social assistance.

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Since coming to power, the McGuinty Liberals have increased the social assistance rate by 5%. But given that the previous government slashed the OW rate by 21.6% in 1995 and the ODSP rate has been frozen since 1993, and given that people do not have adequate income, that 5% is not sufficient. In fact, when inflation is factored in, the social assistance rate is now lower, in real terms, than when the current government took office nearly four years ago.

The social assistance rates are set arbitrarily. There's no rhyme or reason. I imagine across the province you are hearing from people who are saying, "Let's find a reasonable way to set the rates. Let's find criteria that make sense." That's what we need: clear and reasonable criteria by which rates can be set. We urge the committee to recommend an announcement in this budget of a consultative process by which a measure of adequacy will be determined. The budget should also announce, as a first step in this direction, a substantial increase to both OW and ODSP rates, with promises of annual increases until the rates meet the measure of adequacy to be determined.

The depth of poverty experienced by families on social assistance is also impacted by the clawback of the national child benefit supplement. The NCBS was created in 1998 to alleviate poverty. Despite this goal, it is taken away from the families on social assistance, some of the most vulnerable families in our communities. Every month, families on social assistance lose \$122 for the first kid, \$105 for the second and \$98 for each additional child. While the current government has allowed the annual increases since 2004 to flow through, that's only \$40 a month, roughly. About 75% of the NCBS is still clawed back. So another critical component of an anti-poverty strategy must be to end the clawback. If the government does only one thing for low-income families in this budget, it should be to announce the immediate end of the clawback and the continuation of the valuable programs it currently funds.

Another approach to ending the clawback and increasing the incomes of families on social assistance, as well as the incomes of the working poor, might be to create an Ontario child benefit. A coalition of anti-poverty advocates, including the Income Security Advocacy Centre, recently submitted a proposal to the

government regarding the creation of an Ontario child benefit that improves the living standards of all low-income families and, I emphasize, those on social assistance as well as the working poor. In our view, the creation of an Ontario child benefit provides an excellent opportunity to end the clawback and ensure that families on social assistance, as well as those whose primary income is from low-wage work, receive a much-needed increase in their income. An Ontario child benefit could be a critical component of a comprehensive poverty reduction strategy.

Minimum wage: The minimum wage often comes up in discussions of poverty and also in discussions of social assistance. Specifically, we hear reference to the so-called “welfare wall.” Those concerned with the welfare wall insist that a family should be better off working at minimum wage than being on social assistance. The underlying assumption is that people on social assistance are able to work but choose not to and therefore require financial incentives to find paid work. Our experience in the legal clinic system is that most people on assistance are not able to work as a result of barriers such as disability, lack of access to child care, low levels of education, low skill, and discrimination. To assume that people on social assistance need adequate financial incentive rather than to address the barriers they face is to punish people on assistance in an unjust and discriminatory manner.

That said, I accept that many will still argue that a family has to be better off working than on assistance, so we urge the committee to consider that raising the minimum wage is a more just and humane way to address the income discrepancy than to keep the social assistance rates so low. Raising the minimum wage would not only allow social assistance rates to be raised and the clawback to be ended without fear of raising the so-called welfare wall, it would also benefit all low-wage workers, as the increase is likely to have a ripple effect.

I’m aware that the current government has estimated that around 66,000 jobs might be lost with a sudden increase. Those numbers are certainly worth having a second look at, because there are also research groups like the Canadian Policy Research Network which has done a very wide survey of the existing data and suggests that an increase to the minimum wage would have little to no effect on employment levels. So we ask the committee to consider raising the minimum wage to \$10 an hour and indexing it annually.

I quickly want to mention one final component of a poverty alleviation strategy, and that has to do with energy poverty. In Ontario, you have to have access to electricity and heat. They’re basic necessities in this province, and we need to ensure universal, non-discriminatory access to these services, including access for low-income consumers. The needs of low-income residential consumers require special attention because they face a disproportionate energy burden as well as barriers to taking advantage of energy conservation programs. So in the next budget, we hope there’s a comprehensive plan to address energy poverty which includes rate assistance

for low-income consumers, emergency assistance and sufficient funding for programs to ensure energy conservation programs are accessible to low-income consumers.

Poverty is not an issue that has been well understood by the public. Years of stereotyping have created an environment in which it’s been very difficult to implement progressive poverty policy. But the tide is turning. Not only is there growing understanding of the causes of poverty and its complexity, there is also growing concern regarding the consequences of poverty to our communities and even the public purse. We urge the government to put poverty alleviation at the core of the next budget.

The Chair: Thank you very much for the presentation. The questioning will go to the official opposition.

Mr. Barrett: Thank you, Sarah, for your presentation on behalf of the Income Security Advocacy Centre.

Just to summarize your conclusion, much of your focus in alleviating poverty is allocating government revenue, whether it be through Ontario Works or ODSP, ending the clawback or an increase in minimum wage. I think energy poverty is a very important issue to talk about these days. You also talk about ending the clawback to the national child benefit.

You indicate that that’s one area that contributes to poverty—lack of government money, in a sense, and low wages in addition—and you’ve identified other social determinants of health beyond income: housing, employment, education. Does your organization do any work in those other areas beyond—I know you’ve focused on more government money for people, in addition to the minimum wage, but have you done any work in the other areas?

Ms. Blackstock: One of the things that a number of anti-poverty groups are concerned about is the need for broad social assistance reform. Part of what we need are adequate income supports, but we also need a program that acknowledges those barriers, like lack of education and low skill level. Certainly we have been advocating for skills training that isn’t a six-week course on how to cut hair, but actually training dollars that would allow people to gain the kind of skills and education they need to gain access to decent jobs that are reasonably well-paying and secure. I actually think that that’s something this government is sensitive to, although I don’t think there has been sufficient action on that item.

Mr. Barrett: We’ve had several presentations with respect to legal aid. I know you have a connection with that.

Ms. Blackstock: Yes. Our clinic is funded through Legal Aid Ontario.

Mr. Barrett: Yes, and those were more presentations requesting more money for the lawyers who practise legal aid.

Ms. Blackstock: That’s one way of looking at it, but you could also look at it as ensuring there are services for those low-income people to gain access to justice.

Mr. Barrett: I’m just saying that that is the way they were looking at it. But also in the presentations they

identify that their clients not only have income problems, which you're referring to, but also mental health problems, problems with the use of various substances. And we know there are many alcohol- and drug-hurt people who suffer in many other ways, and their families as well. Have you looked at that side of it at all?

Ms. Blackstock: There used to be a category in social assistance called "permanently unemployable." We think that there are a large number of people currently on Ontario Works who have disabilities that need to be addressed, whether they be mental health or addictions. In our view, an addiction is a disability and should be recognized as such, and those people should be eligible for the Ontario disability support program, which would better meet their needs and provide them with better income security, which may mean that they are less likely to be put in circumstances that may result in criminal behaviour.

Mr. Barrett: And the employment box, as far as social determinants—is there more that the private sector or government agencies or government employers could do to get people on the payroll, people with disabilities? We may separate out, say, alcohol and drug disabilities, but I'm thinking of other people who have disabilities who are able to contribute an awful lot, but it may not fit into shift work or 9 to 5. Have you done any work on that, or any ideas on that?

Ms. Blackstock: One of the things that I actually think this government has recognized is that people on the disability support program—some of them are able to engage in part-time work, but when their health fails they may have to be reliant on ODSP again, and getting back on to ODSP has been a difficult thing. So making sure that you can get back on to the program more easily is important. I think we all recognize that there's incredible discrimination and ignorance about people with disabilities, and most workplaces are not accessible and don't even necessarily have the resources to adequately support people with disabilities. So providing employers with resources to better support people with disabilities may be useful, but I don't want to diminish, also, the significance of adequate income security. A single person on ODSP gets \$959, I believe, or \$989.

Mr. Barrett: It's \$979.

Ms. Blackstock: Yes, somewhere around there. It's very difficult to have a reasonable standard of living on that level of income.

The Chair: Thank you for the presentation.

For the committee, you might choose to leave your papers here, but I wouldn't leave anything valuable or personal in the room. Please return promptly at 1 so that we can begin sharp. We are recessed until then.

The committee recessed from 1224 to 1305.

ONTARIO TRUCKING ASSOCIATION

The Chair: The standing committee on finance and economic affairs will now come to order for the afternoon session.

Our first presentation is by the Ontario Trucking Association, if you would please come forward. Good afternoon. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. David Bradley: Thank you very much, Chairman and members of the committee. I'm David Bradley, president of the Ontario Trucking Association. I'm pleased to have this opportunity to address you today.

Late last year, the Ontario Trucking Association developed and sent out to all MPPs a copy of our 14-point action plan on the environment. This was mainly a regulatory package. It included things like speed limiters, the need to allow for super-single tires or wide-base single tires, and different technologies in our industry to improve fuel efficiency, but there were some tax measures in there as well.

You have a copy of our pre-budget submission, which is seeking a co-operative, joint industry-government environmental investment plan for the trucking industry. We think that an environmental investment plan in our industry can accomplish three things:

(1) It can improve Ontario's environment almost immediately in the reduction of smog and greenhouse gas emissions from our industry by encouraging the speedy adoption of the latest clean engine technology and fuel-efficiency devices.

(2) It can at least begin to address the competitiveness gap on the taxation of business inputs that exists between the Ontario trucking industry and competitor jurisdictions like Quebec, Michigan, New York and Ohio, as well as compared to other Ontario industrial sectors.

(3) It can at least help to maintain direct investment in Ontario's heavy truck manufacturing sector. There are two principal plants, one located in Chatham and one in St. Thomas.

I'd like to refer you to three slides that we've passed out with our submission. The first one is entitled "EPA and Environment Canada Emission Standards for Class 8 Trucks." What this shows you is that progressively over the decades, by law, the smog emissions from trucks have been severely reduced. In fact, between now and the 2007 model year engines, by law, we will see the introduction of the virtually smog-free truck. The current generation, the 2007 model year engine, reduces the emissions of particulate matter, which has been linked to respiratory illness and lung cancer, by 95%, and in the next round, 2010, we will complete the job in terms of NO_x emissions by 90%. Those are two of the major precursors of smog, and we will have, ultimately, virtually clean trucks come 2010.

It has been indicated that these technological advancements are on a par with the invention of the catalytic converters in cars, but they don't come without a cost. In fact, the ticket price of the new 2007 engines is anywhere from \$7,500 to \$12,500 more just to buy the equipment. As well, there are higher operating, maintenance and fuel-efficiency costs associated with these new engines.

We've received absolutely no government support as an industry for purchasing these new vehicles. In fact, I would argue that Ontario's tax policy has led to a deceleration or has blocked the acceleration of investment cycles in order to allow those engines to penetrate more quickly into the marketplace.

Slide 2, which is a map of North America, shows the competitiveness gap in terms of how our industry is taxed by Ontario compared to how the trucking industry in virtually every other jurisdiction in North America is taxed. Ontario is increasingly an island. Everyone to the east of us has harmonized their provincial sales taxes with the federal goods and services tax. In most of the US states, they in fact exempt interstate trucks from sales tax on their tractors and trailers. We in Ontario chose to follow the lead of Manitoba, Saskatchewan and British Columbia in the introduction of something called the multi-jurisdictional vehicle tax. We have to administer three different taxes in Ontario on the same equipment, which is an administrative burden as well as a competitiveness concern.

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The last chart shows annual Canadian sales of class 8 trucks. I mentioned that the new equipment is more costly. So what has the industry done? We're a very, very competitive business. The economics are very difficult in our industry—a very low margin. There isn't really the scope to pass along increased costs. So what the market has dictated is that there was a run-up, a pre-buy binge, if you will, in the purchase of old trucks from 2006 and before. During 2006, the engine manufacturers, the truck manufacturers saw record sales of new vehicles, but by any forecast—we just show one, which is from Scotiabank. They're predicting a 30% reduction in demand next year, and it may be even greater than that. So we're into this boom-bust cycle, and that's accomplishing two things. One, it's pushing back the environmental benefits of these new engines—we should be trying to get them into the marketplace sooner—but it's also having an immediate-term impact on those plants in St. Thomas and Chatham, where significant layoffs have been announced.

We're not asking for money in this budget. What we'd like to see in the budget is that a process be established whereby OTA, the Ministry of Finance, the Minister of Transportation and whoever else the government thinks should be involved would sit down to develop this joint environmental investment plan for the trucking industry. So we're not asking you to spend any money today, but to have a process that will allow us to ensure that these enormous environmental benefits—I don't think there's an industry out there that's been able to match this sort of investment in technology and these sorts of quantifiable gains. In fact, the 2010 model year engines will be the equivalent, from an air quality point of view, of removing 90% of the existing trucks off the road. So the sooner we can get those into the fleets, the better, and we hope that the committee will see fit to recommend that.

Thank you very much. I'd be happy to answer any questions you might have.

The Chair: Thank you for the submission. This round of questioning goes to Mr. Prue of the NDP.

Mr. Prue: I really don't have many questions. All you're asking, then, is for a committee to be set up to discuss those four items on the last page.

Mr. Bradley: Absolutely.

Mr. Prue: In terms of the trucks, though, you're right: You can see the huge reduction in particulate matter and NO_x, especially after 1995. How many old trucks, though, are still on the road, older than 10 years, that would still have those much higher rates? It seems to me that I see a fair amount on the highway that I think are more than 10 years old.

Mr. Bradley: Yes, they tend to gravitate towards different sectors of the industry where people tend to get into the business by buying a used truck. So you still do see them out there. I might also say, though, that even a 1995 truck is a significantly cleaner vehicle than anything pre-1992. But the key is to allow the industry, whether it's for environmental, safety or competitiveness reasons, to increase the cycle of reinvestment. My members want to hold on to a tractor for no more than three years. Because of the current capital consumption allowances in Canada and in Ontario, they're forced into, at best, a five- to seven-year cycle, whereas our American counterparts are in that three- to five-year cycle. So there are some disparities in the tax system that make it more difficult for us to re-equip our fleets as quickly as we would like and to get the old stuff off the highways.

Mr. Prue: Would it make sense for the government to give an incentive for people to trade in those old trucks? We have had some discussion about trading in your old refrigerator for a new one that's energy efficient. Might this be a kind of incentive to get those last remaining 1992-and-before trucks off the road?

Mr. Bradley: We have proposed that in our pre-budget submissions in the past. I would say yes, that could be a very powerful tool; the problem is that we've never been able to get to first base on it. However, there are precedents for that. There's a program called the Carl Moyer program—I believe it's in the state of California—that's been very successful in terms of purchasing the old equipment and junking it, basically.

Mr. Prue: Perfect. Thank you so much.

The Chair: Thank you for the presentation.

ADVOCACY CENTRE FOR TENANTS ONTARIO

The Chair: I call on the Advocacy Centre for Tenants Ontario to come forward, please. Good afternoon. You have 10 minutes for your presentation and there may be up to five minutes of questioning following that. Please identify yourself for the purposes of our recording Hansard.

Ms. Kathy Laird: Thank you very much. My name is Kathy Laird. I'm the director of the Advocacy Centre for Tenants Ontario. We're a legal aid clinic that is funded to do test-case litigation and law reform advocacy on behalf

of low-income tenants and people without housing across Ontario.

I am here today to speak briefly to two priority areas for investment in the Ontario budget: the ongoing and critical need for new affordable rental housing and the need to increase the shelter allowance of Ontario's social assistance.

Legal clinics wouldn't be able to do their advocacy on behalf of low-income Ontarians without the funding of Legal Aid Ontario. With me today is Lenny Abramowicz, who is the executive director of the Association of Community Legal Clinics of Ontario. I have agreed to give him half my time—I'm going to have to start speaking more quickly—so that he can speak to you a little bit about the importance of funding for Legal Aid Ontario and legal clinics in the coming budget to ensure that we can continue to do the work that we do for low-income Ontarians and for disadvantaged communities.

Returning to the two issues, the demand for affordable housing in Ontario is undiminished, and the numbers are compelling. Canada Mortgage and Housing tells us in their mid-range rental housing forecasts that Ontario needs 20,000 units annually, every year. There is a huge gap between the demand for new rental housing and the supply. CMHC also tells us that there are almost 400,000 Ontario tenant households in core housing needs. When they do that calculation, it's based primarily on affordability. They also look at overcrowding and the maintenance of the housing. As you know, I'm sure, the Toronto Star has been reiterating this point. There were almost 122,500 low-income households across Ontario on the active waiting list for social housing at the beginning of 2006. Most of these applicants have gross incomes below \$20,000, and they often have to wait until their children are grown up before they move up to the top of that waiting list.

The finance minister, when he spoke to this committee, reminded you of the importance of considering what more can be done for Ontarians in the context of strengthening the economy. So I want to point out to you the words of Don Drummond, the chief economist at the TD Financial Group. He was speaking of their report, *Affordable Housing in Canada: In Search of a New Paradigm*. He said, "An inadequate housing supply can be a roadblock to business investment and growth" and influences a potential immigrant's decision whether or not to locate in Canada.

ACTO, my organization, acknowledges that the government has started to deliver on the commitments under the Canada-Ontario affordable housing program. We're happy about that, but the pace is slow. Less than half the units have been built. We're also concerned about the affordability levels in the program. An affordable two-bedroom would rent at \$850 per month, and this will shut out people with really low incomes.

These problems can be fixed. I know ONPHA and the co-op housing federation have made solid recommendations that we urge you to look at. Additional dollars are key. We urge the government to move beyond the inter-

governmental wrangling and to release Ontario's \$392-million share of the federal dollars earmarked for housing.

Secondly, and briefly—I don't know how I'm doing for time because I forgot to look. One minute? Okay.

I wanted to speak to you about the inadequacy of the shelter allowance. I included this in your package. The red line is the shelter allowance and the blue columns are rent levels in Toronto. We did this chart for a single mother with two kids in a two-bedroom apartment. If you look at the bottom you'll see that in 1994, the average rent was \$784 and the shelter allowance was \$707—a very small gap between what families were getting and what they had to pay for shelter.

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In 2006, the average rent is over \$1,000 and the shelter allowance has fallen. It's at \$583. This, of course, reflects the Tory cuts and then the increases that the current government has given since that time.

It's clearly time to move forward on social assistance rates. We think that the shelter allowance is a key place to act and we urge you to do so in the coming budget.

Now I'll turn it over to Mr. Abramowicz.

Mr. Lenny Abramowicz: Good afternoon. My name is Lenny Abramowicz. I'm the executive director of the Association of Community Legal Clinics of Ontario. My colleague, Kathy Laird, works at ACTO, which is one of the 79 legal clinics located across of Ontario. Some of these clinics, like Kathy's, focus on particular areas of law, but most of them provide general civil legal aid services to low-income Ontarians in every community in this province. Each clinic is a non-profit corporation governed by a volunteer board of directors that is chosen from that community. The clinics are funded primarily by Legal Aid Ontario, and we are part of the province's overall legal aid regime, working in partnership with the private bar, staff law offices and duty counsel to ensure access to justice across the province.

Community clinics help people with their most fundamental legal issues, dealing with their basic necessities of life, like maintaining their income or keeping a roof over their heads or ensuring human rights or basic employment rights. The clients the clinics represent are often the poorest and most vulnerable in the community: sole-support parents, the disabled, newly arrived immigrants. By assisting these people and ensuring that they have legal rights and access to justice, community clinics promote social inclusion and keep people from falling through the cracks.

For example, many of you may have followed the recent media reports regarding Fatima Siadat. She fled Iran in 1989 and came to make a new life in Canada. Canada accepted her as a refugee. She had been a teacher in Iran for 16 years, but when she applied to teach in Ontario, the Ontario College of Teachers would not grant her certification because she did not have the appropriate documentation from Iran, which is not surprising, considering the circumstances of her departure. A community clinic in Ottawa represented Ms. Siadat. Just last

month, the Superior Court of Ontario ruled in her favour, saying that the teachers' college must take into account her circumstances. This court decision will not only lead to Ms. Siadat's becoming a taxpaying member of Ontario's workforce, but it will likely lead to changes in the way all foreign-trained professionals have their credentials recognized.

This case is just one example of the type of work that clinics do every day. Every year, clinics such as Kathy's appear before this committee and participate in pre-budget consultations to seek help for our clients. In the past, I have done so as well, but this year, in addition to our plea to assist our clients, I am also speaking to you about assisting legal aid. Here's why. To be blunt, legal aid has received no increase in its operating funds for 10 years. Because of this, budgets have been slashed, programs have been scaled back and cutbacks in remuneration to staff have been put in place. If no new money is forthcoming this year, there will be a severe reduction in legal services.

Last year when we sought an increase in legal aid funding from the provincial government, representatives told us that the government had very little new money, and that any money which existed would go mostly into health and education, with very little available for the justice sector. But then last year's budget came down and, in fact, there was new money for a variety of programs and projects. Moreover, there was a substantial amount of new money for the justice sector. The crown and government lawyers, the ones we do battle with every day on behalf of our clients, received a significant increase in their funding. The tribunal members and the judges that we appear before every day received a significant increase in funding. Even the courthouses we appear in every day: Increased funding was set aside to fix them. In fact, every component of the public justice sector received additional resources except for legal aid.

Not only is this unjustifiable from an equity perspective, it is also a death knell for the province's judicial system. Our legal system, as most of you know, here in Ontario is an adversarial one. The only way an adversarial legal system can function is if both parties to a dispute can mount their case effectively. If the government decides to allocate most of its resources to its own side of the case while starving the part of the justice system that represents the poor and the downtrodden, the message that we are giving to people in Ontario is clear: Access to justice and, in fact, justice itself in Ontario is limited only to the wealthy. It is our hope that in this year's budget we will begin to restore the balance that used to exist. Thank you very much.

The Chair: Thank you. The time for questioning has arrived, and we'll go to the government. Ms. Matthews.

Ms. Deborah Matthews (London North Centre): Thank you very much. First, I want to say how much we appreciate both of you coming. You've done a good job of splitting your time.

Ms. Laird: That was the hardest part.

Ms. Matthews: I actually wanted to ask Kathy some questions. Housing is an enormous problem. The lowest-

income people in the province face real challenges when it comes to adequate housing, which in turn create a lot of other social problems: kids not being able to go to school, having to move around a lot. Housing is at the core of poverty, as far as I'm concerned. If you can solve the issues around housing, you've really taken a big step toward addressing some of the most important issues about poverty.

However, when I look at the housing that's out there, there are clearly some big, big problems that aren't going to be remedied easily. We know that the private housing industry simply isn't building housing that's affordable for our lowest-income people. There's such a mishmash of public housing programs. We've got a system where there are some real winners and some real losers. If you get into public housing, if you tough it out and stay on that waiting list and you finally get a unit, you're far better off than the next person on the list, so there are some real inequities. If you look at newcomers to Canada, I think they're particularly disadvantaged.

I guess my question to you is this: Do you think it's time to take a big step back and review the housing for our poorest citizens, just take a comprehensive look at the need and at the supply and at ways that the government and the private sector could work to fill those needs?

Ms. Laird: Yes. I think that governments have known, and certainly the private development industry has known for 20, 30 years, that private developers couldn't build housing that was truly affordable. What we've seen is that the federal government has backed right out of the affordable housing business and only recently has got back to the table. Ontario can do something with that allocation. But, yes, what we're finding under all these programs is that what counts as affordable is not really affordable to all those 122,000 people on the social housing waiting list.

Yes, we need a real rethink. We need to recognize the key role that affordable housing plays in poverty, and you've certainly hit on that. Yes, we have a vacancy rate in Ontario, but people can't afford to move into those vacant apartments, so that's of no use. This is one reason why, of course, we wanted rent controls restored on vacant apartments, and that's an issue that might be part of the solution. But building new units, yes, is key. I agree with you and I think it is time for action.

The Chair: Thank you for the submission.

ONTARIO PHARMACISTS' ASSOCIATION

The Chair: Would the Ontario Pharmacists' Association come forward, please. Good afternoon. You have 10 minutes for your presentation, and there could be five minutes of questioning following that. I'll ask you to identify yourself for the purposes of our recording Hansard.

Mr. Donnie Edwards: Good afternoon. My name is Donnie Edwards. I'm the chair of the Ontario Pharmacists' Association, and with me is Deb Saltmarche.

Mr. Chair and members of the committee, this committee has traveled Ontario and encountered many compelling requests for funding in the 2007-08 provincial budget. You've heard from individuals, groups and organizations telling you how to spend money. Ontario pharmacists come before you today to tell you how to save money. That alone should spark interest in our presentation, but consider this: If you take our advice, you will at the same time improve health outcomes for millions of Ontarians, reduce lineups in hospital emergency wards and physicians' waiting rooms, make existing health care spending more effective and make better use of this province's health care professionals. Pharmacists have workable, proven, real-world solutions on these issues to share with this committee as you advise the government and the Minister of Finance on the choices faced in crafting the budget.

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The Ontario Pharmacists' Association proposes today that the government increase its already planned investment in pharmacists' professional services through which pharmacists will begin, April 1, to provide direct, front-line patient care services across Ontario; dedicate funds to inform and educate patients and health care providers about pharmacists' professional services and the benefits they deliver; and gradually phase in increases to the Ontario drug benefit dispensing fee to reflect the true costs and value of the medication-dispensing work pharmacists perform.

These directions are not new creations or whims of OPA; they are carefully considered measures that build judiciously and efficiently on existing policies and planned directions of the government. They represent prudent investments in health care spending that are clinically proven to provide documented returns on investment and measurable results in the real-world terms of improved patient health outcomes and significant cost savings.

Last April, the Ministry of Health introduced the Transparent Drug System for Patients Act, TDSPA, to reform the province's drug system and deliver better value for money to Ontario taxpayers. Introducing the act, the Minister said, "Pharmacists have been telling us for years that they want to play a bigger role in our public health care system. We agree. They're an underutilized resource, especially for patients managing chronic diseases. The changes we're introducing will allow pharmacists to use their skills and expertise to unlock better health, and we will compensate them fairly for it." An initial \$50 million was announced for pharmacists' professional care services, starting April 1, 2007.

OPA has long advocated an enhanced role for pharmacists in front-line patient care. We are the medication experts in health care. We are accessible and our patients trust us. A Léger survey last year gave pharmacists a 98% trust rating among Ontarians, the highest ever recorded for any profession.

Ontario is engaged today in a proactive approach to health care reform, with the objective of creating a sys-

tem that is patient-focused, results-driven, integrated and sustainable. OPA has firmly been behind this reform agenda.

Last month, after working with the Ministry of Health to achieve resolutions on the implementation of the TDSPA after it became law October 1, our board extended its support to this crucial part of the province's health transformation agenda. OPA said, "Let's move forward." We're making that happen. OPA is working with the Ministry of Health to get in place by April 1 the administrative framework to allow pharmacists to provide professional services as the core of our new role in front-line health care.

This is a direction the public understands. The Léger survey also found that 95% of Ontarians believe that their pharmacists can help them better understand the medications they need to improve their health; 88% trust their pharmacist to have an open discussion about their health questions, whether or not they are medication-related; and 75% would not hesitate to seek education services and patient care from their pharmacist for smoking cessation, diabetes, asthma or another health condition.

The Ontario Pharmacy Council, co-chaired by OPA and the government, is now at work on the policies and mechanisms that will bring our services to patients without delay. OPA has proposed to work in partnership with the Ministry of Health to establish and implement by April 1 the system necessary to support delivery of professional services. We have a complete solution, from protocol development through to claim payment. We will deliver services in the most cost-effective way by using the existing infrastructure of community pharmacies, existing claim billing mechanisms and the education, drug information, pharmacist support services and the professional and administrative expertise of the Ontario Pharmacists' Association. This system will enable professional services to be delivered at the community level by the patient's existing pharmacy or pharmacy of choice throughout Ontario. OPA has proposed that the initial professional services available include medication reviews for seniors and chronic disease counselling for diabetes patients, two of the most critical patient care needs and two where pharmacists can have the greatest positive impact.

On this basis, OPA is recommending that the initial commitment of \$50 million for pharmacists' professional services announced by the Minister of Health be increased to \$100 million for fiscal 2007-08 and annualized. This strengthened investment will lead to a commensurate greater return through increased access to services and improved patient health outcomes.

Based on an estimated average professional service fee of \$46.67 for a typical consultation, increasing the allocation to \$100 million will support more than 2.1 million patient consultations per year. With our partnership with the ministry in place and our delivery mechanisms implemented, we are confident Ontario pharmacists will be able to provide this enhanced volume of patient care services, with the province realizing the full associated benefits.

It would be appropriate for you to turn to us now and say, "Prove it, OPA. Show us how investing in pharmacists actually works. Show us how you'll save money." The proof is well-documented and we're proud to share it with you today. In 2003, the B.C. Community Pharmacy Asthma Study was published. In this controlled clinical study, pharmacists trained and certified in asthma care provided enhanced professional care to patients. The results: Symptom scores decreased by 50%; emergency room visits decreased by 75%; physician visits decreased by 75%; days off work or school were reduced by 0.6 days per month. Enhanced pharmaceutical care was deemed more cost-effective than usual care in both direct and indirect costs.

With respect to the value of chronic disease management for diabetes patients, the touchstone is the Asheville Project in North Carolina. Diabetes-certified pharmacists provided education, self-monitored blood glucose meter training, clinical assessment, patient monitoring, follow-up and referral. The results: a 29% decrease in non-diabetes costs and a 16% decrease in all diagnosis costs. These are outstanding examples, and we are providing you today with summaries of an additional two dozen major clinical studies providing evidence of the benefits of pharmacists' professional services.

With its planned investment in pharmacists, the government is demonstrating confidence we will achieve similarly impressive results in Ontario. The health transformation agenda, horizontal integration of the Ministry of Health and focus on information technology infrastructure provide the basis to measure and monitor the government's return on investment in pharmacists' professional services. In collaboration with the Ministry, OPA will use the resources of our renowned Drug Information and Research Centre, or DIRC, to document and share clinical findings about the improved health outcomes we generate and the cost savings we deliver.

It would also be fair today for you to say, "OPA, how do you propose to generate take-up of professional services among patients?" We agree that stimulating patient and public awareness, interest and demand in careful coordination with the availability of services is crucial to the success of this initiative. For that reason, we are proposing that the government provide an initial one-time allocation of \$2.5 million for promotion and public education about pharmacists' professional services, to be developed and deployed jointly by OPA and the ministry. This funding will allow us to inform and educate pharmacists, ready them to deliver services and provide them with change-management training to adapt their practices and embrace new business models. It will inform and educate other health care providers, including prescribers, to elicit their understanding, co-operation and support. It will stimulate demand for professional services by informing and educating patients and the general public about their availability and value.

Providing front-line patient care is part of a new paradigm for Ontario pharmacists, but it is important to recognize that dispensing medications will remain a

critical health care service and an important part of the pharmacy business model. The dispensing fee will remain an essential revenue stream for our businesses. To this end, we are recommending that the government implement a phased-in increase in the Ontario drug benefit dispensing fee from the current level of \$7 to \$8, effective April 1, 2007; \$9 on April 1, 2008; and \$10 on April 1, 2009.

The current fee has increased by \$1.04 over the past 20 years, falling far behind the costs of dispensing. Today, Ontario's dispensing fee is the third-lowest in Canada, ahead of Newfoundland's at \$6.50 and Manitoba's at \$6.95, and far behind Alberta's pace-setting minimum fee level of \$10.93. Raising Ontario's fee to \$8 this year will bring us closer to the current national average of \$8.46, and further annual increases will achieve and maintain parity with other provinces. This incremental approach is balanced and fair. It will contribute to pharmacy sustainability while enabling the government to manage ODB costs and demonstrate fiscal prudence to the public.

OPA is committed to working with the government to advance the role of pharmacists as health care providers while maintaining the viability of the businesses through which community pharmacists serve their patients province-wide. We consider ourselves partners with the government in this ongoing effort and ask that this committee support the measures we're recommending today in the advice you provide to the government and the Minister of Finance.

I thank you for this opportunity and welcome your questions.

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The Chair: Very good, and the questions will go to the official opposition.

Mr. Hudak: Mr. Edwards, it's good to see you again. Mr. Edwards, of course, is a constituent in the beautiful riding of Erie-Lincoln.

Mr. Edwards: Thanks, Tim. It's good to see you.

Mr. Hudak: I know you've been working very, very hard on behalf of the pharmacists, so it's good to see you continue to do good work, but don't forget about the people at Boggio from time to time.

Mr. Edwards: I will not.

Mr. Hudak: I have a couple of questions for you. Bill 102, which you had mentioned by the former name of the act, had been passed and regulations were supposed to be completed. I think in your presentation you said it was on October 1. Do I understand you now to be saying that on April 1 they'll be implemented or they've already been implemented?

Mr. Edwards: The part that I'm speaking about being implemented on April 1 is the professional service fees. These services are going to be offered at every community pharmacy that wishes to offer them. We're working in the pharmacy council right now with the ministry to implement those effective April 1.

Mr. Hudak: There had been the concern among pharmacists in Port Colborne and other smaller communities

about a new burden on pharmacists in terms of the paper burden coming out of Bill 102's regulations. How has that been remedied as an ongoing concern?

Mr. Edwards: I think most of that has been remedied. We worked hard through this implementation phase, because there have been a lot of questions about whether we're creating more paperwork. I think those have been solved. I think we are now ready to move forward in this new realm and are very excited to do so.

Mr. Hudak: One of the reasons behind Bill 102 that was included in the fiscal plan of the province was to find savings, reduce the amount of money spent on the drug benefit program in the province by a couple of hundred million dollars, as I recall. Has that been achieved? Do we expect that in the upcoming fiscal year?

Mr. Edwards: You could expect that. They have reduced the pricing on generic drugs from a 70%, then 63% rule, down to a 50% rule of the brand-name price. That has taken place and is effective now. So they will realize that saving. Hopefully through pharmacists' services, these services that we're going to offer, it's going to show a greater savings in the entire health care budget.

Mr. Hudak: Have they found the savings, do you know, this past year? Have they reduced the absolute value of the Ontario drug benefit plan?

Mr. Edwards: They have not. This is moving forward. They have just reduced the pricing on the generic drugs recently.

Mr. Hudak: You mentioned a number of services that pharmacists could provide to improve patient care. I'm pleased to see them and certainly support the concept. You mentioned referrals. They use referrals in the States. Can pharmacists currently refer? Should we look at expanding powers down the road? Can pharmacists prescribe any kinds of services?

Mr. Edwards: As of right now, the answer to both of those questions is no, we cannot refer and we cannot prescribe. In certain provinces, they are looking at pharmacists prescribing; we are not here in Ontario. We are moving forward more on a medication-management and disease-management style. So we're looking at the killer diseases like diabetes and moving forward to educate and hopefully improve the well-being of Ontario citizens.

Mr. Hudak: Should we keep the door open for prescribing and for referrals?

Mr. Edwards: I believe so, yes. I think that is something we should be looking at in the future. I think it's very important to work with the OMA and the Ministry of Health as we move forward in that realm.

Mr. Hudak: I appreciate your point on pharmacy technicians, too, in terms of relieving some of the burden the pharmacist has so he or she can administer to more patients. When do you anticipate the pharmacy technicians legislation and the rules around their new college will be in place?

Ms. Deb Saltmarche: That's part of the health system improvement bill that has been tabled, so as we work

through that, we expect to see technicians. Training programs are going to have to be put in place for technicians, so once that legislation is passed, then I would suspect probably two years out you would see the first certified technicians.

Mr. Hudak: So about two years out. Okay. Chair, on timing?

The Chair: A further question?

Mr. Hudak: Yes. There is a concern also that Bill 102 would reduce investment in the province in research for brand-name pharmaceutical products, that Ontario would then slip behind in terms of what we can provide to patients. Do you have concerns in that realm? Is it being addressed in an adequate fashion?

Mr. Edwards: I don't think so, because I think what's going to happen is just the opposite: I think they're going to bring more drugs to market, get more drugs available on the ODB program and hopefully just the opposite, actually stimulate the economy.

Ms. Saltmarche: I think we've already seen that start in terms of innovation. Brand-name companies have been approaching the OPA to partner on programs to deliver services to patients. That's a new concept. That has been done with physicians in the past.

Mr. Hudak: As you know, pharmacists in our area, in Niagara and other small and rural communities are hard-pressed to find substitutes so they get some time with family or some well-deserved vacation time. What can the province do to encourage more pharmacists to take up practice in small-town Ontario?

Mr. Edwards: I think they're working on that now. The fact that the University of Waterloo is opening a new school of pharmacy—in Kitchener, actually. I think there will be more pharmacists available. This new role that pharmacists will be playing—the new grads coming out of university are willing and able to do this now and want to do this. I think they're going to see more pharmacists moving into smaller towns. I know with the University of Waterloo they've positioned themselves very well with communities in the north and Sudbury, with the university there already partnering, as well as down in the southwestern area, with the University of Waterloo.

Mr. Hudak: Terrific. Thank you, Chair.

The Chair: Thank you for your presentation this afternoon.

TORONTO DISASTER RELIEF COMMITTEE HEALTH CARE PROVIDERS AGAINST POVERTY

The Chair: Now I call on the Toronto Disaster Relief Committee to come forward. Good afternoon. You have 10 minutes available for your presentation. There could be five minutes of questioning. I ask you to identify yourselves, please.

Ms. Cathy Crowe: My name is Cathy Crowe. I'm with the Toronto Disaster Relief Committee, and I'll be

sharing my time with Dr. Gary Bloch, from Health Care Providers Against Poverty.

In 1986, the provincial government designed a program called Project 3000, and that created 3,000 new units of affordable and supportive housing in Ontario. It was designed to ensure that housing dollars were twinned with support dollars from ministries such as the Ministry of Health. This allowed housing to be developed for people who were homeless and had special needs, and it provided supportive housing. The money was well spent. I can show you people who still live in those units. They're all around the province.

In 2006, I attended the budget lock-up, and our organization was seriously disappointed to see no significant re-investment in affordable housing. I know that Michael Shapcott, a co-founder of the Toronto Disaster Relief Committee, has already presented to you and pointed out that government today spends only about 14 cents per person per day on affordable housing and that that's a drastic cut from the year 2000.

I essentially want to support his three primary recommendations, which I've attached in my presentation: that the government honour its commitments from 2003 and commit to over 26,000 new supportive units and 35,000 rent supplements—we're far from those targets today; we would also like to see the budget ensure that the flow of \$392 million in stalled federal housing funds is released to the municipalities; and we would also like to see the government decide to upload housing back to Queen's Park—you've done it before, and you could do it again.

You've probably heard many organizations that are colleagues of ours support the need for reinvestment in social housing.

I want to take this opportunity to invite any one of you to join me in Nurses' Week in May. We always take an MPP out for the day. If any of you want to take me up on that, I will take you not to show you homeless sites but to show you housing where formerly homeless people are now successfully housed. I would do it in Toronto, obviously, because that's where I work.

But what I want to emphasize today is that our organization is increasingly alarmed at worsening poverty and worsening hunger, which affects the issue of housing and homelessness, as has already been mentioned here today, I'm sure.

We are seeing dramatic worsening of people's health. We are concerned that the 2% increase in Ontario Works and ODSP that was in last year's budget was very inadequate. I spent this morning with people, with patients, talking about that very question. For example, for a mother with two children, that works out to \$23 a month—not even a dollar a day. That's why I'd like to share the rest of my time with Dr. Bloch: to really emphasize why some other changes need to be made. If I can just mention, as a Toronto Board of Health member, I'm hoping that you'll read the front page of the Toronto Star today. We passed several motions yesterday related to the healthy food basket, but in particular for an increase in the minimum wage to \$10 per hour.

Dr. Gary Bloch: I am Gary Bloch, a family physician who works in inner-city Toronto. I work primarily with people living in severe poverty. I am here today representing a group called Health Providers Against Poverty, which is a group of physicians, nurses, nurse practitioners, dietitians and other health providers who have come together to combat poverty, which is the number one health risk factor facing Ontarians today.

Most of my patients live far below the poverty line, and most of them depend on social assistance to pay the rent and to buy food. I see, first-hand, on a daily basis, the real-life health consequences of living in severe poverty.

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Poverty has long been recognized as a major determinant of ill health. There is no longer serious dispute within the health community regarding this connection. People living in poverty are at higher risk of suffering from devastating illnesses, including diabetes, cancer, heart disease and mental health problems. These effects accumulate over a person's lifespan. This means that children who grow up in poverty continue to suffer the ill effects of that poverty throughout their lives, even if their financial circumstances improve.

While many people assume that it is a person's ill health that usually leads to their poverty, in most cases, the reverse is actually true: Living in poverty itself causes ill health. In fact, nearly a quarter of all premature years of life lost in Canada can be attributed directly to poverty.

We're facing a health crisis: the crisis of poverty. The tragedy is that this crisis is absolutely preventable. The good news is that it's reversible if we deal with it before it's too late.

The most urgent step that must be taken to improve the health of Ontarians living in poverty is to increase social assistance rates. In Ontario, welfare is the common landing ground for most people who fall into extreme poverty.

Social assistance rates today are far below the level required for recipients to meet their most basic needs, including shelter and food. The Toronto Board of Health—this is from last year's nutritious food basket report, and this year's supports similar numbers—estimates that a single person living on welfare in Toronto, who receives approximately \$550 a month in assistance, would need an extra \$390 a month just to afford a basic nutritious diet and to keep a roof over her head. That's pretty astounding.

Welfare rates have fallen 40% in real spending terms over the last decade—this from a level that was already well below the poverty line. This trend has continued under the current government, despite election promises to the contrary. From a health perspective, this decline in rates is unconscionable. It has forced people already at high risk for serious health problems into a state of dramatically higher risk. When this occurs in other sectors, such as when restaurant workers are exposed to second-hand smoke, dramatic action is usually taken and has been taken.

Furthermore, this trend does not make financial sense. The short-term savings to the social services budget will result in significant long-term costs to the health system. The price of caring for someone with diabetes or heart disease can easily run into the hundreds of thousands of dollars. These conditions can be prevented by providing these individuals with a few thousand dollars a year in extra income.

We therefore propose that, at a minimum, this budget include an increase in welfare rates of 40% across the board. This will help to prevent the most egregious health consequences of living in poverty and will result in a healthier and more productive population into the future.

While we certainly support targeted initiatives to improve the subsidies provided to families with children and to improve the job skills of people living on welfare, it is a simple increase in income that will allow people living on social assistance the opportunity to stay healthy. Legislated poverty is unacceptable in a society as wealthy as ours. We can afford to take this step to improve the health of our province, and it will have a greater real impact on the lives of people in need than almost any other measure this budget is likely to include.

Thank you very much for considering this matter.

The Chair: Thank you for your presentation. The questioning goes to the NDP.

Mr. Prue: Thank you for the board of health report yesterday. I did, of course, read it on the front page of the Star first thing this morning. As a former member of the Toronto Board of Health, I much appreciated what the good doctor and others had to say.

This government did something which I thought was—how can I be very kind?—disgraceful. That's the kindest I can be. They took the supplement that was given to people on welfare that their doctors had given—it was about \$250 a month—and in the last year, the last time we have any statistics, it has gone down to \$100 a month. How has that affected the community that you both service?

Ms. Crowe: I'll start, but Gary is the real expert on this. I spent the morning in a library in downtown Toronto at a clinic working with some other physicians to help people obtain \$90, \$100—whatever they could—but they still qualify for that money. When you meet those women and their children and occasionally a father who is there, the diet history that comes up shows that people are very embarrassed to tell you that they can maybe occasionally be able to buy chicken within a 10-day period; the idea of milk or fresh fruit—I mean, it's common sense; people can't afford those very basic things.

Maybe I'll ask Gary to add to this because he has more experience with the other providers doing the clinics.

Dr. Bloch: Sure. Over the last year and a half or so we've conducted clinics around the special diet supplement that you were referring to that have assessed in the order of 5,000 to 6,000 people living on welfare for the special diet supplement. It has caused revolutionary and wonderful changes in people's lives when they've found

that they are eligible for the supplement, and it's quite amazing to see the difference \$100, \$200 or \$250 a month can make in an individual's life when they're living right on the edge.

Unfortunately, what's happened over the last year and a half is that the regulations around the special diet supplement have been tightened and tightened repeatedly, making it amazingly difficult for people who would benefit from the supplement, whose health would definitely benefit from the supplement, to access it. It really is a tragedy to see. As we've watched these clinics change over time as the regulations change, we've seen, first of all, the amount of money that people are eligible for change significantly and, second of all, the kind of hope that people express has changed significantly. It's absolutely devastating to watch. It's quite a tragedy.

Ms. Crowe: And one very common scenario is documented weight loss in small children who no longer qualify because they may not have AIDS or one of the specific criteria that are now there. It's a very severe restriction. It's very painful to see families and explain that even though you've got documented weight loss in a child, there's no other pathology for it apart from the mother and father not being able to buy enough food. You probably all know this in your ridings, but this is really horrible. This has to be changed. It was a mean-spirited attempt to tighten up on a regulation that really is just helping people survive.

Mr. Prue: Do I still have some time?

The Chair: A minute and a half.

Mr. Prue: Okay. Then I'd like to switch over to the supportive and affordable homes. The government promised some 26,000 affordable homes and has actually built and had occupied 2,161, now into its fourth year of the mandate. That's less than 10%. But what troubles me more, because it does take some time, and everyone acknowledges it takes some time to build homes and there are some more under construction, is that the rent supplements which could have been done like that—they promised 35,000 and have delivered on 16%. We have a lot of vacancies across this province, even in Toronto there are vacancies, and a rent supplement would do it. Do you see a rent supplement as an answer to get some of those 122,000 people off the waiting list while the homes are being built?

Ms. Crowe: You're right: Most communities in Ontario do have a decent vacancy rate in the private market, so rent supplements or housing allowances can easily translate into action and move people in. We saw that with the tent city program that put 100 people in, and they were coming from rough, rough, rough. They also needed supports, but they got into housing.

At the Toronto Board of Health we recently approved 100 rent supplements for people with immune-compromising conditions. There are thousands of people who would qualify for rent supplements. By that I mean seniors, pregnant women, people who have chronic health conditions: children with cancer, adults with cancer, people with MS, people who have Parkinson's,

people who have diabetes. So those are extremely high priority. Those are people who would immediately get such great health relief and save the health care system many dollars because they would be getting less sick by being in shelters. They are a remarkable tool to house people. I go to Sarnia, I've been to Hamilton, I go all over the province, and we do have private sector vacancy rates. Landlords would be very happy to be able to fill those units. It's really remarkable, and in the short term, I would urge this committee to look at that, because it does take a lot of time to get holes in the ground and to get housing moving. But there's a reason I put in that example from 1986. Please look at these programs that were so successful. This program worked. I believe that the housing minister was Chaviva Hošek at the time. Sean Goetz-Gadon was her assistant who helped develop the program.

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The reason I attached this tongue-in-cheek ad wasn't to be mean-spirited; it was just to say that we have to have a little bit of fun with this. This is a mock-up, a Toronto newspaper ad, also for the Maritimes, that actually said, "Acute Housing Shortage in Toronto. Don't Come to Toronto." But the situation now is broader; it's Ontario-wide. We have to change that. It's not good for business. It's not good for anything. So we have to make Ontario a province where people can get housing. You can do it. It worked before. Come and see me. One of you call me and come and see me in May, in Nurses Week, and I'll show you about four different units.

Mr. Prue: I think we need to take the Premier.

Ms. Crowe: I'd be happy to; I'd be honoured.

The Chair: Thank you very much for the presentation.

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

The Chair: I call on the Ontario Confederation of University Faculty Associations. Good afternoon, gentlemen. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. Please identify yourselves for the purposes of our recording Hansard.

Mr. Michael Doucet: Thank you, Mr. Chair, and good afternoon to you and the members of the committee. My name is Michael Doucet. I'm a professor of geography at Ryerson and president of OCUFA. With me this afternoon are Mr. Henry Mandelbaum, the executive director of OCUFA; Brian Brown, our vice-president, who's a faculty member at the University of Windsor; and Mark Rosenfeld, OCUFA's associate executive director.

OCUFA represents 14,000 professors and academic librarians in Ontario universities. Since our inception in 1964, we have advocated for a post-secondary education system in Ontario that will advance not just the life prospects of individual Ontario students, but also the social health and economic prosperity of the province as

a whole. We are gratified that the current government recognizes the importance of higher education and has, accordingly, increased funding to post-secondary education substantially. The government's \$6.2-billion investment for the period 2005-10 under its Reaching Higher program will be, when fully rolled out, the largest made to the post-secondary sector since the system's expansion in the 1960s. We congratulate the government for its vision.

In light of spending cuts to the province's post-secondary sector amounting to more than 30% during the 1990s and early 2000s, however, the government's funding increase, although welcome, has only a limited prospect of closing the quality gap created by those cuts. To realize its vision of a higher-education system equal to any in the world—a not unrealistic goal for this province, with its long, honourable and intelligent history of investing in public education—the government will have to enhance its investment by reaching, if you will, even higher still.

We at OCUFA are not the only ones to notice the challenges faced by the province's post-secondary education system. A poll we commissioned last year revealed that nine in 10 of those surveyed stated that while the quality of education in Ontario mattered to them, only one in 10 had seen any improvement in post-secondary education quality. I raise this not to impugn either the government's record or its intentions, but rather to emphasize that current levels of funding have not been adequate to make up for the drastic cuts of the last decade, and the public is beginning to take notice.

Ontarians, the poll found, measure the deterioration in quality in our universities in terms of increases in class sizes. They told our pollster that smaller classes and a low student-faculty ratio are what make for quality. But the student-faculty ratio in Ontario has become the worst in Canada—a worrying situation, in our view, for a jurisdiction as rich as this province.

Data from 2005 showed that Ontario's student-faculty ratio at about 24 to 1 was 15% worse than anywhere else in the country, 33% worse than it was in Ontario in the early 1990s, and a full 35% worse than at public universities in those American states that the government itself regards as the province's chief comparators and, I would emphasize, competitors. Since our analysis of 2006 data shows faculty hiring to have lagged behind increases in the numbers of students, we can only assume that Ontario's student-faculty ratio is becoming even worse.

In Canada, Ontario scores 10th and dead last in its per capita funding of universities and 9th in terms of per student funding. We are at risk of becoming the Alabama of Canadian post-secondary education, just as our manufacturing sector and many of our resource extraction and processing industries, such as pulp and paper, are threatened, if not in permanent decline. If Ontario is to retain its historic prosperity, it must be able to compete successfully in the knowledge economy. To do that, the province needs to invest substantially in post-secondary education.

The 2005 Rae review of post-secondary education in the province urged the government to fund the system so that universities could hire 11,000 professors by the end of this decade. This was the deal with faculty retirements, with increases in the numbers of students and to bring the student-faculty ratio into line with our competitors' standards. We remain, sadly, well short of that target. There are some who say that Ontario's current student-faculty ratio will improve within a decade because it's merely a product of a demographic distortion created by the baby boom echo. Finance ministry demographers' figures show, however, that the 18- to 21-year-old cohort will grow continuously until 2014, then decline temporarily and resume growing in 2021.

As well, as I think many members of the committee realize, learning has become a lifelong endeavour for many Ontarians. Many students who are older than the traditional university entry cohort are coming to universities, are enrolling in our universities and community colleges, and we expect that trend to continue into the future. Of course, there's every reason to believe that, given labour market changes calling for higher education—the normal rule of thumb is that 70% of newly created jobs will demand post-secondary education—participation rates can be expected to continue to increase, driving up enrolment at our institutions.

I regret to say that one consistent trend in higher education projections has been the perennial under-estimation of enrolment increases. We're seeing that again this year. Universities are surprised by the demand for places: Applications are up 5.2% this year over the previous years. Committee members might be interested to know that there are three universities in Ontario this year with applications higher than they had in the double-cohort year of 2003.

The problem of Ontario's student-faculty ratio is not going to go away. Under the current scenario, it will only increase. Now, the government recently has joined with university administrators to publicize seemingly large numbers of faculty hires—768 for 2005-06—but unfortunately, the 2005-06 interim accountability agreements between the universities and the government also reported 555 retirements or departures from our faculties, so the net gain for that year was just 213. That is less than 2% of the faculty complement, at a time when enrolment increased by about 4%. At the current rate of hiring, it will take 12 years to achieve Bob Rae's target of 11,000 faculty hires.

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Based on 2005-06 figures, we estimate it would cost the government about \$800 million by the end of the decade to meet Bob Rae's target. It may seem like a big number, but when you consider that the current Ontario budget tops \$90 billion a year, it would represent less than a 1% increase in overall government spending. Since it is a commitment that will go far in securing Ontario's economic future, it strikes us as an investment worth making.

Another critically needed investment is in the capital area. To raise present facilities to a reasonable standard

would cost \$260 million a year over the next few years. As the Council of Ontario Universities has said, to build the new facilities needed to accommodate an increase of 30,000 graduate students, the government would need to allocate \$2 billion towards capital spending for buildings, labs, offices and so forth. The \$550 million the government has announced falls well short of that figure. Again, these investments amount to far less than 1% of today's Ontario budget.

In closing, I want to reiterate that we are not challenging either the government's record or its goals. Since we share the government's intention of assuring top quality in Ontario's higher education, we cannot advise the government strongly enough that in its upcoming budget, it must invest more resources in post-secondary education if it wants to achieve those goals.

Thank you very much for the opportunity and for your interest and attention.

The Chair: Thank you. The questioning goes to the government.

Mr. Arthurs: Gentlemen, thank you for making your presentation this afternoon. You made particular reference to the Rae report and Reaching Higher, and that we have to reach even higher. I think it augurs well from that standpoint that there's even more to do yet. We know it's not done. Certainly it was the centrepiece of our 2005-06 budget. One can only assume that it's going to take a period of time, as the money starts flowing into that process—it's certainly longer than a single-year commitment—before we're able to see the outcomes.

You've clearly identified the time frame it would take to complete the 11,000 hires. I presume we're talking about 11,000 new hires, an additional staff complement above and beyond the existing staff complement?

Mr. Doucet: No, it's just 11,000 hires. We will have considerable retirements over this period.

Mr. Arthurs: What would be the projections, if you have any projections, on what that would mean from the standpoint of the enhancements to the faculty component? What percentage of the 11,000 are likely to be coming out of the system through retirement and other career changes and how many would be brand new hires augmenting the current faculty numbers?

Mr. Henry Mandelbaum: Mark, do you have some figures on the 11,000?

Mr. Mark Rosenfeld: The 11,000 that's calculated is based on a number of assumptions: to replace the retirees, to accommodate enrolment growth, and to reduce the student-faculty ratio. Our calculation was, if you were looking at the gold standard—the North American standard that Mr. Rae was recommending—the gold standard is 15 to 1. So all those calculations are in there. Of course, you could hire less and maintain the 24 to 1, which is really unacceptable, or move it down to 18 to 1, which it was 10 years ago, which would mean about 8,000 would have to be hired. When Mr. Rae was looking at the issue, he was looking at how we can push ahead and implement true quality in the system addressing all the issues that he was identifying as problematic.

Mr. Arthurs: Right. Of the 11,000, then, there is a retirement component, a growth component in new students, and a component related to reducing the ratio. Any sense of what those quantum are? Is it 6,000 retirees and 3,000 and 2,000, or is it 2,000 and 2,000 and—

Mr. Doucet: Well, about 35% of faculty are currently 55 years of age and over. Even though we've eliminated mandatory retirement, the overwhelming majority of them will retire before 65, so you're looking at probably 4,000 to 5,000 retirements over the next four to five years, I would say. So if we're looking at hiring 11,000, then we're looking at adding perhaps 6,000 to 7,000 faculty to deal with enrolment increases and the reduction in the student-faculty ratio.

Again, to commend the government, they have wisely decided to increase graduate school enrolment by 12,000 next year. That takes a special kind of faculty. That's much more demanding in terms of faculty needs and requirements. You can't hire sessionals and part-timers to deal with graduate enrolment the way you can with undergraduate enrolment, and that was something Mr. Rae urged as well. So some of that additional hiring is to take care of the very wise decision the government made to increase our production of Ontarians with masters and PhD degrees.

The Chair: Thank you for your presentation.

TORONTO FINANCIAL SERVICES ALLIANCE

The Chair: I call on the Toronto Financial Services Alliance to come forward, please. Good afternoon.

Mrs. Janet Ecker: Good afternoon, Mr. Chair.

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

Mrs. Ecker: I certainly shall. I'm Janet Ecker. I'm the president of the Toronto Financial Services Alliance. With me is Mary Webb from Scotiabank and Jim Witol from the Canadian Life and Health Insurance Association. We appreciate today's opportunity to participate, and recognize that you've had a number of presentations over the last several days.

First, a quick word about our organization: We are a unique public-private partnership between Toronto and the broader financial services sector. We speak not just for the major institutions and their respective associations, like banks, insurance, securities and pensions, but also for the various service industries that support the financial sector; for example, legal, accounting, consulting and our post-secondary institutions.

Our goal is to promote and strengthen. Toronto region is one of the pre-eminent financial service centres in North America. Fortunately, we all benefit from a stronger financial sector. Whether we're an entrepreneur, a business owner, a holder of mutual funds, an investor, a consumer, a pensioner, or even a finance minister, we all

benefit from a strong, competitive financial services sector.

Fortunately, we have a strong sector that has supported jobs and economic growth. Unfortunately, the world's financial centres are stepping up the competition, fighting to attract financial sector jobs. If we want to keep what we have, if we want to grow into one of the pre-eminent centres, with all the new jobs and the growth that implies, we need to be much more strategic and attentive.

Our submission outlines steps to do this. We touch on five themes: the sector as a driver of the province's economic growth; the importance of a regulatory fiscal environment that encourages investment and productivity growth, that encourages a competitive tax regime; also our support for national securities regulation and the government's efforts to develop such a model; the need for the government to restore the fiscal balance as quickly as possible; and the need to invest in Toronto infrastructure.

First, a word about the economic importance of the sector: It's one of the largest sectors in the economy, in Canada, and it's even more important to Ontario and Toronto. It employs over 220,000 individuals in the Toronto region and represents about 17% of Toronto's GNP. Half that number is employed within the city itself. Moreover, it's important to note these are highly skilled jobs, well-paid individuals; they contribute disproportionately to the tax base of the city and the province.

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In Ontario, this sector represents almost 7.5% of provincial economic output. That's up from 5% just two decades ago. As we watch our provincial economy adjust and our manufacturing base shrink, we should not undervalue the importance of a sector that can offer such stable growth, nor can we take it for granted. So as we said, to continue this record we need a legislative, regulatory and tax environment that helps it stay globally competitive. In other words, proactively supporting the industry has economic benefits for all Ontarians.

We can learn much from initiatives undertaken by other jurisdictions with strong financial services sectors, most notably the United Kingdom. We go into more detail in our brief about how they're approaching this. There are other jurisdictions as well. But central to the UK approach is a recognition that to be strong, successful and globally competitive, the sector needs a regulatory environment that on the one hand is sufficiently comprehensive and rigorous to create strong confidence in the sector—in other words, to protect consumers and investors—but on the other hand does not stifle innovation or inhibit the sector's ability to compete. We believe this approach can be a model for the province, and we're encouraged by the government's interest in this approach and the approach of other jurisdictions.

Recent initiatives to promote the sector on the international stage by the government have been helpful and are appreciated, but more must be done. I think the most recent example was the work that was done in India this month. We encourage the government to undertake comparable studies and strategies to ensure that our industry

plays an equally important role in the success of the provincial economy.

One of the regulatory issues that I do want to mention is national securities. That's one example of where significant reform is needed. Canada's current structure of 13 regulators is an obvious weakness. We're the only country now in the world that has not solved this problem. We think reforming the structure of securities regulation and adopting more principles-based regulation as opposed to rigid rules would give us a competitive advantage. So we support the work the Ontario government has been doing with the Crawford panel. We encourage them to keep finding a resolution that will actually make sense for all of the jurisdictions—a number of issues involved there—and we also support reforms to create a principles-based regulatory approach.

Regulations must be consistent with wider economic goals to encourage financial innovation, improve productivity and maintain a competitive tax regime. Just a few words on that and our productivity. As you may well have heard before at these hearings, Ontario is slipping against our North American peer group in terms of our per capita output. We used to be seventh out of 16 in 1981; we're now almost dead last: We rank 15th. What does this mean for families, for you and me? It means that if you could fix it, we would increase personal disposable income for the average Ontario household by over \$8,000, which, as you all know, many families could certainly use. There are real costs of a lagging economic performance, and they are substantial. We know why this gap exists, and much of the work of the Institute of Competitiveness and Prosperity has focused on this. But much of this gap can be attributed to differences in productivity levels. One of the most important factors affecting this and our growth is the amount and vintage of capital available per worker, and our system of high taxes plays a large part in this poor investment performance.

Ontario, unfortunately, has taken the smallest steps in making the province more tax competitive. Ontario's provincial-only effective tax rate is the highest of the provinces. With respect to corporate income taxes, businesses in Ontario now face higher statutory rates than they do in Alberta, BC and Quebec. With respect to capital taxes, BC eliminated its tax on non-financial institutions and investment dealers in 2002; Alberta has wiped it out completely. By comparison, the commitment here to eliminate the capital tax by 2010 if affordable we believe is a weak promise. Ontario is increasingly finding itself at a disadvantage against other Canadian provinces and against international competitors. So we believe there should be a timetable established to reduce the corporate income tax rate to competitive levels within the country. We also think we should match the tax rate at the most competitive of these provinces, and we think we should try to accelerate the elimination of the capital tax to 2009 and make that a clear commitment.

Our fourth point concerns Ontario's fiscal balance. We recognize the challenges that the government faces—the

high Canadian dollar's impact, high energy prices, the impact of all of this on the manufacturing sector, the below-average growth prospects, the social program pressures on the government—and we certainly understand and support the province's push for a more equitable federal-provincial fiscal balance, but these events can't be an excuse to allow the government's fiscal commitments to be blown off course.

In contrast to Ontario, most of the other provinces are operating in the black and are focusing on reducing their net debt. Obviously this has required a disciplined approach to spending control, and reallocation of resources to higher-priority areas as opposed to tax increases. It needs to entail a reform of the tax system to promote, not stifle, investment and growth, and we believe that this will benefit the economy and in turn broaden the province's tax base.

The decisions that Ontario takes today should be based on a long-term view of the province's needs. For example, there was a long-term view put out by the finance minister looking at the province's fiscal pressures into 2025. We cannot let today's fiscal and economic challenges become tomorrow's economic problems. The Conference Board of Canada has done some good work about the pressures that all the provinces are going to be facing—the structural deficits—in several years, so we need to get our house in order now.

Our final point is that financial institutions are headquartered in large cities, so city issues are relevant to the financial sector. Toronto is Canada's financial capital, and our continued success will be greatly influenced by its continued success. Helping make Toronto work, making it an attractive place to live and invest, will ensure that we can continue to keep the highly skilled workforce that is one of our strengths. The case for infrastructure investment is well-known. Equally well-known is that estimates quantifying the infrastructure gap in Canada show that they exceed current annual infrastructure spending manyfold.

To date, much of the public policy debate around transferring funds to municipalities has focused on the formula, share of gas tax, or whatever. What has not made its way sufficiently into the discussion is the use of other sources of funds for financing public infrastructure. Numerous examples abound in the country of public-private partnerships. We believe that they can serve as models, and we know that, obviously, the government has been doing some work in this area. We would encourage the province to welcome private sector financing of public infrastructure programs through public-private partnerships to address the city's infrastructure needs.

In conclusion, the sector is a significant contributor to our provincial economy. Its impact in terms of high-quality jobs, both direct and indirect; its economic contributions in terms of taxes; equity; and the financial well-being of investors, savers and pensioners make it an important strategic sector for all levels. Other jurisdictions understand the importance of the financial sector and are looking for ways in which its strengths can be

harnessed. They ask how it can be a source of competitive advantage, and that's exactly the question we need to ask here in Ontario.

Thank you very much, Mr. Chair, for your time. We look forward to comments and questions.

The Chair: Thank you for the submission. The questioning goes to the official opposition. Mr. Hudak.

Mr. Hudak: Ms. Ecker, thank you very much. It's great to see you back. You would have some familiarity with these pre-budget consultations.

Mrs. Ecker: It's fun to be on this side of the table, actually.

Mr. Hudak: Thanks for your presentation, and congratulations to your leadership and that of your board in bringing this important voice of the financial services sector to bear. You are playing a much stronger role on the provincial scene than we have seen from this sector many years ago, so congratulations.

It was a comprehensive presentation, and there are a lot of topics to cover. I want to get to the regulatory side. You talked about the UK model and the New York model, the frustration that we all feel. Some small progress towards a national regulator, but a long way to go. You mentioned that the UK is using a principles-based approach to regulation in the financial services sector. I take from that that the OSC could do a better job and move towards more principles-based administration. Any comments on the OSC?

Mrs. Ecker: I think both securities, the OSC and also the provincial government in some of the areas where they have regulatory responsibility—I think it's important to take a look at a principles-based approach. In other words, rather than having reams of rules and regulations, can we do it with much less regulatory burden so it's done by principles as opposed to specific rules? I know that there's certainly recognition of the UK approach. They put out a fairly significant report in December of last year. They are looking at a target, I believe, of about 25% in reducing regulation, which we think would be extremely helpful if we could adopt a similar approach here to make our sector even more competitive.

Jim, was there anything on the insurance side that you would want to mention on that?

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Mr. James Witol: Certainly principles-based regulation can work. Accounting rules in Canada are principles-based versus rules-based in the United States. Similarly, actuarial rules in Canada are principles-based as opposed to rules-based in the United States. So principles-based can be a very effective and cost-efficient way of regulating.

Mr. Hudak: You appropriately dedicate a lot of the presentation to productivity and put it into very understandable terms, what that means to the average working family in the province of Ontario. You also talk further about capital investment in the province. There's no wonder, then, that Ontario suffers from a lacklustre investment performance, which is 20% below the national average. I was trying to keep up with detail here. Where

do we get the 20% below the national average from in terms of investment in Ontario?

Mrs. Ecker: That's from the work that Jack Mintz has done with the C.D. Howe Institute. We've been very encouraged by the work that both the Institute of Competitiveness and Prosperity and the C.D. Howe Institute have done to look at these kinds of issues in terms of our productivity and our competitiveness and putting forward options for public debate as to how we can address it.

Mr. Hudak: One topic I wanted to ask you about too is expenditure controls, trying to rein in the rapid rate of increase that we've seen under the current government on spending. It's an average of approximately an 8%-per-year increase.

You mentioned the importance of reducing the capital tax in a timely way. There had been a schedule, as you're aware, to eliminate capital tax, I think by 2008. Any advice in terms of mechanisms to make sure the government spends within its means?

Mrs. Ecker: First of all, I think that public accountability—public transparency in terms of what money is being used for what—is one way to do it; secondly, a focus on establishing clear priorities for the government; and thirdly, also establishing a results orientation about where we're putting the money, what we want to get for it and what the outcome is, so that it's very clear to measure if we're actually getting the value that we want for the dollar. We certainly understand, as anyone who has sat in the chairs of government, that it is a very, very tough task to do, but it is also a very, very important task to successfully undertake.

Ms. Mary Webb: Just to say that we have an opportunity over the next five years to get Ontario's books balanced and start working down our net debt; then we start seeing the leading edge of the baby boom retiring in earnest. The other provinces are concerned about that and Ontario should be concerned as well.

Mr. Hudak: The sales tax you've heard me talk a bit about, and the sales tax on business inputs. Can you get that without harmonizing the PST and the GST, or is that a necessary condition to eliminate the taxation from the sales tax on inputs?

Mrs. Ecker: Two comments, one from Mary and one from Jim, because I think the impact of some of the tax on insurance that we've mentioned would also be important to stress here as well.

Ms. Webb: The idea behind this suggestion is that if you change taxes at the margin, you have a larger impact. Therefore, if we're concerned about stimulating as much investment as possible—and the Financial Services Alliance is a huge supporter of information technology and communications. We do a lot of investment in that. Therefore, if you go directly to the investment and make that more favourable on a tax basis, it's a huge help and possibly more affordable than lowering the general corporate income tax rate.

On harmonization, that's a big step for Ontario. We offer the other as something that could be more easily accomplished.

Mr. Hudak: Any idea of the cost?

Ms. Webb: There were estimates a few years ago on that cost; they would have to be updated. But even just making the effort of reducing the percentage by a couple of percentage points would, I think, have a big psychological impact.

The Chair: Thank you for the submission.

UNITED STEELWORKERS OF AMERICA,
DISTRICT 6 (ONTARIO)

The Chair: I call on the United Steelworkers, District 6 (Ontario), to please come forward, please.

I note that you've been in the room for some time now. You're likely aware that you have 10 minutes, and there might be five minutes of questioning following that. Please identify yourselves for the purposes of our recording Hansard.

Mr. Wayne Fraser: Good afternoon. Thank you for the opportunity to say a few words to your panel today. My name is Wayne Fraser. I am the director for the Steelworkers' union in Ontario and Atlantic provinces. Joining me today is Ken Delaney, research director for the union in Canada.

Our union represents workers in almost every sector of the economy, including universities, health care, security, folks in banking, transportation and hospitality, as well as the forest industry, mining, primary steel and secondary manufacturing.

In our view, and supported by the devastation, the Ontario government has allowed a tidal wave of devastation to wipe out more than 100,000 good-paying jobs for working people in manufacturing. I should make it clear that manufacturing includes jobs in the forest industry, where sawmills and paper mills have been hit harder than any other sector of the economy, especially in our vulnerable communities in northern Ontario.

Our union has thousands of members in the forest industry. Along with other voices in the affected communities, we have been demanding serious action from the government for some time now. Instead, we've only had half-measures or even worse. The Ontario government's support of Stephen Harper's softwood lumber deal with George Bush was a total cave-in whose effects will be felt for years by our members in this province.

Between forest products and general manufacturing, the loss of jobs is a crisis in communities large and small all across Ontario. We have announcements of plant closures, almost one or two weekly, just in our union. We've watched them in Pembroke, Wallaceburg, Kenora, Bancroft and Gananoque, and in Windsor, Hamilton, Kitchener and Toronto. You name a city in Ontario and you've seen a plant closure in recent weeks and months.

Sometimes it looks like Ontario's government has joined the ranks of those who believe that manufacturing doesn't really matter to our economy anymore and that the sooner these old-style jobs disappear, the better. This kind of thinking disregards the facts. In Canada, manufacturing accounts for 12.9% of all jobs but 17.1 % of all

value-added in the economy. Manufacturers perform 75% of the country's private sector research and development work. Manufacturing also provides most of our country's merchandise exports, but projections by Export Development Canada are for these Ontario exports to decline by another 3% in 2007. Leading the way with those statistics are the auto and forestry sectors, which will be hardest hit.

In manufacturing, these jobs pay 28% more than the national average, according to the Canadian Manufacturers and Exporters. These jobs also more often come with decent pension and benefit packages, and manufacturers are more likely than other employers to provide real training to their workers who are employees.

These jobs have traditionally been the ladder for young people to give their families a middle-class lifestyle. It's not a coincidence that when we've been losing those good jobs, we've also seen a greater polarization of income, with the benefits of a growing economy going more and more to corporate profits and the highest-paid individuals. It's interesting to see the previous presenter asking for more tax breaks when they're getting richer by the day and ordinary working families are getting poorer by the hour.

Even some people who wish the manufacturing jobs weren't going away may think that there's not much that government can do about it. That's not a fact. It's certainly not true. Other governments elsewhere in the world have implemented and are implementing strategies, industrial policies and a sound package of practical measures that would make a real difference here in Ontario.

The story of manufacturing in Ontario does not have to be about doom and gloom. It should not be about fading memories of past glories. With the right combination of policies and with co-operation from governments, companies, labour and communities, manufacturing can once again be a good-news story for Ontario's economy and our families.

Not all of the causes of the crisis are within the control of the provincial government—for example, the soaring Canadian dollar and the federal government's handling of the softwood lumber dispute—but there are measures that Ontario can and should take onto itself.

With respect to the Canadian dollar, I think this government should be standing up and screaming with respect to the policies that the federal government has in place that allow the Canadian dollar to continue to rise under circumstances of the falling manufacturing and forestry sectors in this province.

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Some of the things that this government can do:

—Provide stable, job-supporting electricity prices: The latest expense scandals at Hydro One and Ontario Power Generation have been just the latest episodes to shake confidence in the handling of the electricity system, which has seen hydro prices for manufacturing skyrocket in recent years and is becoming one of the major reasons why businesses are having a hard time to survive. Stable industrial rates, based on the real cost of

producing power, have been the keystone of Ontario industrial policy for the last century and have disappeared.

—Sectoral strategies: The government needs to take bold initiatives to encourage and, if necessary, participate in strategic investments in key sectors of the economy. By now it is clear that a hands-off strategy of tax cuts and hope for the best will not succeed. Indeed, an active suite of strategies—with a well-designed mix of incentives, loan guarantees, direct investments, domestic procurement provisions and other measures—is needed to promote the environmentally sustainable jobs that will provide enduring prosperity.

—We propose the introduction of a jobs protection commissioner. This position would be a strong, effective jobs advocate, building on the example set in British Columbia, where the commissioner was able to save 75,000 jobs in that province before the position was abolished by the new Liberal government in 2001. The commissioner would have a mandate to bring workers, employers, creditors, investors and community leaders together to put troubled businesses back on a solid footing rather than walking away from them and leaving the families destitute.

—Safeguards when jobs are beyond saving: We understand that there are certain businesses that aren't going to make it, but what we need to do is establish that there are certain rights that go with employees when that happens. We need to establish a wage-earner protection fund to ensure employees receive compensation for unpaid wages, severance and vacation pay when their employer is bankrupt, insolvent or does not pay for whatever reason. In addition, while Ontario benefits from having the only pension guarantee fund in Canada, its provisions are woefully out of date, covering only \$1,000 per month when companies shut down without putting enough money in their pension funds. This should be increased to \$2,500 per month.

—We think there should be special measures for the forest industry. Nowhere is the loss of jobs more of a crisis than in northern Ontario's forest-dependent communities, which have seen thousands of jobs in woodlands, sawmills, pulp and paper mills destroyed, and many more thousands in danger. The industry would benefit from many of the steps aimed at helping general manufacturing but also needs specific measures, such as setting value-added conditions on companies that access our publicly owned forests.

—With respect to training: A large proportion of Ontario's skilled manufacturing workforce is nearing retirement, but concern about a looming shortage of skilled workers is not translating into nearly enough action on training apprentices to step into those jobs. The government must work actively with manufacturing employers to expand training.

In the brief time I have available, I want to touch on several other issues that are priorities for the union in Ontario and will hopefully become part of the government's budget when it's released in the spring.

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 than they were in 2003 when the previous Conservative government was defeated. It's hard to imagine it could get much worse than that, but it has. The token increases provided by the McGuinty government have not even kept up with inflation. We can't afford to continue down this road. 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. It's also time to raise the minimum wage to the \$10 level that's being asked for across this province. We'd also 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 couple of things that we've recommended to this government many times before. The first is that extending the right to card-check certification only to the construction sector was totally unacceptable. It's discriminatory, especially against women and minorities, who dominate in other sectors of the economy such as the service sector. To accept someone in the construction trade union—most of those workers are white, they're male, and it's okay for the government to accept their signatures as okay. And it's not okay not to accept the woman's signature on that same card in other industries across this province. We understand the reason they did that. We think it's political payback for the support that the Liberal government got from the construction trade union, but that doesn't make it right.

With respect to the anti-scab legislation, the biggest growth industry in Ontario, unfortunately, is the union-busting security firms that are growing by leaps and bounds right across this province. If you do a statistical analysis of strikes, they're longer, they're more profound and they're nastier than they ever were before. Collective bargaining is struggling more than it ever has before, and that's because there's an unfair balance with respect to labour relations and collective bargaining. When we had the anti-scab legislation, there was a significant onus on employers and unions to get collective agreements. Statistics, again, show that when that happened, collective bargaining was more successful; there was less lost time, down days, by workers in this province because there were a lot fewer strikes.

Let me just close by talking about the numbers of people who have lost their jobs. This morning I was on the phone for about an hour with a group in Brantford. I won't mention the name of the company because it's not public yet, but we've met with the employer, and our local union is a plant of about 200 people. They are in significant financial difficulty right now and those workers are going to lose. Their pensions aren't fully funded, they're going to lose their health care, they're not going to get their termination pay, they're not going to get their severance pay and they're going to get thrown out on the street. The average age of those folks is 48.

Most of them have about 17, 18 or 19 years of service and they're like the rest of the 100,000 folks who have lost their jobs.

Do you know what? We can't, around this table and as a government, allow that devastation to continue. These are real people. These are citizens of this province, and we can't ignore the plight of these folks any longer. This government needs to step up to the plate. It needs to introduce legislation to make sure that in the worst-case scenario, when plants can't survive and plants move off, out of this province, workers are allowed to get their severance pay, their termination pay, and that their pensions are brought up to speed where they get what they put into them. To have it otherwise is just unacceptable.

The person, two before us, who made a presentation said to come out to where she works and they'll show you what's happening. Well, come out to some of these workplaces and talk to employees who are losing their jobs today or who lost their jobs yesterday. They're looking for help. They're looking for hope. They're looking for new ideas. They're looking for fresh energy. That's what this budget ought to be about in the spring. It ought to be about a fresh set of ideas to protect the forestry sector. It ought to be about fresh ideas about protecting manufacturing in this province before it's all gone.

Most of the businesses that are disappearing off the radar screen are attached to autos. Everyone around this room knows how important the auto is to this province, and we can't wait any longer, hoping that things are going to turn around. Things will not turn around unless we all sit at the table, think about what needs to be done with respect to investment and, most certainly, government involvement to help save these industries. You can't sit on the sidelines any longer. Workers deserve better.

The Chair: Thank you. We'll move to questioning, and it goes to the NDP. Mr. Prue.

Mr. Prue: There are two areas of that I'm going to ask you about because they haven't been talked about. You talked about a number of things that a lot of people have talked about, but you ventured into two areas where no one else has, at least not that I remember. The first is about the card-based certification. What effect has the removal of card-based certification had on your unions and unions in general, and how would having the same rights as the construction trades affect recruitment into the union and worker strength within the various manufacturing and other industries?

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Mr. Fraser: Let's step back. Card-check certification was in this province for 50 years under the previous Liberal and Conservative governments and indeed the NDP government. It wasn't until 1995, when the Harris government came in, that they thought it was a good thing to abolish that system which had been in place for a long time.

With respect to how it has affected workers, listen: Studies show us that if you ask people whether or not

they want to belong to a union, over 65% of non-unionized workers would say they would rather belong to a union than not. I think what stops them from that is the fear about what happens in a workplace during a supervised vote. Under the preceding law, if a union started organizing a campaign in the plants, and they had 55% of the folks in support who signed cards, they were automatically certified. You went into collective bargaining and you went on to the regular business of protecting those workers.

Today I think that the results of not having the card-check system have been devastating to those workers who want to join unions. When we apply, sometimes with 60% or 70% of the people in those workplaces who want to join unions—women and visible minorities sign cards. Then, between the time you would make an application for certification and the point that there's a vote, there are all sorts of things happening in that workplace. The employer says, "You know what? If you get a union in here, we're going to close. We're going to do this and we're going to do that." There's intimidation; there's coercion. There's not a balance with respect to certification laws in this province. The balance was eliminated in 1995 by the Conservative government.

How can it be that the construction trade union has the right for automatic certification where a white male's signature on a card is good enough but a visible minority's or a woman's signature is not good enough in this province? Women had a right to have their votes in the late 1800s. Today, this government has chosen not to recognize their signatures anymore, and I think it's a disgrace.

Mr. Prue: On the issue of pensions: When jobs unfortunately are lost, as they are from time to time with closures of industrial and other plants and things, at the present time workers aren't very high up the scale. I think banks come first. You can tell me; I think that's the way it works. I think the first thing that happens if a company closes is that all the creditors who have a say on the money are lining up at the banks: the insurance companies, the biggies. They get their money first. Then, as it goes down, near the bottom are the workers with their pensions, unpaid wages, severance packages and stuff. If there's anything left over, they might be eligible for that. What are you trying to tell this government that they should do? Put the workers on the top or what?

Mr. Fraser: Absolutely. Listen, how can it be, today, that a business closes and I'm not entitled to severance, termination pay, and what I've invested in my pension plan, because the government had rules in place that allowed five or 10, or 15 years in some cases, to fund a pension plan? They find themselves where pension plans at the time of closure are at 75% or 80% of the required amount to provide benefits for those members affected in those plans. What we're asking for is that workers ought to come first in this province. There was legislation back in 1990 and 1995, a wage protection bill, that said, "You know what? We can't turn our backs on workers and their families in this province. We've got to make sure

that when the worst happens to them, this government stands up and protects them, provides them with some rights.”

Think about somebody who's 45 years of age who tomorrow morning doesn't have a job. They have no time. The severance pay at least allows an opportunity for people to hopefully find another job. Tomorrow morning, when they lose their job, they have absolutely nothing. Their health care is wiped out with respect to drugs, vision and all those other things that are supported by a collective agreement. They have absolutely no money. The first in line are the banks—secured creditors before workers—and it's workers who made these businesses profitable over time. Those are the things that we're looking for in protection for workers. It's called the Workers First bill federally, and there ought to be a Workers First bill here in this province.

The Chair: Thank you for the presentation.

GREATER TORONTO HOTEL ASSOCIATION

The Chair: I call on the Greater Toronto Hotel Association to come forward, please. You have 10 minutes before the committee for your presentation, and there may be five minutes of questioning. Please identify yourself for Hansard.

Mr. Terry Mundell: Good afternoon. My name is Terry Mundell. I'm the president of the Greater Toronto Hotel Association.

The GTHA is the voice of Toronto's hotel industry, representing 170 hotels, with approximately 34,000 guest rooms and more than 32,000 employees. Founded in 1925, the GTHA enables competing hotels to work together on issues of public policy and charitable ventures, provides information and service to its members and advocates to raise their profile and prosperity as a vital component of Toronto's tourism industry.

I'm very pleased to have the opportunity to appear before you today in my new capacity with the GTHA and to have the opportunity to present to you some of our recommendations for your consideration for the 2007 provincial budget. In my brief time before you today, I want to make six specific recommendations to improve business conditions for Toronto's hotel sector and Toronto's tourism industry as a whole, but I would like first to acknowledge the government's recognition of the tourism industry in the 2006 fall economic statement and the subsequent investment of \$22 million to support and promote domestic tourism and tourism marketing campaigns, which is greatly appreciated.

While the tourism industry greatly appreciates the funding, it's essential that any and all future investments in tourism marketing be of longer term, as is currently the case in the MUSH sector. Tourism is an industry that requires a great deal of investment in market development.

The Ministry of Tourism has a vital role to play in exploring convention development funds, undertaking

market research such as travel intentions surveys, and developing targeted destination marketing campaigns to respond to existing, new and emerging trends. In order to support tourism and the tourism industry, it's essential that the Ontario Tourism Marketing Partnership Corp. be equipped with increased and multi-year funding in order to strategically carry out research and long-term direct marketing programs.

The GTHA recommends a permanent increased investment in tourism marketing of \$20 million in each of three years, and that the OTMPC receive three-year funding allocations, similar to some segments of the MUSH sector.

Another effective method of supporting tourism marketing is through destination marketing fees. The GTHA supports industry-initiated destination marketing fees to help the tourism industry toward its goal of attracting tourists and tourist spending and achieve economic renewal. The GTHA supports a DMF based on the following principles:

- that it's a voluntary, industry-led and -initiated decision;

- that the funds generated be dedicated to destination marketing and tourism promotion;

- that the amount of the DMF not exceed 3% of the total cost of the room; and

- that the DMF be transparent and clearly indicated on customer billing.

Destination marketing fees have proven to be an effective tool for generating dedicated tourism marketing funds. In the greater Toronto area, the DMF currently generates approximately \$26 million annually. For this reason, the GTHA supports the government's decision not to grant municipalities the authority to levy a hotel room tax.

The GTHA was also pleased that the 2004, 2005 and 2006 provincial budgets exempted the destination marketing fee from retail sales tax, although each for only one year. With a positive return on investment, DMFs generate increased direct and indirect revenues with a greater economic impact than retail sales tax. For this simple reason, the GTHA recommends that the government make permanent the retail sales tax exemption on destination marketing fees.

Over the years, there has been much diversification in the industry to meet the needs of investors and clients. One of those changes in Toronto has been the introduction of condo hotels, where individuals may purchase a condominium unit and use it for residential purposes or enter the unit into the hotel pool of units. Unfortunately, the units that are being rented out as hotel units are being assessed as condominiums, using the sales approach to assessment, with the commercial tax rate applied. The result is that the condo hotel units operating as hotel units pay, in many cases, five times that of existing hotel units.

Throughout North America, condo hotels are increasingly the preferred method to raise funds to construct new properties. The government must ensure that like properties with like uses are assessed with like

methods. All hotels should be assessed equally, using the income-based method of assessment. Therefore, the GTHA recommends that the government clarify assessment rules to ensure that hotel and hotel unit property taxes are assessed equally, using the income-based method.

It's crucial that the government support improvements to the business climate to encourage investment, to ensure that our hotel properties are competitive. Canada is one of the only major industrial economies where capital taxes are levied. The GTHA has found that Ontario's capital tax hurts investment, especially since comparable jurisdictions are not instituting such a tax. Furthermore, since the capital tax is a profit-insensitive tax, it directly discriminates against capital-intensive companies.

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Hospitality businesses require a tremendous amount of initial capital investment in order to establish an operation. As a result, having a tax levied on a business's capital results in a disincentive to invest, reinvest and expand in our industry.

In 2003, the GTHA recommended the elimination of the capital tax, and the government responded by announcing a reduction of the capital tax rate by 10% the following year, with an intention to eliminate the capital tax by the time the federal government eliminates its capital tax. The GTHA welcomed this decision, but the fact of the matter remains that capital tax is a serious hindrance to business. The GTHA recommends that the government of Ontario accelerate the elimination of the capital tax, and that it be fully eliminated within five years.

As important as attracting tourists here, if not more so, is ensuring that their visit meets or exceeds their expectations. Toronto must have world-class attractors, attractions, events, and sites. Toronto can and must be a premier destination of choice, but this cannot happen without the support of government.

It has been more than six long years since a former mayor, former Premier and former Prime Minister stood together at the foot of the Toronto harbour to announce a federal, provincial and municipal agreement that would see the development of the Toronto waterfront. In those six years, we've seen a change in leadership at all three levels, and numerous reports and studies about what the waterfront should look like and should offer to citizens and visitors alike. What we have not seen, and what we desperately need, is action. The GTHA urges a renewed focus on the development of the waterfront, with a focus on tourism. Other communities throughout the world would give anything to have an option such as we do in Ontario and in Toronto. We have an incredible opportunity to build on the future, to build that attractor, to bring visitors into Toronto and the greater Toronto area and Ontario in general. We call on the government to immediately push forward with a plan, with an emphasis on tourism, and to act on that plan. The GTHA recommends a renewed commitment by the provincial government to develop Toronto's waterfront and to lead a team

of the three levels of government to direct the waterfront redevelopment immediately.

Essential to increasing tourism is simply making sure that people who want to travel can do so. As you know, in an effort to address security issues, the United States has implemented the western hemisphere travel initiative. The WHTI requires all travellers, including American citizens, to have a passport to enter the US when traveling by air effective January 23, 2007. Those entering the US by land or sea will be required to present a valid passport or an approved alternative document by June 1, 2009 at the latest. Currently, only 35% of Canadian residents and 25% of American residents hold a valid passport. Research also shows that 33% of Americans and 42% of Canadians currently believe that passports are already required to travel between Canada and the US.

Given that fewer American than Canadian travellers hold valid passports, the negative impact is expected to be larger for US travel to Canada. In fact, from 2005 to 2008, it is estimated that the number of US arrivals in Canada would decline by 7.7 million as a direct result of the new passport regulations. The bulk of the shortfall is expected to come from same-day trips, about five million. Full implementation of the passport rules could decrease potential US visitation by 12.3%. This is compounded by the fact that the original implementation deadline for travel by air has been changed multiple times, and the implementation deadline for land and sea continues to be a fluctuating deadline. This has resulted in mass consumer confusion.

US visitors to Ontario currently account for approximately 90% of international tourism to Ontario. The Conference Board of Canada recently forecast that over a three-year period, Ontario alone would lose \$859 million in tourism revenues from the United States, resulting in the loss of 7,000 jobs.

The GTHA appreciates the efforts thus far of the Premier and the Minister of Tourism in representing the interests of Ontario and its citizens, and respectfully submits that it is essential that the Ontario government continue to be an active participant in discussions concerning possible future types of identification. The GTHA urges the government to work closely with the United States and the federal government to continue to discuss and implement alternative secure documents for entry to the United States.

I want to take this opportunity to thank very much the members of the committee and look forward to your questions.

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

Mrs. Mitchell: Thank you, Terry, very much for coming out today. I just have a couple of questions for you.

I wanted to give you the opportunity to expand on what you would like to see on the Toronto waterfront. What role do you see that tourism can play? I agree with you that there are wonderful opportunities on the Toronto

waterfront. How do you see it reaching its full potential for tourism? What would you like to see?

Mr. Mundell: I think if you look at the development of numerous other waterfronts across the world, Australia being one that comes to mind, most of the waterfronts get developed as part of a legacy bid, a legacy project of some sort. If you look at Toronto, we looked at the Olympics; we looked at the world's fair. We were unable to land either one of those specific deals. The reality is, I don't think you can continue to wait until there is another event of an international nature to develop this piece. We are losing money now; we are losing opportunity. The longer it takes to move forward with this, the more difficult it is.

In terms of tourism's role, I think if you look, there are a variety of scenarios out there for the waterfront. The reality of the beast is, it is such a great attractor with such a great opportunity. There's opportunity for public-private partnerships to ensure that tourism is looked after, to ensure that the needs of the local residents in Toronto are looked after. There's parkland dedication—a whole range of opportunity. We need to sit down and get at it and hammer it out.

Whatever decision one makes, at least one makes a decision to move forward, and that's what we need: some leadership to move forward.

Mrs. Mitchell: So you don't see any specifics that you're looking for or hoping for? It's just getting the project going forward, basically?

Mr. Mundell: There are, again, a variety of opportunities out there. Look at what's happened in a variety of other centres. If you look at some of the presentations that are out there, you will see a mix of the tourism portfolio, culture portfolio, passive recreation, businesses—a whole range of opportunity.

Mrs. Mitchell: My other question is, what would you like to see as an alternative security document?

Mr. Mundell: I think the biggest question with that one really is, what will the United States accept? Clearly, the piece for us is that it needs to be simple, it needs to be accessible to people and it needs to be clearly understood. The problem right now with what we have is that consumers misunderstand what secure documents they need to get into Ontario, into Canada. We have talked numerous times with Minister Bradley. He's been an excellent supporter of ours on this file. The Premier has been very good on it as well. The reality is that we need to try to get the United States and our federal government to come to an agreement on those alternatives. Some of the issues, quite frankly, are around technological advancements in some of the types of secure documents that we're looking for. They're not there yet, and that's a piece of the problem.

Mrs. Mitchell: In the riding that I represent, our second-largest industry is tourism. We also have a lot of Americans who are coming up through my riding all year round. Could you give us a sense of how many dollars are on the table if this issue isn't dealt with in an expedient manner?

Mr. Mundell: Again, I think you heard the numbers that I gave earlier in my presentation in terms of US visitors to Canada. It's significant, and in your particular riding—I mean, the vast majority of that business is bus travel, coach travel, and a lot of overnight trips. So the reality of the beast is that it will have a dramatic impact on your riding, but it will have a dramatic impact—tourism is in communities across Ontario. It's not just Toronto; it's not just the GTA. It is across Ontario. It's the Niagaras, it's London, it's Stratford, it's Windsor, it's northern Ontario. There's a whole range of opportunity here, but this is a piece that can generate economic wealth. The tourism industry builds communities, and, quite frankly, with the wealth that it builds, it allows government to spend money on the things that are important to taxpayers: health care, education, those other issues.

Mrs. Mitchell: Thank you, Terry.

The Chair: Thank you for the presentation.

ELEMENTARY TEACHERS' FEDERATION OF ONTARIO

The Chair: I call on the Elementary Teachers' Federation of Ontario to come forward, please. Good afternoon. You have 10 minutes for the presentation. There may be up to five minutes of questioning. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. David Clegg: Thank you, Chair. My name is David Clegg. I'm the first vice-president of the Elementary Teachers' Federation of Ontario. To my left is our general secretary, Gene Lewis, and on my right is Pat McAdie, a research officer with our organization.

The Elementary Teachers' Federation of Ontario represents more than 70,000 teachers and education support personnel employed to work in Ontario's public elementary schools. We are pleased to participate in the committee's pre-budget consultations.

The 2007 provincial budget takes us into the next election and sets the stage for the direction in which this government wants to take the province. The current government has taken a number of important steps to address the funding cuts to education implemented by the previous administration. We applaud the government's attempt to rebuild our education system by focusing on smaller class sizes at the primary level, improved literacy and numeracy, more resources for schools, support for English-as-a-second-language programs, and school infrastructure. We also applaud the government's respect for teachers and the focus on increased professional development for our members.

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We would like to address two major aspects of education funding in Ontario: the total funding available for elementary and secondary education and the gap in funding between elementary and secondary students. In addition, we will comment on the new school foundation grant introduced in 2006-07 and the local priorities grant.

Student success is strongly correlated to socio-economic status and community resources available for families in Ontario. Our presentation will briefly address issues related to confronting poverty and supporting preschool early learning and care.

Around the issue of total education funding: When the previous government introduced the new funding formula, the intent was to reduce expenditures for public education. The new funding model tended to disadvantage public boards as the province pooled education tax revenue and redistributed it across the province. In 1998-99, the first year of the new formula, 25 of the 31 public boards experienced a real decrease in operating funding, taking both inflation and enrolment into account; six boards experienced an increase. You'll note from the table on page 5 of our brief that from 1998-99 to 2006-07, overall operating funding for all school boards increased by 11%. Not all boards benefited equally from this increase, and our brief provides a breakdown by public board on page 6. Overall, funding for public boards increased by just under 8% during this eight-year period. If you remove the funding public boards have received for primary class size reduction, real funding for public boards has only increased by 6% in that time frame.

The second issue ETFO wishes to address is the gap in funding between elementary and secondary students. From the beginning, the student-focused funding formula has placed a higher value on secondary students than elementary students. We believe this funding inequity is the major barrier to providing elementary students with the high-quality, well-rounded education they need to be successful, lifelong learners. Funding for elementary and secondary students differs in a number of the grants, mostly without explanation. The foundation grant accounts for 49% of the operational funding provided for all school boards. Secondary students are funded at \$4,875 per student while elementary students are funded at \$3,744 per student, a difference of \$1,131.

In addition to the foundation grants, additional funding is provided to support elementary programs in other areas, primarily for primary class size reduction and special education. The federation estimates that the smaller class size initiative generates an additional \$202 per elementary student and that the school boards receive \$225 more for each elementary student in grants for special education. Together, these grants provide \$427 per elementary student outside of the foundation grants and reduce the differential in funding between elementary and secondary grants to an estimated \$704 per pupil.

The table at the top of page 9 of our brief summarizes this gap in funding. Given that the elementary enrolment in all school boards is 1,271,903, this gap translates into over \$895 million that elementary education is being shortchanged. To put this number into perspective, each classroom of 24.5 elementary students is being shortchanged by over \$17,000, and each elementary school of 350 students is being shortchanged by over \$246,000. We believe the government will not achieve its goals of

improving students' levels of academic achievement and reducing the high school dropout rate if it fails to address the underfunding of elementary education.

With respect to the school foundation grant, funding on a per-pupil basis poses some challenges, especially in times of declining enrolment. Not all expenditures by school boards vary directly with the number of students. There are certain predictable fixed costs, such as the cost of a school principal, liability insurance, some maintenance costs and the like. The government has begun to recognize that reality this year by introducing the school foundation grant. At this time, the line items included in the school foundation grant are limited to the principal, the vice-principal, the secretary and school office supplies. Other costs directly related to the operation of the school should be included within this grant and allocated on the basis of the number of schools in a district school board rather than the number of students.

In spite of the government's current focus on literacy, few elementary schools are staffed with a full-time teacher-librarian whose role is to assist students with literacy and research skills. Currently, an elementary school must have over 750 students to qualify for funding for a full-time teacher-librarian. Most elementary schools fall far short of this number.

A guidance teacher is only provided for every 5,000 elementary students. That would be the equivalent of one guidance teacher for every 14 elementary schools of 350 students. Most elementary schools would generate less than one tenth of a guidance teacher. This funding is insufficient for just grade 7 and 8 students to receive the support they need.

Local priorities: Before this funding formula was introduced, school boards were able to increase the property taxes to support education. While we recognize that some boards were in a better position to do this, it did enable local communities to determine priorities based on their needs. Beginning in 2001-02, a local priorities amount was added to the foundation grant. It was eliminated this year so that the ministry could address the long-standing shortfall in the grants for teacher salaries. The grants did not reflect the real costs that boards experienced for teacher compensation. Rather than simply move funding from one envelope to the other, new local priorities funding is required to ensure that boards have some flexibility to respond to local needs.

In the area of early learning and care: While there is little debate about the importance of early childhood education, we have a long way to go before ensuring that all Ontario children have access to high-quality programs and services that promote their healthy development. The government's Best Start initiatives launched in 2005 were a welcome renewed commitment to early childhood education. Unfortunately, the province's plans for Best Start were cut almost in half the following year by the federal Conservative government's 2006 decision to cancel the federal-provincial child care funding agreements effective March 31 of this year.

ETFO has called upon the federal government to restore the commitment to the child care funding agree-

ments and has applauded the Ontario government's efforts to pressure the Harper administration on this issue. That this campaign has been unsuccessful does not, however, get the Ontario government off the hook for not expanding early learning and care services. In 2003, the Liberals made an election commitment to increase provincial funding for child care by \$300 million. The 2007 provincial budget should increase funding for child care by that and an additional \$300 million to deliver on this election commitment and compensate for the shortfall in federal financial support.

This increased provincial support for child care is needed to implement the full Best Start program for kindergarten-aged children and to ensure that programs for children aged three and under and for school-aged children requiring care outside of school hours are available to those families who need them.

Around the issue of child poverty: Students who come to school hungry cannot be successful learners. One in six children in Ontario live in poverty—over 440,000 in total. ETFO supports the call to raise the minimum wage to \$10 per hour so that working parents can better support their families. We also call on the Ontario government to end the clawback of the national child benefit supplement from social assistance recipients. The federation acknowledges that the present government has passed on the scheduled federal increases of the benefit to social assistance recipients since taking office. The government has failed, however, to live up to the election commitment to end the full clawback. Depriving families on social assistance of up to \$1,463 annually per child is indefensible in the context of the rate of child poverty in this province.

In conclusion, ETFO is looking to the 2007 provincial budget to continue to address the need to rebuild public education by increasing the overall level of funding for elementary and secondary education. Within that investment, the federation is looking for a serious commitment to close the gap in funding between elementary and secondary education. Beyond education, the budget must give greater priority to improving the economic welfare of working families and those on social assistance. Failure to do so will contribute to the growing economic disparity in this province.

I would refer the committee members to our recommendations at the end of our brief, and I'd be very happy to answer any questions.

The Chair: The first round of questions goes to the official opposition.

Mr. Arnott: Thank you very much for your presentation this afternoon. Your advice and your ideas are very helpful to us as we move forward to make recommendations to the Minister of Finance on what ought to be in the budget. Please accept our thanks for your presentation today.

The first question I wanted to ask you is regarding the issue of how we can best provide IBI and ABA services—applied behavioural analysis and intensive behavioural intervention—to children with autism. As you

know, this has been a big political issue in the Ontario Legislature for the last three or four years, and the government is trying to encourage our educators and the schools to pick up some of the slack after kids turn six.

Can you tell us what's happening in the schools right now and what the government ought to be doing to ensure that these children are receiving the services they need so as to give them the best possible start in life?

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Mr. Clegg: Certainly, as the father of two young children aged eight and six, the issues around all special-needs children are ones that this federation has pushed all governments to examine and re-examine. The issue of autism certainly poses a challenge. We recognize the limitations that any government has when it comes to providing the necessary resources. We do think, however, that in respect of what our members need, our members need greater professional development, they need the ability to deal with not just children with autism but all children with special needs, and that's an ongoing issue. It's an issue that we certainly believe needs to have more work done at the faculties of education to prepare people coming into the profession, but it's one that cannot be overlooked. The models around special education have looked for greater and greater integration of students and we think that that, overall, is positive. But to do that in the absence of the professional development that's needed puts everybody in jeopardy, and we would look for, as we mentioned in our brief, greater investment in professional development for our teachers.

Mr. Arnott: One of the recommendations that you have highlighted in your concluding comments as well as in the body of your brief is the need for a full-time teacher-librarian in every single school. You said that the funding formula currently provides funding for one teacher-librarian for every 750 students and that most elementary schools don't have 750 students. What is the average enrolment in our elementary schools right now and how close are we to that standard?

Mr. Clegg: It's roughly between 350 and 400 in the average school.

Mr. Arnott: So it's about half.

Mr. Clegg: It's about half.

Mr. Arnott: A little more than half. Okay. Well, I would agree with you that a full-time teacher-librarian provides a very important service within the school and I would suggest to you that that's something you need to continue to advocate for. I would hope that the government is listening on that, because I think if there isn't a full-time teacher-librarian, that school is missing out on an important service that otherwise would benefit the students as well as the teachers in terms of preparing their lessons and so forth. I know, because my wife is a teacher. She's one of your members. For a couple of years she was a part-time teacher-librarian, the only one doing the job—0.5—and she was able to do it by spending a lot more than half her time there each day. She was also assisted by a number of volunteers, who made a big difference to help her do the job. I assume that in many

cases that's the model that is currently happening in the province, whereby you have a part-time teacher-librarian who relies on volunteers in order to get the job done. Is that correct?

Mr. Clegg: There are many different models out there. I guess the irony from our perspective is that you have a government committed to the issue of literacy and numeracy and yet the schools don't have full-time teacher-librarians to support that. It's needed. There was a time not too long ago when that was the case, and certainly we believe elementary students are suffering as a result. It's part of the funding gap and it's one of the issues that need to be addressed sooner rather than later.

The Chair: Thank you for the presentation.

CONSERVATION ONTARIO

The Chair: Would Conservation Ontario please come forward?

Good afternoon. I suspect by now you could recite this to me, but you have 10 minutes for your presentation and five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Dick Hibma: Thank you for the opportunity to appear before the committee. I am Dick Hibma. I'm the chair of Conservation Ontario, and I'm also the chair of the Grey Sauble Conservation Authority in the southern Georgian Bay-Bruce Peninsula area. With me today is our general manager for Conservation Ontario, Don Pearson.

I am going to provide you with an overview of our organization and the key issues with regard to the provincial budget. The folder you've just been handed has our submission in the right-hand pocket of it.

Conservation authorities are community-based resource management organizations that are working on a watershed basis. Almost 90% of Ontario's population—about 10.5 million—is located within a conservation authority's jurisdiction where resource issues and user conflicts are greatest. It is also where the joint provincial-municipal investment is needed most.

Conservation authorities have a strong track record of partnering with all levels of government to deliver community-based, practical solutions to a wide range of natural resource problems, like source protection and drought. On the other extreme, we have floods, natural heritage protection and Great Lakes water quality protection.

One of the issues we want to address with you is source protection planning. We all know about the tragedy in Walkerton in 2000. What happened in Walkerton reinforces the absolute essential that drinking water must be protected at its source. A clean environment and clean water are integral to human health and economic stability. They must continue to be key and core priorities for the government.

The passage of the Clean Water Act in October 2006 is an important step in protecting drinking water. Con-

servation Ontario is a very strong supporter of the legislation, and we've already begun working on implementation of the act. The funding currently being provided by the government has enabled conservation authorities to begin the critical technical studies that will support source water protection plan development. However, these sources of drinking water will only be protected once the plans are completed and successfully implemented. This government's current funding commitment ends in March 2008. That's not very far away. The renewal of this funding commitment is critical to ensuring safe drinking water sources.

I'd like to speak now of watershed stewardship. Our experience over 60 years of being in this business is that although legislation and regulations are important to achieving compliance, incentive programs are critical. They are the ones that change rural management practices. The 2006 provincial announcement of \$7 million in actions targeted at source water protection will result in improvements in water quality and is a good first step.

We have a long history of delivering programs that provide expertise and financial assistance to landowners to improve water quality. Over the years, these efforts have been financed through municipal funding as well as through provincial and federal funding programs related to improving Great Lakes water quality—things like the Canada-Ontario agreement—and also to support best management practices in the agricultural sector. A long-term sustainable funding commitment is required to see real improvements in water quality on the rural landscape and, by extension, on the Great Lakes. Of specific concern in this regard is the approaching expiry of the Great Lakes Canada-Ontario agreement in March of this year and the associated loss of 2007-08 funding support for actions to protect and restore healthy Great Lakes.

We'll move on to aging infrastructure. Some will remember Hurricane Hazel in 1954, when 81 people died and 1,800 were left homeless as the storm passed through southern Ontario. It caused millions of dollars in property damage; about \$1 billion in today's dollars. After this, we learned a lesson, and public infrastructure was built to prevent flooding and erosion, and flood plain regulations were established. Conservation authorities were key agencies in implementing these public safety initiatives of the senior governments.

Now, some 50 and 60 years later, we have significantly aging conservation authority infrastructure—some 800 of them: dams, channels, dykes, erosion control works—with an estimated replacement value of well over \$800 million. They need maintenance to continue to protect the lives and property of our citizens. An ongoing multi-year provincial program of at least \$5 million a year is required to allow for proper planning, design and approval for additional improvements.

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Over the last several years, your government has provided \$5 million per year towards the funding of capital maintenance of our water and erosion control infrastructure. Every year, 27 to 30 of our authorities across

the province ensure that that \$5 million investment is matched with an equal share of local funding. That is partnership at play. That represents \$10 million annually invested in public safety infrastructure, and we strongly encourage you to continue your contribution to this important investment.

Flood plain mapping is critical to us as well. The flood hazard control and avoidance system in Ontario is recognized as being outstanding. An Environment Canada comparative analysis of Michigan and Ontario showed that our approach here could save hundreds of millions of dollars in a single year.

The current system of preventing development in flood and erosion hazard areas has to be maintained and updated for ongoing effectiveness. Hazard mapping in Ontario is required in support of the natural hazards provincial policy statement under the Planning Act as well as the section 28 regulation under the Conservation Authorities Act. Originally, much of the mapping was completed under the federal damage reduction program with 45% federal and 45% provincial funding. Much of that mapping is now 20 years old and desperately needs to be updated. Accuracy of this mapping protects life, reduces property damage, and minimizes disaster and emergency response costs. A significant investment is required to prevent future problems. Conservation authorities, co-operatively with the insurance industry, are developing detailed cost estimates for this program in 2007 and will be looking for financial support from all levels of government.

Speaking now to transfer payments under section 39: At the current funding levels in Ontario, our collective ability to protect lives and property from natural hazards is diminishing. This continuing problem is due to the significant shortfall in annual funding that has been provided through the Ministry of Natural Resources for the various mandated programs that conservation authorities deliver; things like flood control, erosion control, flood forecasting and warning. Currently that funding is at \$7.6 million for the 36 conservation authorities across the province.

We summarized this funding shortfall across the province, including a re-examination of the provincial interest programs that are currently excluded from the funding. The details are provided in a report that was submitted to the Minister of Natural Resources in July 2004 entitled *Submission to the Minister of Natural Resources: Reinvestment in Ontario's Conservation Authorities—Now and in the Future*. In the 2004 report, our shortfall, as we identified it for 2005, was \$13.8 million.

That shortfall is calculated from the total costs of delivery of programs from our audited financial statements in 2002 and assumes that the province pays 50% of the total cost of delivery, as per the Conservation Authorities Act. It excludes capital for major maintenance of existing infrastructure, which we've addressed separately under the aging infrastructure section of this submission, and it also excludes the upgrading of regulatory mapping, which I referred to just a moment ago as well.

It's a conservative estimate, and we've updated this shortfall amount against the 2005 audited financial statements of the authorities. The provincial shortfall for 2007 is projected at \$14.3 million. So the problem doesn't disappear for us.

The province has cut MNR transfer payments to the conservation authorities by 87% since 1992, when there used to be \$58.9 million transferred to the authorities across the province. There have been no further cuts, but there have been no further increases to the MNR flood and erosion control transfer payments since 1999, not even with respect to an inflation index. So we are asking the province to reinvest in conservation and match the contributions being made by member municipalities for those provincial interest programs that are outlined in our review. We have support from 88% of our member municipalities through resolutions supporting that re-investment strategy submission.

A final area of interest is outdoor education. Twenty-seven of the 36 conservation authorities across the province currently provide hands-on, curriculum-related outdoor education programming that covers more than 400,000 school children annually. At present, these programs are funded by the school boards and the school classes through user fees and are supported by conservation authorities through municipal levy, property tax and private donation. On behalf of Conservation Ontario, a proposal has been submitted to the Ontario Ministries of Environment and Education to fund up to \$2 million per year for children's outdoor education programs, relating specifically to source water protection. This represents up to \$12 per child to enable the participation of every student in one grade level throughout the province. At this stage, it's proposed that this funding would flow through the school boards, leveraging the significant current investment in existing programs.

In conclusion, conservation authorities embody a partnership of the provincial and municipal governments focused on addressing some of our most pressing water and other natural resource management issues. For this arrangement to work in an efficient, effective and equitable manner, many of the financial pressures outlined above must be given due consideration by the government. The health, well-being and livelihood of current and future generations depend on it.

We thank you for your consideration of our submission and are prepared to respond to your questions.

The Chair: The questioning will go to Mr. Prue of the NDP.

Mr. Prue: I'm just looking at some of these numbers. First of all, you said the mapping is more than 20 years old. Is that across the province or in specific places?

Mr. Hibma: I think most of the province is at least that old.

Mr. Prue: In 20 years, it would be my understanding that streams and rivers would change course once in a while after big floods or after big rainstorms. I shouldn't say "change course." They'd still flow the same way, but they might move a few feet one way or the other—or 100 feet. I know that happened behind my house.

Mr. Don Pearson: That can happen as well if additional development occurs within the drainage areas—roads and bridges and those kinds of things. So the hydraulic characteristics of the water courses may be changed, and those have to be reflected because they can result in flooding on properties that were previously protected and may become vulnerable. So there's a liability concern there.

Mr. Prue: I didn't see a cost for that. How much would it cost to re-map the province?

Mr. Pearson: We're actually doing accurate cost estimates of that for the current year, but it's probably safe to say it's in the order of several million dollars a year, probably for a period of five years, to bring it all up to speed.

Mr. Prue: I'm just trying to get a handle on all of the monies, together.

You went on to talk about needing \$13.8 million for the provincial shortfall. The current funding is \$7.6 million for provincial flood and erosion control, and you really need \$13.8 million. Have you had any increases at all since 1999 on this budget item?

Mr. Pearson: The \$7.6 million is provided for operating dollars, and in addition to that, the province has been contributing \$5 million on an annual basis specifically toward the maintenance of the capital infrastructure, on the condition that that be matched by local dollars as well. So the \$14.3 million that we're speaking about in addition to that is the balance that would be required for the province to be contributing 50% of eligible expenditures on those things that the province deems to be grant-eligible. It's simply that the province has not contributed up to the maximum expenditure. So that cost is actually shifted over to the municipal side.

Mr. Prue: You go on to say that the province has cut MNR transfer payments to the CAs by 87% since 1992, when it used to be \$58.9 million. The MNR budget has not survived very well in the last couple of budget cycles since I've been here; as a matter of fact, I don't think it's even held its own. Are you suggesting that the MNR budget be increased and then the money sent to you, or are you just saying bypass the MNR and send it straight to you—or do you care?

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Mr. Pearson: I wouldn't presume to tell the province how it should transfer the dollars. One of the realities is that with the financial pressures the Ministry of Natural Resources itself has undergone—and I think that those are quite legitimate—it's very difficult for conservation authorities to expect that MNR would, shall we say, willingly transfer dollars to the conservation authorities at its own expense. So our representation would be that an infusion of new dollars would be required. We submit that, again, \$14 million to \$15 million in terms of the conservation authorities' program leverages a tremendous amount of money for the province. Currently, about 14% of conservation authority expenditures come from the provincial government. Another way of looking at that is, every 14 cents of provincial investment produces \$1 of expenditure. So we're looking for new dollars. If

those are administered through the Ministry of Natural Resources, that's fine. They simply need to be very clearly identified that they are for the CA submission.

Mr. Prue: Then you go on to talk—and this is near and dear to my heart—about children having an opportunity to look at these outdoor education programs related to source water protection. You're looking for \$12. I'm not sure whether you want this flowing through the school board or whether you want it directly. I would take it you want an increase of \$12 per student for one grade to be given to the school boards so that they must accomplish this. Because I think kids need to see this stuff.

Mr. Pearson: Yes, the proposal that has been prepared has been jointly developed. The proposal is to have that flow through the boards of education for transparency. In our case—and we have allied ourselves with others who are interested in outdoor education. First of all, the opportunity to provide outdoor education is not a monopoly of the conservation authorities. It's a service that we provide and a significant number of students do participate in our programs. We feel that those dollars are made available through the boards of education so that conservation authorities and others would then be in a position to make proposals to deliver the best program, and the boards could therefore select in terms of where the best value for its dollars would be, but they would be dedicated monies for outdoor education programs.

Mr. Prue: But the school boards, in many cases, have had to do away with their outdoor programs. They've had to sell off tremendous resources. I know in my own board in East York, its gone. School boards across the province must be the same. Those resources they once had, they don't any more.

Mr. Pearson: It is an unfortunate reality in terms of them coping with some of their own budget concerns. Again, that's the reason why these dollars would be dedicated for that purpose: so they would not be available to the boards for other purposes. The rationale, again, would be that that kind of investment—so that each child in Ontario winds up with an opportunity at some point during their elementary school careers to participate in outdoor education programs—is going to provide a tremendous payoff in terms of educated future taxpayers, consumers and citizens. We think it's unfortunate that those kinds of things tend to be put on the chopping block, but it's time to reinvest.

Mr. Hibma: We're suggesting that between conservation authorities and school boards across the province there is some residual capacity that we just need to build on and expand to enable this to be province-wide. It would be required more in some areas than others, but the authorities and school boards working together could ensure this would happen for that kind of money.

The Chair: Thank you for your presentation.

CULTURAL CAREERS COUNCIL ONTARIO

The Chair: I call on the Cultural Careers Council Ontario to come forward, please. Good afternoon. You

have 10 minutes for your presentation. There may be five minutes of questioning following that. Please identify yourself for the purposes of our recording Hansard.

Mr. Robert Johnston: I'm Bob Johnston. I'm the executive director for Cultural Careers Council Ontario. I have with me Micheline McKay, who is one of our volunteer directors. She is the executive director of Opera.ca, an umbrella group for opera companies in Canada, and also publishes the Arts Advocate.

Thank you for having us at the end of not only a long day, but I think a long day after many more days. I spent 10 years here as a deputy minister, so I have a better idea than some of what you go through, and I'm full of admiration and sympathy for what you have to put up with for so many days and so many hours.

Cultural Careers Council of Ontario is a non-profit organization that supports human resources and human resource management and career access and career development in the cultural sector of Ontario. So we serve the entire cultural sector, both the so-called cultural industries and the non-profit organizations. We're going to talk to you today about two things. You've probably heard from others on the first subject, which is our concern for increased funding for the community through the Ontario Arts Council. Secondly, I'm going to talk specifically about the need for more support for training and skills development in the cultural sector.

Micheline is going to speak on the first of the two items.

Ms. Micheline McKay: Thank you, Bob. Thank you, members of the committee.

Culture in Ontario—the arts, museums and heritage organizations and industries like magazines, film and publishing—play a vital role in the province's prosperity and the vitality of our diverse cities, towns and villages. We value the opportunity to engage with you in this dialogue on how the contribution of the cultural sector can be strengthened through investment in programs that support individuals in this field.

When we speak about the cultural sector, we're talking about people. Some 4.2% of Ontario's overall workforce is engaged in the cultural sector. Our sector provides direct employment to 290,000 Ontarians. Countless more volunteers support the work of virtually every not-for-profit arts and heritage organization in Ontario. For the most part, people who work in culture do so because of the passion and belief they bring to their work. They believe in the intrinsic value and understanding derived from providing artistic opportunities, great books or new discoveries at museums. Culture can't simply be reduced to economic contribution. That contribution, however, is substantial. The economic impact of Ontario's cultural sector is estimated to be in excess of \$1.7 billion. Its potential for future growth is not missed by the Ministry of Finance, which has recognized the entertainment and creative cluster as one of the key growth industries looking out to 2025.

Culture in Ontario is a multifaceted, complex sector. It can be characterized as an ecosystem, with many differ-

ent contributors and players. Like any ecosystem, it requires a balance, and when one thing gets out of balance, the system responds in different ways. For culture, much of the impact has been on people. Provincial government support to the cultural sector is below what it was in 1995. Current funding to the Ontario Arts Council in actual, not real, dollars is less than it was in 1995, even with the infusion of the province's \$15 million in 2003. Support to community museums across the province has not grown since the 1970s. At the same time, the population of Ontario has grown substantially and dramatically, and our demographic has shifted in profound ways.

The impact of the erosion of public funding generally, including that of the Ontario government, is seen in the state of the sector's human resources. Artists are much better educated than the average Ontarian, yet they earn significantly less at all education levels. The average earnings of artists in Ontario are \$26,800. That's 24% less than the average earnings of the overall labour force. Moreover, 44% of artists are self-employed, a rate six times higher than the provincial average. Without question, artists make these choices themselves. The structure of government programs, however, prevents them from accessing benefits available to other Ontarians, a point Bob will address in a moment. A recent subcommittee report from the Minister's Advisory Council for Arts and Culture addressed the status of the artist in detail. Various parts of the cultural sector are seeking an increase in Ontario government funding. Both the Ontario Arts Council and the Ontario Museum Association are requesting a much-needed infusion, specifically, \$35 million for the Ontario Arts Council and \$10 million for Ontario museums.

Since human resources account for close to 80% of any cultural organization's total cost, it's clear that much of this funding will go a long way towards addressing some of the human resources challenges our sector faces. We strongly urge this committee to endorse and support additional funding to the cultural sector, specifically the requests of the Ontario Arts Council and those of the museum sector. It is critical to the stability and potential of the sector. We fully appreciate you are hearing impassioned and valid submissions from a variety of organizations for increased public funding, and we are joining that chorus.

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There are, however, substantial reasons for stable public investment in culture. First, a public investment provides the foundation and leadership to lever other funding from the private sector and other levels of government, patrons and foundations. It's the linchpin of effective business planning and management of both our volunteer and for-profit companies.

Secondly, stable public funding allows the inherent risk of creating and showcasing Canadian talent. Risk is central to artistic innovation, much the same way as it is in business or science. The need for working capital and research development activity is key to the advancement of all industries, including the cultural sector.

There are other opportunities and challenges for Ontario in the cultural sector. Back to Bob, who will address those.

Mr. Johnston: Picking up where Micheline left off, as I mentioned, our second concern is specifically about support for skills development and career development in our sector. An improvement in the operating grants and the grants for creativity through the arts council would have a very important impact that's needed in the sector, and it might also free up, hopefully, a few dollars for career development. Funds for career development were the first discretionary things that disappeared from most arts organizations when the cuts went through that affected the cultural sector.

Our sector, some of you will know, is composed of people, many of whom work there for the love of it. But it's getting harder to get people to do that, because the reality is that people have to have a good income in order to work. So we're experiencing a number of needs as a result of aging in our sector—a lot of aging managers. We have relatively high turnover in our sector as people move to education, health and other areas where they can use some of their same skills and are paid better. There are also inadequate succession resources, and that's perhaps because we haven't had enough resources for training and career development. Then of course, like a lot of sectors—the cultural sector is a good example of it—we've had rapidly changing technology, and so the skills needs have continued to increase.

We think that a more adequate investment in training and career development would meet some of those skills needs, deliver more in the way of worker training programs in arts and heritage, do something for career transition so that people could move between disciplines and subsectors in our sector, and fund the research and labour market development initiatives that are needed to allow us to continue to grow.

I want to turn specifically to the labour market partnership agreement. Some of you will have certainly heard both Ministers Sorbara and Bentley on this subject. As you will know, before the government changed in Ottawa, there were two agreements ready to be signed between the province and the feds: one on labour market development and one on labour market partnership. Eventually, after the change in government, the labour market development agreement was completed and is now in place, but the labour market partnership agreement, which was going to be new money, has not been implemented.

The significance of this for our sector is that, as you've heard, a high proportion of our sector is self-employed. Training money that comes from the labour market development agreement only goes to people who are EI-eligible. Because a large part of our sector is self-employed, many of them do not have EI credits, so the labour market partnership agreement was going to be crucial for that significant part of our sector that needs support for training and skills development. We hope that you, in all parties, will urge the federal government to

finally implement that agreement, which I'm hoping—I'm an optimist by nature—will come out of the woodwork maybe as part of the fiscal imbalance discussions, or fiscal infrastructure discussions.

I'm going to leave with you as well the report that's been mentioned of the status-of-the-artist committee. It hasn't had wide circulation yet. There are 23 excellent recommendations there that I hope you'll have a look at, some of which involve training and skills development in our sector.

I'd like to sum up by saying something that I hope you don't think is rude. I've worked in both government industry and in the arts over my career, and I fear and I hear, as you do, that the cultural sector is seen as kind of a good thing to have around if there's nothing else that needs doing and that supporting it is some kind of philanthropy or handout. As you've heard, it's anything but. It's an investment, and it's an investment in a sector that's labour-intensive and where the cost of creating jobs is relatively low, because the capital needs for the sector compared to most other sectors are very low.

I think we get lost, particularly in Toronto, in the recognition of what our sector contributes because we're in a huge community and we are, as you've heard, 4.2% of the workforce. But you can see the impact in Stratford. A number of you members I know are from ridings near that part of the world. Imagine Stratford today with the railway shops closed, as they did in the early 1950s, if the festival had not been there to take its place—and more than take its place. They have a \$50-million budget, but they have an impact of about \$150 million on GDP in that community and they are responsible, directly and indirectly, for over 3,000 full-time jobs. That's happening throughout our sector, but it's not as easy to see as it is in a place like Stratford, where it's such a significant proportion of the community.

I've left you with our two recommendations and I hope we will have your support.

The Chair: Thank you for the submission. We go to the government. Mr. Arthurs.

Mr. Arthurs: Mr. Johnston and Ms. McKay, thank you for your presentation. I'm going to be a little more informal. Bob, just this afternoon we had a former finance minister here, and she said she enjoyed her time on that side much more than she did on this side. I don't know whether that stands true for a deputy minister, but I hope you've enjoyed your time on both sides.

Mr. Johnston: I have enjoyed it. I haven't appeared here since 1989. Maybe I can remind some of you that that was when the \$118 million that was then dedicated to culture, recreation, sports and fitness was transferred to the consolidated revenue fund, and I fought an uphill battle about that. Most of that money would be hard to find now. I haven't worn out my welcome here, have I? I've waited another 18 years to come back.

Mr. Arthurs: Not at all. My question is going to be around the matter of the museums. I had the opportunity to have a deputation before me recently in my capacity as the parliamentary assistant to the Minister of Finance

from the community museum folks. I have a bit of a history of my own in my community with a community museum and the like. They certainly made a compelling case for some additional funding. You've supported that here today, with a request on their behalf for some \$5 million for existing community museums to close the gap since the last funding envelope, and an additional \$5 million for museums that aren't part of the community museum organization that maybe could come into that envelope. Can you explain that to me a little bit more?

Mr. Johnston: I'm not as knowledgeable about this as I should be. I was asked by the Ontario Museum Association to make sure you were aware of their submission. My understanding, though, is that under the appropriate heritage legislation there are two sectors within the museum community, some of which are in the first one you mentioned and some of which are not. You will know—you'll all know; you all have museums in your communities—that they're very hard-pressed. They're usually short-staffed. In the smaller communities they usually have a staff of one or two if they're lucky. They're also hard-pressed because there was a commitment made federally for increased support for Canadian museums generally, and that has not happened yet and is an issue that will continue to be raised. When you hear that it's been 30-some-odd years since there's been any significant increase for the museums, you can see it's badly needed. They really are struggling.

Mr. Arthurs: But with the ROM here in Toronto and so close by, you kind of get lost in the scale of it against all the small community museums in so many of our communities. Mr. Hudak and I chatted earlier on in this process about the pending bicentennial of the War of 1812 and the work that's being done by a number of museums and members of the arts and cultural community, beginning their preparatory work, so they can celebrate that occasion in an appropriate fashion in what, four more years, five more years or so?

Mr. Hudak: It's time for a rematch.

Mr. Arthurs: It's time for a rematch. Nonetheless, thank you for your presentation. I know our time is short. Thank you for your time today, and certainly we'll be able to have a look at this.

The Chair: Thank you for the presentation.

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ONTARIO HOSPITAL ASSOCIATION

The Chair: I call on the Ontario Hospital Association. I think you know how we proceed here. You have 10 minutes, and there might be five minutes of questioning. I would ask you to identify yourself for the purposes of Hansard.

Ms. Ruthe-Anne Conyngham: Thank you. Good afternoon. My name is Ruthe-Anne Conyngham. I am the chair of the OHA board of directors, a voluntary hospital trustee, and immediate past chair of St. Joseph's Health Care, London. Joining me today is Hilary Short, president and CEO of the Ontario Hospital Association.

This year, through an effective working partnership of hospitals and the Ministry of Health and Long-Term Care, we have seen change and progress in many key areas relating to planning, accountability, performance and infrastructure renewal. But, at the same time, major challenges do remain.

Today we will focus on the opportunities for health system improvement and how the government can help ensure success with strategic investments in the 2007 Ontario budget.

Ms. Hilary Short: I'll speak first about the hospital accountability agreements. These are negotiated, legally binding agreements between hospitals and the Ministry of Health and Long-Term Care. These agreements define the role and responsibilities of the ministry in terms of funding and of hospitals in terms of providing patient care. They are a major step forward in stabilizing and improving hospital planning.

As of today, more than 80 hospitals are positioned to sign an accountability agreement for 2007-08. These hospitals have determined that they are in a position to provide, in good faith, the services detailed in their agreement in return for the funding provided by government in that same agreement. The OHA strongly recommends that hospitals enter into an accountability agreement when they are able to do so.

The remaining hospitals are at various stages of negotiation with the ministry. We fully support those hospitals that cannot, in good faith, sign an accountability agreement as they work to resolve outstanding issues with government in order to protect access to patient care. We know that some hospitals are experiencing significant funding challenges and that further efforts are needed to bring all hospitals into a balanced position.

The OHA recommends that these hospitals and their boards be confident that they can meet the terms of the agreement before entering into this legally binding contract.

I'd like to turn now to hospital working capital deficits. One of the best indicators of an organization's short- and long-term financial health is its working capital. Over the past 10 years, because the demand for services has traditionally outpaced the funds available to deliver that care, the size of the working capital deficit in Ontario's hospitals has grown very large.

Today, hospitals carry working capital deficits totaling an estimated \$1.2 billion. The interest cost to hospitals on this borrowing totals approximately \$20 million each year.

Today, this burden is holding some hospitals back from expanding access to services for patients and investing in information and communications technology that would make hospitals safer. For some, it is a barrier to signing their accountability agreement because they cannot invest to become more efficient.

The OHA recommends that the government of Ontario move quickly to address these deficits before funding responsibility is devolved to local health integration networks on April 1, 2007.

Investing in e-health: Information technology has revolutionized the way many industries do business. Unfortunately, the health care sector in Ontario lags far behind. The OHA believes that Ontario needs to implement an ambitious, comprehensive e-health strategy. This strategy should be based on achieving specific measurable goals and people should be held responsible for results. To achieve this goal, a major long-term investment in the renewal of the health system's information and communication technology is essential.

We believe that e-health should be added as a priority to the ReNew Ontario plan for our province's capital infrastructure. Hand in hand with this modernization should be a major investment in operating resources as well. Through a renewal of investment in e-health, patients will have smoother, more efficient access to care, patient safety will be improved, health system planning will be far better and the delivery of care much more efficient. With that concerted focus on e-health, we can deliver the most comprehensive system modernization of health care in years.

We want to talk now a little bit about rebalancing the system. The job of Ontario's hospitals is to focus their energy and resources on patients who truly need in-patient care. We need to be sure that we have sufficient in-patient capacity to move patients between hospitals—tertiary hospitals, community hospitals, mental health, rehabilitation and complex continuing care. Beyond hospitals, we need to have the ability to discharge patients efficiently to other, more appropriate settings, including home care, long-term care, mental health programs and supportive housing.

Ontario hospitals are facing a growing and very real challenge in that many are increasingly unable to discharge patients in need of alternate levels of care in a timely fashion. With occupancy levels in acute care hospitals already at very high levels and in the absence of the ability to discharge patients readily, admission of emergency patients is being delayed. Elective surgery is also being cancelled and rescheduled. At some Ontario hospitals, alternate levels of care patients occupy 10% to 20% of available beds. At certain hospitals, this number has at times hit 40%.

The OHA believes that it is vital that all parts of the system work together so that patients move easily within the hospital, between hospitals and through to the most appropriate level of care in the community. We strongly recommend that investments in the broader health system, beyond hospitals, become a priority for the government in the time ahead. Ontario needs both immediate short-term solutions to this problem as well as longer-term strategies.

Ms. Conyngham: Ontario has made significant progress in improving the stability of hospital finances, rebuilding its infrastructure and shortening wait times. However, as we have noted, our health care system as a whole continues to face a wide variety of complex and interrelated challenges and pressures. The OHA has been working hard to identify the challenges and develop system-oriented solutions in the debate about health care

in the lead-up to the next budget and beyond. For example, attached for your reading is background on a new idea proposed by the OHA that could yield savings for the taxpayers by building on the strong safety record in Ontario's hospitals.

In the lead-up to the next election we will also be releasing a document entitled Inspiring Health Care Innovation: Policy Ideas for Ontario's Health Care System. We've already made copies available to Ontario's three main political parties and will provide copies to each member of the Legislature in the time ahead.

Thank you for your time today. We would be pleased to answer any questions you may have.

The Chair: Thank you for the presentation. The questioning goes to the official opposition.

Mr. Arnott: Thank you for the presentation. We appreciate it very much.

My first question deals with your issue of working capital deficits. You highlighted that issue very effectively. You say that hospitals are currently carrying working capital deficits of about \$1.2 billion, and that costs you \$20 million a year to finance. I'm just quickly doing some math here. I assume that with \$20 million, you could hire at least 250 nurses.

Ms. Short: You math is better than mine. I'm sure you're right. A lot, anyway.

Mr. Arnott: I would submit that you could probably hire 80 doctors. All of that money, instead, is going to lenders, when it could be going to front-line services to improve patient care in the province of Ontario. I'm sure we could bring up a number of other examples. So I'm glad you pointed that out. It's something that the government needs to carefully address.

In recent weeks, we heard that there are severe problems at the Kingston hospital with respect to the cancellation of important surgical procedures because of the inability to put these patients in beds afterwards. Would you care to update the committee on what's happening in Kingston and whether or not the government's response has been appropriate?

Ms. Short: I can tell you that the situation with respect to alternate-level-of-care patients waiting in acute care hospitals is not just restricted to Kingston. That is an issue across the province, one that relates to system capacity, and also just the lack of ability of the hospitals to transfer patients out of acute care and into the most appropriate levels of care.

We are well aware that the government is acutely aware that this is an issue. The OHA is working hard to recommend solutions which would address the short-term issues, because in some areas of the province we really need some very short-term solutions. Beyond that, we need some longer-term strategies, because we need to look at the total system capacity and we need to look at the system as a whole and make those investments in other areas, because some hospitals just can't find ways, like in Kingston, to find long-term-care placements for their patients. It is a serious problem, but we are well aware that the government is looking at that, and we're trying to find both short- and longer-term solutions.

Mr. Hudak: Just as a follow-up to your presentation, what kinds of challenges do you face with alternate-level-of-care patients in a general sense?

Ms. Short: We are currently trying to get a handle on the breadth of the problem, but right now quite a substantial portion of acute care beds in Ontario, whether it's in the teaching hospitals or community hospitals, is occupied by people who need to be in different levels of care. What happens when that happens—hospitals have become gradually more efficient. They've shortened lengths of stay, and with the accountability agreements that they have, the success of that framework depends upon their being able to move patients through the system. If you can't discharge your patients in a timely fashion, you get a backup in emergency, because when emergency patients come to the hospital and need to be admitted, you can't find a place for them. You're having an inefficient patient flow through the hospital, and that's the challenge. So you get symptoms like backups in emergencies, and then they simply can't admit patients for their scheduled surgeries. So that's the impact on the system. It can reach a sort of gridlock situation if we're not careful. That's why we need short-term solutions now.

Mr. Hudak: On the capital side, there have been a number of announcements of new hospitals, hospital expansions, most conveniently after the next election, sometime down the road. Are these announcements in paper form only, or are you confident that they've actually been incorporated into the fiscal plan? A substantial amount of funds has been promised.

Ms. Short: Well, certainly the shovel is in the ground in a number of places. Take North Bay, which was the first one. London, I think, is ready to go. There are a number of them already in progress. There is a schedule, so not all of them are going to start until—I think there's a schedule out until 2009. But we certainly believe that the shovel is in the ground in a number of them, and we're pretty optimistic that the improvements to the process that Infrastructure Ontario is bringing through the ReNew Ontario project will result in a substantial improvement in the infrastructure of the hospitals.

Mr. Hudak: Okay. Thank you.

The Chair: Thank you for your presentation this afternoon.

That concludes our hearings this afternoon. We are adjourned.

The committee adjourned at 1614.

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