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Pre-budget consultations

Chair: Pat Hoy
Clerk: William Short

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Président : Pat Hoy
Greffier : William Short

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Thursday 11 December 2008

Jeudi 11 décembre 2008

The committee met at 0822 in room 151.

PRE-BUDGET CONSULTATIONS

SCOTIA CAPITAL

The Chair (Mr. Pat Hoy): The Standing Committee on Finance and Economic Affairs will now come to order.

Our first guests this morning are from Scotiabank. You have 10 minutes for your presentation, and there will be five minutes of questioning from each of the parties. And if you'd just state your names for the purposes of our recording Hansard, we can begin.

Mr. Warren Jestin: My name is Warren Jestin. I'm chief economist of Scotiabank. With me is Mary Webb, senior economist with Scotiabank and one of the top fiscal economists in the country.

The Chair (Mr. Pat Hoy): I misspoke; you have 15 minutes for your presentation.

Mr. Warren Jestin: Thank you very much. I'll probably talk at the same pace, however.

I should point out ahead of time, before we go, that there's a variety of forecasts that you will be seeing coming out of various economic research groups. Ours tends to be more pessimistic than many other ones that are out there, although the tendency has been for economic forecasts to be revised down in almost all cases, and my strong suspicion is that you're going to see that trend continue through at least the first quarter of the year.

I'll start with an overview of what's happening in the global economy and where Canada and Ontario fit. The bars that you're seeing right here are simply growth rates annually. The latest estimate that we have for 2009, our forecast is in red. The current year is in the white, and 2002 to 2007 is in blue. It's a very unmistakeable trend towards slower growth over that period. But more importantly, 2009 will represent a period in which all major industrial economies, the G7, are in recession. It is a very synchronized economic retrenchment globally, and even in China, where the slowdown is occurring, it is very significant: from double-digit growth rates to something that we're estimating here around 8% growth next year. It may well be less. In fact, one of the key risks to the global economy is that emerging markets slow down more than we have anticipated. That would have a significant influence on things like commodity prices, demand for exports from the United States and developed countries. So that is a significant risk on the outlook.

Within Canada, in our view the economic decline, next year will be significantly less than in the US. We have a number of positives in this country: a strong banking system, better household balance sheets, a fiscal situation that is vastly better. But at the end of the day, economic decline is something that will occur, in our view, in 2009. Moreover, in all economies, both developed and emerging economies, we believe the takeoff, the period of recovery, is going to be very slow, particularly in the US, where a fairly prolonged period of recuperation is in store. Within Canada, given our orientation to the US, given our orientation to manufacturing, we will be the weakest province in 2009, and we're expecting a decline there, as you can see in the handouts that I've brought along with me, that is significantly larger than the all-Canadian average.

If you look at this chart, the yellow is simply showing the price volatility in various commodities over the last two years, starting at the beginning of 2007. The blue is where we were as of yesterday. You'll notice that in most cases we're at or very close to the bottom of that particular range. Gold is an exception. But you can see the range for oil has been breathtaking: $145 at the top end, $42 at the bottom end. Given the trend that we're experiencing in Main Street activity, real activity, production activity globally, I suspect those prices are going lower.

The motor vehicle sector, of course, is one that has been particularly affected by the global slowdown, and I've brought along two slides to try and add dimension to the problems facing that sector. The first one is motor vehicle sales, on the left-hand side. You will notice that the US has had a precipitous falloff in sales, but at the same time Europe and Canada have also slowed substantially. On the right side we're looking at market share of North America globally. Whether you look at the production, which is the red line, or the share, there has been a very significant deterioration, and that is not something new. That is something that has been going on for the last decade. So layered on top of the immediate problems of sales, you have a very longer term structural issue that has to be dealt with. That's shown very explicitly in this particular chart, which is only up to 2007. The 2008 numbers would obviously show a more significant drop in many economies in terms of production and sales. But the bottom line is very simple.

The bars here represent where production and sales occur, so that western Europe, the US and Japan remain the largest markets. But the numbers in the shaded area show the growth in production and sales over the first seven years of this particular decade. You will notice a very, very substantial shift in favour of emerging economies. The simple reality in the auto sector is that whether you're in Canada, the US, Europe or Japan, sales five years from now, in normal economic conditions, will probably not be stronger than they were last year or this year. You will find 10 years out, given the demographics, given the population growth and the like, not much growth in sales over that period of time. So the landscape with respect to autos is changing materially in favour of emerging nations. Production and investment will head there. That is something that is causing a major structural transformation in that industry on top of the fact that obviously sales are very weak.

Looking at the US economy—you may have seen these charts before. The left-hand side is simply looking at the housing market. The blue is the decline in starts. The yellow is the rise in inventories. The US housing market is not poised for a turnaround any time soon, whether you look at starts or sales, primarily because there is an overhang of inventories: in some areas well over a year; in some areas that are buoyant, almost a year. But at the end of the day, until you get inventories down to levels that are more traditional, you will find price weakness, you will find reduction in housing starts and sales. This is something that will not turn around any time in the next few months, and in fact you may well find that the period of adjustment in US housing is going to extend well beyond 2009. Marginal borrowers, the sub-prime borrowers who fuelled that market, are no longer in the game. They cannot get mortgages with no money down, no principal repayments and weak income. It's simply not going to happen. So structurally, there has been a change.

Moreover, the borrowers who could qualify for mortgages who are watching the various news media, whether it's electronic or newspapers, don't get the feeling that they should really be rushing out to buy any time soon. Many banks in the US that are lending to prospective borrowers are a little reluctant to go into that market when prices continue to go down and sales are problematic. If you look on the right side—the subprime loan foreclosures, prime foreclosures—everything is pointing to a fairly extensive setback continuing through the first half of next year, and probably a lengthy recuperation.

0830

Inflation is going nowhere fast; in fact, inflation has gone down. Six months ago we were worried about inflation; commodity prices were going to the moon. Now, of course, inflation is not even on the radar screen. For some people who are looking at what the US Federal Reserve is doing in terms of expanding the money supply, which is shown by the monetary base on the lower left, there is concern about inflation further down the line, once economic activity develops some traction. But in the here and now, inflation is not an issue; we are going to see further rate declines.

In Canada, we believe that the Bank of Canada key rate will go down to 1%; the US, 0.5%. There's even some talk of further cuts in the US. Quite honestly, when you get down to half a percentage point, interest rates are not a material impediment to economic recovery. It's not an interest rate issue; it's a qualifying issue. We are going into a situation where, after 15 years of a borrow-to-buy type of growth, consumers will have to earn to save to buy. That is a very significant difference. We're going from levering up to deleveraging. That suggests slow growth for some time.

If you look at what is happening with respect to stimulus in the US, inevitably the amount of spending has gone up very dramatically. But at the same time, as in many jurisdictions, trends in revenue are weakening substantially. That will continue. You have a situation in the US where fiscal deficits are going up extraordinarily rapidly. The US Congress has acquiesced to the view that they will be running trillion-dollar deficits over the next couple of years; we used to think $500-billion deficits were extraordinarily high. We're adding a new level of economic stimulus in the US that has not been seen before.

At the same time, we find that the US dollar is on fairly strong ground. Why, in an environment where deficits are going up like this, could this be possible? Because everybody is looking for safety, security and liquidity, and the US Treasury market is where people go when they're nervous about the outlook. That's why the US Treasury can issue three-month treasury bills and pay an annualized rate of one basis point—0.01 of a percentage point interest—and people are still big buyers.

However, when the economy gets back on a more sustainable growth footing and these deficits linger, which I think they will, inevitably we're going to have a different view by investors globally and we believe the US dollar will go onto a much weaker footing. So even in the period of economic recovery, look for a lot of volatility in exchange rates. And probably when we get into recovery, given the amount of both monetary and fiscal stimulus we've got here, the inflation concerns themselves are going to drive US bond yields substantially higher, and Canadian longer term interest rates are priced off US bond yields.

In Canada, there's a big, big change going on. Energy trade balance remains in very strong surplus, but the overall trade balance is declining significantly. On the auto side, we used to be running a $20-billion trade surplus; we're going to be running a $10-billion trade deficit—a huge shift there. Also, on the fiscal side, governments are going from surplus into deficit. That's the bad news.

The good news, the supportive news, is that Canada, even in these circumstances, is still running external balances and fiscal balances that are the envy of the industrial world. Particularly on the fiscal side, what we have accomplished over the last decade sets us in very good stead to help cushion the economy over the next little while. The US is following a borrow-to-buy policy in its fiscal settings. We are, effectively, using some of the accumulated benefits we have managed to do over the last half decade or so to allow us to provide support for the economy.

Where is the Canadian dollar going in the near term? As long as global investors want safety, security and liquidity and are running to the US Treasury market, and as long as commodity markets are weak—and they are probably going to decline further—the Canadian dollar will remain both weak and volatile. Over the last month, the Canadian dollar has been as high as 87 cents and as low as 77 cents—extraordinary, unprecedented volatility. That will continue. But on balance, we think a weak currency is going to prevail over the next six to eight months. When the global economy gets on a stronger footing—when Asia starts growing more rapidly, when commodity prices start going up and when global investors are no longer running away from risk the way they are right now and start looking for more balanced portfolios—then we'll get back up to a 90-cent currency and beyond. Is that a story for the next year? No. That's probably a story for 2010 and beyond.

Just a quick overview of the differences between Canada and the US: On the left side, you can very clearly see that the red bars are more buoyant than the blue ones. Even in periods of economic decline, we are seeing consumption stronger in Canada, which is red, than in the US, which is blue. The employment situation is also stronger, but the simple reality is that in both Canada and the US, the economic statistics are declining. In Canada, it has come much more recent simply because commodity prices have turned much more recently—it was after July. But at the end of the day, the shift in commodity markets, the problems we have in manufacturing and our orientation toward the US suggest that job losses will accelerate over the next year in Canada and across Canada.

On the right side, one area where we have been very strong, non-residential construction at the top right, has levelled out. Energy projects in Alberta are being deferred. The strength in infrastructure investment will be in utilities and government projects over the next little while. That is a major area of stabilization for our economy over the next two years.

Export volumes in Canada have been weak for some time. Where export receipts have benefited is the big run-up in commodity prices. Now we're going into a period where commodity prices have come down and export volumes remain weak. The sole differentiating factor between Canada and the US, in terms of economic strength, comes from our fiscal capacity, better household balance sheets and, I would argue, the strength of our Canadian financial institutions.

When you go into the issue of fiscal deficits and surplus, I think this diagram says a lot. On the left side, the blue is the US federal deficit, which has accelerated—this is on a scale of 10 to 1, by the way, or you wouldn't see the Canadian numbers. The red is Canada, in surplus, as you can see, drifting to a more balanced posture overall, and deficits on a going-forward basis. Those deficits at the federal level will get bigger over the next two years; we are at risk of going into double-digit fiscal deficits in Ottawa. On the right side is really a snapshot of history, fiscal year 2008. To fit Alberta on the scale, we had to put this on a per capita basis. But you can see that the central message here is that the provinces are in much better shape than the US states, for example, and our municipalities are in better shape than US cities. This allows us to provide fiscal stabilization to an extent that the US can't without running up huge, huge, deficits—a major strategic advantage we have on a go-forward basis.

Let's look at the regional setting. We can see big changes in the economic landscape across the country. The left side is the simple trend in nominal GDP per capita—income per capita in a general sense. You can see the big surge in Alberta, but look at Ontario's performance relative to the other provinces. Ontario, which was number two back at the beginning of the decade, has in fact moved down and down in relative performance. That shows up in the more startling reality on the right side: In 2010, Ontario will be a have-not province, at least with equalization entitlements. The economic landscape has changed very fundamentally in this country. Our equalization flows between the province and the federal government, relative to other provinces, have not changed. That reality has not caught up to the economic conditions in the country.

Finally, if you look at what's happening on a longer term basis, Canada, which has been the number one supplier to the US market, lost that bragging right last year. We've gained it back this year, but over time I suspect we will fall behind China. The reason we've been able to remain near the top, in terms of status, is energy exports. If you look at the "Canada ex. Energy" line, which is basically looking at manufacturers and some other industries, we have moved down significantly over this decade.

0840

In terms of performance on employment, which is what the right-hand diagram is showing, where the jobs are being created is obviously not in manufacturing, where job loss is accelerating, but in services and construction.

What can we anticipate over the next two years? We can anticipate that the manufacturing employment line will continue to go down. We can anticipate that the service line will, at best, level out. And on the construction side, inevitably, I think we're going to have some setbacks. So if I were painting the picture of the economic outlook over the next year, it is one of very weak first-half performance, a very muted stabilization or a modest recovery in the second half of next year and probably very slow growth lingering into 2010.

That's my summary of what's happening in the economy.

The Chair (Mr. Pat Hoy): Thank you very much. We'll begin the questioning, and this round will go to the government. Mr. Arthurs.

Mr. Wayne Arthurs: Mr. Jestin, Ms. Webb, thank you both for being here this morning so bright and early.

It's a sobering presentation. If there's a silver lining, I guess, your opening comment was that Scotiabank may be a little more pessimistic than some others are at this point. So I'll take a modest amount of solace in that, but not a whole lot, based on what you're presenting at this point in time in the economy and as current as this information is.

Within the context of the province, our process is developing our budget for next year. Recognizing our role in the national economy and our position in the context of an international North American or world economy, it begins to pale a little bit. Obviously, we're looking for those strategies and mechanisms that will allow us to provide some stimulus to our own economy, protect where we can the existing job capacities that we have, acknowledging what's happening in things like manufacturing and the auto sector.

What would you say to us in the context of stimulus? What types of sectors should we be looking at? What should government be doing in its efforts to provide some stimulus and/or to stabilize the economic situation within the province of Ontario, given the capacity that we have?

Mr. Warren Jestin: Well, there are three players in this particular fiscal and monetary policy, but fiscal policy at both the federal level and the provincial level. I think we're going to find that all three groups will be moving towards stimulus in a fairly aggressive way. We believe the Bank of Canada will lower interest rates significantly more, and we believe they have to do the heavy lifting in terms of providing stimulus into the economy.

The federal government already has introduced a number of stimulus initiatives over the last couple of years which have fed into the economy, and they have done so in a way that is entirely dissimilar to the US. You may remember that in the US a big cheque was sent to most American families in May, June and July and it provided help in May, June and July. But no new cheques were coming in August and September. The reason I highlight this is the US followed an ad hoc temporary fiscal strategy which did not pay dividends. In Canada, what we have to do is focus on the longer term, and I think the federal government will be doing that in terms of providing more support.

At the Ontario level, I believe that the primary area of support in the economy remains improving infrastructure. I think we have to stay away from changes or expenditures that either are temporary in nature and do not lead to longer-term productivity benefits, or ones that are aimed at sectors that really have no reasonable prospect of longer-term expansion. I think you're going to find in Canada, certainly in the US, that the line of industries, the line of companies that are in front of the door trying to get some sort of support, is going to grow substantially over the next six months, if you believe our view that the next two quarters are going to be ones where Main Street activity is under very substantial pressure.

I would be very circumspect in terms of very large amounts of support for any industries because it's precedential, it sets precedents for other industries, and effectively could lead to a series of expenditures that may offer very temporary support but not longer-term benefits. The terms and conditions attached to support must be very, very tight and well-thought-out.

In terms of the tax side, in normal conditions you would find economists saying, "Okay, what we need to do is bring corporate taxes down and bring personal taxes down." I don't think the Ontario government or, for that matter, the federal government is going to have the problem of too much money over the next little while. In fact, the revenue trends are very, very discouraging. So I think the options on the tax side may be relatively muted on a go-forward basis. That's why I would stress things that boost productivity in our economy.

The Chair (Mr. Pat Hoy): Now we'll move to the official opposition. Mr. Hudak.

Mr. Tim Hudak: Mr. Jestin, Ms. Webb, thank you very much for being back at our committee. My colleague Mr. Arnott and I will split some time here.

Just on your response to my colleague Mr. Arthurs on infrastructure investments to improve long-term productivity, can you be a bit more specific? Is this transportation infrastructure? Is this human capital? What's your recommendation as the priorities for infrastructure spending?

Mr. Warren Jestin: We've already got a lot of opportunities with respect to physical infrastructure; the key issue is actually getting the shovels in the ground. Obviously, there are a lot of things that exist that we could probably accelerate; not ones that may be two or three or four years out but something that we can do immediately, because job support, I think, is essential.

Your second point, I think, is a very important one, however, and that is, if we're going to be competitive in a global economy over the next 10 years, over the next 20 years, it's going to hinge on our human capital—on skills training, on our education, beyond university education. I think that in an era where we have the opportunity to improve the educational infrastructure in this province, we have to look at the community college network, the area of training workers in particular skills and trades and the like, and try to find the most efficient and effective way of boosting the overall skill set in the province, also looking at the very large flow of immigrant population into the province which has skills: How do we effectively integrate those? Those, I think, should all be areas of priority.

Mr. Tim Hudak: One of the major concerns of business groups is access to capital, the jam-up in the liquidity markets. Are you seeing an improvement there, is it an ongoing concern, and, if so, is there anything the provincial government can do about it or does it rest at the federal level?

Mr. Warren Jestin: The federal government has been doing a number of things that offer some support, although the issues that they have launched with respect to mortgage purchases and the like are done at a profit to the federal government, as you can see from the economic statement that was released a week ago. The government is expecting to make a fair bit of money over the next few years in that, because they're buying it at market, effectively.

If you're talking about the trends in lending, it remains relatively strong in Canada. You can look at Canada and the US as being polar opposites in that particular case. The Bank of Canada publishes these statistics. But at the end of the day, as economic conditions weaken, there are going to be businesses that, on a simple economic basis, will not have access to credit simply because of the financial stress that they're under. I suspect you're going to find the same thing in individuals. So I believe the trends in personal and business lending will continue to be pretty solid, and certainly much better than in the US, but with the type of economic conditions we're going into, access to credit on a business basis or on a normal basis will become increasingly difficult.

The Chair (Mr. Pat Hoy): Mr. Arnott.

Mr. Ted Arnott: Thank you, Mr. Jestin, for your presentation today. I'm sorry I missed the first part, but I was glad to hear the latter part of it.

In your professional opinion, is Ontario in a recession at the present time, and, if so, in which quarter did we enter into a recession?

Mr. Warren Jestin: If you want to define it as a recession, yes. Given the vagaries of economic statistics, quite honestly, we may find through revisions that the quarter that it entered recession may move around over time. But I think there's a very important point to make, and that is that, in most people's minds, a recession has to do with high inventories and high interest rates. It is a cyclical issue where you have a specific length of time where adjustments are made. Once those adjustments are made, you're off to the races again; you're back up into the expansionary phase. I strongly believe that there is much more to what we are going through right now than a simple cyclical setback, what we would normally refer to as a recession. We have a structural transformation going on. Certainly in the US, the deleveraging will go on. Globally, that is the case. I could mention many, many structural changes that are going on that suggest that, both in intensity but also duration, the setback that we're in right now may be unprecedented in the lifetime of anybody in this room.

0850

The Chair (Mr. Pat Hoy): Thank you, and now we'll move to the NDP and Mr. Prue.

Mr. Michael Prue: Most of this is very sobering. I think I expected most of it, but to have it all in front of me all at once is sobering.

You didn't talk about unemployment or employment prospects. We're running at about 7.1% unemployment in Ontario now. What do you foresee? Do you see that growing?

Mr. Warren Jestin: I think it is virtually inevitable that the unemployment rate goes up significantly and job losses accelerate. You've got to remember that if you look at the Canadian and US trends, up until about two months ago, Canada and Ontario were doing remarkably better than the US. But as we have these big adjustments now, and you can read about them every day in the newspaper or see it in the electronic media, there are significant global layoffs that will feed through into demand for Canadian products and ultimately lead to more layoffs, so that, over the next nine months in particular, and it may be well over a year, because employment is a lagging indicator, you may well see that the news coming out of our labour markets remains very disappointing.

Moreover, there is a trend in the US which has been very strong over the last year as to what they call "involuntary part-time," and that is really a disguised type of unemployment. These are people who want to work a standard 37.5- or 40-hour week but for economic reasons have been pushed into 15 to 20 hours a week. That is a trend that is likely to continue. So that's where the real stress is. Where the rubber hits the road in Ontario is in the household sector, and the household sector, in my view, will be under stress because of rising levels of unemployment.

Mr. Michael Prue: Other economists who have been before us told us that the way to stimulate the economy is twofold. The first is to get those work projects going, the ones that don't involve either a planning process or an environmental process—the ones that can be done right away—and secondarily is to flow money to the poor, who will spend it. Would you agree that those are the two key things?

Mr. Warren Jestin: The infrastructural, certainly. When you look at the issue of poverty, there has been a lot of work in reducing barriers to entry for the working poor, getting people into the labour market. At the federal and provincial level there's been a significant yard's gain there. I would say that that's an area we should continue to work on. There are many people in the province who unfortunately are unable to work, but there are many people not working who want to work, and to reduce the barriers to entry there is something we have to continue to move at. Certainly in the GTA, that is a significant issue.

Mr. Michael Prue: You also talked about where not to put our money. It seems to me, although I didn't hear this directly, that you're saying not to put it into failing economies: things like the auto sector, manufacturing. We shouldn't be bailing them out. We should be looking to industries in construction, industries in the green economy, other things that have a future. Is that, in fact, what you're saying? There should be no bailout?

Mr. Warren Jestin: If you look at areas that we can help, you already mentioned industries in the emerging environmental remediation area, ones that longer-term, have some greater potential. I don't believe that we can really pick winners and losers. I certainly can't. We've got a fairly checkered past in Canada of trying to pick the winners and losers in terms of industrial leaders. So broad-based support for industry, things that improve the competitiveness in general, is where we should go.

The reality, however, is that the auto sector is enormous in this province. The auto sector is not simply production, but it is a whole network of industries that are clustered around the production and assembly business: the parts producers and the like. What I suggest very clearly is that the plan for support, if it's there, is based on longer-term viability, which probably would only be structured around an auto sector that is significantly smaller than it is today.

The Chair (Mr. Pat Hoy): Thank you for your presentation before the committee.

Mr. Warren Jestin: Thank you.

INCOME SECURITY ADVOCACY CENTRE

The Chair (Mr. Pat Hoy): Now I call on the Income Security Advocacy Centre to come forward, please. Good morning. You have 10 minutes for your presentation. There could be up to five minutes of questioning. I'd just ask you to identify yourself for our recording Hansard.

Ms. Mary Marrone: Okay. My name is Mary Marrone. I'm the director of advocacy and legal services at the Income Security Advocacy Centre. We're a community legal clinic funded by Legal Aid Ontario, and we have a mandate to advocate for the improvement of the income security of people living in Ontario through test case litigation, policy development and advocacy and community organizing. We're governed by an elected board of directors that includes members of low-income communities around the province.

Today, I want to say that we were very pleased to see the government announcement last week for the poverty reduction strategy, but what we're particularly pleased about is the commitment to a review of social assistance, that there is an acknowledgment that we have a problem with the Ontario Works program and the Ontario disability support program in Ontario.

Our message to you today is that this budget needs to contain investments in three critical areas. The first is that there has to be commitment to improve the income levels for the people who rely on these programs; secondly, it has to include funding to support the promised review of social assistance; and thirdly, it should support the cost of an immediate increase to the level of assets that are exempted for eligibility for Ontario Works.

I'm going to start with the income adequacy issue. There is a commitment in the strategy to keep building on the increases that the government has made since it has come into power, but the strategy doesn't address the urgency of the situation. The immediate issue—we've been talking to people around the province for the last six months, and the first issue that always comes up is a critical need for an increase. You've heard all the statistics. We were here last year. Whatever poverty line you compare social assistance to, whether it's a low-income cut-off, the low-income measures or Fraser Institute conservative poverty lines, there's a huge gap that needs to be addressed. As I said, I'm not going to take you through that again; I'm only going to say that we join a chorus of voices that are beginning to call for a significant increase.

The city of Toronto, in a recently released report, is suggesting a 40% increase. The 25 in 5 coalition is calling for a $100-a-month increase. We simply want to send you the message that 2% isn't enough. This is the time, even though we are in an economic crisis, and it makes the issue urgent; it's not one that can be delayed. It's urgent for the people who rely on the programs now and for the people who may have to rely on them in the future if job losses climb.

I think that today, we can say that not only is it the socially responsible and right thing to do; it's becoming clearer that it's the economically prudent thing to do. Economists around the world are calling on governments to commit to fiscal stimulus of the economy. From the International Monetary Fund to Barack Obama's economic advisers to the United Nations and some of our own banks, the message is increasingly saying that it's important to put money in the hands of the poor—into the hands of people who are going to spend that money in the local economy and help keep small businesses afloat. Any increase to social assistance is going to go directly to the purchase of food, clothing and other household expenses. Stimulating demand in this way is going to be a win for low-income people and a win for Ontario's economy.

On the second issue of the social assistance review, this is even more critical. Because of the crisis, this review has to start right away. Job losses are increasing, and I would argue that Ontario is not prepared to respond. We agree with the Ontario government and other experts that the erosion of employment insurance has to be addressed by the federal government. As you know, in the early 1990s, 70% of unemployed workers in Ontario were eligible for EI in the last recession. According to the Caledon Institute, that number has dropped to 29%, so we have to urge the federal government to immediately increase eligibility and the rate of benefits to protect the workers and families who are going to feel the brunt of this crisis, and to prevent a deepening of the economic crisis. But with or without improvements to EI, the problems with social assistance have to be addressed. We're being told that this is going to be a long-term crisis, so there will be those who don't qualify for EI or those whose benefits are going to run out.

0900

This review needs to start immediately, and it needs to include stakeholder groups that include people on low incomes. They understand better than anybody the problems with the current program, the obstacles that are put in the way of people trying to get out of poverty. This review is long overdue. The programs we have today are based on an outdated approach that has been widely discredited in research around the world. The programs aren't aligned with new labour market realities, and they're inconsistent with the poverty reduction strategy. They have an array of rules that punish people for making prudent financial decisions and reasonable family support arrangements. When Ontario Works was first introduced, it criminalized behaviour that used to be encouraged by previous governments, like attending post-secondary education and obtaining OSAP to pay for the education expenses and staying on benefits while you go through it. This is rational behaviour by people trying to get out of poverty.

This government has eliminated many of the worst and most draconian of those rules, but some of them still remain. I'm just going to give you a few examples. We have people who have family and friends helping out occasionally with groceries. Welfare case workers have calculated the monetary value of those groceries and deducted it from their next month's cheque. People who can't afford their own apartments, not surprisingly—a single person gets less than $600 a month—obviously have to share. You find that when you share, sometimes your benefits are going to go down because of that prudent decision you've made to share an apartment. Finally, single mothers have their cheques deducted dollar for dollar when they're getting support from former spouses. This can happen even if they don't actually receive the money. So they end up with a net loss.

The other issue that I'm going to deal with in a bit more detail is the requirement that recipients strip themselves of their savings and their RRSPs just to qualify for these benefits.

Finally, there's a very perverse rule—only in the world of social assistance—that treats loans as income. If you're strapped for cash and you have an emergency and you have to borrow money to meet that emergency, that dollar amount is deducted from your next cheque because it's treated as income by social assistance. So all of these—what have been called, by the government, "stupid rules"—have to be addressed.

But even more importantly for these economic times, OW remains a program that's premised on the shortest route to employment, rather than one that invests in skills training and other supports that provide a permanent route out of poverty. The result of this short-sightedness, particularly in the early years of the program, has been an increase in the number of working poor in the province.

Social assistance recipients are often pitted against those who are living in poverty from low-wage work or precarious employment, but they're not always two distinct groups. If you want to improve the lives of the working poor, then you've got to improve the Ontario Works program, because it's a program that traps people in poverty and leaves them in a perpetual cycle between Ontario Works and precarious employment, instead of giving them the supports they need to move into the labour force to jobs that are actually going to support them and their families and to engage in today's labour market. So we have to find a way of linking people who are on the program to Employment Ontario and access to the labour market agreements and use a human investment capital approach, not the shortest route to employment. That has been documented and researched, again, from the UK and from the US, that it's a better way to go. This review has to happen now, and it has to be funded.

The last point that I just want to mention: the specific rule around asset levels. I think this budget needs to make a commitment to increase the asset levels of Ontario Works right away. It's extremely low. I don't have the exact numbers in front of me, but it used to be one month's benefits. Again, this government has made a slight improvement. It's around $600 or under $1,000. That's all you're allowed to have in the bank in order to collect Ontario Works. So that has to be looked at right away. Until major changes are made to EI, there are going to be newly unemployed workers in this province who are not going to qualify, and they're going to be looking to Ontario Works for some support. You can't expect them to strip themselves of the RRSPs they've been spending years saving, and you're going to dump them deeper into poverty that they're never going to climb out of. This is one rule that has been identified as a key problem that creates a deep hole of poverty that leaves people there.

In summary, we're looking at three priorities for this budget: the income levels, the review of social assistance and an immediate change to the asset rule.

The Chair (Mr. Pat Hoy): Thank you. This round of questioning will go to the official opposition.

Mr. Ted Arnott: Thank you for your presentation. It was very interesting and helpful to us all. I would certainly agree that if we go into a period of protracted economic decline in Ontario, we have to review—governments at all levels, quite frankly, have to review their social safety net to ensure that those who are truly in need receive the income support they need to survive.

You did mention skills training. I'm sure you're aware that the Auditor General for Ontario has highlighted some of the deficiencies in the current training programs administered by the Ministry of Training, Colleges and Universities. Do you have any comments with respect to your view as to how those training programs are working and how they could be improved?

Ms. Mary Marrone: To be honest, that's not my area of expertise in terms of the quality of the training. We would support any improvements that are made. Our main concern is that people who are on OW have access to training programs that are connected to real demands in the economy and to employers, and also the other supports that are necessary. The other thing in the news this morning was that Canada is at the bottom of the list of countries in their commitment to early child care and the availability of child care for single mothers who need to be in the workforce. I think that also needs to be addressed, along with the skills training.

Mr. Ted Arnott: One of your key points was that the level of assets for Ontario Works applicants needs to be raised. The terminology would be the level of assets, I suppose, that they're allowed to have without being forced to spend before they are successful in terms of their Ontario Works application. You mentioned RSPs. Do you think that RSPs should be totally exempt from the calculation, in the sense that the money is intended to be used for retirement, not for short-term needs? At what level should the assets be set before Ontario Works kicks in?

Ms. Mary Marrone: We haven't developed a recommendation on what the specific asset level should be. Perhaps, if you have $1 million in the bank, it won't be necessary for you to resort to OW. But right now, if you have $5,000, you're expected to spend it down, and that makes it that much more difficult to get out of poverty later. Even when you're on OW, if you're trying to get out and you begin to work and you're allowed to keep some of those earnings, the moment you have assets that hit that ceiling, you're disentitled in the next month and you spend down again. What people need is a process that allows them to build their assets so that when they work their way off Ontario Works, they can stay off instead of having a crisis the moment their income stops again.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

The Chair (Mr. Pat Hoy): Now I call on the Ontario Confederation of University Faculty Associations. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning. I would just ask you to identify yourselves for the purposes of our recording Hansard, and you can begin.

Dr. Brian Brown: Thank you very much. I'm pleased to have the opportunity to speak today. I'm Professor Brian E. Brown, president of the Ontario Confederation of University Faculty Associations. I'm joined today, on my right, by the executive director of OCUFA, Henry Mandelbaum, and on my left, Mark Rosenfeld, the associate executive director.

I've been participating in faculty association meetings across the province, and what I'm learning about the province's universities is alarming: shabby facilities, mushrooming class sizes, faculty not having enough time for individual students, fewer courses on offer across a narrow range, and concerns that students are shouldering far too great a share of the costs of running a university—close to half the costs.

The root cause is a significant and chronic underfunding of Ontario's university sector. The province ranks dead last in Canada for per capita funding for universities and second-last in per student funding. Ontario's student-faculty ratio is among the worst on the continent. So the university sector is already struggling, and now a full-blown recession is putting even more strains on its finances. Endowment funds are suffering huge losses, so many funds are halting disbursements. Defined-benefit pension funds are facing deficits which universities will have to make up. Fundraising has been slowing since last summer, with observers predicting it will only get worse. We realize and are sensitive to the fact that at the same time as the universities are facing fiscal woes, government is feeling similar strains. All levels of government face very difficult choices. In our presentation here today, our aim is to help government make what we believe is the right choice for universities and students.

0910

We first have a duty to this committee to warn emphatically that there can be no rollbacks in current university funding, at least not without lasting damage to the university system. Cutbacks would jeopardize our institutions' ability to attract the faculty, the research money and the students this province needs to renew its economy. If the government fails to fund the university sector appropriately, the current deterioration in quality will become a relentless downward spiral as Ontario first loses its economic pre-eminence, and then cannot recover because it has not invested enough in education. We have suggestions about how the government can spend its university funding more effectively so that it gets more bang for its university buck. For example:

(1) One way to ease that pressure on university budgets is to divert funding from current capital funds to fund shortfalls on the operating side, including faculty hiring.

(2) Universities are being forced to spend millions on bureaucracy to comply with government's information reporting demands. Universities have to be accountable for their spending, but there are less expensive ways of assuring such accountability.

(3) Envelope funding should be stopped and the money put instead into base funding so that universities have the predictable, stable funding that they need to plan and resource projects and programs with maximum efficiency.

(4) The increased federal funding for the post-secondary system through the Canadian social transfer should be allocated to capital funding for facilities renewal, thus allowing provincial funding to ease pressures on the operating side.

In other words, there are measures the Ontario government can take that will maximize the effectiveness of its funding for universities.

Our second duty is to warn the government that current funding levels, even if more effectively deployed, will not be enough. History tells us that enrolments will increase as the young stay in school longer and the workforce veterans return for retraining. Most of us, and not just us in the academy, will welcome this, knowing that an educated, skilled population is the best way for Ontario to move forward. But it will cost money just as other demands on government finances soar. The government will need to increase its own expenditures in a number of areas to deal with the social consequences of a recession.

But we believe this should not be at the expense of the university sector. The Ontario government has been warning that a deficit is coming, but the people of this province need more than the government's tolerating a deficit stemming from a wise refusal to cut spending. The people of this province need a stimulus budget, and one large enough to create jobs, shore up consumer demand and restore confidence in the future.

The International Monetary Fund is asking governments for 2% of their GDPs, which would mean $12 billion for Ontario. The United Nations is calling for a similar-size stimulus. Our universities can play an invaluable role in deploying such a stimulus.

First, there are capital projects on the books right now on campuses across this province, especially in deferred maintenance, but even in construction for new classrooms, libraries, laboratories and student housing.

Second, our sector can hire thousands of eager young academics to prepare hundreds of thousands of young people for a new economy and retrain older workers. By hiring more academic staff and by offering students an accessible and affordable education, Ontario universities can relieve youth unemployment and help produce the knowledge workers that are needed to renew our economy.

There were great fears throughout the Second World War that it would be followed by a return to the Great Depression as a million men and women in Canada's Armed Forces returned to civilian life and the armaments industry no longer needed the hundreds of thousands it employed. The Canadian government brought in the Veterans Charter, a stimulus measure which paid for the higher education of tens of thousands of veterans. A multitude of engineers, architects, chemists, physicists, doctors and educators streamed into our economy and helped create the longest, deepest and most prosperous period of economic expansion in world history. We urge the government to think this big, to take a leaf from history, to see its commendable Reaching Higher program as a first step and then invest significantly in our post-secondary system and in our young people.

In conclusion, I'd just like to thank you once again for giving OCUFA the opportunity to appear before this committee at such an important juncture, and we look forward to responding to any questions you may have.

The Chair (Mr. Pat Hoy): Thank you for the presentation. The questioning will go to Mr. Prue of the NDP.

Mr. Michael Prue: Thank you. You've made a number of good suggestions. I'd just like to go through them.

Capital projects: Can you give us any kind of indication—I know there are, what, 17 universities in Ontario? Is that the number?

Mr. Henry Mandelbaum: Twenty-three.

Mr. Michael Prue: Twenty-three. Okay. How many of them have capital projects that are ready to roll? Because the economists have told us we have to spend the money—one called it "pothole fixing," refurbishing—and not to wait, that if there's no plan, if there's no environmental approval, if there are things that would take some time, not to go there. How many of the universities have projects ready to roll today?

Dr. Brian Brown: If you're looking, I think you can go onto any campus and you will find that capital projects are there; they are starting. They need money for that, all universities.

Mr. Michael Prue: All right. So they all have planning approval and they're all ready to go?

Dr. Brian Brown: Absolutely.

Mr. Michael Prue: Okay.

The second thing you're suggesting is to hire thousands of eager young academics. I think nobody would disagree with that, but we have a situation at York University at this time where those eager young academics want to have some kind of status. What are you suggesting?

Dr. Brian Brown: Well, if you look at just our enrolments, in terms of what the Reaching Higher program suggested, which was that around 46,000 students would be entering the post-secondary system by 2011, the COU now predicts that there are 92,000 students who are going to be entering into our system. So in terms of trying to teach and give a quality education to those individuals, we need to hire more full-time, tenured faculty.

Mr. Michael Prue: Okay. So the answer is not what some universities are doing: taking postgraduate students and giving small stipends. That's not the answer?

Dr. Brian Brown: That's not the answer, no.

Mr. Henry Mandelbaum: There are a few things, and I think that York really epitomizes some of the changes that are taking place in the university system.

First of all, it's inevitable that there will be people who are taking graduate and postgraduate programs who are teaching as TAs and research assistants. As a way of assisting professors and providing better quality education to students, that's not bad. It also gives them training as academics. But what we're finding is that there is an increasing reliance on sessional contract faculty, and we think that works to the detriment of the post-secondary education system and its students.

So, as Brian indicated, we not only need to hire more faculty, but we need to hire more faculty into tenure-track positions. Right now, around 67% of all faculty are either tenured or in tenure-track positions, but if you take a look at hiring, around 50% of all hires right now are sessional. So it's a significant change within the system.

Mr. Michael Prue: Do I still have time?

The Chair (Mr. Pat Hoy): You still have about a minute.

Mr. Michael Prue: The last question, then, has to do with student debt, and you talk about that: parental savings evaporating, credit very difficult. In times of uncertainty like this, with declining jobs, what does the government need to do in order to keep students studying and keep the universities going? Students won't have the money to pay tuition, quite conceivably—not in the same numbers as they have today.

Dr. Brian Brown: No, that's true. Ideally, what OCUFA would like to see is that tuitions are frozen at this point. That's the position that we have.

Henry, I don't know if you wanted to add anything to that?

Mr. Henry Mandelbaum: I think that's the position we would be taking, at least as a first step towards reduction at some time in the future. One of the significant changes, again, is that despite the huge influx of operating money into the university system in 2005, what we're finding is that Ontario leads the country in the proportion that tuition pays towards total university operating revenue. So we're moving from a public system to a publicly assisted system, and if the current trends continue, it will even get worse. There's more money that needs to come from the government on the operating side.

The Chair (Mr. Pat Hoy): Thank you for your presentation this morning.

We will recess until one of our next presenters arrives.

The committee recessed from 0922 to 0925.

ONTARIO FEDERATION OF LABOUR

The Chair (Mr. Pat Hoy): The standing committee will now come to order once again. We have our next presentation, by the Ontario Federation of Labour. You have 10 minutes for your presentation. There could be up to five minutes of questioning following that. If you would just identify yourselves for the purposes of our recording Hansard.

Ms. Irene Harris: Thank you, Mr. Chair. My name is Irene Harris and I'm the secretary-treasurer at the Ontario Federation of Labour. With me is Sheila Block, our research director.

In my pre-budget submissions to you today, some of the things I want to talk to you about are what the International Monetary Fund is saying about fiscal stimulus, how big our deficit in Ontario should be, and what kinds of funding and risk-sharing can best provide security for Ontarians in retirement. This is pretty dry stuff for a lot of us. The issues are very dry, but their impact is anything but dry. Their impact is the story of hundreds of thousands, millions, of Ontarians behind all the big numbers, the charts and the graphs.

It's my job and my wish to talk to you today about what the crisis in the economy is doing to communities, families, your constituents, and our members. As an elected officer of Ontario's central labour body, I'm here today to represent:

—workers who were among the 66,000 who lost their jobs in Ontario last month and who are facing great uncertainty about their future;

—workers who immigrated to this province with great hopes for their future and for their children's future and who are facing this crisis without extended family, without savings, and with a social safety net in tatters;

—public sector workers who will face unprecedented demands on the crucial services they provide to our communities and who are already stretched far too thin after years of underfunding and understaffing; and

—workers who have just retired and face an uncertain future either because they don't have pension plans and the value of their own savings and investments has been greatly diminished or because they have pension plans which are now significantly underfunded.

The circumstances in this province are extraordinary. We are being battered by an economic crisis that is unlike anything we have seen in decades and that is not of our making. If we can look for any silver lining, and we must, the course of action we take can be as historic as the crisis itself. Government responses will determine how long and how severe this economic turndown will be. Inaction or timid and partial measures will lengthen the recession and deepen and extend the suffering.

Ontario's upcoming budget is critical not only for its response to the recession, but for the path it sets us on when we come out of the recession. It should be a path to a more sustainable future, a greener economy, and rebuilt public and social infrastructure.

I'm not an economist, but I knew we were in deep trouble when all of the Bay Street economists changed their no-deficit tune. What had been an article of faith over the past 10 years had been abandoned in less than three months. In those three months, we've seen the TSX lose 40% of its value, sovereign governments fail, and US consumption move into a freefall.

However, this is just a partial victory for common sense. While the debate has moved away from whether governments should ever run deficits. it has moved to what size the deficit should be. Some will tell you that while governments shouldn't make things worse by reducing spending or raising taxes, they shouldn't do anything to make things better either.

There's an international consensus that governments must take strong action. The G20 group of nations, the European Union and others share this view. The International Monetary Fund said governments should introduce spending in the range of 2% of GDP. For Ontario, that means a stimulus of about $12 billion. Other national governments like Britain and China are providing fiscal stimulus that is more than 5% of GDP, and President-elect Obama has a vision for where the economy needs to be heading in the future and what government can do to help get it there.

What do we do here in Canada and in Ontario? I ask that all of us take a moment now and remember the people I spoke about at the beginning of my remarks. What are we doing for those people who are losing their jobs, whose pensions and savings are insufficient, whose present and future are insecure? Tragically, we have witnessed a historic vacuum of leadership from the federal government. Worse than nothing, it has put forward wrong-headed economic policies and partisanship at a time when we desperately need leadership and a partner for Ontario.

We need the Ontario government to take bold action to rebuild our economy and prepare Ontario for the recovery. We need to invest in people, maintain our manufacturing base and move our economy to a greener, more sustainable future.

Respectfully, then, we suggest that this budget should do the following.

(1) It should maintain all current and planned spending on government services. Cutting back on the public services people need the most will not be good for the economy.

(2) It should make a substantial down payment on the government's poverty reduction strategy through new investments in affordable housing and increased benefits for low-income Ontarians. Ontarians who are living on social assistance cannot be told that they have to wait even longer to be able to live in dignity. While the government is working through a transformation of the system, we need immediate increases. These increases will be recycled into local communities and will help to move us out of recession if people get these increases. Increased investment in affordable housing is good for the economy. It fosters skill development, creates high-quality jobs and, if done wisely, investments in social housing can increase environmental efficiencies, moving us towards crucial long-term conservation goals.

0930

(3) We need to speed up planned infrastructure investments to take up expected slack in construction activity. Communities across Ontario have infrastructure projects that are ready to proceed. Priority should be placed on climate-change-related infrastructure that will increase the sustainability of our communities and our economy. These projects will retain our skilled construction workforce and will have a positive impact on the economy in the short term. They will support economic activities directly through these projects' needs for local supplies and through the money that workers in these projects will be spending in their own communities. In the long term, we will have increased the productive capacity of our economy, moved into a more sustainable economy and made those investments at a very reasonable cost, given the slack in the economy today.

With the difficulties in credit markets, the government should use this opportunity to set aside its P3 financing policy for public infrastructure investments. Now is a really good time to do that. This investment strategy should include a green retrofit program for buildings in municipalities, in universities, schools and hospitals, as well as Ontario government buildings, to increase their energy efficiency. All infrastructure and housing spending should include buy-Canadian rules.

(4) We need to keep the lights on in Ontario's manufacturing base. The credit crisis and the bottom falling out of the US demand have threatened Ontario businesses that will be profitable after the recovery. There is a need to identify who these viable businesses are and identify strategies to keep this productive capacity in the province. Closing plants and shipping equipment to China is not the desired response to short-term problems, no matter how large they are. Ontario should establish a jobs commissioner who has the flexibility needed to determine what kinds of assistance might be required and desirable and has the ability to strengthen adjustment assistance for workers who will lose their jobs.

(5) The financial crisis has made clear what the labour movement has been saying for years: Saving for retirement is something that we should not be doing on our own. While the rewards can be large in boom times, the risks are very bad in bad times. We need strong regulation to enhance security for those with defined benefit pension plans and we need to expand pension plan coverage and security for those who don't have these plans.

(6) Finally, we need a partner in the federal government. We need a partner who will work for fairer trade deals to make sure that two thirds of unemployed Ontarians who are ineligible for employment insurance benefits get access and a partner in the important rebuilding process that we are embarking on.

Thank you for your time.

The Chair (Mr. Pat Hoy): Thank you for the presentation. This round of questioning will go to the government. Mr. Arthurs.

Mr. Wayne Arthurs: Ms. Harris, thank you for being here this morning, as well as Ms. Block. We appreciate having you both here, and the comments you made.

I'm interested in your comments around investments—infrastructure investments in particular. This past budget cycle, we put in place the Investing in Ontario Act, which just recently flowed just over $1 billion to municipalities for infrastructure purposes as a way to take advantage when we were having a good economic year and share that. It seems in hindsight, in part, that it was a wise decision from the standpoint of being able to flow dollars for the purpose of infrastructure at a time when we need it most.

I'd like you to speak a little bit more on, if you would, the advantages that you see of that type of strategy, where a provincial government with a federal partner flows money through the MUSH sector, as one sector, as a means by which we can ensure that the monies that are moving are moving quickly and getting into the workplace quickly to support labour and support the primarily construction-related activity.

Ms. Irene Harris: I would just say that it's our understanding that a lot of the municipalities, school boards and groups in the MUSH sector right now have projects that they're ready to move on, and the only thing that's stopping them is the money. So it should be fairly easy to flow money and get those things started right away.

I'll just give you one example. I live in the Picton area, where they're struggling to build a waste water treatment plant and are going through a P3 decision, because they can't get the money any other way. They get grants, but there's not enough to cover that kind of thing. We heard this morning that David Miller has a huge transit plan for Toronto, and they're ready to go. What a fabulous way to create construction jobs, create the spinoff jobs that go with that, and then we're left with some really good infrastructure that's going to improve our communities for years to come.

I don't know if you want to add anything.

Ms. Sheila Block: Did you have more specific questions you wanted to ask about that?

Mr. Wayne Arthurs: Maybe around the camera-ready projects and how you see them benefiting particularly the membership that you represent in being able to flow dollars quickly into the system.

Ms. Sheila Block: My understanding is that the Federation of Canadian Municipalities has, actually, a list of projects that are ready to go. I think we've all heard Mayor Miller on the radio, talking about the projects that they have ready to go as well.

I think timing issues are very important in these times. We do need to move faster projects out, as well as get the other ones in the lineup moved through if the downturn lasts as long as expected. I live in Toronto; I'm sure other mayors in other areas are also on their local radio programs, talking about what areas are ready.

My understanding is that retrofit programs are actually easier to flow out, and that was one of our focuses in terms of timing, of having those in those sectors—in the MUSH sector, we thought, would be appropriate. My understanding is that in housing construction as well, there is enough of a backlog of projects in affordable housing and that those could move out fairly quickly.

Mr. Wayne Arthurs: Energy retrofit? Is that the energy and conservation retrofit project?

Ms. Sheila Block: Yes.

The Chair (Mr. Pat Hoy): Thank you for your submission.

CANADIAN RESTAURANT AND FOODSERVICES ASSOCIATION

The Chair (Mr. Pat Hoy): Now I call on the Canadian Restaurant and Foodservices Association to come forward, please.

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

Ms. Stephanie Jones: Okay. Stephanie Jones, vice-president of Ontario for the Canadian Restaurant and Foodservices Association. Good morning.

CRFA is one of the largest hospitality industry associations in the country, with over 34,000 members, including over 10,000 here in Ontario. Our members include restaurants, bars, cafeterias and institutional food service operators. Thank you very much for providing me with the opportunity to be here this morning.

Ontario's $22-billion restaurant industry has the potential to be an economic leader, creating more jobs, more investment and more dining destinations. With 34,000 locations across Ontario and a workforce of over 400,000 employees, the industry is uniquely positioned to contribute to the economy of every community in Ontario.

Over the past several years, restaurant and food service operators have faced serious challenges, from a dramatic decline in travel and tourism to the soaring costs of doing business. Increased costs include the rising costs of labour, food and beverages, utilities and insurance. In addition, the food service industry faces the constant threat of new regulations and tax increases. The introduction of the City of Toronto Act, as one example, leaves the industry particularly vulnerable to the city's ability to levy fees and taxes in areas such as beverage alcohol and in-store packaging. Any fees introduced by the city of Toronto leave Toronto's restaurants and bars at a distinct competitive disadvantage in their own province.

The food service industry is particularly sensitive to increased taxation due to the close relationship between disposable income and food service spending. As disposable income rises, food service sales increase. For every 1% increase in disposable income, the industry experiences a 1% increase in food service sales, and for every additional $1 million in sales, 34 jobs are created in the industry.

Tax increases that reduce consumers' disposable income or increase the cost of doing business also compromise the industry's ability to create jobs. Since 2000, the number of restaurants, caterers and bars in Ontario has declined by more than 400 units. Although Ontario boasts the second-highest per capita disposable income in Canada, the province has the third-lowest number of food service units per capita. If Ontario was at the national average, it would mean 2,300 more units and the creation of 32,000 additional jobs in Ontario.

0940

Every tax increase, regardless of how small it is perceived to be, has a serious impact on how small business, with already very low profit margins, operates in Ontario. Average pre-tax profit margins for food service operators in Ontario have fallen to the lowest in the country and now represent only 2.9% of operating revenue. Ontario bars struggle with pre-tax profit margins, yet lower again at only 1% of operating revenue.

Since 2000, Ontario's real food service sales have increased just slightly at 0.4%, in stark contrast to the 9.7% increase in the rest of Canada. It is critical that the Ontario government seize the opportunity to improve the economic climate for Ontario's restaurant and food service businesses in this budget.

CRFA has a number of specific recommendations I'd like to talk to you about today.

First of all, CRFA supports the government's position not to harmonize GST and PST. Harmonization would shift the retail tax burden from business to consumers, forcing a broadening of the tax base or an increase in the rate to compensate for the revenue loss from the removal of the retail sales tax on businesses.

In Ontario, the government is aware that harmonization would eliminate the $4-threshold exemption for meals purchased at restaurants and would have a disproportionate impact on seniors and low-income Ontarians. If the GST is harmonized with provincial sales taxes, restaurant patrons will be left holding the bill.

By zero-rating food sold in grocery or convenience stores, such as a 250-millilitre carton of milk, but taxing similar and identical products in a restaurant or cafeteria, the GST puts the food service industry at a unique, competitive disadvantage.

A harmonized tax would exacerbate the discriminatory application of the GST on food. In addition, the $4-threshold exemption for meals purchased in restaurants has not increased in line with basic inflation and menu advancements or minimum wage. While food costs increase, the amount available to consumers exempt from PST has not increased.

Therefore, CRFA recommends that the PST tax exemption on foods be increased to include restaurant foods under $8.

With over 400,000 employees, food service is one of the largest private sector employers in Ontario. The March 2007 decision to increase Ontario's general minimum wage rate at 28% will cost Ontario's food service industry $765 million in higher wages and payroll taxes. The impact is being felt through lower profit margins, and this is leading to a year-to-date decline in employment of 1.1%, as compared to gains overall in Ontario.

Nearly 31 cents of every dollar spent in a restaurant goes directly into payroll costs. These businesses do not have the financial flexibility to absorb large minimum-wage hikes and they have little choice but to cut hours and jobs. This reduces entry-level employment opportunities and valuable stepping stones for young people.

CRFA recommends that the Ontario government, in conjunction with an industry committee, monitor the ongoing economic impacts of its decision to increase minimum wage and consider slowing down the pace of increases based on economic indicators in 2009. In addition, CRFA recommends that the liquor server and student wage differentials be held at 2008 levels in 2009.

Next, I'd like to bring the review being undertaken of Ontario's Waste Diversion Act and blue box program plan to your attention. Meaningful and measurable standards designed to protect the environment are crucial. The restaurant and food service industry has identified this as a priority, along with other levels of government. The industry fully participates in the Ontario government's waste diversion program government by Stewardship Ontario today.

Many challenges are on the horizon for the industry, such as moving from a cost-sharing model to one that would have industry pay 100% of waste diversion costs. This will substantially increase the cost of doing business in Ontario at a time when businesses are struggling to compete. In these economic times, it is critical that any new government regulations encourage and support business investment in Ontario and not impede them.

CRFA, therefore, recommends that the Ontario government renew the 50-50 cost-sharing arrangement currently in place between industry and municipalities which will promote public and private partnerships to meet recycling goals.

CRFA also recommends the removal of the environmental levy on non-refillable wine and spirit containers, since these containers are now subject to Ontario's deposit return program. The bar and restaurant industry is the single-largest customer of the LCBO and The Beer Store and provides substantial economic spin-offs in the service of these beverages to their customers, yet liquor licensees have been denied wholesale pricing and pay hefty taxes and levies that further drive up their costs. Bar and restaurant operators pay as much as or more for their liquor inventories than consumers pay at their local beer or LCBO outlet. CRFA recommends that Ontario's bars and restaurants receive a true wholesale price in Ontario, similar to the 11.5% discount that is given to LCBO agency stores. The Ontario government continues to collect an environmental levy of nearly 9 cents for every non-refillable container, on top of the deposits paid on wine and spirits containers under the deposit return system. It must be eliminated.

In summary, the past few years have been difficult ones for the food service industry in Ontario. Sales and profitability lag well behind other provinces. The causes are varied, but the net effect is a fragile industry supporting a huge number of important jobs. Immediate action should be taken to improve the business environment by reviewing the province's decision to increase the minimum wage in March 2009, eliminating the possibility of new tax burdens by municipalities, and alleviating the threat of 100% industry funding of waste diversion through the province's review of the Waste Diversion Act.

Thank you for providing me with the opportunity to speak on some of our key issues. A full submission will be made to the committee as part of the pre-budget submission process.

If you have any questions, I'd be happy to answer them.

The Chair (Mr. Pat Hoy): Thank you. This round of questioning goes to the official opposition. Mr. Hudak.

Mr. Tim Hudak: I'm going to split my time with my colleague Mr. Arnott.

Ms. Jones, it's great to see you again. An outstanding presentation—a lot of topics to cover.

I'm going to start with the minimum wage and the student and liquor server issues. Can you explain why that is important in terms of the impact on jobs, given the state of the economy we anticipate in 2009?

Ms. Stephanie Jones: Absolutely. There are a few things that happen.

First of all, I should let everybody know that minimum wage workers account for about 25% of food service workers in Ontario. Of those earning minimum wage, 80% of them are under the age of 25; 63% are students; and 78% work part-time.

When we increase minimum wage, we end up increasing the entire wages of a restaurant operation, because the wage differential between those earning minimum wage and those with X number of years of experience must also be accommodated. So if we are increasing the minimum wage of liquor servers who are tipped—and the vast majority of their income comes from gratuities—then those at the back of the house, like our dishwashers and our chefs, also expect an incremental increase in their wages. The inflationary impact in a restaurant operation goes far beyond the impact on that one person at the front of the house.

With the student differential, that is used largely as a training wage for our operators in Ontario.

What's happening is that people are eliminating opportunities for new positions. So whether that means not having a host at the front of the restaurant for both lunch and dinner, as an example—there just isn't a host. That shift is no longer offered. So the hours are cut back, and we are starting to see that in terms of a drop in overall employment numbers in Ontario. The two major drops, obviously, are manufacturing and automotive. We've heard a lot about that in the press, but we don't hear as much about the restaurant and food service industry.

The Chair (Mr. Pat Hoy): Mr. Arnott.

Mr. Ted Arnott: Thank you for your presentation this morning.

I wanted to ask you about the PST exemption that you referenced in your presentation. For many, many years, there has been a PST exemption on meals sold in a restaurant with a value less than $4, as you pointed out. You recommend that it be bumped up to $8. Do you know how many years it has been since that $4 figure was set? I think it has been at least 12 years.

Ms. Stephanie Jones: It was set with the introduction of the GST.

Mr. Ted Arnott: So it's time that that's reviewed?

Ms. Stephanie Jones: Absolutely.

Mr. Ted Arnott: Would you anticipate and expect that if the threshold was set at $8, there would be a substantial increase in traffic to most restaurants and a commensurate increase in jobs?

Ms. Stephanie Jones: Yes, absolutely.

Mr. Ted Arnott: Are there any numbers you want to offer us or any projections or expectations?

Ms. Stephanie Jones: I don't have any numbers today; we're working on that right now. But the 1% increase in disposable income does lead directly to a 1% increase in restaurant and food service sales. When the GST was introduced to the restaurant industry, we saw a substantial reduction in food service sales, and we're just coming out of that.

Why I don't have the numbers in front of me is because we're still trying to figure out how many meals would fall under the $8 threshold against under the $4 threshold, because in our industry the average bill is under $4. We're trying to sort through that in time for our full budget submission.

Mr. Ted Arnott: Thank you.

The Chair (Mr. Pat Hoy): Mr. Hudak.

Mr. Tim Hudak: You mentioned the environmental levy at the LCBO, which I think is probably just a markup. Can you tell me what environmental programs that money goes to? Do you know how much revenue comes in from it or how much your members pay?

Ms. Stephanie Jones: The beverage alcohol review that the Liberal government undertook in its first term did identify specifically that the environmental levy did not go to environmental programs directly—it was not earmarked—so that's a significant issue.

Mr. Tim Hudak: Do you know how much it is or how much your members pay into it, approximately?

Ms. Stephanie Jones: Again, we're sorting through that number for you.

Mr. Tim Hudak: The last thing you want to do in this economic climate—we had some very sobering news this morning from Scotia Capital—is put new taxes and fees on the hospitality sector. You mentioned the 100% cost of the blue box. Exactly when would the full 100% hit happen, and how much would the cost be to the sector?

Ms. Stephanie Jones: The minister is currently undertaking his review; the submissions are due January 15. We are not sure what the timing of any changes will be, at this stage of the game, but we are talking about easily doubling the cost to our industry.

Currently, the blue box is almost $70 million collected from industry paid to municipalities. So if we're talking about the blue box alone, if it goes from 50% to 100%, you're talking about at least doubling those costs. However, the 50-50 cost-sharing arrangement does assist us—when I say "us," I mean all Ontarians—in ensuring that municipal costs for waste diversion are kept in check and are put in place against some benchmarks.

When you are sharing control over something, you are also sharing the costs of something. You have accountability for those costs. As soon as it goes to 100%, we're going to see that accountability and that relationship change significantly. We're talking about at least doubling the cost. But in addition, the review is contemplating new targets, which could increase costs again, and new materials, which would increase costs again. This is a substantial threat to businesses doing business or planning to make investments in Ontario.

Mr. Tim Hudak: Thank you.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

We shall recess until our next presenter appears.

The committee recessed from 0954 to 1001.

The Chair (Mr. Pat Hoy): The Standing Committee on Finance and Economic Affairs will come to order once again.

UNITED STEELWORKERS, DISTRICT 6—ONTARIO AND ATLANTIC CANADA

The Chair (Mr. Pat Hoy): I believe we have our next presenter, the United Steelworkers, District 6—Ontario and Atlantic Canada.

Good morning. You have 10 minutes for your presentation. There may be five minutes of questioning. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Erin Weir: Certainly. I'm Erin Weir from the United Steelworkers' national office. I'm here on behalf of Wayne Fraser, the director of district 6, which includes Ontario and the Atlantic provinces. Thanks very much for having me here today. I really appreciate the opportunity to contribute to these pre-budget hearings.

I think it's fair to say that budget 2009 will be an extremely important budget. It will be the province's response to the economic crisis. I understand that this committee recently heard from Hugh Mackenzie, who made the argument that Ontario needs to continue investing in public services and infrastructure even if that entails temporarily running a deficit. Cutbacks to balance the budget in the midst of a recession would be absolutely the wrong approach, as we saw in the federal economic statement. So without repeating Mr. Mackenzie's remarks, I would very much like to second the thrust of those remarks. Beyond that, I'll focus on two issues. The first is a provincial response to the manufacturing crisis, and the second is the employment insurance system.

I'm sure you have already heard from representatives of my union and others about the importance of manufacturing jobs and the gravity of the manufacturing crisis, so I won't go through all of that material. What I would like to speak about a bit is how this crisis has become an Ontario problem. I think the conventional view of the manufacturing crisis is that a number of global factors—exchange rates, international trade, and now the credit crisis—have undermined Canadian manufacturing, and that Ontario has suffered collateral damage from that as the heartland of Canadian manufacturing. So really it's been a matter of Ontario being caught up in a pan-Canadian problem. Indeed, initially, when I first started looking at the manufacturing crisis, the situation was that Quebec had lost proportionally more manufacturing jobs than Ontario had. But this has changed, and now the manufacturing crisis has developed into something that almost exclusively afflicts Ontario.

I would draw your attention to the table on the first page of my supporting documents, which shows manufacturing job losses since Canadian manufacturing employment peaked in November 2002. What you see in this table is that during the first three years of the crisis, Ontario and Quebec lost about the same number of manufacturing jobs. But since Ontario's manufacturing sector was about twice the size of Quebec's, proportionally Ontario only lost half as much manufacturing employment.

During the next two years of the crisis, Ontario and Quebec lost about the same proportion of manufacturing jobs. Last year, strikingly, Quebec regained some manufacturing employment, but Ontario lost manufacturing jobs at an even faster rate. Now we've reached a point where, since the year 2002, Ontario has lost more than one in every five of the manufacturing jobs it had in that year. In fact, we're almost up to one in four manufacturing jobs gone. That's certainly more than the also devastating one in six manufacturing jobs that Quebec has lost during this same period of time. And it really stands out by comparison to Manitoba, which has experienced some fluctuation in its manufacturing employment but essentially no losses over this period of time.

I would submit to this committee that it's not simply a matter of Ontario having been caught up in a pan-Canadian crisis, but that we're witnessing a problem that is somewhat particular to Ontario. I think, for that reason, there is a pressing need for a policy response to the manufacturing crisis at the provincial level.

The last Ontario budget came up somewhat short in this regard. It welcomed the recommendations of the Ramsay report on Ontario manufacturing, but then asked the federal government to implement those recommendations. This was somewhat disappointing, since the provincial government has access to many, if not most, of the same policy tools as the federal government.

Specifically, the last Ontario budget called upon the federal government to extend the accelerated capital cost allowance for manufacturers through 2014, and also to extend the Atlantic investment tax credit from the Atlantic provinces to Ontario. I have no particular objection to either of those proposals, but I would simply note that there is nothing stopping the provincial government itself from enacting these types of targeted tax measures to support investment in manufacturing.

Indeed, if we look again at Ontario's neighbouring provinces, we see that both Quebec and Manitoba have in fact enacted refundable investment tax credits for the manufacturing sector. Certainly, I would encourage the government of Ontario to enact a measure along those lines in the 2009 provincial budget.

I'd like to shift gears for a moment to speak about a federal program on which I think the government of Ontario could quite usefully push for reform. I'm prepared to recognize that, regardless of the economic policies of the Ontario government, or even the federal government, for that matter, the economy is very likely to get much worse before it gets better. We saw some fairly startling evidence of that in Ontario recently: Between the months of October and November, the Ontario unemployment rate shot up from 6.5% to 7.1%. That corresponded to 37,000 more Ontarians being officially categorized as unemployed in just one month. That pushed the total number of unemployed Ontarians up over half a million.

The employment insurance system has the potential to replace much of the income lost by these individuals who have become jobless, and it also has the potential to stabilize the wider economy by allowing these individuals to continue spending money, to continue contributing to their communities. Unfortunately, though, fewer than 40% of unemployed Canadians qualify for employment insurance. That percentage is lower in most regions of Ontario, and it's as low as only 20% in the greater Toronto area. Even if unemployed workers are eligible for employment insurance, they first need to exhaust whatever severance pay they have before receiving benefits. In any case, they need to wait two weeks before receiving benefits. Those benefits are equivalent to, at most, only 55% of their previous employment earnings, and those benefits are available for only a relatively short period of time, depending on where the person lives.

Our union is calling—and in the supporting materials, you've got a leaflet that we've put out proposing that we need to make it much easier to qualify for employment insurance. We need to stop deducting severance pay from employment insurance benefits. We need to eliminate the two-week waiting period. We need to increase benefits as a proportion of employment earnings. And we need to lengthen the period of time for which those benefits are available.

The kind of standard critique of the types of measures we're proposing is of course that it will lead to abuse of the system, that people will choose to stay on employment insurance rather than taking available jobs. I believe that this concern has always been overstated, but certainly it's irrelevant at a time where jobs are disappearing and the number of workers exceeds the number of available jobs. I would submit to this committee that in the current economic climate we need to worry less about providing incentives to push people into the labour market to compete for the limited number of available jobs and we need to worry much more about helping unemployed people continue to live with dignity and stabilizing our overall economy by providing benefits when they're most needed.

1010

Thanks very much for your time. I look forward to your questions.

The Chair (Mr. Pat Hoy): This round of questioning goes to the NDP. Mr. Prue.

Mr. Michael Prue: Thank you. I'm looking at your statistics here. In your view, why is Ontario bleeding the jobs faster than other provinces? For our part, in the NDP, we suggest part of it—Manitoba has a manufacturers' tax credit; Quebec and Manitoba both have lower industrial hydro rates. What is your suggestion? Why is Ontario getting the brunt of the job loss?

Mr. Erin Weir: Your question contains part of the answer that I would provide, which is that Quebec and Manitoba have in fact undertaken a number of the proactive policies that I've proposed. As I mentioned, they've both enacted refundable investment tax credits. As you mentioned, they both have public hydroelectric systems that provide much more affordable electricity to manufacturers, and to residential consumers, for that matter. Specifically in the case of Quebec, I note that in investing in renewable electricity, it has also enacted procurement standards that require that a certain amount of that material be produced in the province of Quebec.

So I think policy differences are part of it. I wouldn't be so bold as to claim that differences in provincial policy are the whole story. Certainly manufacturing encompasses a wide range of different industries. Quebec's manufacturing sector is much more dominated by forestry: sawmills, pulp mills, that sort of thing, which had been in crisis for some time. Ontario manufacturing is a bit more dominated by the automobile sector, which is encountering a particularly severe crisis right now. So there's a variety of factors that play, but I think there's no question that the policy differences are an important part of the story.

Mr. Michael Prue: In terms of the employment insurance, Ontario has often said, and I think all three parties have agreed, that the employment insurance eligibility in Ontario is onerous, it's difficult in comparison. If you're unemployed in the Maritimes, in Quebec or other places, you're much more likely to get the employment insurance than the same unemployed person in Ontario. What needs to change? Do we need a universal, Canada-wide policy?

Mr. Erin Weir: Certainly what the labour movement would like to see are overall improvements to the employment insurance system everywhere in the country, but that result in unemployed workers in all parts of the country being on the same footing. So we would certainly go beyond a kind of Ontario's fair-share approach of saying that Ontario needs only the same treatment as some other provinces have right now. We would say that the entire system needs to be improved across the board, but that in doing that, Ontario needs to be brought up to a higher national standard.

Mr. Michael Prue: You've got some stats here, and I'm just sort of curious. Quebec, I understand, has a buy-Quebec policy. I'm not sure whether Manitoba has the same thing. But both of them seem to have—Manitoba in 2005-07 created a great number of jobs: 6,000. It's a much smaller workforce. Quebec was able to create some 24,000 jobs in 2007-08. Did that have anything to do with their respective buy-provincial policies? I'm just trying to get a handle on this.

Mr. Erin Weir: Again, it's always difficult to take X number of jobs and definitively attribute it to a given policy. But, as you say, in doing its recent request for new wind farms, Quebec did put a requirement that a large percentage of the economic activity associated with the winning bid had to take place within the province of Quebec. There's no question that that has contributed to manufacturing in Quebec. I think that building a greener economy is going to create new industrial opportunities, everything from manufacturing more energy-efficient appliances to manufacturing windmills. It's certainly possible for those industries to be established in Ontario, but there's no guarantee that they'll be established here.

As you suggest, and as I've suggested, I think it's very important for the government of Ontario to undertake proactive policies to ensure that that manufacturing activity is located here. One way of doing that, certainly, is through procurement standards attached to investment in renewable electricity.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

Mr. Erin Weir: Thanks.

The Chair (Mr. Pat Hoy): I remind the committee that we are starting at 2:15 this afternoon. We will recess until then.

The committee recessed from 1016 to1416.

GS1 CANADA

The Chair (Mr. Pat Hoy): The Standing Committee on Finance and Economic Affairs will now come to order. Our first presentation this afternoon is by GS1. Come forward, please. Any chair at all will do. You have

10 minutes for your presentation; there may be up to five minutes of questioning following that. I'd just ask you to identify yourself for the purposes of our recording Hansard.

Ms. Lori Turik: Lori Turik. I'm with GS1 Canada.

Given our current economic climate, I believe it's time to be bold, so I'm going to put my cards on the table for the committee. I'm asking you to support $10 million for a global supply chain initiative in Ontario. I believe that I can make a compelling case and justify the ask, demonstrating this value proposition and the compelling return on investment that you will achieve. Global supply chain standards will save lives, create cost savings for health care and business, enhance businesses' competitive interests and contribute to protecting our environment.

Mr. Chair and members of the committee, thank you for the opportunity to present today.

The global economic uncertainty requires governments to focus on initiatives that we know reduce our costs and increase productivity, innovation and competitiveness. Investments in technology and electronic business are critical to our economic success, and in this regard, Canada is losing ground to other countries.

The Conference Board of Canada noted that our economic performance is deteriorating, due in large part to our low productivity level and poor performance in innovation, relative to other countries. In addition, our Canadian small and medium-sized businesses, the backbone of this Ontario economy, are at risk of falling even further behind their international counterparts if they do not receive the support from government that they require to enable their transition to electronic business communication.

Therefore, government support for initiatives to stimulate productivity and innovation is a key factor in making Ontario's economy more robust. Even small countries like Korea, Germany, Japan and New Zealand are investing in electronic business communications processes, and we know that Ontario must do the same or be left behind.

Who is GS1 Canada? GS1 Canada is a neutral, not-for-profit association that develops global supply chain standards which are used by over one million companies worldwide. We represent 25,000 Canadian businesses of all sizes in over 20 sectors. We're best known for the bar code. You would be familiar with this in your personal experiences of shopping at grocery stores or pharmacies.

What does GS1 Canada do? We contribute to the development of these global supply chain standards for Canadian business. We facilitate their implementation to increase efficiency, productivity and market access for small business and businesses throughout Canada. We provide education and implementation support to enable them to benefit from enhanced supply chain efficiencies to ensure that they remain competitive.

Why does this matter? The Supply Chain and Logistics Association Canada and the Canadian Manufacturers and Exporters found that logistics and supply chain costs in Canada increased by 3% between 2005 and 2007, and this number is higher in many sectors. Adoption of global supply chain standards provides significant cost savings to Ontario businesses. Global standards are necessary to enable electronic business communications. A.T. Kearney estimates US retailers have saved approximately $1 million for every $1 billion in sales while manufacturers have realized savings of approximately $1.2 million for every $1 billion in sales as a result of this process.

Global standards, and bar-coding in particular, can provide cost savings for the Ontario government. The potential value of supply chain management improvements in Ontario's hospital sector alone has been estimated by the Ontario Hospital Association at over $300 million.

Beyond dollars and cents, global standards save lives. A simple bar code on a patient's wristband will improve patient safety by reducing the risk of medication errors by facilitating the match of medication with the patient. They also reduce wasteful administrative time for health professionals. These savings can be redirected into patient care.

Global standards will enhance Ontario's economy by helping business meet regulatory requirements, such as those established through the Bioterrorism Act, enabling businesses to differentiate their products as made in Ontario, giving them a competitive advantage and helping businesses gain exposure and market access for their products in Canada and throughout the world.

There will be significant cost savings: saving time through electronic ordering, eliminating paper errors, such as those found in 60% of invoices today, and reductions in inventory-carrying costs. It increases efficient shipping and transport, resulting in less waste and impact on our environment, and it enables product differentiation to ensure only affected products are withdrawn in the case of a recall and good products are not destroyed.

There will be increases in public safety by ensuring the right medication goes to the right patient, helping retailers get recalled products off their shelves much more quickly to avoid illness and death, helping restaurants to provide accurate nutrient and/or allergen information to customers, and contributing to the elimination of counterfeit products in our system.

There are two specific examples I'd like to speak about today. Global standards can improve our health system, saving money and lives and, as I've referenced, $300 million in our hospitals alone. Efficiencies gained through effective supply chain management in our health system can be reinvested into priority programs; this has already been achieved in the UK. We encourage the Ontario government to set aside funding to create the infrastructure necessary to support implementation.

With respect to patient safety and health care human resources productivity, we have a nursing shortage. The government must support efforts to eliminate the wasteful administrative burden for our health care professionals. In Topeka VA Medical Center in the US, by implementing bar-coding, they were able to reduce medication error rates by over 86%. Global standards also reduce the frequency of counterfeits, and the US-based Center for Medicine in the Public Interest predicts that counterfeit drug sales will reach US$75 billion globally by 2010. It's an increase of more than 90% since 2005 and a very dangerous statistic.

GS1 Canada, with the leadership and support of the Ontario government, is currently spearheading the Canadian health care supply chain standards project. This project establishes a framework that will ensure Ontario's health care system is a Canadian leader in supply chain efficiency, and we encourage the government to continue to invest in this very important initiative. We believe that this project should become one of the top five priorities for health care in Ontario and Canada.

In the current economy, Ontario businesses are doing everything in their power to tighten their belts. The retail business sector has achieved operational savings through these initiatives in a range of 15% to 30%. The Ontario government must get behind these initiatives. We require government funding. Most small businesses cannot make this transition without their support.

The Canadian economy is reliant on the consistent flow of exports and imports across our borders: $1.9 billion of goods and services. Border delays are costing our countries more than $13 billion a year.

GS1 Canada has been asked by industry to enable an initiative that will achieve significant savings for transportation and business sectors alike. Transport fleets are driving empty approximately 50% of the time. Trucks are using our transport corridors inefficiently, resulting in lost productivity, increasing operating costs, lineups at our borders and negative environmental impact.

An empty-miles initiative addresses these industry concerns. Through a standards-based resource that enables companies to communicate and coordinate back-haul opportunities, rarely will these trucks travel empty.

This project supports the Ontario and Quebec corridor initiative and the government's priority to thin the border and protect our environment. The US is already engaged in this initiative, and we cannot afford to fall behind.

In conclusion, industry is doing all that it can, but government leadership and funding is critical. The Canadian e-business initiative found that electronic business is a key enabler for productivity, growth, increasing profit and decreasing costs for Canadian firms. It is essential that government support the efforts of health care and businesses to save money, and seed them for the future by investing in and advancing global supply chain standards.

With that, I would ask that you set aside $10 million for projects that will support the development and implementation of global supply chain standards and their application in our health care system in Ontario, transportation sectors and other sectors as these come along.

Thank you again for the opportunity to present today. I would be pleased to respond to your questions.

The Chair (Mr. Pat Hoy): Thank you. This round of questioning will go to the government.

Mr. Wayne Arthurs: Thank you, Lori, for being here this afternoon. It's probably the first presentation we've had in which someone came in and put a specific number on the table right up front as a starting point.

Have you been speaking or meeting at all with any of the government ministries, government services, who have a big part to play, obviously, in OntarioBuys and some of the supply chain stuff? I noted on page 4 of your presentation the reference to OntarioBuys initiatives and some of the work you're doing there. So I presume—would it be government services or other ministries that you have been working with—

Ms. Lori Turik: We're working with the Ministry of Finance on the OntarioBuys initiative. We've worked with the Ministry of Economic Development and Trade, and the Ministry of Small Business on a previous initiative to enhance education for our small and medium-sized businesses. We are continuing to work with other government agencies and organizations as they see appropriate.

Mr. Wayne Arthurs: Is GS1 similar—not in content; but I'm trying to get a better handle on it, for my own purposes—to an ISO-type strategy, where you're setting global standards for supply chain management? Is that kind of the—

Ms. Lori Turik: Yes. We establish them for global supply chain management so that you can track and trace products anywhere in the world. Through the barcode, for example, you can identify the actual company and the location of the product in the supply chain, and it creates efficiencies, as you can appreciate, for ordering and managing of that product in the supply chain for inventory control and transportation.

Mr. Wayne Arthurs: Okay. You mentioned specifically, or more specifically, quite a bit on the health care front and some transportation-related activity. If the $10 million were available, what would you see as priority projects, initiatives, development of—

Ms. Lori Turik: The first would be to continue to support the OntarioBuys initiative and roll that out as expediently as you can. The cost savings are estimated by the Ontario Hospital Association, for hospitals alone, at over $300 million.

I believe that your own ministry is quite aware of this, and with additional supports and resources, would be in a position to be able to expedite that, with the support of the health care sector.

Mr. Wayne Arthurs: As you know, some of the hospital sector, in meeting with some of the folks that I deal with on or off, were very excited some time ago. We chatted about OntarioBuys and their integration in that process. A lot of back-office, back-channel activity going on, to try to be more efficient and effective in their purchasing strategies.

Ms. Lori Turik: Correct, and also for managing their products, so it's not just a matter of efficiency in terms of inventory management, but also managing the product within the hospital environment, linking that product with the patient so that you can achieve savings and also improve patient safety.

Mr. Wayne Arthurs: Thank you so much.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

1430

FEDERATION OF RENTAL-HOUSING PROVIDERS OF ONTARIO

The Chair (Mr. Pat Hoy): Now I call on the Federation of Rental-housing Providers of Ontario to come forward, please.

Good afternoon. You have 10 minutes for your presentation. There might be up to five minutes of questioning. I'd just ask you to identify yourselves for the purposes of our recording Hansard.

Mr. David Horwood: Good afternoon. My name is David Horwood. I'm the chair of FRPO, the Federation of Rental-housing Providers of Ontario. I also represent the Effort Trust Company, one of the largest providers of rental housing in the Hamilton, Niagara and Kitchener-Waterloo regions.

I'm here today with Mike Chopowick, FRPO's manager of policy, and Vince Brescia, our president and CEO.

I'd like to begin by commending the province for its commitment to reducing child poverty in Ontario by 25% in five years. I am here today to speak to an important and well-thought-out proposal that the government should adopt to ensure it meets those targets: a housing benefit for Ontario.

One of the most serious symptoms of poverty is the high relative burden of shelter costs for low-income households. In Ontario, there are over 100,000 working poor households paying more than 50% of their income on housing. Housing affordability problems create costs for society, for governments and for landlords.

For society, they mean that many of our most vulnerable households are excluded from participating fully in society and from contributing. Others do not meet their full potential, which hurts us all in the long run.

For the government, there are huge costs incurred by provincial and local governments dealing with people who experience housing problems or lose their housing because they can no longer afford it. These costs show up in our health care system, in our policing and corrections systems and in our own shelter system. All these costs are much higher than the cost of helping people afford decent housing.

The level of rents in Ontario is not the problem. In real terms, inflation-adjusted average two-bedroom rents have fallen by over 5% from 2002 to 2007. Internationally speaking, Ontario has very low rents.

Housing affordability problems have little to do with affordable housing supply either. Most households with affordability problems already live in suitable or adequate housing which is low-cost, but they have such low incomes that they have trouble paying for even very low cost shelter.

To provide a real and cost-effective solution for housing affordability problems, FRPO, along with a coalition of industry and community organizations, has submitted a proposal to the government of Ontario to implement a new housing benefit. The new benefit will help low-income working-age renters with high shelter-to-income burdens in communities across the province.

The proposal would add a much-needed affordable housing component to Ontario's poverty reduction strategy. It is a carefully targeted, fiscally conservative proposal—the right step to help low-income renters make ends meet.

We are an organization representing landlords, and our members serve many lower-income households. We know how housing markets work. We know, for example, that the cost of housing is much higher in larger urban centres, yet existing programs that assist people with housing costs make no adjustment for the wide range of rents found across Ontario.

The current design of the shelter component of Ontario Works and ODSP, for example, is inefficient in getting assistance to where it is needed the most. Paying for the cost of housing up to a single province-wide maximum rent level means that households in large cities, where rents are higher, receive inadequate benefits. Benefits under this program are also removed when a recipient enters the labour market, thereby creating a disincentive to work.

Mr. Mike Chopowick: I'd like to speak briefly about what this proposed new housing benefit would accomplish and why it makes sense for the government to implement this idea at this time.

The new benefit would do the following:

—It will increase housing affordability for many households;

—It extends assistance to the working poor, who currently are not eligible for such assistance;

—It removes a major barrier to getting off welfare by making assistance available to those trying to leave;

—Its design recognizes that housing costs vary across the province, which current benefits do not;

—It will reduce food bank dependency; and

—It is a better-designed benefit than the current shelter allowance in social assistance and a better foundation to build on in the future.

The proposed new benefit would help many households in dealing with poverty. At the same time, it would provide immediate economic stimulus to our economy at a time when we need it. Providing this much-needed assistance will free up household budgets, which are currently dedicated mostly to shelter costs, and allow those households to afford other basic necessities.

In the long run, the proposed benefit will probably provide cost savings to the province. It will do this in two ways:

First, it will reduce one major barrier to getting off welfare. Because housing benefits will now be available off welfare, many households that would not consider leaving the system will have an opportunity to do so. This will provide significant savings to the province.

Second, this new benefit can ultimately replace the current social assistance benefit. The social assistance benefit is not a great design for a housing allowance. It provides up to 100% of shelter costs, up to a maximum, which is a design that can cause inflation in rental markets in certain market niches. Our proposed benefit introduces a contribution rate which has been proven in a number of studies to be non-inflationary in design. Therefore, this design change will save the province funds going forward.

Our coalition developed an initial cost estimate for the program of about $240 million. However, this conservative estimate does not account for the two types of savings I have just described. It may be that in the long run the program actually delivers savings for the province while providing a better and more stable social safety net for Ontario's most vulnerable households.

Thank you for the opportunity to speak on this matter today.

The Chair (Mr. Pat Hoy): Thank you. This round of questioning will go to the official opposition.

Mr. Tim Hudak: Gentlemen, thanks very much. Mr. Brescia, Mr. Chopowick, Mr. Horwood, you provide rental housing in the Hamilton area. Do you live in the Hamilton area?

Mr. David Horwood: I do.

Mr. Tim Hudak: Are you a resident of Niagara West–Glanbrook, by any chance? That's the way I ask you questions.

Mr. David Horwood: Sorry, I am not.

Mr. Tim Hudak: Listen, I really appreciate the effort that FRPO has put into this, a very sensible, well-thought-out proposal. It does address the issue that you mentioned, about folks who are on welfare and who have a high effective marginal tax rate when they try to leave the system. I'm not sure—I was reading through and following along—if I understood all the details. You have some charts; I'll look at this later on. But how would you determine the level of support that an individual would receive?

Mr. Vince Brescia: I can answer that. It's dependent on the level of their income and their housing costs and the size of the household. Those are three of the factors that go into determining—so it would vary. If you've got a very low shelter burden, it doesn't cost the government a lot. It's designed to help people who have higher housing costs. Obviously, there are maximums set in so the benefits don't increase when you go above the maximum amount and there are minimums built in so that it meshes with the welfare system.

Mr. Tim Hudak: The application base, as opposed to doing it through the tax code?

Mr. Vince Brescia: We propose doing it through the tax system. We think it's a very efficient way to administer the program. It ensures that help goes out to everyone who needs it. You can make them application based; it has been done in other jurisdictions. We just propose the tax system because it—

Mr. Tim Hudak: You use a $240 million figure. Those are the total costs if the savings from the current housing allowance are accounted for?

Mr. Vince Brescia: No, with no savings accounted for. That's just a raw estimate of pure cost. We actually think there will be quite a bit of savings in the long run from this new design being implemented.

Mr. Tim Hudak: What I find attractive is the portability. A view of our social housing system, to use a crass term—you tend to ghettoize people and communities, right, which can be a bit of a stigma if you live in certain neighbourhoods. I like the notion that people could shop around and find the most appropriate housing in whatever neighbourhood they chose, provided by private sector individuals. Is this part of your presentation as well, that you allow portability and choice?

Mr. Vince Brescia: Absolutely. It's a portable housing allowance. It gives the most autonomy to the household. The benefit goes directly to them. They choose where they want to live and the type of housing that they want to live in, with no one telling them where they have to live. It has better labour mobility characteristics, so if you have to move to find a new job at another place, you're not bound to a current housing unit. Your supports aren't tied to the housing unit you're in, so it's much better for the labour market in the long run.

Mr. Tim Hudak: Some will make the argument that the government needs to provide low-income housing because the private sector market is not capable of doing so. What are your comments on that?

Mr. Vince Brescia: Based on the market we've seen for the last five or six years, there's no evidence of that. There are huge amounts of affordable housing available out there. The highest vacancy rates we're experiencing as an industry are at the low end of the market. Availability rates are very high, and the people who need this assistance, according to all the data, already have suitable and adequate housing. All the data show that. They have the housing that they need; they're just having financial difficulty paying for it. That points to, really, the need to help them with the problem they have, which is an income-based problem, not a supply problem.

1440

Where you do need supply is, we've always said you need more special-needs housing built. There are certain types of housing that need to be built for people with special needs, and we really have a shortage of supply of that in society.

Mr. Tim Hudak: Have you seen other jurisdictions of comparable nature to Ontario that have adopted this sort of portable subsidy?

Mr. Vince Brescia: Quebec has adopted something very close to this model, and it's worked really well in Quebec. Two other provinces in Canada have these housing allowances. If you look around the world, Sweden, New Zealand, Australia, places like that, have a model that is similar to this. There's a variety of different types of housing allowances. Ours isn't like them all. Some people lump them all into one—try to assume that they're all the same. Ours is like the ones from the countries I mentioned, and the provinces, which is a very efficient design and non-inflationary, unlike the current shelter allowance that we have in Ontario.

The Chair (Mr. Pat Hoy): Thank you for your presentation

Mr. Vince Brescia: Thank you.

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Chair (Mr. Pat Hoy): Now I call on the Canadian Federation of Independent Business to come forward, please. Good afternoon. You have up to 10 minutes for your presentation. If you would identify yourselves for our recording Hansard, and you can begin.

Ms. Judith Andrew: Good afternoon. I'm Judith Andrew, vice-president, Ontario, with the Canadian Federation of Independent Business. Joining me is Satinder Chera, CFIB's Ontario director. You have kits from us, and they're replete with information. We are going to speak to the slide deck that's in the kit.

Just a word about the title, No Time to Panic! Stick with Small Business. Here we're referring to the economic situation and the resiliency of small and medium-sized business.

Turning to the first chart, entitled Business Barometer Index, we do a quarterly business barometer, but in recent weeks we supplemented that analysis over a six-week period by taking the pulse weekly of our small business sector. The decline in optimism even in our sector is widespread and has touched manufacturing, construction and retail the most, and Ontario continues to lag the nation. Clearly, the events on financial markets and in other countries have now side-swiped the small and medium-sized business sector in Ontario.

In terms of business expectations and the 12-month outlook, our index is constructed from this question, so each business answers for itself: 56% of the respondents in Ontario expect their businesses to be the same or stronger, 19% expect to increase, and 18% expect to decrease their employment, which does imply a steady state employment situation from our sector at least. Typically, small and medium-sized businesses do hang on to their employees during difficult times for reasons of friendship, loyalty, and of course for maintaining qualified labour for future opportunity.

The small business priorities in Ontario are in the next slide, and if small and medium-sized firms are to remain that bedrock of stability that governments need in times such as this, governments also need to address their top issues. Each of these is detailed in an individual leaf in our brief, which is in the kit, and we commend those to your attention.

On our surveys, whether it's cross-section of membership surveys like this one, which is done face to face, or a special study we did in manufacturing—which is also in your kits—the top issue our members raise is taxes. Tax increases, of course, come as a particularly devastating thing, and it was confidence-shattering for small businesses in the construction sector to know that the government recently passed WSIB mandatory coverage legislation, which is in fact a half-billion-dollar payroll tax grab.

The second-ranked issue from our members is regulation. Government's commitment seems very positive in terms of what's going on under the Open for Business banner. What spoils the picture here is that other tentacles of government are operating business as usual, ramping up regulations and responding to a myriad of calls for government to essentially fix every perceived problem that comes along. So we're seeing bureaucratic approaches on dealing with disabilities when there are far better approaches for our sector, of course, the creation of family day, another piece of legislation, apprenticeship training, waste diversion, even dealing with temporary employees. These heavy-handed regulations typically don't work in our sector, even though they're well-meaning; what they do is occasion other problems for the job-creating small and medium-sized business sector.

Mr. Satinder Chera: The next five slides speak to a survey that we conducted with our membership just last week and all of the discussions going on across the country regarding an economic stimulus package and whether to run a deficit or not. We wanted to go to our members to get their thoughts on what government should be doing. So, although this is directed at the federal government, it's very much relevant to all governments across the country.

The first slide, how governments should deal with balancing revenues and spending: Our members favour planning for a balanced budget, but allowing deficits if the economy performs worse than expected. Even under those conditions, they expect to see a very strict plan in place to get the province out of deficit if in fact that ends up being the case.

The next slide, principles on spending: Our members want government to do just as they do in tough times, which is to rein in spending. It's interesting to note that 24% favour increased spending. A recent manufacturing study we did also found that only one in five of our members thought that the best way to deal with troubled industries is to provide loans and grants to them directly. They favour going through the tax system instead.

The next slide, principles on tax policy: Fifty-four per cent of our members want to see the current tax plans kept in place. That would include the business education tax plan in the north and of course across the province, as well as phasing out the capital tax. Thirty-six per cent, one third, favour cutting taxes further, and that's understandable given that total tax burden is our members' top concern.

On the issue of how quickly governments should respond to a slowing economy, our members favour coordinating anything that we do with governments not only across Canada, but around the world. This should not be a knee-jerk reaction. That's the title of our presentation—not to panic. We should be taking our time and ensuring that we get the changes that we need right.

The next slide, the best way to help businesses hard hit by economic conditions: Again, as I mentioned, most of our members favour providing tax relief instead of providing loan guarantees to major industries. If in fact the government goes down that path, then our members want to see very strict conditions for repayment plans and so forth and some pretty tough conditions on any industry receiving taxpayer dollars.

I'm going to skip over the next slide, on competitive taxation. Judith will come back to that.

I'll take you to the next slide, which compares population growth. As we said to this committee last year, government spending continues to outstrip both inflation and population growth, and that's something that you need to get under control. One opportunity you'll have to do that, we think, is in the upcoming negotiations with the OPS and the broader public sector. It should be noted that in the study that we just put out—this is census data; this is from Statistics Canada—Ontario public sector workers earn, on average, 13% more than their private sector counterparts. This is for comparable occupations. So if the government is looking to save money, this is one area to do it—and to stop competing with small businesses that already have a problem with a shortage of qualified labour.

The next slide—we talked about our members' priorities in terms of infrastructure spending. Again, our members support infrastructure spending, and we bring this to your attention in terms of priorities that the government should be following in terms of doing that.

Ms. Judith Andrew: So the number one issue, as we mentioned, is tax relief. We have some recent direction from our members in Ontario about which taxes they favour for making Ontario a competitive place to do business. The top one—and this was taken, I guess, just in September, as we had gone through very high fuel prices—is fuel prices. It's probably not as acute at the moment, seeing as the price at the pump has gone down. Next in order is personal income tax relief, both at the low end, for the basic personal exemption, and at the high end—so, clearly, money in individuals' pockets. It helps employees, it helps customers and clients, and it helps business owners have more money to recirculate locally.

On corporate income tax, our members favour meeting and obviously beating other provinces on CIT rates. So we are calling for the small business CIT rate to be reduced, and we think the clawback of that should be redrawn and changed from a level-of-income approach to an assets approach. That would make a whole lot more sense, and that's what other jurisdictions do.

On CIT manufacturing—and again, there's a lot of support for this in the separate manufacturing study in your kit—we think we need to be competitive with other Canadian jurisdictions. We need to set out a relief plan to get there. We have a special recommendation for manufacturing and that is, introduce a temporary, flexible, refundable tax credit—flexible in the sense that it could be used for whatever purpose the business has and refundable in case a particular manufacturer isn't making money, as many aren't these days. This will help them reposition themselves to do better in the future, and if we want to continue to have some manufacturing in this province, we think this is a commendable kind of approach to look at. Obviously, the details need to be fleshed out more.

1450

Under the employer health tax, the exemption here in Ontario has been in place since 1997 at $400,000; we think it's time to update to $600,000. Other jurisdictions have much higher exemptions. For example, Manitoba has $1.25 million.

Finally, on business education tax and property tax, we think more needs to be done to both encourage municipalities to get their tax systems rebalanced and, of course, for the province's business education tax relief, which is welcomed; certainly, the acceleration was welcomed in northern Ontario, in last year's budget. We'd like to see that acceleration happen for the rest of Ontario this time around.

Overall, our budget recommendations—and there are many—are summarized in the final slide: Avoid deficits, if possible, restrain spending, or at least hold the spending line—certainly, look to our Wage Watch report for some support in doing that. We think government should maintain stability and hope for people by delivering on announced tax relief while avoiding expensive bailout packages to select businesses. It's obviously better to help businesses and make it available to everyone through the tax system. That's the single best way to help businesses in the current circumstances.

We look forward to taking your questions.

The Chair (Mr. Pat Hoy): Thank you. This round of questioning goes to the NDP, and Mr. Prue.

Mr. Michael Prue: Thank you very much for your deputation. We've had three economists over the last two full days of hearings. All three of them were recommending that we run deficits. The Bank of Nova Scotia—Scotiabank—was here today. Hugh Mackenzie was here and the Bank of Montreal, I believe, was the other one. I'm trying to remember now. The three economists who came all recommended deficits in the short term in order to pump the economy, to put money into things that could be spent fast. You are recommending we don't go down that road.

Ms. Judith Andrew: Our recommendation is based on what our members tell us. Of course, in years gone by, there were massive deficits built up at the federal level. Our members were the leading edge in understanding that those deficits—today's deficits—are tomorrow's taxes. For some considerable period of time, deficits were quite unpopular. I don't think you would have heard any one of those economists suggesting that it was a good idea, and all of a sudden it is a good idea.

Mr. Michael Prue: Yes.

Ms. Judith Andrew: We're guided by what our members tell us. They are the ones who are already burdened by the tax system. They know that eventually deficits have to be paid for. That's why they would ask the government to try to plan to be balanced, understanding that maybe it would happen, that you'd slip into deficit, but you've really got to avoid that slippery slope, if possible.

Mr. Michael Prue: The economists also had very mixed feelings on bailout packages, particularly when it came to the auto sector. I think that's the big one everyone is watching. Do your members have a view on that? They feel we may not have a choice, but they are also very wary of bailing out a sector with a declining market.

Ms. Judith Andrew: I do want to say that we have many members who are also connected to the auto sector, in terms of auto parts and so forth. This particular study, R_x for Ontario's Manufacturing Sector, provides some guidance on this.

As Satinder mentioned, about one in five of our members thinks that administered grants and loans, those kinds of direct company subsidies, are appropriate, but among manufacturers, most don't. We can only tell you what our members say. They worry that everyone's tax dollars given to a particular company, whether or not there are strings attached, whether or not there's a good plan for revitalizing that company—that tends to be the way bailouts are done now. We would recommend extreme caution in this area if there is going to be support to major selected companies. That's why we think you need to balance it with a tax credit for manufacturing that's flexible and refundable, as we recommend, so other manufacturers have something. Small manufacturers in this province are actually explicitly excluded by policy from some of the programs that exist right now. They are programs where you have to provide or create 100 jobs. The businesses that participated in this study don't actually employ that many, so right away they're excluded from those programs. We think there should be a tax credit they can participate in, so that they can ready their companies to exist for the long term.

Mr. Michael Prue: Mr. Erin Weir, the economist for the United Steelworkers, was here this morning and gave us some pretty sobering statistics on job loss for manufacturers, which is particularly acute in Ontario, much more so than in Quebec, Manitoba or the rest of Canada—this seems to be the epicentre of job loss. Do your members have any opinion on why this is occurring?

Ms. Judith Andrew: We did try to analyze it in this study. We looked at our own index for Ontario manufacturers—it's on page 3 of the R_x for Ontario's Manufacturing Sector—and our index held up reasonably well in Ontario until 2007, and then there was a decline. Our members are telling us that the thing that needs to be done is to lessen the cost to business and let them find ways to remain operating. Please don't keep loading on more costs.

That's essentially what has happened in recent years. There have been more costs, everything from Family Day—it's nicely motivated, except for manufacturers who planned production and there was no way they could deal with it on such short notice. Every one of those things adds costs. We know that's not the initial intention, but we've got to stop doing things like that, which add costs, and try to find ways to lower costs for business and deliver it through the tax system. That's the best way to get to them all.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

ONTARIO SCHOOL BUS ASSOCIATION

The Chair (Mr. Pat Hoy): I now ask the Ontario School Bus Association to come forward, please. Good afternoon. You have 10 minutes for your presentation. There could be up to five minutes of questioning following that. I would just ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Angus McKay: Good afternoon. Thank you for the opportunity to present. My name is Angus McKay, with Elliott Coach Lines in the Guelph area. I am vice-president of the Ontario School Bus Association. I'm joined by Kathy Joaquim, one of our drivers with Elliott Coach Lines, and Rick Donaldson, OSBA's executive director.

The Ontario School Bus Association represents 146 bus companies operating more than 14,000 vehicles across Ontario. Our members are primarily family-owned businesses. We are proud that our members have long-standing ties to the communities they serve. We are advocates for safe, reliable student transportation. Today, you are going to hear something that might be unique among all the presentations across the entire province. As an employer, I am going to argue that my workers need a raise.

In 2006, the Ministry of Education undertook a cost benchmark study to determine the cost of operating a 72-passenger school bus, including an amount for driver's wages. For 2008-09, the ministry funds school boards to pay school bus drivers an average of $12.57 an hour. That means school bus drivers make considerably less than municipal transit drivers and less than a municipal crossing guard. In some boards, they make the same as hall monitors and maybe slightly more than a lunch room supervisor. But I ask you: Who has the most responsibility? You may say that we are the employers and we should just pay our workers more. But the challenge we face is that our industry is funded almost completely by school boards with budgets determined by the Ministry of Education.

Minister Wynne made a great start last year by putting an extra $10 million into drivers' wages, thanks to advocacy by people on this committee. But that only works out to about 75 to 80 cents an hour for a driver. With the minimum wage set to reach $10.25 in 2010, school bus driving must have greater than a $2 differential with the minimum wage.

Just as the government has advocated an increase in the minimum wage, we believe that helping working families, like school bus drivers, earn a decent living is the right thing to do. It's good for workers and good for Ontario's economy. These dollars are spent in the local community and will make a real difference in people's lives.

Just to give you a driver's perspective, I'm going to turn it over to Kathy Joaquim.

1500

Ms. Kathy Joaquim: Good afternoon. My name is Kathy Joaquim, and I am proud to say that I have been driving a school bus since October 2001. I'm a highly qualified professional, and to prove it I want to compare my qualifications with those of the municipal transit driver.

At $25 an hour, the average transit driver makes double what the average school bus driver does. Where a municipal transit driver needs a C-class licence, I require a more difficult-to-get B- or E-class licence. A school bus driver must be trained in first aid and CPR. That isn't the case for a transit driver. A school bus driver must have a criminal background check; the transit driver does not. A school bus driver has to manage as many as 70 kids and intervene to protect student safety. A transit driver is not responsible for student safety; he or she simply calls the dispatch or 911 if trouble occurs. A school bus driver must ensure that younger students, some as young as four, are met by an authorized care-giver every day; a transit driver just opens his doors. A school bus driver must complete a 44-point inspection of their vehicle every single day; a transit driver leaves that to the mechanics.

Many of you are parents. You know how tough it is to be driving with a child in the back of your car. Now imagine as many as 70 children, while trying to navigate a huge bus through the snow on rural roads. Is it any wonder good people are choosing to move to positions with more money and fewer responsibilities?

The reason I and many drivers stay is the students. It's a wonderful feeling to see the same children grow up over the course of a year or even a decade. You can have a real, meaningful impact as a school bus driver on the lives of those children and in their community. I love my job and I want to keep doing it, but when I can go across the street and make twice as much driving a city bus, you can see why experienced drivers are leaving the industry.

Experienced drivers like me are the safest drivers of all. Industry statistics show that the number of preventable accidents drops rapidly after the first year on the job, to almost none after a few years on the job. For that reason, drivers' wages are truly a safety issue. If you want to protect students, one of the best investments the government can make is retaining experienced bus drivers to get them to school.

Mr. Angus McKay: In your package, you will see we did a little comparison between the qualifications to drive a school bus and the qualifications required for a transit driver. I just want to highlight a few of them for your thoughts, from the second point down:

—A school bus driver is prohibited from applying for a school bus driver licence if they have more than six demerit points. For a transit driver, there is no such restriction at all;

—Every school bus driver is first aid- and CPR-trained. That's unique across the education system. For transit drivers, there is absolutely no requirement for first aid or CPR;

—Every school bus driver must attend an MTO-approved driver improvement course. It's required by law to get your permanent class B or E licence. Transit drivers are not required to complete any such course.

The second-last point on the front page is a huge one: They must supervise the behaviour of up to 80 children and intervene when necessary to ensure the children's safety. They must note the names of students and report behaviour problems to the school principal. Transit drivers have no idea who's on their bus. They just open the door and let them on and let them off.

—Every school bus driver, as Kathy said, must conduct a daily pre-trip safety inspection of 44 inside and outside mechanical components. Generally, our circle checks look at a lot more than just the 44 minimum. They must record the defects in writing. Transit drivers have no such requirement to do pre-trip inspections;

—All our school bus drivers must abide by drivers' hours-of-service regulations. There is a paperwork burden on them, and because of the way the policy is written, it certainly restricts their chances to go out and earn other income.

Transit drivers are completely exempt from the hours-of-service regulation. They could drive 24 hours a day, seven days a week, all year and they'd be legal. Those are a few of the differences.

The other issue we want to highlight is that as the minimum wage increases—it's gone from, I believe, $6.85 in 2003 to—it will be $9.50 in February; that's about a 38% to 40% increase. Most school bus drivers, through funding, have received somewhere in a 4% to 5% to 6% increase in that same six years. It's clearly not keeping up with the cost of living. And as those lines come closer to intersecting, it's harder and harder to attract and retain good, professional people. I think we all recognize that we need good, professional people taking 800,000 kids to school and home twice a day.

At this point, we're happy to take any questions. Thank you for the opportunity.

The Chair (Mr. Pat Hoy): And thank you. This round of questioning will go to the government. Mr. Arthurs.

Mr. Wayne Arthurs: Welcome back as an association. It's good to see you again.

Mr. Angus McKay: Thank you.

Mr. Wayne Arthurs: This is, if not annual, we're close to it, anyway. And it's not a bad thing from the standpoint of, it certainly is a venue to be able to ensure that the issues of drivers are on the record in front of us here. The presentation is a good one.

Not to be contrary, just tell me a little more, if you can: You drive for the kids. You're there because of the kids. What are some of the other advantages? As I think about it, just quickly: What are some of the other advantages of school bus driving over transit driving, or what are the opportunities? There are only a limited number of jurisdictions that probably have municipal transit. A lot of folks can live in smaller communities, rural communities, who might not otherwise have access to municipal transit to drive. I would think that could be one of the advantages for those who want to stay in the school bus business. Are there some others?

Ms. Kathy Joaquim: Advantages of staying with a school bus?

Mr. Wayne Arthurs: Yeah. I'm thinking about, like, the summer, where you're not quite as constrained.

Ms. Kathy Joaquim: It's lovely in Ontario, seeing the four seasons. First thing in the morning, last thing at night. The sun's coming up, okay? Obviously, the kids themselves. There are special-needs kids on our bus who require different needs, aside from just driving—watching them; hopefully, nobody is choking; hopefully, nobody is picking on them.

Mr. Angus McKay: And you're right. Seasonal is a big attraction. There are a lot of people who want the summers off, which school busing does allow.

There's no question our greatest areas of pressure are in the medium-to-large urban centres, where we do compete with transit. The more rural we are, the less the issue is for drivers. Having said that, it is an issue everywhere, from Timmins to Toronto.

Mr. Wayne Arthurs: Are you still faced with—the last time, whether it was last year or before, in one of the presentations, you talked a bit about fairly consistent turnover. You were still having a lot of trouble maintaining your drivers. Kathy mentioned that, I think: that a lot of folks aren't in there for the long term. Is that still an issue that's out there?

Mr. Angus McKay: Very much so. The reason is, because it's a part-time, split-shift job, most drivers are not able to get benefits. They can go to Tim Hortons or Wal-Mart and get benefits. We're experiencing, province-wide, an average of 30%, but in the areas that compete with transit, the more urban areas, it can be as high as 50% turnover annually still.

Mr. Wayne Arthurs: Okay. I'm certainly glad to see you acknowledge, in the presentation, Minister Wynne's contribution through the budgetary process, and some commendation for some members of committee who do listen and try to get a message back as best we can, either as an entire committee or as individuals or caucuses, to try to keep pressure on.

Thank you again for your presentation this afternoon. We look forward to continuing the dialogue, hopefully, with some additional positive resolutions.

Mr. Angus McKay: Thank you for the opportunity.

Ms. Kathy Joaquim: Thank you.

The Chair (Mr. Pat Hoy): And thank you.

INTERFAITH SOCIAL ASSISTANCE REFORM COALITION

The Chair (Mr. Pat Hoy): Now I call on the Interfaith Social Assistance Reform Coalition to come forward.

Good afternoon. You have up to 10 minutes for your presentation. If you would identify yourself for the purposes of our recording Hansard, you can begin. He'll turn the microphones on for you as you start.

1510

Mr. Brice Balmer: My name is Brice Balmer. I'm the secretary for the Interfaith Social Assistance Reform Coalition. With me are Jeffrey Brown, who is the vice-chair, Imam Abdul Hai Patel, who's from the Canadian Council of Imams, and John Courtneidge, from the Religious Society of Friends, is also with us.

I want to go over our report fairly quickly so we have more time for the kind of questions that I hope you can ask. At the back of our submission you'll find the list of our members, which has a very wide cross-section, and we are an Ontario association. I also brought with me the transitions report, because we want to remind people that the current poverty reduction strategy isn't the first one that's been done, and that this transition report was done 1986 to 1989. In fact, that's when I started: when the Liberal government asked us if we would respond to the transitions report.

ISARC strongly affirms the goal of a 25% reduction in poverty in five years and the use of the low-income measure to indicate poverty's decline. We have worked very hard, as faith communities, to help people survive. Our work often is concentrated on food hampers and emergency housing. Faith groups should be using their resources for community building, family supports, children's programs and support for people with mental, emotional and spiritual issues. We hope the government will not be relying on the faith groups to provide survival services, as has happened over the last 15 years.

As we look at the necessary down payment for the strategy in the 2009 provincial budget, income security and affordable housing are of the highest priority for significant funds, and there are three important reasons:

(1) People with low incomes need money for essentials: food, housing, transportation, preparation for work, children's clothing, educational supplies and household goods. With high rents in urban areas, people with low incomes need safe, affordable, permanent housing which reduces housing costs.

(2) Increased incomes for people on social assistance and other low-wage jobs become money that is spent in Ontario, specifically in cities and neighbourhoods where people live. We see this as an anti-recessionary measure.

(3) "The Cost of Poverty," from the Ontario Association of Food Banks, and the research on "Poverty is making us sick," from the Wellesley Institute, demonstrate that poverty costs the province and all residents, not just those who live on social assistance or have low-income jobs. As the province addresses income security, ISARC predicts that lower-income people will use the health care system, including emergency wards, less often; that children will succeed in school; and that criminal justice costs will decrease over the long term.

We believe that governments are judged by how the poorest are treated. All humans have inherent rights and dignity, and we would remind the government and the Legislature that the government of Ontario has signed the United Nations human rights conventions and accords which guarantee adequate income, food, wages, affordable housing and safety for everyone, not middle class and upper class.

ISARC recommends that Ontario put a permanent increase of $2 billion in its 2009 provincial budget: $1 billion for social assistance rates and $1 billion for affordable housing. These dollars will multiply many times over in the local economies. These dollars would be 2% of the government's yearly budget.

There are a number of aspects of income security: (1) social assistance, (2) employment Insurance, (3) benefits for children, and (4) minimum wage, and there are others. Our faith communities advocate raises in social assistance, minimum wage and other benefits to close the gap between the economically marginalized individuals and families and the low-income cut-off, or the low-income measure.

We've noted that with the cost of living, the increases to people on social assistance has been 7% over the past five years, but the actual cost-of-living increase in Canada has been 11.38%, which means that currently adults on OW and ODSP have lost approximately 4% in purchasing power since 2003. Employees in Ontario have had higher than cost-of-living increases, and that's all right with us, but we just ask, how can our province short-change the most economically marginalized?

We have been with others in recommending an immediate $10 minimum wage, and we would continue to recommend that. In Waterloo region, $14 is a living wage for a single person; I noted that in Toronto, it's $16 an hour. We know that families need $21 an hour just to pay for the basic essentials. So we would recommend that the minimum wage get up to $10 an hour as quickly as possible and, if nothing else, to at least put the 75-cent increase in for 2011.

We're glad that the provincial government is working with the federal government to make changes to employment insurance.

We want to see Ontario honour the human rights conventions and accord.

On affordable housing, our emergency shelters are full, homelessness is growing, and more tenants are paying 50% or more of their income for shelter. Ontario has a housing crisis that has developed over the past 15 years. As faith communities, we realize that there was no money for new affordable housing units in the past two provincial budgets. There was $100 million for repairing social housing, but no new housing units.

ISARC is concerned that our municipal governments have set up structures for producing affordable housing. London has $2 million in their budget; Waterloo region has just approved building 1,000 more affordable units over the next five years. There needs to be a clear allocation from the province. Municipalities need the assurance of ongoing partnerships with the province. We don't want the infrastructure to disappear.

Faith communities are also working on affordable housing stock. The Honourable Deb Matthews suggests that all hands should be on deck to reduce poverty. We ask, in the area of affordable housing, where are the senior levels of government? Can we expect to see affordable housing dollars in the 2009 provincial budget, as part of this commitment?

ISARC congratulates the province on a new, positive direction to reduce and eliminate poverty. This poverty reduction needs a significant down payment. We recommend: an increase of $1 billion annually to increase social assistance rates for OW and ODSP; increasing the minimum wage to $10 an hour immediately, or at least to $11 an hour in 2011; and increasing by $1 billion annually the money to build affordable housing stock in Ontario.

Ethically and morally, Ontario is judged by how the poorest are treated: Do individuals and families have enough resources to provide for their basic needs? Ontario and Canada have signed these United Nations human rights conventions and accords, which protect all residents, especially the most marginalized. It is time to keep on the high road; it is the right thing to do. It does give all economically marginalized people the chance to break the cycle of poverty.

We thank you for moving forward on the poverty reduction strategy, and we look forward to a significant down payment in the 2009 budget.

The Chair (Mr. Pat Hoy): Thank you. Questioning will go to the official opposition.

Mr. Ted Arnott: Thank you for your presentation and for the good work that your organization has been doing through the years. Your brief is very self-explanatory and direct.

I wanted to ask you a question on behalf of my colleague the member for Dufferin–Caledon, Sylvia Jones. She has a private member's bill that's being debated in the House this afternoon and the intent of it is to support the registered disability savings plan idea, which is much like an RESP, whereby a disabled person contributes money to this savings plan, and there would be matching dollars from the federal government, and when the money is taken out, of course, after the disability takes place, the person would probably not pay tax. I wonder if you've had any opportunity to discuss this issue or if you have a view on it, because Sylvia asked me to ask this question.

Mr. Brice Balmer: We have not actually had a chance, as ISARC, to discuss it. I got a memo from Madame Meilleur of the Ministry of Community and Social Services, which I read through. I think, on the one hand, we would feel fine about that kind of an RESP or whatever it is. I think it cannot distract or take away from what needs to be done for people who are poor currently, people who are now suffering poverty—and they are suffering. I hope we can avoid it and do prevention work, but right now we're not—

Mr. Ted Arnott: There are immediate needs.

1520

Mr. Brice Balmer: We need to do the immediate attention.

Mr. Ted Arnott: I understand what you're saying, exactly.

Rev. Jeffrey Brown: We'd also suggest that, with regard to something like that, as with RESPs or the like, they tend to be short term, and a lot of the clients, the people on ODSP—we're talking about long-term situations, so that it doesn't deal with that depth.

Mr. Ted Arnott: I completely understand what you're saying. In the spirit of non-partisan co-operation, I know that the member for Kitchener–Conestoga, Leeanna Pendergast, wanted to speak to you briefly too. With your indulgence, Mr. Chair, I'd like to yield some of my time to her.

The Chair (Mr. Pat Hoy): Ms. Pendergast.

Ms. Leeanna Pendergast: Thank you very much, Mr. Arnott. I appreciate that.

I wanted to thank Brice, Jeffrey and Imam Abdul for being here today and begin by commending Brice on his hard work, advocacy and tireless efforts on behalf of—well, we worked together for almost a decade on the crime prevention council, where Brice represented interfaith pastoral counselling. Isn't that correct?

Mr. Brice Balmer: Yes—faith community.

Ms. Leeanna Pendergast: I now commend you for your hard work here today. It's sort of a roundabout question, but I want to give you the floor. As loquacious as I am as an English teacher, I'll get to the point.

You acknowledge the government's poverty reduction strategy, and thank you for that. Secondly, you comment on increasing the minimum wage. This morning we heard from the Canadian Restaurant and Foodservices Association, who would disagree with that, and gave reasons why we have to address that gap, if that were to happen, and how virtually difficult or impossible that would be.

You did mention in your submission community-based programs and the significance of those. Brice, since we go back so many years in working with the community, the crime prevention council and neighbourhood tool kits, I'm wondering if we could rely on your expertise just to give us an idea of how that would look, what the recommendations from ISARC would be to the government in that area? Given that it is a time of fiscal restraint, we are as a government addressing affordable housing. But what about that collaboration in those partnerships? What recommendations would you give the government in that area?

Mr. Brice Balmer: Speaking to the restaurant association issue, first of all, restaurants are in the local economy. If some of our coffee goes up 25 cents, so that there are fewer poor people in our community or fewer people who are working, I think one of the things we've noticed that's been really difficult is that the working poor have continued to increase significantly and that a lot more and more of our food hampers are going to the working poor. So as we increase the minimum wage, then the working poor are more able to handle their own responsibilities on their jobs.

In terms of community, I think community is very, very important. One of the things I appreciated in the report that Deb Matthews submitted is that it talks a lot about community. What I've found in the work around the Waterloo region, and also some here in Toronto, is that when people are a part of communities, they help each other to break the cycle of poverty. So the more we can do to build up the infrastructure of community centres and community schools, which is also in the breaking-the-cycle project, and some of those other methods where parents actually speak to each other—adults actually talk to each other. St. John's Kitchen, which is a soup kitchen, is actually a place where people with mental health issues help each other to find out how to survive better.

One of the things I was most excited about with breaking the cycle was that there was more and more emphasis on community infrastructure. We would just say now that it's really important that the incomes go up for people on social assistance and the working poor, and it's very, very important that affordable housing be in the budget.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

Interjection.

The Chair (Mr. Pat Hoy): We'll take a very short comment then.

Mr. Abdul Hai Patel: If I can just add to this: There are community-based places of worship that are pooling their efforts to look after the poor and the homeless. I'm part of another organization that does regular feeding. But as you said, this is a time of restraint, and we don't know what will happen in 2009. The donations are likely to drop. We hope not, but that's going to affect the community programs as well.

In the Islamic faith, there is a built-in feature of compulsory charity on people who possess certain assets, so that people disburse that over here, and that is one way to supplement. But again, if we have unemployment and other hard times that we hope will not come, that can affect the community-based programs as well.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

ONTARIO CATTLEMEN'S ASSOCIATION

The Chair (Mr. Pat Hoy): Now I call on the Ontario Cattlemen's Association to come forward, please. Good afternoon. You have up to 10 minutes for your presentation; there could be five minutes of questioning. I would just ask you to identify yourselves for our recording Hansard.

Ms. Jennifer Snively: I'm Jennifer Snively, policy adviser.

Mr. David Stewart: My name is David Stewart. I'm executive director of the Ontario Cattlemen's Association. I would like to thank you and your very patient committee members for listening to our presentations today.

On behalf of the Ontario Cattlemen's Association, I appreciate the opportunity to provide early input into the development of the 2009 Ontario budget. The next budget has the potential to make a positive difference in the lives of 19,000 beef producers in Ontario.

Ontario is a great province. We're lucky to live here. In Ontario, we have an abundance of land, resources, hard-working people and financial capacity. We appreciate that you are doing everything you can to protect the core services that are important to Ontarians.

It should be noted that the voters of this province consider agriculture to be one of the most important industries in the province. Further, with the drop-off in other manufacturing, the agriculture and agri-food industries are well positioned to be the major export engine of the Ontario economy.

Support of the Ontario beef industry demonstrates a recognition of the value of maintaining a provincial supply of Ontario beef. Ontario beef farmers are very proud that they produce a product that's recognized for its quality by consumers at home and around the world. Beef is full of nutrients recommended by Canada's Food Guide as part of a balanced diet. Research is under way to add functional value to beef, such as improving nutrient content with enhanced omega-3 and other essential fatty acids.

Eating healthy foods has increasingly become a priority for Canadians. With the health care budget predicted to take 70% of the provincial budget by 2025, research focusing on developing health-enhanced food products will be key. The value-added potential to beef is vast.

While the last five years have presented a series of unprecedented challenges to our industry, we remain confident that with proper government investment and partnership, there can be a strong future. We understand that a widespread financial crisis is going to dictate a tight fiscal policy on Ontario. However, we believe that sound policies and programs to support and grow Ontario's beef industry will result in job creation and contribute to the speedy recovery of Ontario's economy.

Our requested priorities for the 2009 Ontario budget are as follows.

First, the liquidity enhancement program: Beef farms in Ontario are in a cash crisis. A combination of factors, including the last year of escalating farm costs and low prices, mandatory country-of-origin labeling in the US, government regulations and ethanol policy, and a lack of access to key markets have forced many producers to question their future in the Ontario beef industry. Beef producers are losing equity and taking on increased debt. Producers did remortgage to make it through the BSE crisis, but this is not an option now. Due to equity erosion, the margin money which producers need to operate is just not there. A declining number of cattle on feed directly threatens the viability of employment and processing facilities in urban areas and reduces our value-added GDP contribution to the Ontario economy. This has been communicated to government repeatedly. We request a short-term cash infusion to ensure the long-term survival of our producers.

Second, we request an investment of $20 million for a pilot risk-management program for Ontario corn-fed beef. The Ontario corn-fed beef program has experienced tremendous growth in past years. However, an unstable market threatens the viability of Ontario's feedlots and the program. The Ontario Cattle Feeders' Association's proposed risk-management pilot program will help reduce volatility in the marketplace for farmers. The Ontario corn-fed beef program is everything the retailer and the consumer have asked for. Our industry has invested heavily to get it to its current state. As the largest vertical beef value chain in Ontario, the program provides Ontario beef to Ontario consumers and complies with food safety protocols, as demanded by customers.

1530

Primary producers need the requested pilot risk-management program. We requested this program in our last pre-budget submission in January 2008, and again, we are asking the McGuinty government to kick-start the program to provide stability and confidence to Ontario's cattle-farming families. We feel it may be necessary for the Ontario government to stimulate economic growth by providing support to industries with the potential to quickly deliver growth and export earnings, thereby improving both stability and employment prospects as we recover. This is a proper use of government revenues during a recession.

The Ontario government should run a deficit, if necessary, to protect priority programs and services. However, a deficit should not be run to finance routine operations. As long as you do not build in an operating deficit, when the economy rebounds, the resulting surplus budgets can be used to pay down debts incurred to cushion the provincial economy.

While we do not know every program the Ontario government supports, we do know that the budget of the Ontario Ministry of Agriculture, Food and Rural Affairs is less than 1% of the total Ontario budget. In comparison, the combined budgets of the various health care and education ministries total 62% of the Ontario budget. We do not agree with this two-dimensional approach to managing the Ontario economy. Growth in health care and education spending is not sustainable into the future. This should be tackled now and a more appropriate balance in distributing funds must be found. Due to the large and broad spin-off of jobs in both rural and urban areas, investment in primary agriculture and agri-food industries directly spurs growth and develops a sustainable tax base.

We request you re-evaluate the budgets of these ministries in light of the new economic challenges and the potential of decreased tax revenues. The Ontario beef industry is very important to the economy of Ontario. Beef farming is carried out in every county and district in Ontario. By investing in the Ontario beef industry, the

McGuinty government is investing in the families, businesses and communities of Ontario, both urban and rural. The income and employment derived from our industry helps support a broad range of rural infrastructure. Beef farms create jobs in rural communities, from feed supply stores to grocery stores, as well as supporting employment in packing plants and further processors in urban areas.

In a study by the University of Guelph titled the Economic Impact of the Ontario Cattle and Beef Sector, the following results were found: In 2005, the value of beef production in Ontario was $1.2 billion. The impact on direct value-added GDP was $258 million out of that and the value on indirect GDP was $479 million, for a total of $737 million; and employment was greater than 13,000 jobs. However, every drop in sales of $10 million from that level, the value-added GDP will decline by $7.4 million. That study actually showed that it's a fairly linear relationship in both directions, so if we grow this business, an increase in sales of $10 million adds $7.4 million to the Ontario economy.

The University of Guelph study concluded that the economic impacts arising from growing the Ontario beef industry would be approximately the equivalent to the economic impacts of growth in the automobile industry. Your government recognizes the effect that a decline in the automotive sector has on our economic health; it should also realize that a decline in the agriculture sector will have a similar negative effect.

Ontario has the capacity in place to double beef production. However, there are serious concerns around the survival of packing and further processing industries. If we allow the processing industry to fall, primary production will no longer be tenable and Ontarians will increasingly be eating imported beef.

As we see it, the government has two choices: either support the growth of the beef industry to create jobs and value-added activity in Ontario or watch it decline, resulting in substantial job losses in both rural and urban areas of Ontario. Support and investment from the government to help grow the Ontario beef industry will result in profitable and sustainable beef family farms, and create spin-off jobs in both urban and rural areas of Ontario. This will be a good-news story for all of Ontario.

Over the past two years, we've found it very difficult to work with government. Taxpayers are fed up with infighting and finger-pointing between the provincial and federal levels. There's an African saying: "When elephants fight, it's the grass that suffers." You folks are the elephants and we're the grass.

At the height of the BSE crisis, both levels of government were at the table, working towards a non-partisan, common solution for our industry. This co-operation has been lost, sadly.

We need the federal and provincial governments to not only co-operate but to also include producers and industry stakeholders as full partners. This is a cost-free initiative we are requesting.

In such challenging economic times, taxpayers demand that their governments work together to find common solutions. A starting point for government co-operation should be to craft business risk management programs which work for Ontario beef producers. Neither AgriStability nor CAIS before it were designed to help agricultural producers through multi-year disasters as we have experienced with BSE and the market collapse of the past year.

In the absence of an adequate national program, individual provincial governments have spent the past year delivering an uncoordinated string of ad hoc payments. The extent of these payments ranges greatly from province to province, upsetting the competitive balance across Canada.

The Chair (Mr. Pat Hoy): You have about a minute left.

Mr. David Stewart: Thank you.

We urge you to work with the federal government to develop a national approach for the livestock business risk management. We require a workable suite of national programs. We request you work with the federal government to:

—eliminate the viability test;

—enhance reference margins;

—allow producers to choose the better of the Olympic or previous three years' average for reference margin calculation;

—give producers a choice of the better of AgriStability, Tier 1, or AgriInvest; and

—waive structural change adjustment for beef producers.

In closing, we have participated in the past three pre-budget submissions and are lukewarm to the process. We feel our requests and our concerns have largely been ignored. This is not only devastating for beef farmers of Ontario but also for the consumers of Ontario who rely on fresh local food.

A successful economy does not only require investment the into health and education ministries of Ontario. Supporting and investing in the Ontario beef industry can contribute significantly to the financial health of the Ontario economy. We request that the 2009 Ontario budget reflect this reality.

We look forward to working closely with government staff to develop programs and policies that will benefit beef producers, the economy and all Ontarians. Thank you.

The Chair (Mr. Pat Hoy): And thank you. This round of questioning goes to Mr. Prue of the NDP.

Mr. Michael Prue: There are many programs you're talking about here, but can you give me or the committee, in round terms, how much money you're looking for, extra money, in the budget this year—just one big lump figure, so we can figure it out?

Mr. David Stewart: That's really hard to say, Michael. The risk-management program, the request that's on the table there, is $20 million, for sure.

Mr. Michael Prue: That's the one number you have. You have the liquidity enhancement program, but there's no figure attached to that.

Mr. David Stewart: Yes. I would say that that would work out probably in the neighbourhood of $60 million.

Mr. Michael Prue: All right. So we've got $60 million for liquidity enhancement; we've got $20 million for the corn-fed beef ledger account. You talked about a deficit being run as well. That's a deficit overall for the government in order to accomplish your goals and other goals? Is that the—

Mr. David Stewart: If required, yes.

Mr. Michael Prue: If required. Now, we've had groups come before us indicating their preference to have a deficit. We've had others come before us and say they don't want to go down that road. The beef farmers do appreciate the possibility of a deficit, and you're not afraid of it?

Mr. David Stewart: In our submission I think we state that that is as long as a deficit is not used to just finance the operations, the ongoing operations of the various departments and ministries. If the deficit is used for specific, targeted injections of growth or to stimulate the economy, then I think that's a wise use of government funding.

Mr. Michael Prue: Some economists have suggested that a deficit should be run only in the short term, for two years or three years maximum. After that, the stimulation is done, whatever we can. Is that where you're sort of coming from too?

Mr. David Stewart: Yes, I sort of think so. As I was driving into Toronto and seeing all the cranes in place and all the construction going on, I wondered how much you can stimulate with any more infrastructure projects, because I think all of the construction workers are currently employed.

Mr. Michael Prue: How many new beef farmers, say, in the last five years have come into Ontario?

1540

Mr. David Stewart: Very few. Our numbers have been relatively static, to showing a little bit of decline. The average age of beef farmers in Ontario is about 53. We have a young farmer program—which is referenced, I think, in our document—that we didn't have time to talk a lot about today. We feel that the development of young farmers is very important for the future of the province as well.

Mr. Michael Prue: You have indicated two priorities being $80 million: $20 million and $60 million. If you were able to get that from this committee recommendation and see it in the budget, would you feel that you were listened to? I know you've said you don't think you've been listened to in the past. Do you think that an $80-million investment, if the committee recommends it and the minister buys it, would be sufficient to show that you were listened to, or are you really looking for more than that?

Mr. David Stewart: It's not a matter of assuaging our feelings as beef producers.

The frank reality is that Cargill plant in Guelph is the largest employer in beef processing in the province—they have about 1,800 employees—and they're saying to industry and to the Minister of Agriculture that if the supply of cattle in this province drops another 10%, that plant is not viable. So we have to ensure that we have enough cattle to keep that plant viable in the first place. They're saying to the Minister of Agriculture, "We'd really prefer, rather than shutting that plant down, to be able to double-shift it. If we could work on a program to ensure that there are enough cattle in the province so that we could run that plant full out on two shifts, that's our preference." So you've got a big employer there that has the facility and capacity in place and that's offering to create jobs for this province, and I think you should embrace that employer.

Mr. Michael Prue: Very good. Thank you very much.

The Chair (Mr. Pat Hoy): Thank you for the presentation.

CANADIAN FEDERATION OF STUDENTS-ONTARIO

The Chair (Mr. Pat Hoy): Now I would call on the Canadian Federation of Students-Ontario to come forward, please. Good afternoon. You have 10 minutes for your presentation. Please identify yourselves for the purposes of our recording Hansard, and then you can begin.

Ms. Shelley Melanson: Thank you so much for allowing us to present today. My name is Shelley Melanson. I'm the chairperson for the Canadian Federation of Students-Ontario.

Mr. James Beaton: I'm James Beaton, the Ontario researcher.

Ms. Shelley Melanson: We do have handouts for you, but they are en route, so we'll make sure you get those.

This year, the government of Ontario has some important decisions to make. With the news media declaring a crisis in the manufacturing sector and reports of deepening economic downturn, the fall economic update warned Ontarians to prepare for funding restraints and even cuts to certain sectors. I'm here today to convince you that this is a mistake.

On October 22, the day of your economic update, students delivered 69,000 petition signatures to the Legislature, calling on your government to take a different approach toward the economic revitalization of Ontario. Sixty-nine thousand students, parents and community members signed the petition in just over a month and a half because they're afraid that the short-sighted and short-term solutions will more deeply entrench some of the problems that have led to this economic crisis.

I was one of the 69,000 citizens who signed the petition, and I'm here to bring you a message on their behalf. In fact, I'm here also representing 300,000 college and university students in Ontario who are members of the Canadian Federation of Students. That includes over 10,000 students who joined rallies, marches and demonstrations on November 5 in 14 cities across Ontario to call on your government to reinvest in post-secondary education, roll back tuition fees and reduce student debt.

We believe that it is precisely because of the current economic challenges that Ontario must invest in affordable, high-quality post-secondary education. Investing in higher education is an investment in the economy. An educated workforce is critical in shifting Ontario's economy to a knowledge-based economy. It will improve research and development, it will attract industry, and it will create equality of opportunity. Investing in education is an investment in our society, our economy and our future.

As the manufacturing sector struggles with dramatic job losses, in the neighbourhood of 42,000 jobs just in the month of November, we must rethink our economy, with an eye to the future.

There is a parallel that can be drawn between our current plight and the situation faced by Ireland in the 1990s. Like Ontario, Ireland was a manufacturing economy that faced a deep economic stagnation. Their manufacturing industry was bottoming out, they were hemorrhaging jobs, and they needed to restructure their economy. In 1995, the Irish government, which was a fiscally conservative government, unveiled a strategy for economic revitalization called the Celtic tiger. Amongst their new measures, this strategy sought to turn the Irish economy into a knowledge-based economy and make it attractive to research industries and the high-tech sector. A major plank of that strategy was a heavy investment in post-secondary education—an investment that bolstered research funding, hired more faculty and abolished tuition fees. Guess what? It worked. Enrolment doubled during the 1990s and increased a further 30% in the four years up to 2001 as the full effect of the tuition fee elimination was implemented. Following the introduction of free tuition, participation among the lowest socio-economic groups rose by 47%. The Irish economic miracle led to the Irish economy becoming one of the strongest of the EU's countries for five years in a row.

The federation also supports bringing college and university funding above the national average. Despite investments implemented in 2005, higher-education funding has not kept pace with enrolment demands, as a growing population of young people realize that a college diploma or a university undergraduate degree is an economic necessity. Today, Ontario's per-student funding for post-secondary education continues to shamefully lag behind as the second-lowest in all of Canada. In the university sector, Ontario's funding is 22% below the Canadian average and 26% below the American funding standards. Bringing Ontario's per-student funding investment above the national average is crucial to recognizing that we cannot spend our way out of a crisis in the manufacturing industry, but that we must educate ourselves out of it.

The federation also supports rolling back increases and reducing tuition fees. Today, it is estimated that 70% of all new jobs require some form of post-secondary education. In past generations, higher education might have delivered higher income earnings, but today it is merely a path to an average income. That means that in the labour market, a university undergraduate degree or college diploma has the same value as a high school diploma had 50 years ago. The argument that post-secondary education is solely a private benefit is outdated thinking that fails to recognize the necessity of higher education and significantly overestimates the earning potential that is accrued. According to the most recent Statistics Canada census data, the average annual income for a Canadian worker is $36,300, while it is estimated that the median income for a college graduate is $31,200, and for a university graduate, it's $39,000.

In spite of this reality, Ontario is out of step with other provinces and has headed in the wrong direction. By cancelling the tuition fee freeze in 2006, the McGuinty government has taken Ontario's fees from the fourth-highest to the second-highest in Canada, and they continue to climb at two times the rate of inflation. Meanwhile, graduate and professional student tuition fees are far and away the highest in the country—now over $20,000 for a law degree at the University of Toronto.

Despite rhetoric to the contrary, during the periods of the sharpest tuition fee increases, between 1993-94 and 1998-99, university enrolment in Canada actually declined. The rate of increase in college enrolment has declined consistently almost every year since. Tuition fee increases undermine quality and they discriminate against those who are already economically disadvantaged.

The federation has determined that an investment of $326 million per year would allow colleges and universities to roll back tuition fees to 2004 levels and keep them frozen, with no reductions in institutional operating budgets. In the meantime, Ontario must work on a new framework for tuition fees that introduces affordability, opportunity and equity through the progressive reduction of tuition fees.

We also feel that the government needs to close the door on ancillary fees as hidden tuition fee increases. This fall, the Ministry of Training, Colleges and Universities released changes to the ancillary fee protocol for colleges that will take effect in 2009-10, in response to a class-action lawsuit that was done by two Ontario college students for charging prohibited ancillary fees. While students applaud the new rules that strengthen the role of campus unions and the process of approving new ancillary fees, we would like to see further changes to strengthen prohibition against additional fees that contribute to the operating costs of our colleges and universities. Ancillary fees are intended to cover supplemental or auxiliary services that may enhance the student experience. They are not duplicate tuition fees. Therefore, the Ontario government must act to prevent the use of ancillary fees as a way for colleges and universities to increase operating revenue and download costs onto students. Such abuse directly undermines the government's tuition fee regulation and makes post-secondary education less accessible.

1550

We also believe that an important plank is investing in reducing student debt, especially in the context of uncertain economic times. Ontario can't afford to indebt a generation of students. Such a strategy attempts to avoid public debt by forcing individual graduates to shoulder the debt burden themselves. By downloading the economic crisis to individuals, we will scare many low- and middle-income students away from the opportunities that an education can afford and we'll reward the courageous with a private burden.

Over the last 15 years, the average student debt for a four-year degree student who takes on debt has leapt from $8,000 to over $25,000 and threatens to approach $28,000 in this province. A study of wealth and assets shows that student debt negatively impacts the ability of graduates to start families, buy homes and otherwise participate in the economy and society. Student loans constitute about 34% of the debt of those under the age of 35 who do not own their principal residence. Home ownership among this group was only 28%. Students are recommending that Ontario enhance student financial assistance by converting a portion of every student loan into an upfront grant.

The federation also supports enhancements for graduate students. For Ontario to chart a new course as a knowledge-based economy, it needs to invest in research and innovation. That requires new investment in graduate student support. In response to calls from the university sector and business leaders, the Ontario government has wisely invested in the creation of graduate student spaces but hasn't provided expansion for graduate student support. Graduate student funding through scholarships and teaching or research assistantships contributes to the professional development of graduate students and bolsters the teaching and research mission of our universities.

Lack of proper funding for graduate students has been a major cause for labour unrest at York University, as many of you know, and threatens to spread to campuses like the University of Toronto, where a strike mandate was just achieved this week.

The Chair (Mr. Pat Hoy): You have about a minute left.

Ms. Shelley Melanson: Okay. Sorry, sir. The growth in graduate student scholarships lags significantly behind enrolment expansion in Ontario, and with province-stated plans to create 14,000 more graduate-student spaces by 2009, this situation will only get worse. Graduate students are struggling with the accumulated debt of previous degrees, forgone earnings and full-time tuition fee payments, even in a semester when they are not taking classes.

Until the mid 1990s, graduate students actually were only charged full-time tuition fees during coursework or residency periods of their degree, which were generally two semesters for most master's programs and four semesters for most doctoral programs. The elimination of post-residency fees in Ontario universities has resulted in an increase in the overall cost of a degree by as much as 300%.

In closing: With the threat of a looming economic crisis, the provincial government has told Ontario universities and colleges to brace themselves for less funding. Students have made our voices very loud and clear this year and have received support from parents, the media and our communities. We believe that the cuts to education represent the kind of short-term thinking that has precipitated this economic crisis.

We're providing further details on our proposal with our written submission, but our message today is that now is the time for long-term planning for our economy and our society, a plan that includes investment in opportunity, investment in equality, investment in innovation and investment in affordable and high-quality post-secondary education.

Thank you for allowing us to present. I look forward to your questions.

The Chair (Mr. Pat Hoy): Thank you. This round of questioning goes to the government.

Mr. Wayne Arthurs: Thank you, Mr. Chairman. Shelley, thank you so much for your presentation this afternoon. My take was that you're making a pitch that post-secondary education should be the government priority in the budget. I would pose that it should continue to be a government priority within the budget. There's a bit of a distinction there.

We certainly have made a commitment to post-secondary education, initially through the Reaching Higher plan, a $6.2-billion commitment over five years. We've flowed something like $3 billion since 2003 in additional money into the post-secondary education system.

I'm not aware of cuts. I think the Premier in his comments has certainly spoken to the potential to reduce the growth in funding in some areas, or to have to extend the commitments to fulfill the full obligations over a longer period of time. But I'm not aware that we've been speaking to cuts in funding in either post-secondary education or other areas.

We've had a number of experts in from a variety of fields, including economic experts, who have spoken for the need to invest in infrastructure in part if it's a deficit funding situation because it creates immediate return. They've also spoken to the need to ensure that we're ready for a new economy through investing in career development, in students, whether they be students coming through the system now or those who find themselves back in the system because of a change in structures.

My first comment was that I think your position is that this should be the priority, and I think it should be a priority. Do you want to comment on that? Do you want to comment as well on the choices between infrastructure spending for an immediate catalyst of sorts—relatively immediate—in combination with, or as opposed to, an investment that takes a longer time to churn out the outputs?

Ms. Shelley Melanson: Sure. First, I'd just like to address your comment about the $6.2 million invested through the Reaching Higher framework.

Mr. Wayne Arthurs: Billion.

Ms. Shelley Melanson: Absolutely, students applaud the new funding. The unfortunate problem is that the population—billion; pardon me—has rapidly increased over that period of time. Prior to this government taking office, there were significant cuts that happened throughout the 1990s, and so tuition fees actually outpaced inflation about four times over. So that funding has made a difference, but we're still lagging behind in terms of funding. If you actually compare the investment with the tuition fee increases that students have actually faced, for every dollar that this government has invested into the system, $1.30 has actually been clawed back through tuition fee increases, which is an individual burden that the students are now facing.

We recognize that when we're talking about investing in multiple sectors—we know that by investing in post-secondary education, we're also helping to strengthen health. We have a significant problem with a family doctor shortage in this province. We would argue that part of the problem comes from the fact that because our students take on significant debt in their undergraduate degrees and further debt when they become medical students, they're forced to stream into specialized medicine because they're going to be able to have higher income earnings, whereas if students were not forced to take on this kind of debt, they'd have the flexibility to make those choices to become family doctors.

We know that a more educated society obviously has higher income earnings and therefore has a larger contribution to the tax bracket as well, which means that we can have further investment in other social spending.

Did you want to comment?

Mr. James Beaton: I think that Shelley covered it quite well. The idea is that the cuts during the 1990s really decimated the system and that Reaching Higher was definitely a welcome investment. But with the increased demands on the system, even while the cuts were occurring during the 1990s and between 2000 and the introduction of Reaching Higher, there was a lot of catch-up that had to be made.

When you look at the actual funding per student now and the sort of deteriorating infrastructure and the catching up to all the problems that occurred throughout the 1990s, we see Reaching Higher as a first step towards fixing the system, and that it needs to go a lot further to create accessibility so that, for instance, students and graduate students aren't scrambling for funds and indebting themselves heavily just to get through the year.

Mr. Wayne Arthurs: Unfortunately, I've run out of time, but not out of questions.

The Chair (Mr. Pat Hoy): Thank you. I told him he was out of time.

Thank you for your presentation before the committee.

Ms. Shelley Melanson: Thank you very much.

CANADIAN BANKERS ASSOCIATION

The Chair (Mr. Pat Hoy): Now I call on the Canadian Bankers Association to come forward please. Good afternoon. You have 10 minutes for your presentation; there could be up to five minutes of questioning. I just ask you to identify yourselves for our recording Hansard. You can begin.

Ms. Nancy Hughes Anthony: Thank you very much. My name is Nancy Hughes Anthony and I'm the president and CEO of the Canadian Bankers Association. With me is my colleague Darren Hannah, who's the director of banking operations for the CBA. In the package that's been put before you, you'll see that there's a narrative submission that I ask you, perhaps, to keep for reading later. I'm going to speak to the presentation entitled Recommendations for the 2009 Ontario Budget, because, in the interest of your time, I'm going to try to touch the highlights of that.

You can see on slide number two, if you have it in front of you, that banks are obviously very big players in the Ontario economy. I don't think that'll come as a surprise to you. I think most people don't quite realize the size of the industry in Ontario. It's one of the biggest contributors to the Ontario economy, as you can see from that chart on page 2. As Minister Duncan said in his provincial budget, it's a growing part of Ontario's economy. A world leader, as you know, Toronto is the third-largest financial services centre in North America after New York and Chicago—we want to keep it that way and we'd even like to beat New York and Chicago; that would be great—and the home to a number of financial institutions.

1600

Looking at the chart on page 3, it's also a very fast-growing sector. In fact, the sector has consistently outpaced overall economic growth and has helped, I think in some ways, to offset some of the problems in other sectors that we've been facing for several years. That trend, I hope, may be flattening out, but it shows no sign of changing.

I've indicated on page 4—I want to just have a word about the current market turmoil which is affecting us all. We'd obviously like to say, as I've indicated here on page 4, that the World Economic Forum said that Canada's banks were the most sound in the world. Once again, we would like to keep it that way. Our banks, our banking system, are certainly performing better than those in other jurisdictions, but—and there's a big but here—there is a need to ensure that credit markets flow. That is the most important thing that banks do. They borrow money, not only from the Bank of Canada, but on international markets, which are exceedingly volatile, and they need that in order to provide that important credit to consumers and to businesses.

I just make note here that the federal government, which regulates the banks, has responded by putting in place two programs—I can certainly speak to you about that—one having to do with the Canadian Lenders Assurance Facility, which I can tell you no bank has taken up as yet that I know of, and, secondly, a mortgage insurance program, both of them on commercial terms where the federal government will be making a profit. I'd just like to highlight that.

These measures have been put in place in order to try to ensure that Canadian banks have that necessary liquidity and that they are not penalized with respect to the rest of the world, where, as you know, there have been massive types of assistance, particularly in the United States and obviously in Europe. So we are in a constant dialogue on that. There's a need to really check every day on what is happening in world markets. I just say that that is the current background for the banking industry.

On page 5—I won't reiterate it—the banks obviously have some tremendous statistics in terms of that contribution to the Ontario economy. Also, we looked very recently, as of the end of October, at what banks are doing with respect to lending. I know there's a huge concern, particularly because there are various entities that are now exiting the credit market, and I'm thinking particularly of Chrysler Credit and GMAC. These kinds of entities are no longer lending, particularly to small business. We do see a healthy year-over-year lending profile from our major banks, about 11% year over year, so there is more lending activity. But, obviously, it's something we want to stay very close on and something that we need to monitor in these times, because Canada's banks want to lend but they also want to preserve the kind of fiscal prudence that has made them, really, the envy of the world.

To turn to our recommended approaches, on page 6 I've given you a bit of a quote about productivity, and I know that you would know all about that. You have two challenges, and I don't envy you, in terms of this budget: the short-term recession difficulties and, in the longer term, the productivity challenge. Obviously, Ontario and Canada do have productivity challenges. It becomes even more acute, I think, at a time of economic distress. I know you will, by necessity, focus on those short-term challenges, but I guess we would urge you to try to also keep in mind the longer-term issue of productivity.

Moving on to page 7, I've given you some stats: We're not too good in the productivity department as a country. So the question is: What mechanisms, in terms of your menu of choices, will you choose to bring forward at this very critical time? I know infrastructure spending will be on your menu of options, and I think many of you will be receiving counsel about the wisdom of infrastructure spending. Certainly, there are some tremendous needs, and issues like the Windsor crossing, which have been with us for so long, are so pressing.

I'm sure I don't need to point this out to you, but it is that whole question of lead time: Can you get infrastructure projects that make sense in the long term, that have those productivity-enhancing impacts for the long term for Ontario, and get them up and get them going within the time frame that you need to see that sort of stimulus? So, infrastructure, very definitely, we would support, but in that kind of lens, I guess.

I note here on page 8 that the bankers association would always consider improved tax policy as a good route to improving productivity. There is a clear link, I think, between tax policy and productivity. We applaud the government for having made good progress in this area by phasing out the capital tax—very much appreciated. More work to do—and I have just put on page 9, in a slide there, "Ontario continues to have one of the highest corporate income tax rates in Canada," and therefore an extremely high marginal effective tax rate on capital.

We know that the federal government released in its tax reform plan in 2007 a kind of a national objective that talked about having a combined federal-provincial corporate income tax rate of 25% by 2012. It would certainly be something we would support, but we realize that the province would have to take the action of moving their CIT down to 10%. We understand fully that at this time you may have other priorities.

On page 10, as we have noted here, what we would suggest is: Is it possible in this budget to formulate that kind of long-term plan; we recognize—we haven't fixated on 2012 in any way—formulate and publish a plan that gets you to that 10% over time, and send out this very important signal that you recognize that tax competitiveness is important and that you have a plan?

I just can't leave this chair, Mr. Chair, without mentioning the common securities regulator. I'll just throw that in as a very important parting point. The Canadian Bankers Association has been a proponent of a common securities regulator for many years, and I know the province of Ontario has been a staunch supporter of that. My heavens, if we can't do this now, I don't know when we'll get this done. So our suggestion is that Ontario could use its position as a kind of provincial champion with its other colleagues in other provinces to get this single securities regulator finally achieved for the benefit of the country.

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

The Chair (Mr. Pat Hoy): Thank you for the presentation. This round of questioning—the official opposition, Mr. Arnott.

Mr. Ted Arnott: I'll just go quickly. Thank you very much for your presentation. I know my colleague Mr. Hudak has some questions too.

I just want to say, on behalf of the people of Wellington–Halton Hills, congratulations on the recognition that the banking industry received from the World Economic Forum. It was one of the few elements of good news, I think, that we have experienced in the last few months, and something to be proud of. Your membership has worked hard to achieve that—of course, working with the federal government. But, at the same time, I know that credit was tightened up throughout the world in recent months, and I'm just wondering if you can give us any indication as to what extent credit had to be tightened in Canada in the last few weeks and, in the new year, what are we expecting to see in that regard?

Ms. Nancy Hughes Anthony: Thank you for your question. I would, first of all, say that in terms of credit being tightened, everybody maybe has a different idea of what that means. I think that if you go to your bank today for credit, it will be a very different sort of pricing and arrangement, possibly, than you saw 12 months ago.

I think the factor that has most contributed to the disruption in the credit markets right now is the fact, as I mentioned, that some non-bank entities have just gone, they have just disappeared, from the credit market. If you take, for example, the SME credit market, Canada's banks offer, in normal times, about 50% of that credit, and there are other entities like, as I mentioned, the car dealerships or GE Capital or small credit entities, some of them largely from the United States—they're not in this space anymore.

1610

I have noted that the Canadian banks have definitely picked up a lot more lending, and I think in some cases it's people who may have had some kind of very, very favourable arrangement, let's say with GMAC or Chrysler Credit. It's not there, and they need to now go to their bank, and obviously they're going to face a different set of criteria.

But I do continue to say that Canada's banks are lending. You see it every time you open the darn paper or turn on the radio or the TV. Consumers and businesses should make sure that they talk to their bankers, because I do believe that the banks are trying to stick by their customers.

The Chair (Mr. Pat Hoy): Mr. Hudak.

Mr. Tim Hudak: Thank you both very much for the presentation. Page 8 of your slide show talks about Ontario having the highest marginal effective tax rate on capital investment in Canada. Certainly one of the first things the McGuinty government did was to eliminate the phase-out of the capital tax and the corporate tax reduction on the schedule that had been planned, and now we remain among the highest in North America. What particular tax rates make up that high rate and what would you prioritize for reductions?

Ms. Nancy Hughes Anthony: I put the chart there; I think it's on page 9. I think one of the main reasons is the high corporate income tax rate. If you look at Ontario's rate at 14%, you're only beaten, if you can use that word, by Nova Scotia and PEI; they're up at 16%. Obviously our good friends out in Alberta at 10% are setting the bar, but many jurisdictions—including recently BC, I think, Darren?—have moved to either quickly lower their CIT rates or at least put in place a plan for getting down to lower levels, because it is one of the biggest disincentives to investors, both Canadian and international, when they see CIT rates like that.

Mr. Tim Hudak: You asked for support of a common securities regulator. No doubt the Ontario PC caucus supports that. It would make our investment climate in Canada, particularly in Ontario, much healthier. Many will argue that there's a premium, in fact, for those who invest in Canada internationally—and you see it on the returns—because of our myriad of regulators. Do you subscribe to that theory?

Ms. Nancy Hughes Anthony: I do, and we actually did a piece of work—which we'd be very happy to provide to the clerk, Mr. Chair—on particularly the impact on small and medium-sized businesses. It's a cost factor and definitely it's a complication factor. I sympathize with the investor who may come in from Singapore or somewhere and say, "I have to do what? I have to go to 13 jurisdictions to do what?" It also means that sometimes, therefore, investors will only go to a big jurisdiction, which may be okay for Ontario, say, but it means the smaller investors sometimes get overlooked in smaller provinces. Enforcement, I think, is another issue that could be enhanced by having this common securities regulator.

Those are a number of reasons why we think this is the way to go. For example, we feel that there's a time for us to be coordinating securities actions and enforcement actions with the United States. Well, what do we do? Do we pull out 13 chairs? It's very, very difficult to deal with our system.

The Chair (Mr. Pat Hoy): Thank you.

Mr. Tim Hudak: Chair, if I could, it was very kind of the Bankers Association to offer that study on the common securities regulator. If they did share it with the clerk—

Ms. Nancy Hughes Anthony: Sure. It's particularly in relation to small business, and I think you might find it interesting. We'll send that in.

The Chair (Mr. Pat Hoy): If you give it to the clerk, he'll ensure everyone gets a copy.

Ms. Nancy Hughes Anthony: Okay. I'm happy to.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

Ms. Nancy Hughes Anthony: Thank you very much.

INSURANCE BROKERS ASSOCIATION OF ONTARIO

The Chair (Mr. Pat Hoy): If the Insurance Brokers Association of Ontario would come forward, please.

Good afternoon. You have up to 10 minutes for your presentation. There could be five minutes of questioning after that. Please identify yourself for the purposes of our recording Hansard.

Mr. Bryan Yetman: I hope I won't take anywhere near that amount of time. They're saying you're on day 3 of these, so I'll respect the committee's time. Hopefully my comments are brief, quick and to the point.

My name is Bryan Yetman, and I'm the vice-president of the Insurance Brokers Association of Ontario, but I'm also proud to call myself an insurance broker. I work at a local insurance brokerage in Pickering, Ontario. That business has been in my family now for a couple of generations and has served the community of Durham region and the surrounding area for some 60 years.

Just for the point of our discussions today, I should share a little about who the IBAO is. The Insurance Brokers Association of Ontario is an association that represents 10,000 insurance brokers across the province of Ontario. Within these brokerage firms, these small businesses actually employ over 20,000 Ontarians. Of course, we believe that with that kind of support, we play a vital role in this province's economy.

In addition to serving an estimated 8.3 million policyholders in the province, the average insurance brokerage firm actually makes 85% of its purchases of goods and services locally. Brokers are obviously committed to their communities, not only by the economic impact they have directly, but also by their key contributions to local charities and various non-profit organizations.

Brokerages are, of course, small businesses, often owned and operated within the family and passed from generation to generation, as is the case with the brokerage where I work. We offer continuity of service to people within our own communities. In fact, if I'm not mistaken, nearly 50% of the insurance brokerages in Ontario go back at least two generations.

As I'm sure has been a common theme amongst other people who have sat here in the past couple of days, we obviously applaud the government for taking the measures to increase the small business tax deductions and exemptions over the past few years and are very happy that they've looked at eliminating the capital tax by the year 2010. Some of the points that I want to talk about today are suggestions of some more things that could be done to support families looking to, most specifically, make legitimate business transfers between generations.

In many cases, brokers are often forced to pay capital gains tax on such transfers, which really can severely compromise their business financial situation. We propose that the government consider making it easier for younger generations to invest in their local communities by perhaps deferring capital gains taxes, should a legitimate small business transfer occur between a parent and an adult child.

As we enter into this period of economic uncertainty, insurance brokers believe it's important that the government of Ontario act prudently and aim to implement measures that will create an environment conducive to small business growth and sustainability.

Most importantly, insurance brokers urge the Ontario government to support a tax deferral strategy that will allow for the sustainability of small businesses, that will increase their growth, and, in turn, create jobs for Ontarians in this period of economic uncertainty.

That sums up everything that we're here to discuss today. Hopefully, it was brief and to the point.

I thank you very much for the opportunity to make a presentation.

The Chair (Mr. Pat Hoy): Thank you. Mr. Prue of the NDP will have the questioning.

Mr. Michael Prue: Let me preface the question by thanking you again for your hospitality in inviting me to the ball. It was an interesting night talking to insurance brokers.

Mr. Bryan Yetman: It was our pleasure to have you.

Mr. Michael Prue: All right.

What is the average cost of the transfer of privately held businesses between parents and their adult children? How much are we talking about here?

Mr. Bryan Yetman: That is a difficult question to answer. Taxes and expenses that are paid are based on the valuations of a given firm. You could see firms that range from two employees up to 200 and 300, so the value would be all over the map. I'm not so sure that I could have any succinct numbers to provide, at least to this committee today, that would suggest that this would result in X millions of dollars in tax deferrals. Again, I think those numbers would be fairly difficult to try to come up with, but it's something I'd be happy to take back to some of our research people, to see if in fact there's anything we may be able to present that would be of value to this committee or any individuals here today.

Mr. Michael Prue: Just anecdotally, so I can get my head around it, do you have any sort of idea what, say, a brokerage firm with 10 people working in it—are we looking at $100,000 for that, or more? I'm just trying to figure: If you're asking for a tax relief, I'm trying to see how much that involves and whether or not in fact that will mean a great loss of business where it can't be accomplished or whether people just swallow it.

1620

Mr. Bryan Yetman: Again, I just want to be very clear that the ask isn't necessarily tax relief or removal of such tax. It's deferral of tax for a future date until a family business is sold outside of the family operation. Again, I'll cautiously perhaps use my own example—

Mr. Michael Prue: Okay. Make it good.

Mr. Bryan Yetman: —in the transfer that I'm currently involved in. But again I would preface that remark by saying that this is not necessarily a fair representation of the actual industry as a whole. So, again, I make these comments to satisfy the question.

If we take a look at, in our situation, where we're currently beginning the process of succeeding our brokerage, we're facing some fairly complicated tax strategies that we have to employ, and the net result will likely be, at least in our case, a half-million dollars in taxes being paid—at least. That's after you consider any existing capital gains exemption that might exist on the federal level. Where I see the benefit goes back to me being—the person who's involved in purchasing that business obviously would receive, or the idea is that we receive, some reduced cost in purchasing the brokerage. So that income, that tax difference, wouldn't be pocketed by the person who's selling the business, but the idea is that it reduces the burden for the person purchasing the business going forward and allows them to invest that dollar through the reduction of their financial obligations by continuing to employ and grow the business versus focusing on paying off significant amounts of debt.

In addition to that, when you take a look at family business transfers, one of the biggest challenges that younger people face in trying to succeed a business of their parents is that it becomes quite difficult, especially if you have firms that are valued in the millions of dollars, for someone in their mid-thirties to find the capital to go in and actually make a purchase. So if there are some tax deferral strategies—and again I think I stressed that it's not necessarily a tax exemption, it's a deferral until of course a business is actually succeeded to someone else other than a non-family member.

Mr. Michael Prue: Now, you would employ the same strategy if, say, someone handed down a corner store to their son—this is what I'm trying to understand—or is this unique to your industry?

Mr. Bryan Yetman: No. As a matter of fact, in my comments—I'll preface this by saying that my comments are specific to the belief of the Insurance Brokers Association of Ontario, because that's the mandate and the membership that we serve. Again, to be honest, if you take a look at the number of small businesses that exist in Ontario, I know when I'm personally involved in speaking with many interest groups representing many different factions of small business, succession within the family is a key issue. So this absolutely could have benefits outside of the insurance broker channel. Just depending on the business, it may be difficult to sort of determine what is a fair tax, how you value the business and those kinds of things. But again, those are things I'm not qualified at this point in time to talk about, let alone for my own case, for convenience stores etc. But there could be implications outside of the insurance broker community, and we wouldn't object to expanding this ask beyond that by any stretch of the imagination.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

Mr. Bryan Yetman: Thank you.

CANADIAN TAXPAYERS FEDERATION

The Chair (Mr. Pat Hoy): Now I call on the Canadian Taxpayers Federation to come forward, please.

Mr. Kevin Gaudet: We have a PowerPoint presentation. Is that possible?

Mr. Tim Hudak: Does Mr. Gaudet get bonus points for getting here two hours early, Chair—an extra five minutes? He's a good student.

Mr. Kevin Gaudet: I always try to be early in case you run out of other presenters and you need me to fill the spot.

Mr. Tim Hudak: It came in handy a while ago.

The Chair (Mr. Pat Hoy): I'm sure you know how this goes here, but you have 10 minutes for the presentation. There could be five minutes of questioning. If you would just state your name for Hansard, you can begin.

Mr. Kevin Gaudet: Thank you, Mr. Chairman. Ladies and gentlemen of the committee, my name is Kevin Gaudet. I'm the federal spokesperson for the Canadian Taxpayers Federation. I'm also lucky enough to be responsible for areas of Ontario spending. I had a presentation, which I had hoped to present, so I may occasionally try to point you to a page or a graph in the handout that I provided. I apologize if this is a little less slick than I would have liked it to be otherwise.

It is easy for government to make budgetary and policy decisions when they're blessed with substantial revenues. The great challenge, however, lies in establishing priorities during difficult economic times when government revenues are no longer growing at large rates, as has been the case during the tenure of this government. These priorities must put at the top of the list tax-weary Ontarians who deserve fairness in the current budget process. Fairness would come in the form of tax reform and tax relief driven by restraint in government spending. We recommend a two-year freeze at current levels, followed by a cap on spending, limiting growth in spending to the combined rate of population and inflation.

Mr. McGuinty and the finance minister recently issued Ontario's fall economic statement, announcing that despite being one of the last to balance the books, Ontario will be one of the first provinces rushing back to deficit, mainly due to government overspending, not due to precipitous revenue decline. Government program spending now stands at $23 billion a year more than when this government took office a short five years ago. I believe that's evidenced in the graph on page 8, which demonstrates what I would argue is a mountain of government spending.

The graph on page 7 demonstrates the growth of spending during the tenure of this government. We've seen spending climb, importantly, well beyond the combined rates of the CPI and the population. It hasn't been sustainable, it isn't sustainable, and the reason that you see the graph tail at the bottom is because of the last economic outlook, which suggests that government spending will in fact return to earlier levels. Given this government's history, with all due respect, and its ability to meet its budget targets, which we will speak about shortly, I'm not optimistic that this will become fact. This is a projection, not actual spending historically. You will notice in the graph that in the last year, there was more than a 10% increase year over year in spending, which included 6.8% beyond what was budgeted for the year.

As we enter difficult economic times, Ontarians are, importantly, in favour of a restraint in spending. A national Ipsos Reid survey that was commissioned in October 2008, after the announcement of a return to deficit financing in Ontario, indicated that 72% of Ontarians support cuts to government spending; only 43% support deficit financing, while only 18% supported higher taxes. I would suggest that's a strong indication of the disposition of the electorate in Ontario and taxpayers in favour of government restraining its spending.

With respect to a graph on page 10, one of the challenges that has pushed this government into deficit is the fact that it's spent over budget. If the government had created a law or followed a practice to avoid unbridled growth, and ended spending over what was budgeted, even if revenues surpassed expectations, with such a law requiring governments not to spend over their budgeted amounts, Ontarians would not be facing a deficit at all. The March 2008 budget document shows planned program spending at $86.2 billion, yet the economic outlook reveals spending will grow to $86.9 billion, assuming it comes in even at that. That would be $700 million over budget. It's this failure to meet budget targets that's causing the deficit, not precipitous decline in revenue.

Page 13 of the document has a graph referring to debt. The debt was projected to be $162 billion. The outlook suggested in September that it was up to $172.3 billion. We pay $8.9 billion a year in interest to service that debt. Over 10% of every tax dollar that comes into the province gets allocated to debt interest. That's over $1 million per hour, and the debt stands at $13,461 for every man, woman and child in the province. Not surprisingly, this importantly deprives the province of the ability to either program-spend or provide tax relief. We would argue that a mandatory debt-reduction program be put in place with 1% of revenue on an annual basis, in an effort to start paying down this mortgage.

1630

There's a lot of talk about economic stimulus packages these days, and we would argue that that stimulus conversation has been lacking with respect to the tax reform and tax relief side. Ontario families with two or more people pay 43.5% of their income in taxes, according to the Fraser Institute. This puts Ontario the third-highest in Canada, a marginal 0.1% below Saskatchewan, which, due to its reforms, will actually put Saskatchewan ahead of Ontario, pushing Ontario into second place next year as the second-highest personally taxed jurisdiction in the country.

You've heard other organizations ahead of me already comment on Ontario having the highest marginal effective tax rate for investment in Canada at 34.8%. That's the highest. It's 5.7% above the national average. These types of tax regimes don't provide for competitiveness or fairness for individuals, families or businesses. We would argue that it's an importantly necessary time to provide tax reform and tax relief. Ontario is increasingly being surrounded by jurisdictions that have lower and more effective tax rates and tax regimes, which puts Ontario and its businesses at a competitive disadvantage. We see New Brunswick having announced a substantial tax reform package. It's not clear if they're going to execute it immediately. They may be backing off their timelines, to be fair. But they've instituted a program and plan for substantial tax relief which would in fact drive their business tax rate below even that of Alberta.

Ohio is going through substantial tax reform and tax relief which will eliminate, substantially, personal and business taxes. Saskatchewan is going through tax reform and Alberta is already there. This puts, as I said, Ontario at an importantly competitive disadvantage. So instead of talking solely about a stimulus that provides spending, a stimulus could also provide tax relief and tax reform.

With respect to tax reform, property taxpayers are beleaguered. They've already been hit in Toronto, for example, with new garbage taxes, new land transfer taxes and plastic bag taxes. Across the province, we've seen new hazardous waste taxes—or paint taxes, as I call them. There have been new electronics taxes, which will take effect next spring and every year afterwards. Ratepayers could benefit from seeing some relief in their property taxes. The province could implement a law that limits the growth rate of municipal property taxes at no more than the rate of inflation. That would be a law that the Canadian Taxpayers Federation's supporters have been strongly advocating.

Related to the stimulus side, in an annual survey last year, 89% of the Canadian Taxpayers Federation's supporters indicated that they importantly oppose bailouts and corporate welfare, and 53% supported replacing corporate welfare programs with tax relief. We would argue that the $900 million that go into programs like the venture capital fund, Next Generation of Jobs Fund, advanced automotive investment strategy, advanced manufacturing investment strategy and forest products sector support, just to name five of the corporate welfare programs, ought to be eliminated. The Fraser Institute had a report out yesterday that suggests the province spends roughly $2.4 billion a year on corporate welfare. I can't speak to how they got to that number. I know my number isn't complete, but it's somewhere between $900 million and $2.4 billion a year, so it's in that context. When you have automotive companies, three of them, asking for some $6.8 billion between the federal and provincial treasuries, we'd importantly argue—and our supporters advocate strongly—that this government not knuckle under to the idea and concept of throwing good money after bad.

Two minutes, Mr. Chairman?

The Chair (Mr. Pat Hoy): Yes, about that.

Mr. Kevin Gaudet: I was speaking a moment ago about the idea of freezing and limiting property tax rate growth. Of course, you will see in response to that, you wouldn't be surprised, mayors clamouring for more cash from the province, not that that would be an uncommon situation for you people to deal with. One principled way that the province could respond to such requests would be the imposition of a new gas tax accountability act, looking to the models of Manitoba and Saskatchewan, where 100% of gas tax revenues and licensing fees are allocated to the construction of roads, bridges and highways—what we call transport capital. That would be a way for the province to provide stable long-term, predictable, principled funding to municipalities; hopefully, at a time afterwards you've already frozen their ability to increase property taxes at arguably usurious rates.

The report contains a myriad of accountability and transparency measures. I'd like to just comment on one quickly, if I may, Mr. Chairman, with my last minute. It relates to something you've heard me talk about before: the accountability of crown corporations and the disclosure of annual reports. While I'm pleased that Ontario Northlands has finally issued its five overdue annual reports—to call them annual reports actually does an injustice to the definition of an annual report. It doesn't include management discussion and analysis and it doesn't include forward-looking statements. In the private sector, it would be laughed at as an annual report. It doesn't qualify.

Importantly, the Ontario Lottery and Gaming Corp., or OLG, is two annual reports behind. I was here a year ago suggesting that the OLG was late and it still hasn't issued that report. Its most recent report is 2005-06. It strikes me as peculiar that as a taxpayer I have no access to any financial information other than through the public accounts; no management discussion or analysis from a crown corporation that has been singled out repeatedly through studies and reports commissioned by the government criticizing it for a variety of problems. It can't seem to disclose in any timely fashion an annual report, so I would argue that it would be nice to see the government, as I close, follow up on its own laws. The definition of an annual report is that it be issued annually, funnily enough. So we'd like to see greater transparency and accountability in the crown corporations.

I apologize for going over, Mr. Chairman. Thank you for your time.

The Chair (Mr. Pat Hoy): No, you did fine. We go to the government.

Mr. Wayne Arthurs: Thank you, Mr. Chairman. Just a comment and a question; then I think Mr. Sousa also will take a couple of minutes of questions.

Kevin, welcome back.

Mr. Kevin Gaudet: Thank you.

Mr. Wayne Arthurs: It's frequently that I think we're seeing you.

Mr. Kevin Gaudet: But I'm not lecturing you today.

Mr. Wayne Arthurs: The rotation depends on which way the questions lie, which kind of works for us for the most part.

My comment, then the question. First, the rush into deficit situation; the Premier was first to rush into deficit. I happened to be with him when he said to the press that our fall economic statement would show that we are heading to deficit, and there were some folks at that time immediately saying, "How do you think your public is going to respond?" The Premier's comments were, "I think they're way ahead of us on this one." I think the public understands much better than government did at that point, and I would suggest it's not so much the Premier rushing to deficit, but it just took some other folks around us, in this country and elsewhere, to figure out that that's where more than just the province of Ontario is going to find itself.

We've had a number of presentations, including the banking community, experts and—well, all experts, some invited by us and others who have made submissions. I think almost to a person, they've acknowledged that deficits, if required—not the most desirable thing, but if required—should ideally not be structural deficits but ones with a plan to come out of those, and that in doing that, we should be concentrating our investment strategies on infrastructure—camera-ready types of expenditures that don't get embedded in the system.

From the Canadian Taxpayers Federation's outcomes—I wouldn't expect that you would agree with those kinds of positions. If you were to acknowledge, though, from the banking community that if we have to go there, those are the right things to do—or would you say no, we shouldn't go there, period, full stop?

Mr. Kevin Gaudet: Thank you for your question, Mr. Arthurs. I disagree with the Premier's characterization, not surprisingly, as to who is ahead of whom with respect to deficit financing. The Ipsos Reid poll to which I referred indicates that only 43% of Ontarians favour deficit financing and 72% support spending cuts.

With respect to economists and other deputants—I wouldn't presume to speak for any of them and I didn't hear all of them; very few of them, in fact—I've heard two different types of arguments they made. One has been along the lines of, "We can accept deficit financing and the public treasury is able to support it." Dale Orr from Global Insight, for example, argues that it is possible for the public treasury to survive deficit financing. He doesn't argue, in his case, that we ought to deficit-finance; we could survive it if we have structured measures to get out of it. My organization, importantly, and our supporters argue that there is not a structural need today for deficit financing, that if the government followed some simple measures outlined in my report, keeping spending to no more than the rate of inflation and population combined, we wouldn't be entering a deficit this year.

1640

I wouldn't argue against deficits inherently. There are two times, I believe, when deficits ought to be run—"ought" is maybe the wrong term—or are acceptable, and that's during times of natural disaster or war, and we're in neither of those. We would argue, pending further information, that would suggest there is a precipitous revenue decline and there's no indication yet. The economic outlook didn't indicate a precipitous decline; it indicated a very marginal decline, in fact. The only reason, I would argue, that this government is going into deficit this year is because it failed to meet the budget target that it set last March. If it just spent the amount that it said it was going to spend last March, you wouldn't have a deficit at all; you would actually have a $200-million surplus.

The Chair (Mr. Pat Hoy): Mr. Sousa, you have about a minute and a half.

Mr. Charles Sousa: Thank you, Mr. Gaudet; I appreciate your presentation. We've had some expert witnesses today talking about the pending deficit that's likely to occur as a stimulus to go forward, not just provincially, but right across Canada and certainly the federal government. You talked about some of the municipal issues and some of the stresses there. Of course, we've uploaded a lot of those services, so we're going to assume some more of those costs.

It's a fine balance. We hear a lot about the tax-and-spend policies that are put out there and we hear a lot about the slash-and-burn policies that are brought forward, so we're trying to take a balanced approach to ensure that we meet the needs while at the same time covering our fiscal concerns.

You talked about selling crown assets. Do you believe, or is it in your opinion, that the government of the day did the right thing by selling Highway 407?

Mr. Kevin Gaudet: The short answer is I don't know. I wasn't in this role at the time and I haven't done an analysis of it. My understanding is that, in principle, the sale of the asset was—

Mr. Tim Hudak: Not too relevant for the 2009 budget.

Mr. Charles Sousa: No, but it's a policy of selling crown assets.

Mr. Kevin Gaudet: I have no problem with the government selling crown assets, and from what I know of the sale of the 407, notwithstanding any sale or any complicated purchase that may have hit some rough patches, for example, I'm not aware of any inherent problems with having sold that asset.

Having said that, I would also like to see the government sell the Liquor Control Board of Ontario and privatize that and look at a number of assets that it owns, any number of which would not be sold into a depressed market. Real estate may be exempt from that because the real estate market is depressed, but there's nothing to indicate that privatization of the LCBO, for example, would be a sale into a depressed market.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

ONTARIO COALITION FOR BETTER CHILD CARE

The Chair (Mr. Pat Hoy): Now I call on the Ontario Coalition for Better Child Care, if they would come forward, please.

Good afternoon. You have 10 minutes for your presentation. There could be up to five minutes of questioning following that. I would just ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Jenny Robinson: I'm Jenny Robinson. I'm the executive director of the Ontario Coalition for Better Child Care. Thank you very much for having us today. This is Victoria Goring and her four-and-a-half-year-old daughter, Carson.

The Ontario Coalition for Better Child Care was formed in 1981 as an advocacy body. We're a non-partisan group and we advocate for a system of universal, quality, affordable child care for all the families in Ontario. We represent over 500 members. We have organizations and individuals in our organization.

Tens of thousands of parents struggle every day in Ontario to secure affordable, quality child care, and Victoria is here today to share her story briefly with us and the role that child care plays in her day-to-day life.

Ms. Victoria Goring: Hi. To be quick, I'm a single mom. I'm supposed to receive child support, but I don't, so any moment that I'm away from my child, I have to pay somebody. That's anything—dentist, anything. Obviously, it adds up very, very quickly.

I went back to school in September and it was really, really hard to find child care. I had been on the subsidy list for seven months. They said I was nowhere near the top. I had to go out and find a spot, which I did, but all this took months and months of my time pounding the pavement, trying to find a child care spot, never mind a spot that I actually liked. I did find some child care places that I did not feel safe leaving her in. I finally did find a spot, but of course, it's nowhere near her school, so either she can't go to school or I have to hire someone to transfer her from school to daycare, which is a job that nobody wants.

I did manage to arrange all this and then the subsidy—it's very, very bureaucratic. When I was in the subsidy office, about every second person seemed to be turned away because they didn't have the proper things. For me, they didn't like my ID. There were things I didn't have. They wanted a phone bill. Well, I don't have a phone at home. All I have is a cellphone, because I'm a single mom. They wanted a driver's licence. I don't have a driver's licence; I ride a bike.

I finally did get it—but then I have classes at night. The subsidies are only set up for 9 to 5, so if you have a 9-to-5, full-paying job or 9-to-5 school, then you can take advantage of that. But because I have evening classes and my work is weekends and evenings, too, I'm completely out of luck. So I'm back to $12 or $15 an hour for a babysitter, and you have to make at least twice that much to both pay for the babysitter—and then you have to have the money up front to pay them.

It has been really, really hard, and the only reason I even got it was because they kept saying no to me, and I went out and found a spot. I think anybody who had a language difficulty or took no for an answer would have been completely out of luck, and they would have had to wait a whole other year to reapply and maybe not even be accepted for school next year.

I'm trying to improve my life; I'm trying to improve my daughter's life. I just don't understand why child care isn't—it should just be free. It's only set up for 9-to-5 lives. Even part-time stuff—like before, when she was a baby, I just needed a couple of hours off to go to the dentist, but I couldn't. I really tried a lot of initiatives myself, and nobody is willing to help out a mother.

That's my story. So please, if it could even just be free, and if you could get rid of the bureaucracy and help out children, I really think it would be an excellent investment in the future.

Ms. Jenny Robinson: Thanks, Victoria.

Your committee has the task of putting together a provincial budget which will lead this province through some pretty difficult economic times ahead. The actions taken in this budget could mean the difference between a shallow recession or a serious, long-term economic crisis.

It's also an opportunity, we think, to build permanent investments in policies and programs that will contribute to a strong and vibrant modern economy, and we know, from our perspective, that really means child care and early learning and a full system in Ontario.

Many of you might have seen the front page of the Toronto Star today, which talks about a UNICEF report that was released and a report card that was released today comparing Canada to 24 other wealthy countries. The report card provides a set of 10 evidence-based benchmarks that compare and evaluate early childhood learning and care services in 25 wealthy countries. As we know, overall, Sweden ranked number one, and Canada, sadly, is last, tied with Ireland. We just scored one benchmark out of the 10. Again, it's no surprise to us in the child care field that this happens, because we don't have a system of child care; we don't have a way to properly invest in child care in this country. So it's not a surprise to us, but it is a surprise to families when they go out to look for child care and they can't find it.

They also call on all countries to have appropriate measures in place by July 2009.

The report clearly states that our failure to provide services represents a lost economic opportunity for Canada—and we would add Ontario to that list, as well, at this time.

The creation of the report was really a response to the scientific understanding that the majority of children under 6 in wealthy countries around the world spend the early years of their lives in child care. Modern families in Canada use child care every day. Seventy per cent of mothers with children under 6, like Victoria, are in the workforce or in school—and the proportion is even higher for fathers—yet less than 12% of families in Ontario have access to regulated child care. It's very poor. The UNICEF report states today that, nationally, about 24% of families have access to regulated care. This means that the majority of families in the workforce are going to unlicensed, unregulated care for their children, when we know that the early years are the most important brain development years for children. They're the most important years that will determine their health outcomes later in life. So it begs the question: Why are we not willing to invest in child care in Canada and in Ontario? And why are we willing to leave our children in haphazard child care settings that are unregulated and unlicensed, across the province? It just doesn't make social sense and it certainly doesn't make economic sense.

1650

To quote the UNICEF study today, "Investing in early" childhood learning "and education is a key strategy to respond to current economic challenges, and" will "promote economic stimulus and recovery."

UNICEF is not alone in this thought. Many economists around the world, many researchers, tell us the same thing. There's an economist by the name of James Heckman who states that child care investments yield greater returns than any other investment in education. So there's a lot of evidence out there that tells us that.

As this government faces the prospect of a recession, a significant investment in child care will yield immediate economic results and long-term dividends. Child care, like no other public investment, is critical in times of serious economic uncertainty. Early childhood education and care generates ongoing economic activity and stimulus in the community. It ensures that people are in the workforce. It allows people to get into the workforce and stay there for a long time. It stimulates local economies because there are a lot of people who work in the child care sector as well. If the cost of child care is lowered for parents, it frees up dollars for parents who currently have to pay for it. It makes us economically competitive through an improved long-term strategy around the workforce, because we know that early learning creates lifelong learners and people who are ready for school and also ready for the workforce later in life. It reduces social and health costs later in life, therefore reducing our social costs through public investment.

It also, most significantly, reduces child poverty, and we've seen that result happen significantly in Quebec, with a 50% drop in child poverty rates over the last 10 years because of their significant investments in child care.

The Acting Chair (Mrs. Linda Jeffrey): Can I just tell you, you have a minute left.

Ms. Jenny Robinson: Thank you. We applaud the government for the "25 in 5" strategy, but we really think that child care needs to be part of that investment in a very significant way.

We understand that the government has said that full-day learning is part of the poverty reduction strategy, when in fact it needs to be broader. Services for fours and fives is a fantastic investment and could be a system builder. but what we need is a system; we need a full-capacity system for all children from zero to 12. If the full-day learning for fours and fives is not done properly, it will destabilize an already pretty fragmented system.

There is also the risk of Best Start spaces. The government invested quite a bit of federal funding in 20,000 new spaces under Best Start. These dollars are coming to an end.

The Acting Chair (Mrs. Linda Jeffrey): I'm sorry. Excuse me. I'm sorry, you've exhausted your time. Do you want to just wrap it up?

Ms. Jenny Robinson: Sure. Thank you. Child care is a very important investment, and we would like to see a significant amount of investment in it in the next provincial budget because it has an important economic impact with child care.

The Acting Chair (Mrs. Linda Jeffrey): Our round of questioning this time goes to Mr. Hudak.

Mr. Tim Hudak: Ms. Robinson, thank you very much.

Ms. Jenny Robinson: You're welcome.

Mr. Tim Hudak: I just caught Victoria's first name, so Victoria—

Ms. Victoria Goring: Goring.

Mr. Tim Hudak: Oh, then I misheard. And your daughter's name is—

Ms. Victoria Goring: Carson.

Mr. Tim Hudak: Carson. That's a great name.

Ms. Victoria Goring: Thanks.

Mr. Tim Hudak: She's a sweetheart, and lots of energy.

Ms. Victoria Goring: Yes.

Mr. Tim Hudak: I have a question I had for you. My colleague Julia Munro, as you know, is the critic for Children and Youth Services. I think you were getting on to the topic that she wanted me to ask about, the full-day learning. You said you were concerned it would destabilize the existing system. Did you want to extrapolate on that argument a little bit?

Ms. Jenny Robinson: I wouldn't call what we have a system. I would call it a network of service.

The full-day learning for fours and fives is an important part of a system builder, and we completely encourage the government to go forward with that piece, but it needs to be implemented properly. It needs to be implemented in the framework of a system and not just for fours and fives.

You have to understand that we have to build a system for infants to children under the age of 13. It can't just be for four- and five-year-olds. It's part of a whole system. It needs to be done in the complement of a full system.

Mr. Tim Hudak: There's a major difference between the way a child is treated, if I understand it correctly, if she is in a daycare as opposed to moving into full-day kindergarten, for example, in terms of teachers versus daycare workers; the class sizes are different; the ratio of staff to students.

Ms. Jenny Robinson: My understanding is that the commitment from the McGuinty government is for full-day learning for four- and five-year-olds. We don't use the word "kindergarten" because that's not where it's being led. But the existing JK/SK programs, certainly, are under the proviso of the Education Act, and the Day Nurseries Act is a different piece of legislation with different ratios and different care needs. Wherever full-day learning for fours and fives is delivered, it needs to be focused on the child's development. When we're dealing with younger children, we know that lower ratios work better for developmental education for them—if that answers your question.

Mr. Tim Hudak: I guess I'm not—maybe I'll be more specific. I'm asking, what's your preferred approach, then, for full-day learning for four- and five-year-olds? What's the appropriate setting? Which act should be predominant, or a mixture of the two? What's your ideal model for it that you'd recommend?

Ms. Jenny Robinson: Our ideal model is that it's part of a system of early learning and care for children in Ontario that services all children from zero to 12—infancy to 12—and that it's done in a way that is focused on children's and families' needs. We've produced a paper—you can see it on our website—that outlines the position that we have, but it's significantly focused on system building because what we don't want is a one-off program that destabilizes a fragile system and further reduces wages and things like that. We really would like to see what we have built upon. We don't want to see any losses or any unexpected results. We think it's a good idea.

Mr. Tim Hudak: Do I have time? A small amount of time?

The Acting Chair (Mrs. Linda Jeffrey): A little question—a minute.

Mr. Tim Hudak: To make sure I understand, what's the concern about destabilizing? What would pose that risk of destabilizing the system? What wrong decision?

Ms. Jenny Robinson: Well, we have to look at service provision. You can't ask child care to suddenly move around with big populations of children, on a dime. You have to do it slowly; you have to implement properly. It has to be targeted. For example, many provinces across the country actually have measurable targets for the children. This UNICEF report is an excellent example where you see a systems approach where you have 25% of children under 3 having subsidized service, where you have 80% of children who are 4 years old getting service as well. Those are the kinds of big benchmarks that we're looking at. I don't know how Charles Pascal is going to unfold this. I'm looking forward to seeing how he's going to suggest it.

Mr. Tim Hudak: Okay. Thank you.

The Acting Chair (Mrs. Linda Jeffrey): Thank you very much for being here today.

ONTARIO TRUCKING ASSOCIATION

The Acting Chair (Mrs. Linda Jeffrey): Our next delegation is the Ontario Trucking Association.

Welcome. Thank you for being here today. If you could say your name for Hansard and the organization you speak for, when you begin you'll have 10 minutes.

Mr. David Bradley: Sure. I'm David Bradley and I'm president of the Ontario Trucking Association. I'm certainly not as cute as Carcy or Carson or whatever her name was, but I hope—

Interjection.

Mr. David Bradley: Yeah, some may think so; my mom certainly does, anyway.

I know it's been a long, long day for you so I'll try and keep my remarks brief. If any of you have been sitting around this table the last few years—I know some of you have—what I have to say has been similar. Trucking is a very good—in fact, I'm a trained economist and I still think what's happening in the trucking industry is the best leading indicator of economic activity there is.

Mr. Sousa, you were talking about that we may be—or an impending recession. Well, I can tell you unequivocally that we've been in a freight recession in Ontario for at least 18 months. When I appeared before the committee last year, I talked about a freight recession and the year before that the signs were there in terms of what was coming. Nobody could have foreseen the depth of the problem that we've had since the financial crisis in the US, which has clearly exacerbated things and launched us into a worldwide recession, but again, from a freight perspective, from the point of view of moving product and manufactured goods, Ontario has been in the soup for quite some time now.

1700

How has this been visited upon the trucking industry and, through us, a reflection of the economy? For example, cross-border shipments: Ontario is an export-based economy and 86% of our exports go the United States; 75% of that moves by truck. This year, we'll see 600,000 fewer cross-border trips by trucks across the Ontario-US border. We'll have reached, by the end of this year—we're there now, but obviously by the end of the year—our worst performance in 11 years in that regard. So that's a pretty good indicator of the lack of traffic and, particularly, the lack of southbound traffic that we've seen moving. Initially that was a reflection of the dollar and impacts on the competitiveness of our manufacturers, but it's also an indication of the fact that our biggest customer simply isn't buying. That's obviously reflected in declining profit levels in the trucking industry. In a good year, our profit margins are about 4% or 5%. They're razor-thin or nonexistent now. We will record this year, our second year in a row, record bankruptcies in our industry. That's across the broad spectrum: big, small and everything in between.

We also support a major sector of services, providers and manufacturers for our sector. We've seen that dwindling over the years, but over the course of the last year we've seen the closing, now—coming in March—of the Sterling plant in St. Thomas, Ontario, throwing 1,300 people out of work. The Navistar plant in Chatham just recently, of a workforce of about 900, laid off 470 more people, so more than half of the workforce there. It's a pretty gloomy situation. Heavy truck sales in Canada this year are down 5% after being down 30% last year. The trailer market in North America, including Ontario, is stagnant at best.

Quite frankly, at this point in time we don't see a whole lot of light at the end of the tunnel. Like most people, we're hoping that some time in 2009 we will turn the corner, but after we get through this Christmas period—we always have a downturn in economic activity and I'm quite concerned about what the first quarter of next year is going to bring.

So what do we need to do to get out of this? I think the government has already made signals in terms of investment in infrastructure. Clearly, we think that is a good idea. We would urge strategic investment, however, and focus that on our key economic corridors, at least in terms of highways and bridges. Perhaps the biggest bang for the buck would come out of the situation in Windsor. However, I'm concerned, given that we don't have a final decision even at this point or the final green light, that it may be some time before the shovels get in the ground on that much-needed project.

Beyond that, I think what we need to do—and the recession in the US is the first consumer-led recession that we've seen in a long, long time. Obviously, the Ontario consumer is also retrenching. We need to find ways to get consumers and businesses purchasing and investing again. I'm sure you've had lots of people come up and talk about tax breaks for this industry or that industry, and I can only talk about trucking, but from a transportation point of view, trucking is the biggest single contributor to the gross domestic product of Ontario of any of the freight transportation modes.

I also think we have a legitimate and long-standing issue where the taxation of business inputs in the transportation sector puts us squarely at a competitive disadvantage not only with our competitors in Quebec to the east, where they have harmonized their provincial sales taxes on trucking with the goods and services tax, but also to the south. Michigan, for example, has for a number of years exempted—state sales tax is not applicable on purchases of heavy trucks that are used in interstate commerce. We have argued before this table for several years that we think that the best approach would be for Ontario, if not to harmonize with the GST—for us that would be optimal, because we're dealing with three tax systems now on our equipment—to introduce a value-added form of taxation; really, there is no argument against that. That is the way you should be taxing business input, and we need to find a way to do that.

Obviously, it appears to us the government doesn't have an appetite for that at the moment and that it would take some time. So I think we need to take a leaf out of the book of things that have worked in the past, but again, things that are not only going to help us in the short term, but will help us over the long term to not only meet our economic goals as an industry, as government and as the province's economy, but that are also going to help us meet our environmental and safety goals, which should not be lost in the economic chaos that we have at the present time.

We pay an exorbitant amount of tax, both provincial sales tax and something called a multi-jurisdictional vehicle tax, on all new trucks and trailers purchased in the province as well as some of our repair, labour and services, and those sorts of things. This is precluding us, in these very tight credit conditions from this point in time—making it even more difficult for us to invest in new equipment, in smog-free engines that are coming into the marketplace, and fuel-efficient devices that are proven technologies that work today to help us to improve our fuel efficiency and therefore reduce our greenhouse gas emissions.

What we're asking you to consider for this year would be a short-term—and I don't know what term that would be, but during these difficult times, to provide some sort of tax relief and exemption from the provincial retail sales tax and the provincial multi-jurisdictional vehicle tax on the purchase of new tractors and trailers, and of fuel-efficient technologies, such as auxiliary power units that mean that you don't have to burn fuel when the truck driver is trying to sleep at night in his bunk, and of low rolling resistance, fuel-efficient tires. This is a new generation of tires and aerodynamic fairings which help the truck to improve its fuel efficiency.

All of these are good things. You might ask me, "Why aren't companies investing in those things?" The fact of the matter is, there is just no capital. These things are expensive, and it's very difficult for us to go to capital. You heard the bankers association. There may be credit available, but I can tell you that it's at an extremely high price. The trucking industry has been on a credit watch now for two years. So, where other people are catching up to us, we've been there.

With that—

The Acting Chair (Mrs. Linda Jeffrey): Mr. Bradley, you have a minute left.

Mr. David Bradley: I'm going to finish up now.

Again, I think what I'm proposing here—and if you look at our papers—not only makes sense in the short term, but it's a consistent and reasonable way to approach the taxation of business inputs in our sector. Lower corporate tax rates and those things are great in industries where they earn a significant profit. In low-margin industries like trucking, lowering the corporate income tax rate—we like it, because we hope it'll attract business investment into Ontario, but in terms of our own financial situation, it really doesn't do very much for us.

With that, I'll close, and I'm happy to take any questions.

The Acting Chair (Mrs. Linda Jeffrey): Thank you, Mr. Bradley. The round of questioning goes to Mr. Prue this time.

Mr. Michael Prue: Thank you very much. I think what you're asking for is eminently doable and probably a good thing, but I want to find out—you've given us this enviroTruck. I just want to find out which parts of these things you put on a truck that make it more environmentally friendly, how many of them, are made in Ontario? As an example, a speed limiter activator—is that made in Ontario?

Mr. David Bradley: That's already a built-in microchip on any truck engine. As I said earlier, presently, there are only two heavy-truck manufacturers left in Ontario, and one of those is disappearing in March of this year. On the trailer side, there are four or five trailer manufacturers left in the province, and I can tell you that they are suffering at the present time. There is a host of manufacturers of the auxiliary units that we're talking about—the devices to improve fuel efficiency. There are many small manufacturers in Ontario right now that are capable and are manufacturing those, so it would have a spinoff effect. Unfortunately, I don't think we're going to get the Sterling plant back in St. Thomas, and that's a shame. That's a reflection not only of the slowdown here, but the fact that North America-wide our industry is now suffering with the downturn in the US.

1710

Mr. Michael Prue: You anticipated my question. There have been some suggestions that one of the things the Ontario government might do to stimulate business and manufacturing in Ontario is to drop the sales tax on Ontario-manufactured goods. We would forgo a little bit of money, but people would say, "Okay, I'm going to buy that one because it's minus 8%." That's what I'm trying to find out. Is there something—

Mr. David Bradley: Certainly it would help. As I said, we do have a credit crunch. But at the same time we've not been able to re-equip our fleets for about two years now, and that's not a good thing; it's not a good thing not only in terms of safety and fuel efficiency but in terms of preventive maintenance and those sorts of things. Once the warranties start to come up, you really want to move into new equipment, and we haven't been able to do that. So, yes, it would provide some stimulus.

I just want to make the point, though, to separate us from manufacturing for a second: The manufacturing sector in Ontario, the agricultural sector and most others in the province do not pay sales tax on their business inputs the way we do. The more we purchase, the more we invest in safety and the environment, the more tax we pay. It just doesn't make any sense.

In terms of lost revenue to the province, we're not buying tractors and trailers now. The fact is, it's really a zero-sum game in that there wouldn't be a lost revenue. If anything, it might spur on the manufacturing, and then you'll get the velocity of money moving through the economy. But at this point in time we see it as really a no-lose.

Again, there are some exciting things on the enviroTruck. We're moving now; we are in the generation of the smog-free truck. The exhaust coming out of the tailpipe of the trucks is actually going to be cleaner than the air in Metropolitan Toronto by the end of 2009. That's a fact. I wouldn't suggest that you go up and try to necessarily put your mouth to the tailpipe, but that's a fact.

But there is an interesting thing about that technology, and that is that it comes with a fuel efficiency penalty. It's just the state of the art. So we need to have these other devices to be able to win back the fuel efficiency we're going to lose by going green, which is an odd sort of thing. There are lots of reasons, we think, that speak to doing something in this regard.

The Acting Chair (Mrs. Linda Jeffrey): Thank you very much.

ASSOCIATION OF ONTARIO HEALTH CENTRES

The Acting Chair (Mrs. Linda Jeffrey): Our next delegation is the Association of Ontario Health Centres. Welcome.

Ms. Adrianna Tetley: Thank you, and good evening.

The Acting Chair (Mrs. Linda Jeffrey): I'm sure you've heard the drill before. If you could say your name and the organization you speak for for Hansard, and you'll have 10 minutes.

Ms. Adrianna Tetley: Adrianna Tetley, executive director, Association of Ontario Health Centres. Thank you very much for the opportunity to speak. I know I'm third-last and it's been a long day, so I'm going to actually be speaking on six specific issues and trying to go through them very quickly. Before I start, we represent 110 emerging and existing community health centres, 10 aboriginal health access centres and 26 community family health teams. That's the perspective from which I'm speaking today.

The first thing I would like to do is to congratulate the government on the poverty reduction strategy, as far as it has gone to date. But we are very concerned that there aren't any timelines or commitments in the 2009-10 budget, and we would very clearly like to ensure that this budget sets specific guidelines for all of the commitments so that it actually happens between 2009-10 and 2010-11.

We are particularly concerned with the oral health initiative. It was actually announced on March 17, 2008, by the Premier to flow in 2008-09. It was deferred to 2009-10, and we're concerned that without a very firm commitment, it will get deferred again. As well, it was reannounced in the poverty reduction strategy last week, but at that time it said that it would be flowed through public health units. In the Premier's announcement, it actually said that it would also be implemented through community health centres, and the current poverty reduction strategy was silent on that. Clearly, we would like to go back to the point of ensuring that community health centres are seen as a vehicle to implementing the oral health strategy.

We have three recommendations related to the poverty reduction strategy.

One is that there be clear timelines set for each of the commitments.

The second is that in 2009-10 specifically, the Ontario child benefit reach at least 50% of its mature value; that the $45 million for oral health be started to flow this year and that it be flowed as well through community health centres; that $100 million for the existing public health stock be implemented; and that the minimum wage be increased to $10.25.

We have other commitments. We also feel that this is phase one of a poverty reduction strategy, and like the speaker I heard a couple of turns ago, we feel that there needs to be a phase two, and part of that phase two has to include child care, because without child care we're not going to really address the issues of child poverty.

The next set of recommendations and discussions is around equity across primary health care models. The community health centres and the aboriginal health access centres were very pleased to get the 2.25% increase in stabilization funding, but we only received that news in November 2008. It is retroactive to April 1, but the concern that we've got is that we received this information quite a bit later than the rest of the LHIN health service providers, and at this point for 2009-10 and 2010-11, the community health centres have been told that they have a 0% increase for stabilization funding going forward. All of the other community-based organizations, the community care access centres and the hospitals have been given planning targets for 2009-10 and 2010-11. The CHCs and the aboriginal health access centres have been given zero. So the question is begged, why the difference? What is happening? Why are CHCs being flatlined when all of the other LHIN health service providers are actually being given an increase in terms of their targets? Our recommendation is that the government provide a stabilization fund increase for CHCs and AHACs equivalent to other community-based, LHIN-funded health service providers for both 2009-10 and 2010-11.

The third recommendation area is on the issue related to aboriginal health access centres. In the throne speech in 2007, the government committed to reviewing the second-class status of the 10 aboriginal health access centres. We submitted a report in 2005—the title is listed there—which basically documented that the AHACs are underfunded compared to CHCs, and we have gone on record calling them second-class CHCs. There is a $15-million shortfall when you compare how AHACs are funded, compared to community health centres. This government committed to reviewing it in 2007 and our strong recommendation is that in 2009-10, the $15 million be allocated to AHACs so that they're funded equitably to the way that CHCs are funded.

The fourth area is in relation to compensation related to nurse practitioners. There's a large salary gap between nurse practitioners funded in community health centres and other community-based organizations, as compared to both public health and hospitals. This gap is widening and it is a difficulty in terms of retention and recruitment of NPs in our sector.

In addition, there have been reviews done in terms of the scope of practice of what nurse practitioners can do compared to physicians. Basically, the studies are showing that 67% to 85% of what a doctor does actually can be done by a nurse practitioner. In another way, I've heard a family doctor say that 75% of those they see in a day could be seen by a nurse practitioner or a nurse. If we're talking about doctor shortages, there's a huge issue that we need to address in terms of using nurse practitioners to their full scope. However, as we're seeing family physician salaries increase, the gap between NP salaries and physician salaries is now a chasm—it's not even a small gap. Our recommendation is that there actually be a full review of NP salaries and compensation and that there be some targets set within the 2009-10 budget to start addressing that shortfall in terms of the gap.

The fifth area I want to speak to is the issue of pensions. I'm not sure how many are aware here, but the lack of pension for community-based primary health care, including community support associations and mental health and addiction, is actually a barrier to the government's goal for integration. There are two examples in my report. One shows where they were trying to move a diabetes education program from a hospital to a community health centre. What was the big, significant barrier? The nurses, the dieticians, the nurse practitioners did not want to give up their 20 years in HOOPP to come and work at a CHC and see a reduction. So there's a huge barrier. In another case, we had a northern rural CHC finding a position difficult to fill. They were ready to sign on the lot, they wanted to come and work at a community health centre, and their financial person said, “You’re nuts. You cannot leave your HOOPP behind. You’re going to pay for this in your life and you need to deal with it.” So we must have a compensation pension strategy for community-based primary health care. Currently, CHCs are funded at 20% benefits. That is insufficient to pay the gap between what community health centres provide for benefits and what the cost is for going to HOOPP.

We are currently doing a review of our CHCs to say what the actual funding gap is, because our community health centres do provide RRSP contributions. So what is the gap between that and HOOPP? In one CHC alone, we’re looking at $100,000. So when people say, “We’ll move away from line-by-line. You figure it out”—a $100,000 gap, if we were to move to HOOPP, would mean that there would have to be cuts in services. So what we’re looking at is a one-time catch-up in order to allow people to pay that difference, so that we can end up having a pension for community health care workers. For us, it works toward achieving one of the government’s goals of integration.

1720

The other area that I want to address is the whole issue of stimulating the economy. We’ve been hearing a lot about that today. We think that there are a lot of ways to stimulate the economy, particularly with infrastructure and capital investments. When you look at the two reports that you have on your desk on poverty reduction and the roots of violence, both of them are making recommendations on the need for multi-service hubs in the communities. In some cases, CHCs and other multi-service organizations could help with the integration goals of the government by putting things under one roof and then sharing office expenses; and in other cases, building CHCs, which could have recreation facilities under one roof, could be part of the solution in communities where there is a lack of services.

There are opportunities in this economic downturn to think about how you’re going to implement your poverty reduction strategy, the roots of violence recommendations, the United Way hubs into Toronto that you’ve heard about, and your integration objectives—by changing a policy that will allow CHCs to come together with other multi-service agencies to put forward proposals on how they can bring these people under one roof.

We have many new CHCs on the books right now—21 new CHCs, 17 satellites—in various stages of opening their doors, and many of them just starting the capital process. There are opportunities here to open up the books and allow multi-service agencies to come forward and to make submissions. Currently, the CHCs are not allowed to do it. So we’re asking for a change in the policy to allow multi-service agencies to come forward with proposals.

As well, there are currently several CHCs with infrastructure that is old and outdated. If they actually went in under health and safety and physical access issues, many of our CHCs would not meet the standards. Again, as part of the infrastructure stimulation package that this government is going to put forward, hopefully, I’m suggesting that they design a program for community infrastructure that meets the needs of integration, that meets the needs of your roots of violence proposal, and that meets the poverty reduction strategy.

So, those are six proposals—and I think I spoke very quickly—of areas that we will be doing a fuller submission on, which I wanted to bring to your attention today.

The Chair (Mr. Pat Hoy): Thank you very much. This round of questioning goes to Ms. Aggelonitis.

Ms. Sophia Aggelonitis: Thank you very much for coming. I found your presentation both interesting and very thoughtful. You have some great suggestions in here.

As you stated and as many people have stated today, we are looking at many different ways of how we can create a budget that works for as many people as possible. Of all of the things that you’ve presented here today, what would you say is the one priority that we must look at?

Ms. Adrianna Tetley: I think I would answer it in two ways.

One thing—and some people say it’s not even self-serving. A professor from U of T was on CBC Radio the other day, and he said that if we eliminated poverty in Ontario, it would be equal to the impact of finding the cure for cancer on the health care system. We know that the social determinants of health are such a key issue around driving the costs. We believe very strongly in the second stage of medicare, which means that we have to deal with the determinants of health—it is poverty. Having said that, I think that doesn’t directly affect our own sector—it does, in terms of the work we do. But I have to say, if we’re looking to the interests of Ontarians, the poverty agenda needs to be addressed.

Having said that, I think there are two huge issues, because as we’re dealing with poverty, we are dealing with the underfunding of the AHACs. This is the aboriginal population, who are facing the biggest poverty in our area. We have come forward three times to say there needs to be equity—in fact, the challenge is even beyond this. We need an aboriginal primary health care policy for this province. There isn’t one. The 10 AHACs that were funded in 1994—and there has been no expansion since since then; there’s been no funding since then. We really do treat our aboriginal populations as second class. I would have to put that up there as well. That’s two.

Ms. Sophia Aggelonitis: That’s all right. Thank you.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

Ms. Adrianna Tetley: Thank you.

ONTARIO NURSES’ ASSOCIATION

The Chair (Mr. Pat Hoy): Now I call on the Ontario Nurses’ Association to come forward, please. Good afternoon. You have 10 minutes for your presentation. There could be five minutes of questioning. I would ask you to identify yourself for the recording Hansard.

Ms. Linda Haslam-Stroud: Thank you very much. My name's Linda Haslam-Stroud and I am president of the Ontario Nurses' Association, which represents 54,000 registered nurses and allied health professionals who work in hospitals, long-term-care facilities, industry and the community.

I guess I got the short end of the straw since we're kind of at the end of your third day here, but I appreciate the time you're giving me. I've given you a submission. The first page is a highlights summary and the rest of the submission would provide you some of the research and background material on what I'm going to be talking to you about today.

I wanted to talk to you specifically about why, when you're looking at the challenges of developing your budget, we believe that we have to be very cognizant of the budgets of the hospitals coming up in the next fiscal year and why we should not be balancing those budgets on the backs of nurses and our patients. We believe it is the wrong policy, and we believe it's the wrong policy at this time, even considering the economic realities that we have. We think it's the wrong time because access to health care continues to be one of our top priorities for all residents and certainly in every community across Ontario. We also believe that it's the wrong policy because access to health care includes nurses at a time when we have a critical shortage of nurses in the system, and knowing that our patients more than ever are depending on the health care system for their health care needs.

Access to health care has been compromised already when nursing hours have been reduced. We're beginning to see that spread across the province. Certainly, in listening to the Hansard each day and reading the scripts, I know that that's been part of the discussions that you've been having. It appears that there are reductions happening across Ontario, and we are hearing daily of nursing reductions, specifically in hospitals, but it's also transcended over into public health as well.

Every full-time nurse that is reduced is equivalent to 1,950 hours of nursing care that our patients are not receiving. Certainly, we know that there has been a delay in the 9,000-nurse implementation over an additional year, which we are concerned about, as you probably are already aware, because these may be short-term savings, but they may be long-term costs to the government.

The simple fact is that health outcomes for Ontarians suffer when there aren't enough nurses to provide care, and we are putting our patients' health at risk. You will see in the data that we've identified the scientific studies that very clearly show that for every extra patient added to our workload, our morbidity—that's complications—and our mortality, which is death rates, increased by 7% for our patients. There is also strong evidence that a nursing staff mix with higher proportions of registered nurses actually reduces mortality rates.

Another factor, as you probably are aware, is Ontario's aging workforce. We now have more than 24,000 registered nurses, or one quarter of Ontario's RN workforce, who are eligible to retire now or in the very near future. Instead of cutting and reducing nursing hours, we should be working hard to retain each and every nurse in the system. That is why we're also asking for confirmation that the funding for our late career initiative that is going to encourage the retention of that scarce supply of nurses continues in 2008, which hasn't been determined, but also moving forward into 2009, which I know that you're looking at.

We believe that nurses are the experts on patient care and we should be consulted prior to any plan in nursing reductions that is being contemplated. I'm really speaking about the hospitals. The Public Hospitals Act does provide for each hospital to have what we call a fiscal advisory committee and it actually identifies that staff nurses are to be represented and we are to make recommendations to hospital boards with respect to operations, use and staffing. I can very clearly tell you that the majority of the hospitals are presently not complying with that legislation. We also urge you to take action to ensure that a fiscal filter that we have in place, with the appropriate people at the table in the hospitals, be looked at, because the act is not being followed and we believe that we could provide some very critical suggestions when we're debating hospital budgets across Ontario.

1730

Nurses also need help for themselves. Our workloads are—you probably know that we are the most ill and injured profession in the province. That impacts the quality of care that we can provide. We do have heavy workloads; I'm not going to whine to you very much about it. I think you're probably fairly familiar with what's happening out there.

It's difficult for us to plan patient discharges. It's difficult for us to deal with the overcapacity issues that we're having. It's difficult for us with the overcapacity issues that we're having in the alternative-level-of-care beds that are required; we basically have patients in hallways in emergencies across the system. We certainly urge you to look at the proposals that have been brought forward to the Liberal government by, I believe, Dr. Alan Hudson and Dr. Kevin Smith, in relation to alternative level of care.

Heavy workloads also mean that our public health nurses are striving each and every day to try to provide preventive care in the community. But we aren't even able to provide the mandatory programs right now in public health, never mind trying to be proactive in assisting our patients to stay well so that they aren't a further cost to the system. As I mentioned, we have already received notice of cutbacks in Grey Bruce public health.

Heavy workloads and vacancy rates for nurses in our home care sector mean that we are having to tighten up on the amount of home care visits that we're able to provide. At the same time, home care nurses are fleeing out of the home care sector for fears of the competitive bidding process, which has a present freeze in it. We're looking for some resolution to that because they do not know that there's any job security for them in home care.

You might also know that wage parity in both the long-term care and the community care sectors, specifically home care, has major lags compared to hospitals, which also causes our nurses to move out of that system.

Then, of course, we see community care access case managers, the coordinators of our community health care, having to bargain with each other for minutes of care to try to provide the care that the clients they have in their realm are trying to receive.

The heavy workloads in our long-term-care sector mean that we're left trying, in some cases, to coordinate care for over 200 residents at a time, and the Casa Verde inquest in relation to the deaths of the elderly was very clear in showing that.

We're also waiting for a long-term-care standard and staffing standard. That has not happened. We're also looking at being able to deliver quality care in all sectors, but it is very difficult under the present circumstances, never mind looking at your budget for the upcoming year.

Another area that is highlighted on the first page is in relation to violence and assaults. Three out of 10 of our nurses have experienced physical assaults; four out of 10 have experienced emotional or psychological abuse. We are looking forward to the Ministry of Labour enacting amendments to the legislation that are, hopefully, going to protect us in the workplace. A healthier workplace for health care workers means a healthier environment for our patients.

Just to finish off: The summary is there, but our critical message to you today is, we're urging you to halt the nursing positions being eliminated, whether it's through layoff, attrition or reduction of hours. Our recommendations are submitted with the goal of stopping the cuts to nursing and refocusing the government on quality health care in all sectors. As we look at the economic realities, we believe that it is very clear that if you're going to reduce funding to the health care sector and nurses and patient care, you are going to have additional costs in many other different areas as taxpayers, as we need to pay for the outcomes of those kinds of cuts.

That's my presentation. Thank you.

The Chair (Mr. Pat Hoy): Thank you. The questioning will go to Mr. Hudak.

Mr. Tim Hudak: Ms. Haslam-Stroud, thank you very much for the presentation. My colleague Elizabeth Witmer, who is our health critic, enjoys a very good working relationship with the ONA. She asked me to bring up a couple of issues on her behalf. She's back in the riding this evening.

Overcrowding in emergency rooms has become a serious challenge, and it negatively impacts the quality of care that patients receive and lowers morale amongst health care professionals and drains resources from our hospitals. Hallway nursing is another side effect of ED overcrowding, and it's becoming far too commonplace in Ontario. What is the ONA's view on the prevalence of hallway nursing, and is it a growing concern?

Ms. Linda Haslam-Stroud: The overcapacity in emergencies started out being an issue. We now have overcapacities throughout the whole hospital—stick-it notes on the walls, patients without the appropriate oxygen, and everything that goes with that in trying to provide quality care.

I mentioned about the alternative-level-of-care beds. We believe that there are some recommendations before the government in looking at what we can do to address that backlog. If we can move the appropriate patients into the appropriate facilities, we believe that, as a health care system, we'll be able to address the overcapacity, not only in emergency but in the hallways. Our patients are not getting the appropriate care that they deserve. I have to tell you, I'm a surgical nurse by trade, and renal transplant has been my specialty, and it's very disconcerting to me when we have staffing—that we might be short on any given day and we get a call saying, "We've got too many patients in the hallways down in emerg and—guess what?—you're getting two more." There's no staffing available and, therefore, that whole overcapacity and poor quality of care has not only started in emerg but has now transcended to every unit of the hospital.

Mr. Tim Hudak: Thank you.

Another topic is the pending hospital deficits and the impact they're going to have on nursing care in the hospitals. West Lincoln Memorial Hospital in my riding, in Grimsby—my constituents use Hamilton Health Care System as well as Niagara Health System, and, sadly, in Niagara we've seen proposals to close down a couple of ERs in Fort Erie and Port Colborne. The OHA had a very sobering presentation here at committee not too long ago about the cuts that will take place with the pending hospital deficits. Do you want to elaborate a bit on what the impact will be for nurses and for care for patients?

Ms. Linda Haslam-Stroud: Yes. It's very clear that we're already seeing the cuts that I mentioned. The 2.4% funding provided for this fiscal year is already showing these cuts, as hospitals try and provide a balanced budget to their local health integrated networks. Looking at next year, it's 2.1%, and it's very clear that the OHA and individual hospitals have said—the hundreds of cuts that we already know about today, in your areas but certainly across the province, that is small potatoes, frankly, of what we're going to be seeing in the 2009-10 round. So we are looking at major reductions.

I know we talk about what has happened in different governments, and when I'm listening to the Hansard discussions that are taking place—the reality is that from my understanding of the hospital budgets—and I've been involved in fiscal advisory committees and, actually, a working one—the cuts are going to have to come in the nursing department. The research in our paper very clearly shows that that is going to worsen health outcomes for our patients by increasing morbidity and mortality rates.

Mr. Tim Hudak: Could I have another question, Chair?

The Chair (Mr. Pat Hoy): Yes.

Mr. Tim Hudak: Super. As I mentioned, I represent parts of West Niagara–Glanbrook and upper Stoney Creek, and—

Ms. Linda Haslam-Stroud: I'm from Haldimand, so—

Mr. Tim Hudak: Oh, there you go. What part of Haldimand?

Ms. Linda Haslam-Stroud: York, Ontario.

Mr. Tim Hudak: Ah, very good. I've been through York.

Nurses in my riding express a concern about a growing paper burden as well. They tend to be pushing paper more often than caring for patients. What can be done in terms of reducing some of the paperwork burden falling on nurses to allow them to spend more time with patients?

Ms. Linda Haslam-Stroud: I think the strategies that are put in place by hospitals—and I've been in the field for 30 years—are trying to address the issues. Unfortunately, it's not being looked at as the bigger picture, to actually address the systemic issues across the hospitals so that new things are done, new care plans are provided. There isn't a real focus on looking at the additional workload that is being put on the nurses.

When it comes to an opportunity for some of the work to be taken off the registered nurse's plate, there are opportunities there. However, what we usually see happen is that, by trying to move that work off onto an unregulated health professional or a less-skilled worker, the work isn't just being moved; there is a reduction in the RN. So, in effect, we're actually losing the front-line care to our patient as well as the paperwork.

It's a challenge, and I think it's a systemic issue that needs to be looked at more globally by our employers instead of in a piecemeal arrangement on trying to resolve the non-nursing duty issue.

Mr. Tim Hudak: Terrific. Thank you, Chair.

The Chair (Mr. Pat Hoy): And thank you for your presentation.

Ms. Linda Haslam-Stroud: Thank you very much. Have a great evening when you finish.

1740

COMMUNITY LIVING ONTARIO

The Chair (Mr. Pat Hoy): And now I would ask Community Living Ontario to come forward.

Good afternoon. You have 10 minutes for your presentation. If you would just state your names for our recording Hansard, you can begin.

Ms. Dianne Garrels-Munro: I'm Dianne Garrels-Munro, and I'm president of Community Living Ontario. My colleague is Keith Powell, the executive director of Community Living Ontario. I'm very pleased to be here to make this presentation to the Standing Committee on Finance and Economic Affairs.

In Ontario, there are more than 120,000 people who have an intellectual disability. People who have an intellectual disability and their families face rates of poverty that are far greater than others due to factors such as a history of institutionalization, unequal access to education, low levels of employment and a lack of adequate supports. These factors have combined to create a cycle of poverty and exclusion that can be hard to escape.

The developmental services sector in Ontario provides supports and services to people who have an intellectual disability. For more than 50 years, community living organizations have created and provided these essential supports and services to build community capacity and to promote and facilitate the full inclusion of people who have an intellectual disability in all areas of community life. Across the province, there are 117 local associations that are members of Community Living Ontario.

I would like to start by providing some information on the developmental services sector and where we stand today. During the 2007-08 pre-budget consultations, Community Living Ontario and our partners in the developmental services sector requested $200 million to be invested. This funding was requested to address longstanding and urgent pressures facing agencies, such as the wage gap between workers in developmental services and workers in other sectors providing similar supports and services. These funds were committed in the 2007 budget, but they were to be rolled out over four years. This delayed a crucial investment to the sector which was urgently needed to address a history of underfunding and longstanding unmet needs.

The investments did not go far enough to calm urgent labour pressures. During the summer of 2007, a large number of collective agreements were aligned to expire and the support workers of seven community living agencies went on strike. The people who were supported by these agencies had to endure the strikes and many had their homes picketed. People were confined to their homes or were forced to move from their homes. Neighbourhoods were disrupted by picket lines and porta-potties. People who had very little power in the negotiations were subject to shouting, megaphones, whistles and other intimidating tactics. In response to the strike, the government took the unprecedented step of negotiating directly with the union to broker a costly settlement.

In October of this year, the Ministry of Community and Social Services introduced an initiative to increase community capacity. Over a short period of time, this initiative will require all regions to increase their capacity by 2% within existing resources. In a system that is already underfunded and facing the pressures outlined above, this initiative will cause some considerable strain and has the potential to reduce the quality of supports that people currently receive.

If, during the coming period, the Ministry of Finance determines that it is necessary to institute an across-the-board reduction in funding for transfer payment services, the initiative that is currently being undertaken by this sector should and must be taken into account. Current resources are already stretched thin and the quality of supports that are provided to people are at risk. Future funding reductions should not apply to this sector.

We are seeking assurance that the multi-year funding that was committed in the 2007 provincial budget, as well as the negotiated salary increases, will continue to be provided in 2009-10. Given that local associations have made collective agreements based on this commitment, it is essential that the government follow through in the provision of these funds.

The government is to be commended for the recent announcement of its poverty reduction strategy. One component of the strategy is to undertake a review of social assistance. We welcome such a review and will be looking for ways that we can contribute. The poverty reduction strategy also announced that the government will work to improve incomes, including those of social assistance recipients. In previous budgets, the provincial government has provided small increases to the Ontario disability support program—ODSP—to roughly equal the cost-of-living increases for the same period. In four out of the last five years, 2% or 3% increases have been provided to reflect the annual increase to the cost of living. These increases follow more than a decade when there was no investment at all in ODSP rates. During this period, an erosion of benefits occurred that, despite the increases provided by the current government, has kept benefit rates 18% lower than 1993 levels.

A comprehensive strategy is necessary to bring the ODSP benefits to levels that reflect the real cost of living in Ontario. An independent committee should be established to examine the benefit rates and to advise the government on where to set them, using rational and just criteria. Benefit rates should be indexed to the cost of living in order to prevent further erosion, such as occurred between 1993 and 2004, from ever occurring again.

Given the current financial climate, we recognize that the government will be looking for opportunities to undertake progressive actions that will improve people's lives without investing new funds. Community Living Ontario recommends three initiatives that the government could introduce without incurring new funds.

First, we recommend a strategy to prevent the picketing of people's homes. This coming March, the collective agreements representing support workers at 58 agencies across the province are set to expire. Community Living Ontario and our partners in the developmental services sector are very concerned that unless action is taken, a situation will develop that repeats the strikes and picketing that occurred in the summer of 2007. It is unacceptable for the personal safety and security of people who have an intellectual disability to be put at risk for reasons over which they have no control. People should not have to endure such a violation of their basic right to peaceful enjoyment of their homes and communities. Clearly, a new approach is needed to ensure that labour negotiations in the developmental services sector do not result in such violations. We ask that the Ministry of Labour and the Ministry of Community and Social Services work cooperatively to enact a process that will stop the picketing of people's homes. It is essential that the government act quickly so that a solution to this problem can be underway before March 2009.

Second, we recommend that the government move forward with a strategy to ensure that all children have access to inclusive education. All children need to have the opportunity to explore their full potential by being supported to learn with their peers in regular classrooms in regular schools. It is the government's position that "kids should be in classrooms learning together." The reality is that many children who have an intellectual disability are not included in regular classrooms and do not have the same opportunities to make friends and pursue their education. This can lead to lifelong poverty and exclusion. At present, more than $1 billion is spent on special education in Ontario, yet kids who have an intellectual disability do not have the opportunity to be included in regular classrooms. The Ministry of Education should undertake an initiative to use some of the existing funds that are available to ensure that all kids benefit from learning in inclusive settings and have the supports necessary to be included in regular classrooms, rather than being placed in segregated or specialized programs. Inclusive education plays a major role in social inclusion by forming the foundation for children to develop friendships and learn with and from their peers. It has an obvious influence over long-term employment prospects and overall well-being. Such an initiative could form a major prevention component of the government-wide poverty reduction strategy.

Third, we ask that developmental services be included in the government's plan to invest in infrastructure. We are pleased to see the government's decision to invest in infrastructure projects in Ontario as a part of its overall economic strategy. In the 2006 provincial budget, the economic stimulus initiative made short-term investments for a renewal of all projects and targeted strategic investments into expansion or major renovation projects in developmental services. Short-term funds were received for the renewal of all projects for priorities such as energy efficiency and accessibility. Similar investments into infrastructure renewal in the developmental services sector are needed, and could result in some cost savings through projects that increase energy efficiency and update capital projects. Such projects generate economic activity at a local level that benefits the entire community. We ask that the government direct investments into updating and expanding infrastructure in developmental services sector.

1750

In conclusion, Community Living Ontario recognizes the government's efforts to manage the current financial situation by beginning the budget consultation process earlier this year. This should encourage proactive initiatives that will help the government to work with its partners to weather the difficult economic times.

I thank you for your time, and would be happy to answer any questions that you have.

The Chair (Mr. Pat Hoy): And thank you. The questioning will go to Mr. Prue of the NDP.

Mr. Michael Prue: A number of groups have come forward since the government's announcement last Thursday—their poverty reduction strategy—to talk about poverty in Ontario and who is likely to be poor. Those with an intellectual disability or other disability are almost always at the top of the list. Do you feel that the government has done enough in its unveiling of the children and poverty strategy to go along the road of what we need to do to help those with an intellectual disability escape poverty?

Ms. Dianne Garrels-Munro: It's not as simple as, has the government done enough? We have to change the way all people with an intellectual disability are integrated within our society. That starts with inclusive schools, so money has to be put into inclusive schools.

ODSP, which the young people with an intellectual disability start getting when they're about 18 or 21, depending on all kinds of other factors, has not reflected the true cost of living and is so far from the true cost of living that most people with an intellectual disability have no hope of ever buying a set of clothing that's from a real retail store rather than from Value Village or one of the second-hand stores. There are lots of things that still need to be done in order to ensure that people have a decent cost of living.

Keith, do you want to add something?

Mr. Keith Powell: I think you've hit the key point. Over the years, the people we work with who have an intellectual disability tell us that they're living in poverty and that, as an advocacy organization, we must emphasize how important it is that they be able to participate and that they have the means to participate by having a decent level of income.

Employment would be another way to assist with that. We'd like to see what consideration is given in the poverty reduction initiative to employment for people who have disabilities.

Mr. Michael Prue: Employment is half the thing, and you've heard me talk about this before. I'm going to ask you again: I have advocated that people who are employed or employable get to keep a goodly portion of what they make and not have half of it clawed back. I've suggested the first $8,000 should be non-clawable in order that the $12,000 they get, plus $8,000, would be $20,000, which would take them above the poverty line. And that, as a society, is the least we can do. Does your organization advocate similar measures?

Ms. Dianne Garrels-Munro: Absolutely. I have a young friend who has an intellectual disability, and Edith has recently taken on a paper route, three days a week, delivering the Oakville Beaver. Because she made so much money delivering her Oakville Beaver three times a week, she only received 50% of her ODSP cheque last month and could not pay her rent. She phoned me in a state of panic. I don't think anybody delivering an Oakville Beaver three days a week is making sufficient funds that half her ODSP should be kept back. If she did not have a friend in the community such as myself who could loan her the money, where would she be? So she has quit the paper because it was not worth it to her.

Mr. Michael Prue: All right. So here was someone struggling to get out of poverty, and there's no hope.

Ms. Dianne Garrels-Munro: That's right.

Mr. Michael Prue: I need to talk here about the future: across-the-board funding restrictions. The government put in 2% last year, but you asked for monies—I'm not sure of the exact amount. You asked for it over a period, right away, and they gave it over a period of four years, which, you said, might have triggered some of the strike action. Is that correct?

Mr. Keith Powell: I'll respond. This sector has been significantly underfunded for decades. The evidence shows in wage rates. It's 25% to 30% lower than the MUSH-identified sector. The result is that we cannot attract and hold qualified staff, people who want to have a relationship and a long-term career working with people who have an intellectual disability. It's very difficult for people to have a family-supportive level of income working in this sector. So, for decades, there has been underfunding.

We pushed, when the provincial finances were adequate, that good investments could have been made for a significant readjustment, a catching up to wage levels that should have been in place for years before. An increase was given. We were appreciative of it, but at the time we signalled that it was likely not to be enough in the eyes of those who were earning those wages and have the right to bargain for more. And it did, in our view, lead to the precipitation of the strikes that happened two summers ago.

The Chair (Mr. Pat Hoy): Thank you for your presentation.

Ms. Dianne Garrels-Munro: Thank you very much.

The Chair (Mr. Pat Hoy): I remind the committee that the bus will be leaving Queen's Park on Sunday at 5 p.m. We are adjourned.

The committee adjourned at 1756.

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CONTENTS

Thursday 11 December 2008