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Thursday 7 May 2009

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Jeudi 7 mai 2009

Standing Committee on Finance and Economic Affairs

Budget Measures Act, 2009

Comité permanent des finances et des affaires économiques

Loi de 2009 sur les mesures budgétaires

Chair: Pat Hoy
Clerk: William Short

Président : Pat Hoy
Greffier : William Short

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Hansard Reporting and Interpretation Services
Room 500, West Wing, Legislative Building
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Thursday 7 May 2009

Jeudi 7 mai 2009

The committee met at 0901 in room 151.

SUBCOMMITTEE REPORT

The Chair (Mr. Pat Hoy): The Standing Committee on Finance and Economic Affairs will now come to order. Our first bit of business this morning is to have the subcommittee report placed. Mr. Arthurs.

Mr. Wayne Arthurs: Your subcommittee on committee business met on Wednesday, April 22, 2009 to consider the method of proceeding on Bill 162, An Act respecting the budget measures and other matters, and recommends the following:

(1) That, pursuant to the order of the House dated April 21, 2009, the committee hold public hearings in Toronto, at Queen's Park, on Thursday, May 7, 2009, from 9 a.m. to 10:15 a.m. and from 2 p.m. to 6 p.m.

(2) That the clerk of the committee, with the authorization of the Chair, post information regarding the committee's business once in the following newspapers as soon as possible: Toronto Star, Ottawa Citizen, London Free Press, Thunder Bay Chronicle, Windsor Star and L'Express de Toronto.

(3) That the clerk of the committee, with the authorization of the Chair, post information regarding the committee's business on the Ontario parliamentary channel, on the committee's website and with Canada NewsWire.

(4) That the deadline for receipt of requests to appear before the committee be 5 p.m. on Friday, May 1, 2009.

(5) That, following the deadline for receipt of requests to appear on Bill 162, the clerk of the committee provide the subcommittee members with an electronic list of all requests to appear.

(6) That, if required, each of the subcommittee members supply the clerk of the committee with a prioritized list of the witnesses they would like to hear from by 5 p.m. on Monday, May 4, 2009. These witnesses must be selected from the original list distributed by the committee clerk.

(7) That groups and individuals be offered 10 minutes for their presentations, followed by five minutes for questioning by committee members.

(8) That the deadline for receipt of written submissions be 5 p.m. on Thursday, May 7, 2009.

(9) That the research officer provide a summary of presentations prior to the start of clause-by-clause consideration of the bill.

(10) That, pursuant to the order of the House dated Tuesday, April 21, 2009, the committee meet for clause-by-clause consideration on Thursday, May 14, 2009, from 9 a.m. to 10:15 a.m. and 2 p.m. to 6 p.m., and that the committee be authorized to meet beyond the normal hour of adjournment until completion of clause-by-clause consideration.

(11) That the clerk of the committee, in consultation with the Chair, be authorized to commence making any preliminary arrangements necessary to facilitate the committee's proceedings prior to the adoption of this report.

Mr. Chairman, that's your committee report.

The Chair (Mr. Pat Hoy): Any comment? Hearing none, all in favour? Carried.

BUDGET MEASURES ACT, 2009

LOI DE 2009 SUR LES MESURES BUDGÉTAIRES

Consideration of Bill 162, An Act respecting the budget measures and other matters / Projet de loi 162, Loi concernant les mesures budgétaires et d'autres questions.

ONTARIO CHAMBER OF COMMERCE

The Chair (Mr. Pat Hoy): Now we will ask our first presentation of the morning, the Ontario Chamber of Commerce, to come forward, please.

Good morning, gentlemen. You have 10 minutes for your presentation. There could be up to five minutes of questioning following that. I would just ask you to state your names for the purposes of our recording Hansard.

Mr. Len Crispino: Len Crispino, president of the Ontario Chamber of Commerce, and my colleague Stuart Johnston, our vice-president of policy and government relations.

The Chair (Mr. Pat Hoy): Go ahead.

Mr. Len Crispino: Good morning, Mr. Chair and committee members. Thank you, first of all, for the opportunity to express our views on the 2009 provincial budget, a document that in our opinion contains many of the measures that we believe, from our standpoint, serve to make Ontario a more competitive jurisdiction in the years to come.

I've already introduced Mr. Johnston, who will help me to address any of the questions you might have later on.

Our organization represents some 60,000 businesses from all parts of the economy across Ontario, through 160 local chambers and boards of trade. We do not represent one particular sector only, but rather the collective and cumulative views of business in this province.

Our mission is to research and to promote important policy issues that serve to bring economic renewal and business competitiveness back to this province.

The OCC has also been talking lately about a dream for Ontario—a vision for the province. Just imagine Ontario as a magnet for the world. We know that our province has much to offer its people, its businesses, its visitors, our nation and indeed the world. In many ways, we are already a magnet for the world, but could we be better at what we do, what we offer? Are there ways and means that we can all contribute to that dream, both on an individual and collective basis? Of course, the answer is yes.

While there are many things that we can all do to share our positive experiences about Ontario and to motivate our own selves to strive further and achieve that dream in our own way, we are also here this morning to talk about very specific and positive initiatives that will indeed serve to make Ontario the magnet of which we speak.

I, of course, am referring to the economic building blocks that were announced in the March 26 budget. These building blocks have been key priorities for our membership for a number of years now, priorities that we have long, long advocated for, and when taken cumulatively—and that's really important, that we look at this in a cumulative fashion—will strengthen our economy and improve our business competitiveness.

Our members have consistently identified high and inefficient taxation and regulations as significant impediments to their prosperity and competitiveness. So this budget serves our membership well by addressing many of their key priorities:

—it will eliminate the job-killing small business clawback;

—it will eliminate, finally, the capital tax—a tax on investment—for all businesses;

—it will adjust downward the corporate minimum tax to attract more investment;

—it will increase the capital cost allowance for manufacturers to encourage business investments;

—it will also enhance the co-operative education tax credit to attract and train skilled workers; and

—it will reduce the small business tax to support our entrepreneurs and reduce the corporate income tax rate to 10%.

And, of course, Ontario will move to a single sales tax in 2010, a move that the Ontario Chamber of Commerce has been calling for since 2004.

Now, consider where Ontario is right now: We know that taxes on new business investment in Ontario are among the highest across developed countries and we know that our productivity significantly lags behind our main competitors across North America. A lack of adequate growth in capital investment and a growing reduction in our skilled labour force are just two of the reasons behind this productivity gap.

The bottom line to all of this is, Ontario needs to conduct business differently, and smarter taxation will put this province back in the game in terms of productivity, foreign and domestic investment and, most importantly, a higher quality of life for its citizens.

We realize that the bold decision to harmonize our sales taxes is not without controversy and confusion. Unfortunately, it is not an easy issue to explain or understand; nevertheless, its complexities, in our opinion, are not a reason to shy away from this very smart tax move. Bear in mind that none of our members—in fact, we've yet to find anyone—supports the retail sales tax. It is consistently and annually cited as a job-killer and a significant cost to doing business by our membership.

Our support for HST goes back to 2004 and was reinforced again by our membership in 2007 as a packaged approach to fixing Ontario's tax structure, a package that included corporate tax harmonization, the elimination of the capital tax, reduced corporate taxes and, of course, the HST.

We took well over a year to examine the impacts of harmonization on consumers, business and government. We looked only at the facts and the Canadian experience with harmonization. I can tell you that our report, as well as countless other studies and reports over the past 15 to 20 years, point to sales tax harmonization as one of the smartest tax policies available to government.

0910

What we found was that a single sales tax is a win-win-win for consumers and business as well as governent. Oftentimes politicians get mud thrown at them, but in this case, we must congratulate the government for moving down this path.

As we've said, it is a difficult issue to understand, particularly when one's natural tendency is to look at it through the consumer lens of a single purchase at a single point in time. But to examine one particular business example or to look at one particular transaction at a point in time is not, in our opinion, the correct math for this or any other tax policy. One must look at the entire economy, the net effects on all businesses and the net effects on the consumer over a period of time. It's not only the business-to-consumer transactions, but one must also remember all of the business-to-business transactions throughout the entire supply chain—transactions that will no longer continually add layers and layers of provincial sales tax, layers of costs that are ultimately reflected in the final sticker price of that good or service today.

When Ontario and the world will be on the cusp of coming out of the recession next year, we hope, a single sales tax and other measures in the budget will give Ontario a much-needed edge in terms of attracting business and investment at a time when it will most be needed. So the move to a single sales tax will occur at precisely the right time, when we will be competing, literally, with the world to attract investment and opportunities to grow our businesses and economy. And the economy will grow. Our research has shown it; the math adds up and the real Canadian experience has clearly demonstrated the benefits. What our research has shown is that, on average, consumers will be paying between $14 and $70 more per year in sales tax, a range that was borne out by the Atlantic provinces, which harmonized some 12 years ago.

A recent study by the University of Toronto, for example, found that there were no significant price increases for consumers. In total, consumer prices dropped by 0.3% in the Atlantic provinces as a result of harmonization, and in fact, investment rose significantly in these provinces as well. That was an overall investment per capita increase of 11%, and for business investment in machinery and equipment, a 12% increase.

Ontario needs such investments now to stimulate the economy and to grow our businesses and jobs, and we know the HST is a powerful tool to accomplish this.

If one is skeptical about whether cost savings will be passed along to the consumer, we have two comments to offer on that. One, they need only to look at the real, documented Canadian experience when the Atlantic provinces moved to a single sales tax. Those cost reductions were real, they were visible and they were quantifiable.

Second, we are not willing to impugn the tens of thousands of hard-working Ontarians—our members, those entrepreneurs who form the backbone of our economy and the wealth creation of this province—by suggesting that they are not responsible businesspeople and they will, in some way, ignore the basic tenets of competition and the free market system.

The people who own and operate the hundreds of thousands of small, mid-sized and large businesses across Ontario need every break that they can get in order to make a living, to create wealth and to create jobs because, ultimately, it's about jobs. They need every edge possible to be competitive in our domestic and growing international markets.

In short, they will leverage their cost reductions in order to reinvest in their businesses, provide better, competitive wages to their employees and provide the best prices possible for their customers, here and abroad.

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

Mr. Len Crispino: Okay.

Unfortunately, many stories in the media have not been successful in accurately describing harmonization. It does not mean that prices will go up by 8%. Businesses will save upwards of $500 million a year in administrative costs alone, when one considers that Ontario businesses pay about 35% of total sales taxes—or $5 billion a year—to the provincial treasury. Under harmonization, much of these hidden taxes will be removed from the cost of doing business and the cost to the consumer.

Mr. Chair, I recognize that my time is up, but sales tax harmonization, in addition to the business and personal tax reductions in the budget—both their individual as well as their cumulative effects on business and the economy in general—lead us to one conclusion: Ontario will be a less expensive jurisdiction in which to invest.

Thank you for the opportunity to address your committee today. We'd be happy to answer any questions.

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

Mr. Ted Arnott: Thank you very much, Mr. Crispino, for coming in here today. It's good to see you again. We appreciate your thoughts.

I assume you're aware that Bill 162 doesn't have any provisions with respect to the implementation of the harmonized sales tax.

Mr. Len Crispino: Yes.

Mr. Ted Arnott: You're here to speak about Bill 162, and you've talked at length about the harmonized sales tax and why you think it's a good idea.

Mr. Len Crispino: The reason we have focused on the HST is because, in our opinion, you cannot divorce the different elements of the budget itself from the HST. Frankly, for far too long, whether it's in the media or elsewhere, we have looked at HST in a very segmented fashion. We believe that we need to look at the entire package. We have, as a chamber, since 2004, been advocating for not only HST but the harmonization of tax collection, the elimination of the capital taxes and some of the provisions that are currently found in the budget. So we thought it was important for the citizens of this province that we reflect their views in a holistic fashion.

Mr. Ted Arnott: I think many economists would argue that during a time of economic challenge and downturn, it's probably the worst time to bring in a new consumption tax. Our caucus is very concerned about that aspect of the government's plan. Are you?

Mr. Len Crispino: No, we're not, actually. We think this is absolutely the right time to bring in a new measure. I wouldn't call it a new tax. In our opinion, this is not a tax grab—

Mr. Ted Arnott: It's a new tax on a lot of things.

Mr. Len Crispino: This is not a tax grab. In our opinion, this is a smarter way of taxation. Most jurisdictions across the world have moved in this direction. We are one of the very few in the world that has this antiquated system of a dual form of taxation. We believe that this is smart tax at the right time, and we think it will poise the province in the right environment when we start coming out of the current recession that we're in today.

Mr. Ted Arnott: When did the government inform you that they were going to be putting this provision in the budget?

Mr. Len Crispino: Actually, we have been informing the government for quite some time that we believe that we would like this provision to be put into place. There have been continuous discussions since 2004. We have made numerous depositions to government—by the way, governments of all political stripes. We have been working on this with them. We have provided information to them. There's been resistance by successive provincial governments on this, and we're delighted that the provincial government has taken on this issue.

Mr. Ted Arnott: With respect, Mr. Crispino, you didn't answer my question. When did the government inform you that they were going to be putting this in their budget?

Mr. Len Crispino: We only found out definitively that this would be in the budget on budget day, when we heard the speech. We've had discussions with government about our views on it and the advisability of the government moving in this direction, but in terms of knowing definitively when this was in the budget, it was when everyone else heard the budget.

Mr. Ted Arnott: Clearly, the government had a plan to leak out certain details of the budget in advance of its presentation in the House. We saw that in the paper on a daily basis over the course of several days in advance of the budget. I'm just wondering if you received a phone call from someone in the Ministry of Finance, perhaps, that informed you that this was going to be forthcoming.

Mr. Len Crispino: No. There were certainly discussions, as there are every time we make representation to government about the impact of this and what we would like to see and some of the benefits of moving in this direction, but at no time did someone say to us, "This will absolutely be in the budget."

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

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

The Chair (Mr. Pat Hoy): Now I call on the Institute for Competitiveness and Prosperity to come forward, please.

Good morning.

Mr. James Milway: Good morning.

The Chair (Mr. Pat Hoy): You have 10 minutes for your presentation. There could be up to five minutes of questioning after that. I would just ask you to state your name for our recording Hansard.

Mr. James Milway: My name is Jim Milway. I'm the executive director of the Institute for Competitiveness and Prosperity. Thank you very much for the opportunity to meet with you today.

0920

The Institute for Competitiveness and Prosperity is an independent organization established in 2001 to support the Task Force on Competitiveness, Productivity and Economic Progress. Our mandate, as announced in the 2001 Ontario speech from the throne, is "to measure and monitor Ontario's competitiveness, productivity and economic progress compared to other provinces and US states, and to report to the public on a regular basis." The task force and the institute are chaired by Roger Martin, dean of the Joseph L. Rotman School of Management at the University of Toronto.

In summary, we conclude that the recent Ontario budget represents an exceedingly important step forward, with its bold tax measures that will benefit all Ontarians. Businesses, consumers and families should be delighted with the leadership this government has shown. For us, the most positive feature is the impact it will have on new business investment and therefore jobs and wages. We need more investment by Ontario businesses to improve prosperity for the average Ontarian.

We and others have concluded that our businesses don't invest as much as their counterparts in machinery and equipment, particularly high-technology equipment and software. By our estimates for 2007, businesses in Ontario invested $1,430, or about 16%, less per worker than their competitors in large US states. This matters because our workers can create more value if they are supported by the most advanced software or equipment. Our wages are directly related to the amount of value our workers create through more innovative products or services or greater efficiency. If we want higher wages and more secure jobs, we need more investment by our businesses.

Do taxes affect investments? Other factors definitely do matter, but there's plenty of evidence and plenty of research by tax experts and other economists to show that new business investments are increased when we lower taxes on them. One study by Department of Finance Canada economists indicates that for every 10% reduction in taxes on business investment, the expenditure on machinery and equipment increases by 10%. Our work and the work of others reach the same general conclusion: Lowering the cost of business investment means more investment. This means more high-paying jobs. Other research by Finance Canada shows that a reduction in business taxes does more for the average family than an equal reduction in the sales tax. This paradoxical result comes about because more business investment drives wages and job creation.

Unfortunately, Ontario has been a high-cost jurisdiction when it comes to taxing new business investment. When we add up all the taxes businesses have to pay when they invest in new equipment and technology, we find that this rate is currently higher in Ontario than in all other advanced economies in the world. Why is this? For starters, we have relatively high tax rates on corporate profits, and businesses make investments to earn profits. So when we tax profits, in effect, we tax investments. Secondly, our provincial sales tax, as currently structured, is charged on business investments. Ontario's retail sales tax doesn't just apply to people buying clothing or appliances; it also applies to businesses when they invest. To be sure, there are many exemptions, as the provincial government has recognized the problem with charging sales tax on business investments. But still, about a third of Ontario's retail sales tax is paid by businesses in making investments or purchasing goods for their operation.

By changing our provincial sales tax to a value-added tax, Ontario will eliminate those taxes on business investment and other inputs. When Quebec and the three Atlantic provinces made this conversion they saw their business investment jump 11%.

Won't consumers pay more? There will be no tax change at retail for goods that currently bear the provincial sales tax, but retail prices will actually decline as the producers of those goods see their costs go down, as they stop paying sales taxes on their investments, and as competition forces them to pass on these savings in lower prices. This is the experience in Quebec and the Atlantic provinces. Prices will increase on services that will now be taxed provincially for the first time, but the likely net effect is that the overall average for prices will decline slightly—again, drawing on the experience in Atlantic Canada and Quebec.

It is fair to say that converting the provincial sales tax on goods to a value-added tax on goods and services will affect lower-income Ontarians more. But the government exempted items like books and children's clothing from the new tax. It also reduced personal income taxes and introduced tax credits for lower-income Ontarians, which more than compensates for the higher sales tax.

In addition to sales tax harmonization, the budget also reduces income taxes for businesses, from the current 14%—12% for manufacturers and processors—to 10% by 2013, another stimulus to business investment. Finally, while not a new item in this budget, taxes on capital assets will be finally eliminated by 2010.

Taken together, these measures take Ontario from being one of the world's highest tax regimes for new business investment to being better than average.

The tax changes will also eliminate the huge disparity faced by businesses in the service sector, which have been disadvantaged much more from our tax system than manufacturers. A more level playing field will benefit workers and businesses in the service sector, the largest part of our economy.

What about the charge that the conversion to a harmonized sales tax and the reduction in corporate income taxes are just part of a business agenda? This doesn't stand up to scrutiny because the research indicates that most corporate taxes are borne by workers. This occurs in two ways: First, firms are able to pass on a significant portion of the additional costs of corporate taxation to their employees in the form of lower wages; and secondly, as we've said, workers suffer from high corporate taxes as the lower investment in productivity and wage-enhancing investments in machinery, equipment and software hurts job creation and wages.

Lowering taxes on business investment, as this budget does, isn't business-friendly; it's Ontario-friendly. The government took very bold action when the easier political strategy would have been to wait until conditions were better. They should be congratulated.

I'll be happy to take questions.

The Chair (Mr. Pat Hoy): Thank you very much. This round of questioning will go to the NDP and Mr. Prue.

Mr. Michael Prue: Yes, you've spoken a lot, but not much about Bill 162. You're the same as the last speaker: You're here to speak about the harmonized sales tax because you like it.

Mr. James Milway: Yes—and the reduced corporate taxes.

Mr. Michael Prue: You haven't talked at all about what is in the bill, and I think many industries, many business people would be keenly interested—and that has to be the pensions that so many businesses have paid over the years and the government's wiggle room around not backing up these pensions or the corporate ability, in some cases, to try to get out of them. Any thoughts on those?

Mr. James Milway: No. I haven't looked at that issue. It's not something that our institute has done a lot on, so I have no comment on that part of the bill.

Mr. Michael Prue: Because I think that's the key thing in Bill 162.

Mr. James Milway: Okay.

Mr. Michael Prue: All right. You also said something—and I guess I'm a bit of sceptic, because you say, "Won't consumers pay more?" and then you go on to say that they likely won't. I have met on two occasions now with small business people and particularly realtors in Toronto who feel that the additional taxes levied on new homes above $500,000, most of which will be in the Toronto area, will be onerous on them and will cause a huge slide in—any comment on that?

Mr. James Milway: I think it's overstated. I think we're talking about a small percentage of house sales. I do think that if we are concerned about lower-income Ontarians being affected by this measure on houses above $500,000 we can deal with that through some kind of tax rebate or tax credit, as the government is doing in this budget in general. If we are really worried about taxes on real estate and transactions, then let's go after the land transfer tax, which is a much more inefficient tax and just a really horrible tax compared to what the harmonized sales tax would be.

I think there are lots of solutions to the problems that realtors might be pointing out, but I don't think because of one specific area we should junk the whole system, because I think net-net, the harmonized sales tax has got way more advantages than some of the dislocations or disadvantages.

Mr. Michael Prue: I spoke last night with a man who sells ice cream in the Beach. He's very innovative; it's a lovely little shop. He's just set a new one up in Leslieville. Almost all the ice cream he sells today is under $4 for a cone and he's going to have to start charging 8% more, which is an extra 30 cents, and he thinks his place is going to decline. This is really going to hurt his business, one small business. You said you can't isolate them—maybe you can't—but I told him I'd ask the question. Is this going to hurt businesses like that?

Mr. James Milway: No. He's not going to be having to charge 8% more. He may charge the 8% tax, but his costs will come down significantly because he'll be getting rebates like he does currently on GST purchases. So it won't be anywhere near an 8% increase, and for every increase in the price of an ice cream cone, there are going to be reductions elsewhere. The net effect, based on experience in Atlantic Canada and Quebec, is that the prices paid by consumers will actually decline a bit.

0930

Mr. Michael Prue: So you're going to tell him that his prices will actually—the charge that he's going to make will actually go down?

Mr. James Milway: I'll look at his books with him and—give me his phone number, we'll talk and I'll go through his books. I don't know his situation, but I think it's very easy to pick out that 8% at the very top. I think, as the previous speakers were talking about, you can easily find problems with this by just focusing in on one particular area, but you have to work your way through the whole flow of this tax. The net effect is that when you take out all the inputs, the effect on retail prices is minimal.

Mr. Michael Prue: Thank you.

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

ONTARIO FEDERATION OF LABOUR

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

Good morning. 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 yourself for our recording Hansard.

Ms. Marie Kelly: Hi. I have with me today Sheila Block, who's the research director for the Ontario Federation of Labour. I'm Marie Kelly, the assistant director for the United Steelworkers union. I'm also vice-president for the Ontario Federation of Labour.

We're here today on behalf of 700,000 of our affiliates in Ontario, but we're also here more broadly on behalf of working people in Ontario, whose retirement security is being threatened by the international economic and financial crisis that we're facing. The impact on retirement savings has been clear: Asset values have dropped dramatically, many workers are unemployed or facing unemployment, and many plan sponsors are facing financial difficulties. Government have responded with aggressive interest rate reductions, and all of these things have had a significant and very negative impact on Ontarians' retirement savings, in whatever form they take. Whether they might be a defined benefit pension plan, a defined contribution pension plan or private savings, all of them have been detrimentally affected.

The lessons from this financial crisis shouldn't be lost. One is the important role for our governments to regulate and oversee the pension promise that has been given; secondly, the pressing need to improve pension plan coverage for the 62% of Ontarians who don't have a pension plan.

The most effective way to increase pension plan coverage, quite frankly, would be to increase the Canada pension plan benefits. That would draw on the existing economies of scale, risk-sharing and would create administrative efficiencies for the plan. We believe such an expansion would benefit working Canadians and is more possible than it ever has been in the past.

I want to turn now to the impact on benefit security in the proposed changes to the Pension Benefits Act in Bill 162. Given the long-term nature of the pension promise, a deterioration in a defined benefit pension plan's balance sheet can be serious, but it can be a temporary problem if the individual who's being affected is young enough to be able to build up that pension again. But the impact is devastating on the older worker who doesn't have that time in order to have the fund build up.

I sit here as a representative of the Steelworkers, having spent a considerable amount of my working time over the last few years dealing with the manufacturing sector; many of our members are in it. I am the expert in our office who deals with bankruptcies and CCAAs, so I know first-hand what it's like to sit across from someone who's in the situation of losing a considerable percentage of their pension plan. Often, it's a time in which they're not going to get their severance pay because the employer has gone bankrupt. They don't know if they're going to get their wages that are owed to them, and if they do, it will be for some period down the road while the CCAA system is in place and it goes through bankruptcy.

I can tell you the devastation in the north, where you have towns now where it's a single employer and it goes bankrupt or it closes. Your life investment for many people is your home, and those houses have deteriorated in value to where they're almost worth nothing in some of these cities. You can go to some cities in the north, quite frankly, where I can take my credit card and purchase one of those homes—and my credit card has a $10,000 limit. The only problem with that is, I'm going to be purchasing a home that's somebody's dream and that has people still in it.

The devastation that happens to people in this economic crisis has to be something that you consider. I understand that the proposed changes are being generated at a time of crisis in which you're trying to be fiscally responsible to make sure that the pension benefits guarantee fund is able to last. But, quite frankly, you have to look at the flip side of it and say, "But what's the impact at a time in which people need it most?" You can't create a fund that is there for people and say, "We're doing this because we want to protect your pension in the worst possible circumstances for you as an Ontarian," and then say, "We're in a crisis, in the worst possible circumstances for you as an Ontarian, and at this point in time, we're going to make sure that we level it out and be fiscally responsible." You have to have consideration as to what we need at this time in order to protect people in the worst possible circumstances.

It's impossible in this room for me, in 10 minutes, to give you a visual impact of what happens, but I can tell you, the most calls I get when one of our plants goes down is from retirees—people who don't have an ability to go get another job, particularly in this environment; people of an age who are unlikely to get another job at this time. Their pensions are not huge. Because they've been off on pension for a while, they maybe make $800 a month on this pension. We're not talking about people who are rich. Now they're looking at maybe getting 60% of that. That means a lot to these people who are struggling to get by. You have to envision that impact on thousands of Ontarians when you're making a decision about what you're going to do to this pension plan.

I just want to talk a bit about the history of pensions. Pensions arose within my union in workplaces which were the dirtiest, most difficult workplaces to survive in. I can tell you, for example, about the big 30-and-out pension—the pension they talk about today, where workers get to actually just do 30 years, and no matter what your age is, you get a pension plan—that arose in our mining sector. It arose in our mining sector because there was an understanding between the employer and the workers and the union that the circumstances under which they laboured were likely to result in their lifespan being shorter than the average person's. That's the history of those pensions. Therefore, pensions were granted at 30-and-out, because there's no sense investing in a pension plan that's not going to allow most people to reap the benefits of that pension plan, because they might not make it to 65.

Many of our manufacturing workplaces—I invite you to go take a look at them. They are dirty, grungy, difficult jobs, with a lot of issues for these workers. They're repetitive; they're manual. The whole history of pensions here is about trying to provide a decent standard of living to individuals who have given their lives at a workplace. These people didn't go from workplace to workplace; they built up a pension plan within a workplace doing a good job for this employer. It can't be now that because we're in a crisis, due to no fault of their own, we're going to say, "We're going to make a decision that you're not going to have the insurance plan that, as a government in Ontario, we think is a good thing to have put in place to protect you in your worst possible circumstances."

I'm a bit off script here, but we really believe that the pension benefits guarantee fund has to be there for our workers. It has to be there to protect the most vulnerable right now in this economic crisis. That's the reason it was built up; that's the reason that it needs to be in place now more than ever.

What we'd like to recommend is that you amend the bill so that these amendments to the Pension Benefits Act come into force in five years, and then only with respect to benefits accrued at that time. You have to remember that the realm of pensions is the realm of a trust. You don't retroactively, in that kind of area of law, take away rights that have been accrued to people. So we say, make it come into force in five years, and only with respect to benefits accrued at that time.

Introduce an amendment to increase the pension benefits guarantee fund to $2,500, as recommended by the Ontario Expert Commission on Pensions.

Along with the above-mentioned changes to Bill 162, Ontario should initiate negotiations with other governments in Canada to increase CPP benefits. If material progress is not made in these negotiations within six months, we in Ontario should move ahead on our own to develop an employment-based plan that's much like CPP.

0940

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

Mr. Wayne Arthurs: Sorry for the bit of confusion. It looks as though we have a quorum call upstairs, so one of our members will have to go up to help support the House to ensure that business there can continue. Hopefully he'll rejoin us when the opportunity arises.

First, Marie and Sheila, thank you both for being here this morning. It's very much appreciated.

Ms. Sheila Block: It's our pleasure.

Mr. Wayne Arthurs: I'm interested in everything you say. I'm particularly interested in your comments around both CPP as a principal strategy and your latter comments in particular about the need for us to take a greater leadership role nationally and with multiple other jurisdictions. The Premier certainly has spoken to that need in the Legislature. As recently as last week, a private member's resolution calling on the same thing had the support of a majority of the Legislature—just to borrow an expression—members, at the very least, to provide their support to that initiative as well.

Would you both speak to me about your comments on CPP as, I think you said, the best and most appropriate approach and maybe the easiest one to deal with, and then, secondarily, about a broader framework for discussion and the role that you would see both unions and business playing in that discussion?

Ms. Sheila Block: It has been a long-time position of the labour movement that we need a larger role for CPP and that we believe that the Canada pension plan should be expanded and the benefit levels should be increasing.

We believe that with the recent review commissions of BC, Alberta and Nova Scotia, there is a potential for some movement nationally. As I'm sure you're well aware, it takes two thirds of the participating provinces with two thirds of the population to make such a change.

While the motion in the House was something to be perhaps supported, we are looking for concrete action from government. In particular, we would like the Premier to put this issue on the agenda for the Council of the Federation meeting in August. We would very much like the government to take very concrete action. In particular, if we don't see material progress in the next six months, we believe that Ontario should start to move forward on its own.

Mr. Wayne Arthurs: Could you speak a little more about specific initiatives you would see on the CPP front that would support the position you're taking—support pensions for Canadians generally? Is it simply an enhancement? Is it an expansion of qualifications?

Ms. Sheila Block: I think we're looking for an increase in benefit levels. Benefits are targeted at 25% currently of the YMPE, and we're looking for a doubling of those benefits—to move to a larger reliance on a pension that is universal, portable, has all of those elements that actually meet both the changes in the labour market and is a very low-cost way to provide people with retirement security.

Mr. Wayne Arthurs: You talk about portability pensions a bit. That was my next question. You raised it at an opportune time. I think one of the big challenges, as people change jobs over the years, is that there's this limitation on being able to build capacity in your pension because of a lack of portability and of the capacity to able to apply experience in one area against that cumulative effect of a pension plan.

Ms. Sheila Block: The CPP is the most efficient answer to that, right? It's all of your jobs, and it has a continuity about it. There are a number of aspects of CPP that are very attractive. There are changes to the Pension Benefits Act that could be made that would increase portability, and we have examples of pension plans in the public sector that do provide that portability. So it's something that's definitely possible.

Mr. Wayne Arthurs: Thank you particularly for making the earliest comments about your desire to see the Premier initiate this as part of the discussion at the Council of the Federation. You were the first one to put it formally, and I think it's appropriate that it's here in this format and recorded on Hansard accordingly through this committee. Thank you.

Ms. Marie Kelly: Thank you.

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

DAILY BREAD FOOD BANK

The Chair (Mr. Pat Hoy): We'll just pause here for a moment so our next presenter can come forward. Our 9:45, I think, is here.

I'll let you get situated there. 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. You can begin.

Mr. Michael Oliphant: My name is Michael Oliphant. I'm the director of research and communications at Daily Bread Food Bank. I'll be presenting this morning. My executive director, Gail Nyberg, was originally scheduled to join me, but she unfortunately had to go at the last minute.

Thank you very much for allowing me to address the committee this morning. My presentation will be pretty short. What I'm going to do is start with a brief overview of Daily Bread Food Bank for people who aren't familiar with who we are. I'm going to outline why we believe the 2009 Ontario budget is a good one for low-income people and is a good early investment and a good starting point for the poverty reduction strategy. I will evaluate the impact of the harmonization of the PST and GST on low-income Ontarians and finally suggest areas where Daily Bread would have liked to have seen some more investment in this budget.

To begin, Daily Bread Food Bank's vision is that it is fighting to end hunger in our communities. We're a network of food banks and other food relief programs based in Toronto and serving the GTA. Food and financial donations are delivered to Daily Bread, which represents the hub of the network, and resources are distributed equitably amongst the province to nearly 160 member agencies. Daily Bread is also committed to addressing the root causes of hunger, including poverty, and has invested substantial time and effort in the poverty reduction strategy by the consultations.

Food banks have been greatly impacted by the economic downturn, which probably isn't a surprise. Client visits to Daily Bread agencies are up about 15% to 20% in the first quarter of this year compared with last year. We're starting to see quite a large increase. Actually, food bank use started increasing about a year before we heard about the economic downturn in the media, so we're a bit of a canary in the coal mine in terms of what's happening on the ground with people. Food donations are static, so we're very concerned, obviously, about this increase in demand while at the same time food donations are about the same as before.

In terms of our new clients, about a third have lost their job recently. We've seen, for example, couples who have lost both jobs in one week; that's a common story that we've seen in our network. Nearly one in 10 are living off savings or assets; they have no source of income at all and are drawing down RRSPs and other assets that they have in order to maintain their standard of living. About 7% had work hours reduced; they haven't actually been laid off. They're people in the restaurant industry, for example, who have had hours cut back.

There's a general concern in the food bank network, not just in Toronto but across Ontario as well, that a protracted economic downturn will cause service to people to deteriorate. It's something that we're very worried about. Food banks are looking toward government—that's federal and provincial—to support people in terms of income support, retraining, helping people maintain housing and so on to help them through this downturn.

In terms of the budget, the 2009 Ontario budget, we believe, is positive for low-income Ontarians, and we point to a number of reasons why. The main one for us, really, is the acceleration of the Ontario child benefit by two years to reach maturity in July of this year instead of in 2011. This is going to mean about $42 per month more in the pockets of low-income families with kids at a time when they really need it.

One really positive success story that we've seen recently with a client is someone who is moving from social assistance to work. She got a job at Bell Canada. She has three children; she's a single parent. This means about $150 more for her a month, beginning in July. The fact that it's coming through the OCB means that even though she's employed, she is going to be able to access that benefit. The fact that she has gotten off social assistance means that she still has some support from the government. For her, that's a really important and new initiative in this budget.

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We point to the $700 million for much-needed social housing rehabilitation. I think it's really important to invest in programs that will create assets at the end, or maintain assets, in this case, while also producing jobs. We think that's a very important investment. The $360 million to create new, affordable housing units is very important. There's a 2% increase in social assistance in this budget, and continued increases in the minimum wage up to $10.25 an hour, and we'd strongly encourage the government to continue along that path. About $1 billion in new spending is in property and sales tax credits for low- to moderate-income families to offset tax harmonization, out of about $4.3 billion in federal money that came.

Our benchmark around this was that we wanted to see about $1 billion of that money spent on low-income families to ensure that there were no negative impacts of that harmonization. We're really pleased to see that that happened.

In terms of the net impact of the sales tax harmonization, we think that overall it will actually improve the incomes of low-income Ontarians for the most part. When we were looking at this, we looked at it in terms of how it impacted low-income Ontarians only; those are who our clients are. That was our main focus. It didn't matter how it would impact me, our executive director or anyone else; it was low-income Ontarians we were concerned with.

As I said, we expect that that harmonization will actually mean people will have more money in their pocket. The reason for that is that the government did exempt a number of basic needs that comprise a higher percentage of low-income people's spending. For example, children's clothing and feminine hygiene products were exempted entirely. We think that's a very positive step. We think the new enhanced sales and property tax credit for low-income Ontarians will be additional sources of income that will help offset any additional taxes that are paid.

We would point to the sales tax credit as a really important new investment, particularly the fact that it's paid quarterly now. Previously, it had been paid once a year with somebody's income tax. Paying it quarterly means that it's more available to the families at the times they need it, and we think it's important that the government is investing money in low-income people outside of the welfare system. The property tax credit was a surprise to us, and a really good one, actually.

In terms of areas of concern, we are concerned that meals under $4 weren't exempted from the harmonization. We would urge the government to consider that. A lot of low-income families do enjoy going to the local Tim Hortons, to the doughnut store or whatever; that's a way they can socialize with people. Although this isn't a deal-breaker for us, we think that it would be a good step to exempt that as well.

We're also concerned about the cost of housing. This is something that we're going to be watching closely. We've heard from landlords we are in touch with and have worked with that there might be a rise in rental housing costs as part of the harmonization. We're not sure about that, but it's something that we're going to look at very closely. Also, in terms of taxes on heating fuel, for example: Most of our clients don't actually pay for electricity or for gas, but we're starting to move in the direction of having individuals pay rather than apartment buildings pay as part of our energy efficiency plans in the province, so that's something that we're going to look at very closely too. Based on the modelling that we've seen, we feel fairly confident that low-income families will be better off at the end of the day as a result of the tax harmonization and the measures in place to offset it.

The next slide is just a quick look at, from our calculations, what the impact of the various tax measures and income benefits in this budget will be for low-income families, and we think it will be pretty high. For a single parent with one child earning about $25,000 per year, we estimate they will be about $1,800 better off in 2010 than they are right now. That's through $665 in sales tax transition benefit, $440 in sales tax credit, $195 in property tax credit, and then for us, most importantly, is the $500 in the Ontario child benefit acceleration. That's a substantial increase in income for people at a time when they really need it, when people are losing jobs.

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

Mr. Michael Oliphant: Okay. I'll just finish off with the last slide.

There are a couple of things that we really wish were in this budget that we'll continue to press on, the most important of which is asset levels and social assistance. We feel really strongly that some movement has to happen there. Currently, to quality for social assistance, you can only have about one month's worth of social assistance payments in liquid assets. We're seeing a lot of people living off of RRSPs, for example, right now. So they're actually drawing down their retirement savings in order to get government support. We're very concerned that requiring people to be destitute in order to qualify for benefits will mean that people will be on assistance for much longer periods of time after this recession is over than they would otherwise have been. So that's something that we'll continue to push on.

There's no mention in the budget of a housing benefit, which is something that Daily Bread has been pushing, along with private sector landlords, public sector landlords and a wider coalition. So that's something that we'll continue to push on in the future.

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

Mr. Ted Arnott: Thank you, Mr. Oliphant, for your presentation, and thank you for the good work that you do in this community. Please pass along our appreciation to all the volunteers who help you out and those that sponsor you and for all the support that you receive. It's most sincerely appreciated.

Mr. Michael Oliphant: Thanks.

Mr. Ted Arnott: Before I go into my questions, did you have any other additional points you wanted to make before Mr. Chairman told you that you were out of time?

Mr. Michael Oliphant: No, I'm fine.

Mr. Ted Arnott: Okay. All right. You indicated that in the first quarter of this year, client numbers for your organization are up 15% to 20%. I'm just wondering about absolute numbers relative to the 1991-92 recession. Have you drawn any comparisons? Are we in worse shape now than we were in the early 1990s?

Mr. Michael Oliphant: They're pretty close. I think that we are in worse shape. What has changed since then is that we have seen, over the past 10 years, a lot more working-poor people coming to food banks. Structurally we seem to continually be ratcheting up in terms of our demand. Now with the downturn, we're starting to see what we're calling "the new poor"—faces we never would have expected to see. For the first time, we're seeing people with mortgages coming in to access the food bank. A lot of them are getting unemployment insurance, but at 55% of their former wages, they can't afford their housing and food at the same time. So I think it is worse, and we're certainly concerned.

Mr. Ted Arnott: You said that your donations are static, though, and demand is up 20%. Are your shelves bare? At what point does it become really critical?

Mr. Michael Oliphant: We are lucky enough to have come through a Christmas period where we did really well. We exceeded our cash donations by about $1 million. The understanding of the issue is higher in the public right now and the awareness is a lot higher, and the willingness to give has been really strong up until now. What we are really worried about is that if the recession continues, if people who were donating at Christmas have lost their job in January, February or March, that's where the impact is really going to be felt. So at the moment, we're doing okay, but we're going to keep pushing at corporations and the public to continue support. Probably by spring/summer, I think, is when we're going to have to start pulling back on the amount of food people receive.

Mr. Ted Arnott: Even though the harmonized sales tax is not a feature or part of Bill 162, it is the subject of discussion here this morning. You indicated your concern about the fact that home heating fuel was not exempted and that there's a concern amongst low-income people. I would certainly agree. I think that in this country, home heating fuel is an essential good, certainly in the winter months. For the life of me, I can't understand how the government sees it as a positive thing to not exempt home heating fuel from this new harmonized sales tax.

Mr. Michael Oliphant: The other offsets that they've put in place should cover that. The modelling that we've seen around this has—I think we feel confident that people will actually be better off as a result.

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Mr. Ted Arnott: The thing that concerns me most is, when I receive inquiries from constituents about how this proposal is going to impact them, and I send e-mails to the Ministry of Finance, they're always prefaced with, "It is presumed that it will apply this way." We have no legislation. We just have a few statements from the minister and some vague reassurances.

Mr. Michael Oliphant: Well, as I said, the majority of the low-income families that we see aren't paying for home heating fuel at this point. So I think it'll be something that—

Mr. Ted Arnott: Not directly, but certainly they are paying for it indirectly.

Mr. Michael Oliphant: Indirectly, yes. It's something that we're going to watch really closely. If we think that we need to see a further offset, in terms of sales tax credits, then that's something we'll push. But at this point, we feel confident that people will actually have more money in their pockets at the end of the day.

Mr. Ted Arnott: Thank you very much for your presentation here today.

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

CANADIAN AUTO WORKERS

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

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

Mr. Ken Lewenza: My name is Ken Lewenza. I am president of the Canadian Auto Workers union. To my left is Sym Gill, pension and benefits director of the CAW, whom I would consider an expert in the area of pensions and benefits.

I'm pleased to be here representing the 225,000 members of the Canadian Auto Workers union. About 160,000 of those members work and live in Ontario. Many of these workers are members of defined benefit pension plans. As well, there are well over 100,000 retirees and beneficiaries from Ontario workplaces who are receiving pension benefits as a result of our collective bargaining efforts.

When the budget was first delivered, my initial comments were that it contains a mixture of positive and disappointing elements.

The positive elements include the announcement of major new financial support for infrastructure and training and the acceleration of anti-poverty measures, such as the expansion of the Ontario child benefit. The provincial deficits that will be incurred during the current recession are an inevitable and necessary consequence of the global financial crisis, and as a result, the increase in overall program spending is a positive development.

There were, however, several disappointments, including the failure to address the issue of lost severance and back wages faced by the growing number of laid-off workers in Ontario. Despite those thousands of job losses in Ontario, and a growing list of workers losing out on basic severance payments and outstanding monies owed, the government has failed to provide severance protection for workers and struggling families.

I can only repeat what I said on budget day: There has never been a more critical time for government to step up, show leadership and protect the most victimized working people in this province; namely, those who have lost their jobs and their back wages at the same time.

The CAW was a major organizer of the Save Our Severance campaign, which saw thousands of laid-off workers across the province voice their concerns over the lack of government protection for severance pay. In 2008 alone, there were 2,800 reported business insolvencies in Ontario. At the time, we argued for, and continue to demand, the introduction of an Ontario wage earner protection program that requires employers to pay all outstanding monies owed to workers in cases of bankruptcy.

I do want to commend the government for its budget proposals to provide measures that will facilitate temporary funding relief for defined benefit plans.

The global financial crisis and its accompanying credit squeeze have certainly negatively impacted many plans, and the proposed budget measures will help in dealing with those challenges.

I now want to make some comments about another section of Bill 162, namely schedule 24, which deals with the pension benefits guarantee fund, under the Pension Benefits Act. In part, this section aims to make clear that neither the act nor the regulations require the government to make either a loan or grant to the PBGF. I see this as an attempt to allow the government to avoid its basic responsibilities.

The Ontario Expert Commission on Pensions, the Arthurs report, noted that there are strong moral reasons for governments to adopt measures to mitigate the effects of pension plan failures. In fact, the Arthurs report recommended that the PBGF continue in place until a full review and study of any alternatives is carried out. Indeed, it goes so far as to recommend that the maximum coverage be increased from $1,000 to $2,500.

Until now, the practice has been that the province has always stood behind the fund. The new provisions in Bill 162 explicitly say that the government has no obligation under any circumstances to make any loans or grants to the fund.

At the precise time that workers and retirees most need support, the possibility arises that it may be taken away from them. Thousands of workers and retirees have received significant support from the PBGF in the past. The potential victims of future plan failures should not be abandoned; instead, they should be reassured that society at large will be able to protect them.

Commenting on the possibility of failure of major pension plans, the Arthurs' report notes that "those consequences are extremely serious, not only for individuals but for communities, and not only for pension funds but for government welfare programs that will ultimately be called upon to provide the income lost by retirees in the event of such a failure."

It is incumbent on all of us to ensure that protection for retirement incomes for both current and future retirees remains as a fundamental principle in our society and in our public policy.

If I can raise again the severance payment—I've met with the Minister of Labour on this particular issue and he's indicated that he considers it a federal matter. But the reality is, we've had provincial legislation under the Davis days of protecting workers' severance, and when the New Democratic Party was elected in the 1990s, they also protected workers with legislation. Again, it is a provincial matter that could be resolved provincially, but there's reference to the federal government playing a role. Relative to the pension plans, obviously we would like the government to work in partnership with the federal government to adopt a national guaranteed pension fund because workers quite frankly require the support.

I don't have to tell any of you folks that all retirees are suffering today. The reality in the province of Ontario is those who do not have pension plans and don't have the privileges of a union have lost significant savings as a result of this global financial crisis. This is really a time for government to step up and provide support to those who have provided an incredible contribution to our community.

I don't think I have to tell legislators—I don't think there's any place you folks go that you don't see retirees on the front line still doing work today. Whether it's voluntary work in hospitals, whether it's voluntary work in libraries or public communities or not-for-profits, they're out there. The fact of the matter is, to protect their income is the right thing. It's a moral obligation of government.

In my closing remarks, I do want to recognize the legislators. There is a recognition in the outside world that this is a difficult time for legislators. It's a difficult time for the province of Ontario. It's a difficult time for the country, but this is the time to show leadership. I want to recognize all the legislators for their support of the auto industry—the recognition of the importance of the auto industry to the province of Ontario. The Premier, for example, has emphasized that there are 400,000 to 600,000 jobs related to the auto industry, and what the government is doing today is comparable to what other governments are doing in every other country in the world: supporting their key industries.

I know there's been some criticism in that particular area, but the fact of the matter is, when one analyzes what's taken place in the auto industry, every developed country that has an auto industry or has key industries is getting key support from government during this global financial crisis. That kind of contribution is appreciated.

I could talk forever on a whole lot of ideas on how we protect the manufacturing sector in the province of

Ontario and the jobs that come with them. I'll save that for another day, but I do want to recognize all the legislators for their work.

The Chair (Mr. Pat Hoy): Did you want to make a comment? Go ahead.

Mr. Sym Gill: Yes, just a couple of supplementary comments regarding the pension benefit guarantee fund. Our concern is based on the legislation that's been put forward, which is really in isolation to many of the other recommendations, for example, that were in the Arthurs report. We could talk a lot about that, but it's a concern that the only follow-up to the Arthurs report is the current legislation, which, coupled with comments that have been made publicly, appears to us to be preparing the way for governments, through the guarantee fund, not being in a position to support those who need it.

I'll just give you the examples. In the past, the guarantee fund has obviously helped a lot of different individuals, retirees as well as workers, who see their plants disappear through bankruptcy and insolvency. Just to describe it in a little bit of detail, we have a couple of examples, Atlas Steel in Welland and General Chemical in Amherstburg. These are not auto companies; these are general manufacturing and so on. The way that retirees find out how they're impacted is that on a Saturday morning, a retiree goes into a drug store in Welland, tries to fill a drug scrip and is told that they're no longer covered because the company went into CCAA protection on the Friday. That's the kind of impact. On top of that, when you couple the loss of their medical benefits in retirement with the potential loss of their pensions, this is a devastating blow to retirees.

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The reason I point this out is to say that there's been a lot of concern publicly about large funds perhaps needing access to the guarantee fund because of the danger of large plants going under. I'd just point out that the retirees at Nortel, for example, who are covered with certain retiree benefits—and Nortel, of course, is in CCAA protection—are not going to be any better equipped to deal with Nortel's eventual bankruptcy, if that's what happens, than the person at Atlas Steel or the person at General Chemical, even though those are much smaller plants; the retirees and the workers at Nortel are going to be hit in the same way. The fact that they belong to a large plan shouldn't be a barrier to protection that the Legislature saw fit to provide.

I think that explains in some more detail some of our concerns about the nature of the current legislation. As we mentioned in our brief, the recommendation of the Arthurs report was to continue the PBGF for at least the next five years, while it's being studied, and to increase the coverage levels as well, because, of course, the $1,000 coverage level has been in place since the fund began some 29 years ago.

The Chair (Mr. Pat Hoy): Thank you. We'll move to questioning from the NDP. Mr. Prue?

Mr. Michael Prue: I've been alarmed at some of the larger companies in Ontario going to court to try to get out of their obligations to the pension. I don't think any have been successful so far, but do you see this as a growing trend? Big, large companies—I know that the paper companies and some of the auto makers are starting to say that the pensions are too onerous and they need to get out of them.

Mr. Sym Gill: Yes, that does happen. I think the most recent example is not in Ontario, but it's in Quebec, where AbitibiBowater attempted to make some unilateral changes to its pension plan while they were in CCAA—and that has been thrown out, as I understand it.

I think that in terms of companies trying to get out of their obligations, we face that every day. We face the demands of the collective bargaining to get out of defined benefit plans, to curtail benefits, to freeze them for new entrants and so on. In our view, that is simply a shifting of risk from employers, who we believe are better based to deal with that kind of risk, to individual workers and retirees, who are less able to deal with those sorts of risks.

Mr. Michael Prue: My colleague Mr. Miller has brought forward a couple of bills on precisely these things—Bill 6 and Bill 17—dealing with severance and the fund. Have you had an opportunity to look at these or to comment on whether or not you think that the passage of those bills might help in these circumstances?

Mr. Sym Gill: No, to be frank, I haven't been able to look at those. I don't know if Ken has.

Mr. Ken Lewenza: But to be fair, Paul has consulted our union. I appreciate that. The content of the bills, quite frankly, is plausible, and we thank you for that.

Mr. Michael Prue: Paul, do you have any questions?

Mr. Paul Miller: Yes, I'd just like to piggyback on what my colleague said. To take an example, Stelco in Hamilton: US Steel has basically shut the door and the plant is on hot idle. It's my understanding that the commitment that US Steel had made to Stelco, as far as pensions go, is that they would sink in $67 million for seven years after taking ownership of the company. They'd also put in another $28 million to $30 million for benefits, so you're talking about $100 million a year.

What do you think their next step will be as far as pension obligations go? They said they've honoured it to this point, but I have a fear, since they're taking raw materials off the ground and they're going back to the States with the raw materials and taking equipment out of the plant—how long is US Steel going to put out $100 million to maintain the Stelco 1005 pension plans? Do you feel that this could happen in other jurisdictions? Especially to the auto workers as well, because we well know that there is a deficit of hundreds of millions of dollars in their funding. After the PBG fund has run out after five years, if the government sees fit to fully fund it, then what happens after the five years?

Mr. Sym Gill: Unfortunately, in the absence of positive action by the Legislature and by maintaining the PBGF at adequate levels, then I think the scenario you're describing in Hamilton will play out with severe loss of income for thousands of workers and retirees. It's very worrisome.

Mr. Paul Miller: And it's getting worse by the day, and it will continue to get worse. I'm glad you gentlemen are here to further bring this to the attention of the government. Thank you very much for your—

Mr. Ken Lewenza: I think it's worth noting. Obviously, we think that there should be legislative requirements for these companies that run away from their obligations. This is absolutely ridiculous. You're right. If you take a look at the economic perspective in the real world today, what ultimately could happen—and again, they're represented by the steelworkers; I don't want to put any negative connotation on whether that plant reopens or not. The facts of the matter are, a lot of companies are running from their responsibilities, and I think the Legislature has the power to stop them from doing this.

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

We are in recess until 2 p.m. this afternoon.

The committee recessed from 1017 to 1401.

ASSOCIATED CANADIAN CAR RENTAL OPERATORS

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

Our first presentation this afternoon will be by the Associated Canadian Car Rental Operators. Please come forward. You have 10 minutes for your presentation, and 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. You can begin.

Mr. Bill McNeice: My name is Bill McNeice. I'm the president of ACCRO, which is the entity that represents the Canadian vehicle daily rental industry.

I'd like to thank you for allowing us to speak to you today regarding the proposed provincial budget, and specifically on our understanding of how the value-added tax will be treated for the purchase of vehicles in our industry.

Our members include the largest car rental companies in Canada as well as many small family-owned operations. In Ontario, we have 138 members that purchase 45,000 vehicles per year for use in Ontario. I believe that makes our industry the largest single purchaser of vehicles in Ontario in the private sector.

What I hope to accomplish today is to have someone here on the committee tell me that our current understanding of the treatment of the proposed single tax is incorrect. I hope someone will tell us that what we've read up till now, and what the finance department staff have told us to date, is all dead wrong.

Currently in Ontario, our industry is exempt from paying the 8% PST on the 45,000 vehicles we purchase annually. We collect and remit PST on the income a vehicle generates every time it's rented, through the life of the vehicle while it's in the rental fleet. Currently in Ontario, we pay 5% GST on the 45,000 vehicles we buy and operate in Ontario, and are credited back this amount through an input tax credit from the federal government. In Atlantic Canada and Quebec, we pay the HST and the QST/GST, respectively, and we're credited back 100% through an input tax credit. This does not appear to be the case in the proposed budget, the way that we view it and the way we've been told it will work.

I'll refer you to page 111 of the province's report entitled Reforming Ontario's Tax and Pension Systems. I apologize; I don't have a handout, but I have sent a fax to the committee, so you'll see most of this in writing after this.

On page 111, they talk about temporarily restricted input tax credits. I'll read to you what has really brought us here today, and why we're so concerned: "Similar to the restricted input tax credit (ITC) system in Quebec, large businesses (those with annual taxable sales in excess of $10 million) and financial institutions would be unable to claim input tax credits in certain areas." This is out of the report. It goes on to say that "temporary" is for the first five years, and then after that, a three-year phase-in period would take place.

On the same page, there's a box entitled "Temporary ITC Restrictions for Large Businesses," describing items that would be restricted from ITC, including the one that concerns us: "Road vehicles weighing less than 3,000 kilograms (and parts and certain services) and fuel to power those vehicles." This restriction would basically include 98% of the organizations within our industry, save for the small family operations that don't generate $10 million of taxable revenue in Ontario. The restriction on vehicles under 3,000 kilograms would be on 90% of the vehicles our industry purchases.

To add some brevity on the impact this would have on our industry, the numbers would look like this—and again, the committee will get copies of our math. Today the average capitalized cost of a single vehicle is $20,000, and 8% PST on that vehicle is $1,600. If you multiply $1,600 by the 45,000 vehicles we buy in Ontario, that's $72 million. That's a big number. Over five years, that's $360 million. If you took it to the extreme, potentially over eight years it's really close to $600 million. So this amount that we would be required to pay does not include the new cost associated with the 8% PST on the parts and services required to keep these vehicles in pristine condition over that same period of time.

Finance department staff have made the point to us that the proposed corporate tax reductions in the proposed budget could go a long way in offsetting this new cost to our industry. Absolutely nothing could be further from the truth.

In case you're not aware, our industry is connected at the hip with the North American automobile industry, so we've suffered the same pain over the last several years as the rest of the automotive industry. Added to that pressure are the pressures we face with vehicle residual value declines, which is one of the biggest problems in the industry today—an oversupply of vehicles.

We're also in a market where securitized back financing just isn't available to our industry to purchase the vehicles that only three years ago in Ontario would have been 60,000. So that credit is not available to us.

Add to that a double-digit decline in both leisure and corporate travel not only in Ontario but in Canada, and of course you have the makings of the infamous perfect storm, which we face.

If our understanding of the proposed budget is correct, there will certainly be no benefit in corporate tax reductions, as there will continue to be no profit in our industry to tax.

It's not just our industry that's affected by this proposal, if our understanding is correct. Anyone who buys a vehicle for resale today, who's exempt from the PST, would face the same challenge.

I'd like to thank you for the opportunity to speak to you. I hope that someone will now explain how we have been misguided in our interpretation of the single tax treatment on our industry and tell us that the industry will be treated the same way as we are in both Atlantic Canada with the HST and in Quebec. By the way, even though we claim the two taxes—the input tax credits—through two separate government bodies.

The Chair (Mr. Pat Hoy): Thank you. If you provide any additional information to the clerk, she'll make sure all the committee members get that.

Mr. Bill McNeice: Terrific.

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

Mr. Wayne Arthurs: Mr. McNeice, thank you for being here this afternoon. You've got us at a bit of a disadvantage, not having a heads-up, quite frankly, and/or any documentation directly from you to be able to refer to. Obviously you've been discussing with the finance staff this particular part of the budget proposal as part of the harmonized sales tax that's fairly specific to your industry.

Mr. Bill McNeice: Not specific to our industry, but specific under the clauses in the document that was published by the government. It really would affect those road vehicles that weigh less than 3,000 kilograms, so basically passenger vehicles that an entity purchases, and because they collect tax from consumers today during the use of that vehicle—and by no means am I a tax expert, but I know how we pay taxes in our industry. So it would affect leasing companies. It would potentially affect construction equipment companies that operate vehicles on the road. So it absolutely is not our industry.

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I understand why you would be at a disadvantage, but we've tried painstakingly for the last 10 days to get someone to tell us this isn't the way it's going to work: "It's a misunderstanding. That's not it. You're wrong. Your tax consultants that have advised you are wrong," that the finance department that has advised us is wrong. It's too absurd to believe, so we want you to tell us we're wrong. So do a lot of other people.

Mr. Wayne Arthurs: Let me suggest this to you, if I could, at this point. Being here today is an important part of this process that you're into to ensure that those concerns are on the record. This is a good opportunity with the committee, in the public forum, in that sense, and on Hansard. That will certainly be helpful to us, I believe, and it will be helpful to the ministry officials. I can only assume that that dialogue is not at its conclusion at this point in time. You say that there has been some dialogue over the past 10 days.

We know that with the implementation of the HST a year or so out from now—it takes a long time to get the transition rules resolved. I know that ministry staff are having discussions—I'd suggest, daily; I can't tell you how often, but for all practical purposes, daily—with their federal counterparts in Ottawa to work out the details of transitions for various industries, various elements of the budgetary implementation, whether it's the exclusions that will be provided or issues such as housing, with the building industry as an example.

I would suspect that the types of discussion that you may be having with them are about things which they are having dialogue back and forth with their federal counterparts to find a resolution to.

I'm certainly not in a position today, on behalf of our caucus, to give you any kind of a definitive answer, but would simply say that it's important to have you here today and that I'm anticipating that this dialogue is ongoing to seek some real clarity. Obviously, the answers that you've had to this point haven't been satisfactory to you or your association.

Mr. Bill McNeice: I think it's safe to say that our industry, and the whole automobile industry, was caught off guard on this. I'm from the first of many industries which will be taking this further, until we hear that it's just not true.

Mr. Wayne Arthurs: Not only are we here today from each party, but I know that from the government side and the minister's office our policy adviser is here making note of the conversations that are going on, as well as having Hansard. We will ensure that this gets carried back to the policy folks in the minister's office, as well as refreshing with the ministry office as well.

Mr. Bill McNeice: Thank you.

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

LAW SOCIETY OF UPPER CANADA

The Chair (Mr. Pat Hoy): Now I call on the Law Society of Upper Canada to come forward, please.

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

Mr. Derry Millar: Thank you very much. My name is Derry Millar and I am the treasurer of the Law Society of Upper Canada. The treasurer of the Law Society of Upper Canada is actually the president of the law society.

With me today, on my left, is Sheena Weir, the manager of government relations at the law society, and on my right, Julia Bass, a policy adviser in our policy and legal affairs department.

I would like to thank you, firstly, for the opportunity to be here today. The law society appreciates the opportunity to comment on the proposal to harmonize taxes in Ontario.

For 212 years, the Law Society of Upper Canada has regulated Ontario's lawyers in the public interest. Since 2007, it has also regulated licensed paralegals in Ontario. Currently, the law society regulates 40,000 lawyers and 2,300 paralegals.

I'm here today to express the concerns of the Law Society of Upper Canada about the potential impact on access to justice in Ontario as a result of an imposition of an additional 8% tax on legal services. Prior to the provincial budget, the law society had expressed to the Minister of Finance our concerns that tax harmonization was being considered and asked for the opportunity to meet and present the law society's views. In fact, the decision appears to have been taken already, in some haste. We feel that the full implications of this step have not been given sufficient consideration.

While we appreciate that the tax harmonization and the simplification of taxation rules generally are worthwhile objectives, the full impact of such a significant change merits detailed examination. This is a very major change in the tax regime in Ontario. While businesses will receive welcome tax relief from this change, consumers of legal services will pay the price. This will be particularly significant for lower- and middle-income clients. The new tax will raise hundreds of millions of dollars of revenue for the government from individual consumers of legal services.

There is a particular concern that the financial stress caused by the current recession will result in an increased demand for legal services due to increases in domestic violence, family and marriage breakdown, contractual disputes, bankruptcy, and loss of employment claims. This will put increasing pressure on the justice system, including the need for private practitioners.

Any increase in the cost of legal services will lead to more self-representation, which strains court resources and too often results in unsatisfactory outcomes for vulnerable Ontarians. Lack of legal representation creates additional costs in other areas of government, as family disputes are not resolved fairly, effectively and efficiently. This increases demand for social assistance and other forms of government support.

In addition, Ontarians of modest income will be discouraged from seeking proper advice when buying or selling their home or making other important financial decisions. All of the above risk causing further costs to other parts of the legal system.

It is the position of the Law Society of Upper Canada that this radical change to the Ontario tax system should not be made without full consideration of its implications for access to justice by the people of Ontario.

Thank you very much for your attention.

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

Mr. Norman W. Sterling: I guess I should declare a little bit of a conflict of interest, in that if I ever returned to practice, I might be shackled with this particular problem.

I often hear from my constituents—in fact, last week I was dealing with a woman who was fairly new to Canada and had much difficulty in speaking English. She was actually originally from Russia. She was talking to me about some of her family law problems. They're going to sell her house and there's not going to be much equity that they're going to get out of the house. The problem was fairly complicated in dealing with past court orders and those kinds of things, so I couldn't help her as an MPP. Even though I have a legal background and I could see where the problems were, it would be very dangerous for me to try to represent her as an MPP because there's a whole host of issues that come into the whole thing.

The problem that she has is that she can't afford a lawyer. This is a domestic problem. As I understand, it's very difficult to get legal aid for this kind of a case, so for somebody like her, this would have real impact in terms of increasing her costs to a lawyer. I'm trying to phone around now for her in my community to get someone to act on her behalf pro bono or as a volunteer or go through some kind of legal aid clinic to get her some advice.

A lot of people in our province cannot afford the legal system now. Do you believe that this will just make the legal system that much further out of reach than it is now for the average Ontarian?

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Mr. Derry Millar: That's one of our concerns, that for the ordinary lower-income and middle-income person in the province, an additional 8% will create severe problems. We know that there are difficulties already with low-income people. Legal Aid Ontario does its best, but there are very low thresholds with respect to legal aid. It's tied to the government social assistance level. We think it'll have more difficulty.

We appreciate that it's a very complicated issue, but we really think you need to take some more time and study it: What will the effect be on low-income and middle-income people?

Mr. Norman W. Sterling: Do you have any suggestions as to how they might handle it with regard to the varying kinds of legal services that lawyers provide in this province?

Mr. Derry Millar: I know that my colleagues the representatives of the Ontario Bar Association and others are going to speak to you about zero rating of legal services. Zero rating of legal services, although it's an attractive way to deal with the problem, creates a whole other set of policy issues that the government would have to grapple with, but it would be better than the 8%. All of these things are not without difficulty.

Mr. Norman W. Sterling: On legal services today, people do pay GST?

Mr. Derry Millar: Yes. See, what everyone, I think, needs to understand is that it doesn't really matter for a large corporation. The people who are served by the powers downtown—most of those people are large corporations or rich individuals, but large corporations that can pass it on. They get an input tax credit for the GST, and presumably they'll get an input tax credit for the harmonized tax. But middle-income and low-income people don't get that, so for them it's just another 8%.

Most of the people of Ontario, low- and middle-income, are represented by sole practitioners and small-firm lawyers. Of the approximately 21,000 private lawyers in private practice, over one half are sole practitioners and small-firm lawyers. It will have an effect on their clients.

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

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

The Chair (Mr. Pat Hoy): Now I call on OMERS to come forward, please.

Good afternoon, gentlemen. 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. Michael Nobrega: It's a privilege to be here today. I'm Michael Nobrega, chief executive officer of the OMERS Administration Corp., which is responsible for OMERS investment activities, plan administration and member services for the OMERS pension plan. I'm also here on behalf of OMERS Sponsors Corp., which is responsible for plan design, retirement benefits and contribution rates for the OMERS pension plan. With me today is Blair Cowper-Smith, executive vice president of corporate affairs and chief legal officer of the OMERS Administration Corp.

OMERS is perhaps Canada's leading example of a successful multi-employer defined benefit plan. On one side of the table, the plan serves over 920 employers in municipalities, school boards, children's aid societies, police and fire departments and other local agencies across Ontario. On the other side of the table are 284,000 active plan members and more than 100,000 retirees. There are more than 35 umbrella groups representing OMERS unions and employee associations and over 500 union locals.

OMERS's governance and business model was built from the bottom up, step by step, over a long period of time. OMERS has been jointly funded by employers and plan members since 1963. OMERS has been jointly governed by employers and plan members since 1968. Effective July 1, 2006, OMERS became a jointly sponsored plan by employers and employees. The province of Ontario was the official sponsor until 2006, with responsibilities for plan design and contribution rates.

Under the OMERS model, employers and members have an equal voice at the boardroom table. They share direct responsibility for all major decisions and the plan's success, and they also share the cost, benefits and risk.

OMERS's principal job is to invest the contributions from employees and employers. The investment returns that the OMERS Administration Corp. generates are used to secure plan members' retirement benefits.

OMERS's highly skilled investment professionals manage over $44 billion in net investment assets that generate the returns necessary to pay pensions. Approximately 70% of pension costs are paid by the investment returns generated by the plan's investments.

Our skilled management teams are mandated to actively manage our investments in a prudent manner. "Active management" means understanding the investment risks, to make sure our plan members are properly compensated for the investment risks underwritten.

We only invest in what we understand. As a result, OMERS did not invest in asset-backed commercial paper and other toxic financial instruments such as collateralized debt obligations, subprime mortgages or shares in Fannie Mae and Freddie Mac, which have crippled many large investment entities.

OMERS is a significant investor in physical assets which underpin the wealth of our communities in Canada. Among its peers, OMERS has done the heavy lifting in the area of infrastructure investing in physical assets, particularly in the province of Ontario. We were the first capital pool to invest in the renaissance of the Candu technology through our significant investments in Bruce Power. We have invested in the bricks and mortar of Ontario's health care infrastructure in accordance with government policy. And we are currently invested in the Windsor-Detroit border crossing, where one of the largest infrastructure projects must take place in order to protect hundreds of thousands of jobs in Ontario.

You may ask, how can smaller pension plans and capital pools have access to these infrastructure assets and other investments which are accessible only to large capital pools with the necessary capital and management skills?

The Arthurs report—that is, the report issued by the Ontario Expert Commission on Pensions—has spoken out with respect to broader management powers for public pension plans, to enable smaller plans to have the advantages of the larger public plans in relation to plan administration capabilities and investments such as those undertaken by OMERS in Ontario projects.

OMERS is ready to take on these new investment responsibilities, together with the pension plans interested in our approach to investing.

In response to the Arthurs report, the Ontario government introduced their 2009 budget, Bill 162, on March 26, 2009. As part of Bill 162, the government has included proposed amendments to the Teachers' Pension Act that, if passed, grant new powers to the Ontario Teachers' Pension Plan to engage in third party management activities.

We are asking that consideration be given to similar amendments to the OMERS Act, 2006, that would grant the same expanded powers to OMERS, consistent with the new powers being proposed for Teachers.

OMERS currently has limited powers relating to third party management, which have been part of its legislation for many years. The proposed explicit authorities granted to Teachers as part of Bill 162 are broader and should be given to OMERS to ensure consistency with the powers provided to Teachers.

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The key authorities to be granted to Teachers, consistent with the direction of the Arthurs report, include:

(a) the power to use subsidiaries to undertake management;

(b) the power to manage non-pension-plan money to enable university endowments, not-for-profit and other entities to access the investment expertise of the larger pension plans; and

(c) the authority to transfer assets to investment entities such as trusts, partnerships and other structures to facilitate appropriate management of assets.

It is important for third parties wanting to engage a larger public sector pension plan to administer and manage their plans to have clarity as to the legal structures that will govern their funds.

It is important for OMERS to be on a level playing field with Teachers, which will facilitate discussions with third parties, and we therefore request that OMERS be granted the powers being proposed for Teachers. A level playing field would enable third parties to assess accountability, transparency, governance and financial performance independent of legislative authority.

Thank you for providing us with the opportunity to make this presentation to the committee. Blair and I would be pleased to respond to any questions from members of the committee.

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

Mr. Michael Prue: You asked for similar authorities that were granted to the teachers. Why do you think the teachers were granted those authorities and not you? This puzzles me.

Mr. Michael Nobrega: Sorry; I was trying to switch the microphone on.

Mr. Michael Prue: You asked for similar authorities to those that were granted to the teachers' pension plan. They were not granted to you, and I'm puzzled too. I don't understand why they would be granted to the teachers and not to you. Did the government give you any explanation on this?

Mr. Michael Nobrega: Let me say that because of the broad investments that we have in Ontario, we follow a lot of government legislation, whether it's from the OPA, OEB, even the Canadian Nuclear Safety Commission. So we follow these transactions, and when the budget came out, we didn't ask the government to give us an explanation; we just responded to government that we'd like to have the legislation. I think we're pretty proactive in following legislation, so I couldn't answer your question and say, should they have called us? They didn't. I don't think we gave them time to call us, because we try to be at the forefront on these issues.

Mr. Michael Prue: I understand, but they did give the authority you're seeking to the teachers.

Mr. Michael Nobrega: Yes.

Mr. Michael Prue: And I don't understand and you don't understand why they got it and you didn't.

Mr. Michael Nobrega: Well, we've had the powers for a long period of time. We've had the powers for many years, and I think that the teachers have probably had a chance to sit down with the government and look at it with—our powers go back many, many, many years, so they obviously provided those powers with a better understanding of what the powers should be, and we're just simply asking that our powers be updated to the teachers' powers.

Mr. Michael Prue: I'm also intrigued on page 4, because I understood that almost all of the pension plans had been equally badly hit, but you wrote something that just perked me right up, and I quote you: "We only invest in what we understand. As a result, OMERS did not invest in asset-backed commercial paper," which the province did, "and other toxic financial instruments such as collateralized debt obligations," which the province did, "sub-prime mortgages or shares in Fannie Mae and Freddie Mac." What made you decide not to go down this route? In retrospect, it's brilliant. What made you decide not to go down there when everybody else did?

Mr. Michael Nobrega: We have a very active team, as I say; we actively manage our investments. We do have in capital markets, which handle our stocks, bonds and that sort of thing. We have a very proactive credit team, and any investment that needs to be made goes through a portfolio credit group of at least six professionals. Some of them are Ph.D.s; others with various degrees; economists. OMERS has a senior management team and OMERS has a board—the responsibility for those investments lies in that group, and that group turned those investments down based on the quality of investments and the ability to understand exactly what supported the investments.

Mr. Michael Prue: I go back to page 7, because I'm not sure you've actually answered my question. You say these three key authorities to be granted to the teachers, "consistent with the direction of the Arthurs report, include," and you list the three things the teachers are going to get. Then you talk about all third parties getting that. Why should everyone get the same as the teachers? And I'm still not understanding why the government didn't do it, and I'm still not understanding why you want it.

Mr. Michael Nobrega: Let me try to explain why we want it, and I'll ask Blair to step in. We want it, as I said to you, so that when anyone judges us, we do not want legislation or different structures to be the issue, to be the distraction. We want the ability to look at accountabilities, transparency and financial performance. So if we get into a situation where we have two legislative powers that govern the pension fund, it will be confusing to the third party pension plan that wishes to use a larger pension fund. I think they should be on the same level playing field so the parties looking at us can judge us outside of those issues.

Mr. Michael Prue: All right. So if the rules are the same for everyone, then when a financial planner or somebody sits down, they say, "OMERS did it right, given that they had the same authorities as everyone else," and they can't say, "OMERS did it right or did it wrong because OMERS has a different set of rules."

Mr. Michael Nobrega: That's partly the answer, but what we like to do is beyond financial performance. It's reporting systems, it's our back-office infrastructure, it's the quality of our management team, it's our governance procedures and it's our oversight, in addition to performance. So I use the word "accountability," I use the word "transparency," I use the word "governance" and I use the words "financial performance." Those four issues need to be assessed by a pension plan looking at us or Teachers, which should be independent of whether we have to go to a complex structure to get to them rather than Teachers.

Mr. Michael Prue: Thank you.

Mr. Norman W. Sterling: On a point of order: I would like to indicate our caucus's support for your position.

Mr. Michael Nobrega: Thank you very much.

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

REGISTERED NURSES' ASSOCIATION OF ONTARIO

The Chair (Mr. Pat Hoy): Now I call on the Registered Nurses' Association of Ontario to come forward, please.

Good afternoon. I've noted you're sitting there, but I'm compelled to tell you that you have 10 minutes. There could be five minutes of questioning. Please state your names for the purposes of our Hansard.

Mr. David McNeil: Good afternoon. My name is David McNeil. I'm a registered nurse. I'm the president-elect of the Registered Nurses' Association of Ontario. With me today are Robert Milling, the director of health and nursing policy at the registered nurses' association, as well as Lynn Anne Mulrooney, a registered nurse and senior policy analyst.

RNAO is a professional organization representing registered nurses who practise in all roles in all sectors across this province. Our mandate is to advocate for healthy public policy and for the role of registered nurses in enhancing the health of all Ontarians. We welcome this opportunity to present our recommendations to the Standing Committee on Finance and Economic Affairs on Bill 162, the Budget Measures Act, 2009.

Both the 2009 budget and Bill 162 are set against the backdrop of economic storm clouds that continue to cast a dark shadow over Ontario communities. Thousands of families across the province have been stricken by layoffs, dwindling savings and lost pensions. Ontario registered nurses know that it is exactly in these challenging times, when individuals, families and communities are hurting across the province, that bold leadership is needed to invest in what will make a difference.

RNAO agrees with the need to finance an economic recovery strategy through a higher deficit. We are concerned, however, with the $4.5 billion in business tax cuts, which are likely to have a greater structural effect on Ontario's budget. The government of Ontario should reject tax cuts in order to ensure ongoing fiscal capacity to deliver essential health, social and environmental programs.

RNAO has 10 recommendations to strengthen our province, which are explained in detail within our written submission, but I would like to emphasize a few key themes in our oral remarks today.

Hard economic times erode people's health and increase pressure on the health care system. Nursing shortages threaten patient safety and impede the delivery of efficient, high-quality health care services with optimal health outcomes. A strong nursing workforce that would support a robust surge in capacity in the health care system takes on an added urgency in the current context of the H1N1 influenza outbreak.

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Essential health system transformation also requires improved access to registered nurses in community health settings. Especially in these challenging times, the government must get back on track with its election commitment to hire 9,000 additional nurses by hiring a minimum of 3,000 additional nurses in the fiscal year 2009-10.

The government should proceed urgently with funding 22 additional nurse-practitioner-led clinics towards honouring the commitment to a total of 25 additional nurse-practitioner-led clinics by 2011. Three nurse-practitioner-led clinics are already under way in Thunder Bay, Belle River and Sault Ste. Marie. In the face of the flu pandemic threat added to the existing need to enhance access to primary care, we strongly recommend fast-tracking this commitment to deliver all 22 remaining nurse-practitioner-led clinics this year.

Priority is also needed to fund 150 additional primary-health-care nurse-practitioner positions across community health centres, nurse-practitioner-led clinics, family health teams, emergency departments, nursing homes and other outpatient settings.

While infrastructure projects in health care are needed, it is time to recognize that the private financing for-profit model of procurement is fundamentally flawed as providing inferior value with increased cost. Amend Bill 162 to require public financing and operation of health infrastructure projects. In the meantime, the government should establish an immediate and indefinite province-wide moratorium on Infrastructure Ontario's private-finance, for-profit AFP projects in the hospital sector.

RNAO appreciates the progress that has been made with the release of Breaking the Cycle: Ontario's Poverty Reduction Strategy in December 2008 and the unanimous consent to third and final reading yesterday of Bill 152, the Poverty Reduction Act, as a strong start to building a stronger, healthier, more inclusive society. The accelerated phase-in of the Ontario child benefit by two years, a 2% increase in social assistance rates and provincial funding to match federal new housing infrastructure initiatives are welcome news in the budget. We need to do more, however, for vulnerable members in our community, and so we urge that the minimum wage should be raised to $10.25 an hour immediately, with annual increases indexed to the cost of living.

Multi-year sustained funding should be dedicated to the poverty reduction strategy to ensure measured progress to improve the economic and social conditions of persons living in poverty. This includes increasing in a substantive way social assistance rates so that all Ontarians can live in health and dignity. An immediate introduction of a $100-per-month healthy food supplement is a step towards addressing the gap between the dangerously low assistance rates and nutritional requirements.

The government's economic recovery budget makes good headway on improving environmental health. The green energy and conservation initiatives are very significant and the cosmetic pesticides ban is world-class. RNAO recommends that the government accelerate conservation and renewable energy efforts and terminate expenditure on new nuclear power and refurbishment of Ontario Power Generation's Darlington and Pickering B sites due to high cost, lengthy construction delays and public safety concerns about radiation leaks and storage of dangerous waste. We also recommend that adequate funding for the early and effective implementation of the Toxics Reduction Act, 2009, and regulations be ensured.

RNAO remains concerned that TILMA and NAFTA and other such trade agreements shift power to investors, who can, under these arrangements, sue the government when they think their profits are affected. These agreements effectively serve as tools for deregulation and can endanger the public's health. RNAO recommends that Bill 162 be amended to ensure that all interprovincial trade and investment agreements are subject to public consultation and scrutiny; include strong protections for health care, environment, human rights and labour standards; and do not restrict federal, provincial or municipal governments' ability to regulate in the public interest.

We would like to extend our thanks to the Standing Committee on Finance and Economic Affairs for this opportunity to provide these recommendations that we hope will help you realize the vision of a healthy and prosperous Ontario.

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

Mr. Wayne Arthurs: I appreciate the RNAO being here this afternoon. It's always a pleasure to have you at our budget hearings and elsewhere to bring a broad range of expertise. I think each of us around this table would want to express our appreciation to the industry, in effect, for the support and help that they give to Ontarians on a daily basis.

There's a fairly broad range of recommendations. I must say that the scope of some of them—I'm surprised in the context that they're as broad this year as they are. More often, I think, they tend to be a little more focused—not that that's wrong—on the health care side, and this year it seems to have broadened that scope a little bit.

Clearly, we remain committed to the hiring of additional nurses. Thousands have been hired, many thousands since we formed office, and hundreds more are in the process of being hired. I understand that there are actually hundreds of vacancies showing up on Workopolis, but change always occurs as people move, leave the system and the like, so we'll continue to work on that front, in particular.

Tell me a little more about the priority in regard to health practitioners and health-practitioner-led clinics. I think it's an area that the public in particular can benefit from, apart from all the other investments and changes, when it's so hard to find an adequate supply of family doctors, and being able to supply that level of health care in rural and remote communities, not just northern Ontario. I've had the same discussion this week in Durham region with the Minister of Health in smaller rural communities but very close to the big city. So I'm interested in more perspective on what we can do to enhance the nurse practitioner situation as one of the strategies.

Mr. David McNeil: As you are well aware, access to primary health care, particularly first episode of care, is a significant issue in the province of Ontario. What we're recommending is that we expedite the implementation of the additional nurse practitioner clinics through investment. We also need to look at the structural implementation, making sure that the model of delivery, which is an interdisciplinary model, is strengthened.

Through that initiative, we're recommending also that we look at compensation models for some of the other practitioners, in particular the physician compensation model, to ensure that we do see success in nurse practitioner clinics across the province. Currently there are structural impediments for physicians to work in a profitable way, with the way that the system is currently structured and with the compensation methods for physicians. We think nurse-practitioner-led clinics are much more cost-effective, as they provide a much-reduced cost in terms of first episode of care and primary health care delivery. Working in an interdisciplinary model can titrate the access to other, more expensive health care professionals.

We remain somewhat concerned that there is a differential in terms of the compensation model when we look at nurse practitioners and the physician assistant program, and we need to achieve some alignment around how we are ensuring that we have nurse practitioners and we get accessible access to primary health care through the immediate implementation of nurse-practitioner-led clinics.

Mr. Wayne Arthurs: Thank you. I appreciate the presentation this afternoon.

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

TDL GROUP

TIM HORTONS

The Chair (Mr. Pat Hoy): TDL Group and Tim Hortons, if you'd come forward, please.

Good afternoon. You have 10 minutes for your presentation, and 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. Michael Grail: Good afternoon. My name is Michael Grail.

Ms. Katherine Webster: I'm Katherine Webster.

Mr. Michael Grail: My wife, Paula, and I are Tim Hortons franchisees in the Chatham-Kent area. Since 1993, we have operated five Tim Hortons locations in Wallaceburg, Chatham and Dresden. We are small business owners in grassroots communities, and we currently employ over 150 employees.

I'd like to share my views as to the impact that the proposed harmonization will have on my business as well as my fellow operators in southwestern Ontario and abroad. I am the region's elected franchisee advisory board member, and I represent 53 owners in southwestern Ontario. I'm well aware of the issues that are first and foremost on their minds.

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I have been told that since the introduction of the PST in 1961, the province has tried to manage the overall cost of food to Ontarians by not taxing food purchased through grocery stores, convenience stores and also restaurants. The meal exemption was introduced back in 1961 at $1.50 and has now grown to the $4 exemption we enjoy today. You might like to know that according to the Bank of Canada, a $1.50 exemption back in 1961 is now almost $11 if adjusted for inflation today. Removing this threshold is a fundamental shift in tax policy, and I'm wondering if this is what the government today is intending to do.

After 16 years of business, I have seen dramatic increases to the morning and afternoon day parts in my stores. I attribute this to busier lifestyles, whereby families are eating on the go much more frequently. The fact that Tim Hortons has grown so much as a chain in the past 40 years clearly indicates that grab-and-go breakfasts and lunches are what people need.

The Tim Hortons chain represents 42% of the overall quick-service restaurant traffic in Canada, of which 78% of the traffic is in the coffee and baked goods sector. Just over half of the Tim Hortons stores in the chain are located in Ontario. I have been told that these 1,600 stores, on average, serve a total of 2.5 million people a day.

My customers typically spend about $2.75 to $3.25 per transaction. You may not know this, but over 40% of our customers visit a Tim's location at least 4.4 times a week or more.

Let me describe these people whom I see every day, many of them frequenting my stores up to three to four times a day. I see countless seniors who meet at scheduled times throughout the day with friends, oftentimes bragging about their grandchildren. I see young children coming in on a Saturday morning after a soccer or hockey game. I see scores of high school students on their lunch break looking to grab a quick, healthy meal. I see the special needs population, who frequent our stores regularly for meals and interaction with other customers. Particularly, I see those that have been laid off from work and are currently unemployed. These are the people who are going to be affected the greatest by losing the $4 exemption.

My loyal repeat customers that I see every day will now have to pay 8% more for any purchase at my store. For some, that will be an 8% increase on a large double-double, which equates to an extra 12 cents per time that they come in. For the mom who is in a rush every day, I see her asking for a milk and bagel with cream cheese for her daughter on the way to school, with the result being 8% of $2.97, which is an extra 24 cents.

My corporate head office has advised me that back in 1991, when the GST was introduced, it was the only time in Tim Hortons' history that we experienced negative growth year after year. I'm very afraid that this will happen again next July. Currently, I don't think my customers realize the extent that harmonization will affect them and how they will be forced to reduce the number of trips they make to my store if the price per visit, on average, goes up 25 cents each time. Couple the HST with other household increases like gasoline, Internet services and newspapers, and this is sure to be a burden on families.

The fellow owners I have spoken to in southwestern Ontario, especially Windsor, are seeing the worst impact of the recession thus far. One operator has had to reduce his workforce by over 25%; he reduced it from 450 employees down to 360 due to the drop-off in business and the increased input costs into his business.

We have especially been hit hard by the increases in minimum wage. Since 2004, the minimum wage has seen significant annual increases. Over the past two years, we have experienced 75-cent increases per year, with yet another scheduled in 2010. We were truly hoping that the government would delay next year's increase because of the economy, but we know that the Premier has decided that won't happen.

The Ontario store owners have absorbed the last round of minimum wage increases and have not passed on a price increase to the customer due to the economy. However, there is absolutely no opportunity for us to absorb this new tax on food with the removal of the $4 exemption.

The forced minimum wage hikes annually since 2004 have been the single most negative impact on our business to date. Input tax credits are already fully utilized and there are no additional savings we can pass on to the customers. Losing the $4 exemption will be considered a tax increase in the eyes of our customers. I can't stress this enough. Ironically, this will have the most serious impact on seniors and low-income earners—the same people who truly need the assistance. Seniors are one of our most frequent customers. We are a popular meeting place for them and we are pleased to have them.

I am asking this committee to consider the impact of losing the $4 tax exemption for my type of business and, more importantly, for the people we serve every day—all 2.5 million of them.

Please tell the finance department to somehow find ways to maintain this exemption. It will make a difference to my customers, who visit me every day.

I want to thank you for your time.

The Chair (Mr. Pat Hoy): Thank you. Did you have any comment?

Ms. Katherine Webster: Yes, I do.

The Chair (Mr. Pat Hoy): Go ahead. There are about two minutes left.

Ms. Katherine Webster: Good afternoon. Thank you very much for giving us the opportunity to speak with you. As I said, my name is Katherine Webster. My husband Andrew and I own five locations—four in Vaughan and one in Thornhill—and we've been owners since the year 2000, currently employing exactly 132 people. We're hands-on owners. We're there every day, between the two of us. I'd like to, if you would bear with me, share with you our perspective on the GST and PST issue.

What we're serving—as you know, I'm sure—is a very good breakfast, a good meal for Canadians, for Ontarians. We have low-fat, high-fibre muffins, we have bagels, fruit and yogourt. We provide one of the healthiest options for breakfast in our industry. And more and more people are eating on the go. I have mothers—it's not unknown to see them come through the drive-through in their pyjamas with three children in the back, feed them their breakfast and grab them their lunch on the way to school. The brown-bag lunch isn't happening as often anymore, certainly not with mothers or families who are working so much. Of course, we have students from high schools coming in for their lunches as well as our seniors. Those breakfasts and lunches that we provide for under $4 support your initiative to keep Ontarians healthy. They support the healthy schools program, and I'm a member of my son's healthy schools program committee at our school. And as a high school teacher, we focus greatly on that initiative with our students—as well as, of course, the poverty reduction strategy. That $4 goes a long way there.

An example of a breakfast that I can give anybody who comes in for less than $4 is an orange juice, a bagel and cream cheese. For that, they're going to get their fibre, their protein and their vitamins A and C, and they're going to get calcium and iron. And their lunch is the same. They're going to get exactly the same types of things in a chicken club, an egg salad sandwich or our new chicken snack wrap, all at under $4.

With the harmonization, these items are going to be far more expensive and customers may choose something else. They may choose that bag of chips because it's less. They may choose a quick burger or something fried because it's easier and it's cheaper. Those are the things that we want to avoid. We don't want them going against the healthy schools initiative or keeping the Ontario community healthy.

It is such a burden on those people who are on lower and fixed incomes—the seniors and the students whom Mike mentioned. In my area alone, I have three high schools—Vaughan Secondary, Westmount and Langstaff. I have two public schools. I am book-ended by two community centres. Just down the road, a new Chartwell retirement residence just opened in its first phase, with 250 seniors. One of our stores is surrounded by industry and shift workers, and we have a very strong single-parent community. These are the people who are really going to be affected by this harmonization.

On our side of things, we are watching our costs very closely—our production and our labour. We are managing our costs as tightly as we possibly can, especially with the minimum wage impact. We have certainly been feeling it in our staff and in our stores. The higher prices are going to cost them money when they can't afford it. Our people, our customers, can't afford this right now. We want to be able to continue to offer them what we always have: a good meal at a decent price, and healthy options. I'm not sure that we can do that if we're going to ask them to pay more.

Already, from our perspective, our staff hours, especially in my industry sector, have been cut at each of our two main stores by 240 hours a week at each store. If we lose even more business from the $4 exemption, then obviously I'm going to have to cut those hours back further, and these people have been a part of our family for eight years.

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My message to the committee is to hear our concerns. They are on behalf of our customers and our staff. They care about their daily trips to Tim's. It is part of their routine because it's what keeps them and their families going. The Premier in our meeting thanked us not too long ago for providing those healthy options, for being an option not just for employment, certainly, for seniors and for students, but also of course for providing options for families that nobody has to feel guilty about.

Next July, if we lose that exemption, as Mike said, my customers are going to have to spend at least 25 cents more per visit. That's too much when so many of them in our area are out of work and facing a shortage of hours.

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

Mr. Norman W. Sterling: Yes, I gave you some of my time so that you would have a chance to complete your story, Katherine.

We all go into Tim Hortons. I have one right around the corner from my constituency office in Kanata. I don't know whether—I usually get the breakfast sandwich and a coffee. I probably go over the four bucks. I'll have to change my habits here to go under, at least for the next year.

But I observe with you that there are many people in there, a lot of people on fixed incomes. In my area, I've got a lot of people who are tenuously on the line with regard to their Nortel pensions and they're worried about every dime they spend, so there are lots of people out there who are going to be in even more financial straits as we go forward.

I hear your story and I believe that Tim Hortons does a great job in not only providing good nutrition at a low price, but also supporting the community in a very, very substantial way. We hear you very clearly, my caucus of the Progressive Conservatives.

Ms. Katherine Webster: Thank you.

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

ONTARIO BAR ASSOCIATION

The Chair (Mr. Pat Hoy): Now I ask the Ontario Bar Association to come forward, please.

Good afternoon, gentlemen. 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. Jamie Trimble: My name is Jamie Trimble. I'm the president of the Ontario Bar Association. I've met many in the room. Thank you for having us.

I am the spokesperson for a coalition of legal organizations who have come together to express some concern about how the proposed HST will affect access to justice and to legal services. With me are the following people for the following legal associations: First is the County and District Law Presidents' Association, Richard Wozenilek; the Advocates' Society, David Spiro; my co-chair of the committee, Rob Kreklewetz; and Allen Rouben, who is from the Ontario Trial Lawyers Association, representing the plaintiffs' personal injury bar. The association that is also a member of the coalition that is not present is the Canadian Defence Lawyers association.

To put it directly, we are here to urge the Legislature to zero-rate, for HST purposes, the legal services provided to ordinary Ontarians—to consumers, as defined in the legislation. Why? The answer's simple: By increasing the cost of legal services by 8%, more ordinary people will not be able to afford a lawyer or will not be able to afford sufficient legal services to protect their basic rights.

Self-representation, both in the courts and in any legal transaction, is a right. We all have that right. But self-representation which is forced by economic circumstances or by an increased tax burden will mean that ordinary people will make a will, they'll buy and sell homes, they'll make business deals and they'll represent themselves in court. They will, in these tough economic times, accept dismissal terms from employment which are not favourable. They will not be able to adequately protect their rights. Bad deals will be made; commerce will be affected. The courts will be even more clogged than they already are. Access to legal services of all sorts is the cornerstone of our society and therefore we urge the government to zero-rate, for HST purposes, legal services to consumers or to ordinary Canadians. When we speak about zero-rating for HST, we're talking about the PST component of the proposed HST.

For your information, ladies and gentlemen, in the submission that you have at page 4 we've given you nine examples, if my memory is correct, of simple ways that every person in Ontario may be affected by the HST increase because of the harmonized sales tax on legal services.

That ends our formal submissions, unless any of my friends wish to add something, and we wish to entertain your questions.

The Chair (Mr. Pat Hoy): Does anyone have another comment? Very good. Thank you, sirs. We'll go to the NDP for the questioning in this round.

Mr. Michael Prue: I've had a great many people come to my office of late, particularly in the real estate market. They're talking about how new homes costing more than $500,000 will be subject to a full rate of tax, 8%, but they're also talking about the other things that will be taxed, including real estate fees, lawyer's fees, search fees, all the other things, and they're talking about a downturn. Do you feel people will stop using lawyers in home transactions, as an example, because it's an extra 8%?

Mr. Robert Kreklewetz: Well, that's certainly a possibility, and more so than that, consistent with our access-to-justice submission, there's a concern that not only will they stop using lawyers in real estate transactions; they'll become self-represented litigants in the judicial system, clogging that and creating further problems for Ontario. It just goes on and on.

Mr. Jamie Trimble: On that point, Mr. Prue, I'm not a real estate lawyer, but people on our committee who are real estate lawyers have advised us. The example that we've given, and it's the middle one on the right-hand column of page 4, is that if the associated costs—forgetting about the purchase of the home itself—are $30,000, then the increased tax burden is $2,400. Most homeowners only have their equity, or their down payment if it's their first house, so any increase in the overall cost of purchasing the house has to be financed on the back of the mortgage, which means that $2,400 now becomes $5,000 because it's amortized over the life of the mortgage. So that's a real effect.

In terms of how they will use a lawyer, they probably have to use a lawyer to register the change, but they may not have the agreement of purchase and sale looked at before they enter into it.

People may end up doing holograph wills now, doing a will on a blank sheet of paper. They don't know about the Succession Law Reform Act; they don't know about their Family Law Act obligations if there are economic dependants who survive them. That will just create problems in litigation after they've gone, and it's the executor and the heirs who are left to sort out what the will says or ought to have said.

Mr. Michael Prue: I have people come into my office quite regularly, frustrated. They've hired lawyers, but the lawyers tend to be expensive, at least to poor people; they think it's expensive. Do you think that the 8% will cause that many more not to seek legal advice? I already have some who say, "Wow, this is costing me a lot of money," in frustration. Do you think that I can expect and that the members here can expect to see even more coming in and saying, "I can't do it anymore. I just can't pay it"? And then they tell me they go off to represent themselves, usually disastrously, usually with some disaster.

Mr. Jamie Trimble: We agree. That's the short answer: We agree. The increased tax burden because of the HST on legal services won't mean that no one will afford a lawyer, but there is a large section of the population—and they're ordinary people, people who earn ordinary wages, the average industrial wage—who sit on the cusp, and any additional burden to them means they will forgo it, potentially, or they will not take legal services to the full extent because they can't afford to. That's exactly our point.

Mr. Michael Prue: Because if you're really poor, you can get legal services, but if you earn, you know, not a lot of money, $25,000, $30,000—I don't know what the level is, but once you earn above that, you're on your own. These are the people that I'm worried about, and what the 8% is going to do to them.

Mr. Robert Kreklewetz: The OBA has representation from a number of different lawyers in a number of different areas, and certainly the family law bar was extremely concerned with the HST because they deal, in family law cases, with some of the more vulnerable people in society and just those exact people. For the single mother who's actually earning a decent wage but yet supporting a number of children, another 8% on legal fees in her family law battle may not be a very welcome thing.

1510

Mr. Michael Prue: In terms of other provinces, the government keeps saying that other provinces have gone down the blended route: They have harmonized sales taxes. Do you know of any other provinces that tax lawyers as well? Have the others already done this as well? I'm thinking about Nova Scotia, New Brunswick—the others that have gone down this road.

Mr. Robert Kreklewetz: Yes, I believe the HST provinces, or what have been referred to as the HST provinces, which are New Brunswick, Nova Scotia and Newfoundland, do have their component unfairly taxing legal services. British Columbia, I believe, in their provincial sales tax is taxing legal services.

Mr. Michael Prue: All right—and to what effect? That's what we need to hear. Has the number of people using lawyers gone down since this has started to happen?

Mr. Jamie Trimble: Nobody keeps statistics. The unfortunate part is that because lawyers' services are private retainers, private contracts with our clients, we don't have statistics because they're not centrally kept. It's not like the OHIP system, where there is a central repository of the information.

Mr. Michael Prue: But anecdotally, do you think it's happened?

Mr. Jamie Trimble: Yes. We wouldn't be here if we thought otherwise.

Mr. Michael Prue: Okay, fair enough. Is there more time?

The Chair (Mr. Pat Hoy): No, actually.

Mr. Michael Prue: I thought it must be close to running out. Okay.

The Chair (Mr. Pat Hoy): You're about 40 seconds over.

Thank you, gentlemen, for your presentation.

Mr. Jamie Trimble: Thank you, Mr. Chairman.

ASSOCIATION OF COMMUNITY ORGANIZATIONS FOR REFORM NOW

The Chair (Mr. Pat Hoy): Now I call on ACORN, the Association of Community Organizations for Reform Now. The presenter has asked that he might have some assistance during this, so I'm going to allow for that.

Ms. Leeanna Pendergast: We brought in the teacher.

The Chair (Mr. Pat Hoy): Ms. Pendergast is going to help out.

Mr. Martin Levine: You know what they say: An apple a day keeps the teacher away.

Ms. Leeanna Pendergast: But I'm right here.

The Chair (Mr. Pat Hoy): You have 10 minutes, sir. If you would just state your name, and you can begin.

Mr. Martin Levine: Yes, I will. Brothers and sisters, my name is Martine Levine and I am a tenant of 525 Lawrence Avenue West in Toronto. I am a volunteer for the NDP and a proud member of ACORN, the Association of Community Organizations for Reform Now. I am here today to address you on issues of deplorable treatment towards tenants who are disadvantaged, from people who are special needs, both physically and mentally, to senior citizens, single parents and so on.

Since I've lived in my co-op apartment for 12 years, I have experienced nothing but trouble. People in my building who are low-income and/or living with disabilities have been mistreated and neglected by the co-op president and landlord. Instead of providing necessary support and services to the tenants of the building, the former president improperly used people's rent money for personal gain. For example, the president and landlord refused to assist in the cleaning up of a mess left by a dog because its owner was not physically able to do it themselves. This was a blatant disregard for this person's abilities and the rest of the tenants' needs as they would not maintain the building.

My wife, Shelley Levine, and I are both persons with slow-learning disabilities. After our social worker spoke to the manager about our feelings regarding their treatment towards us, we received a threatening letter from the management of the co-op housing. The letter was clearly targeting my wife, Shelley, for eviction unless we paid extra money on top of our rent money if we wanted to receive their support. I stood up for her by speaking to the management, who left that position, but since then there have been conflicts and threats by new management.

Our story is not much different than many other tenants living in low-income housing all over the city. The housing management has no respect for people who are disadvantaged and provide inadequate services. We need much better support for people who are living with disabilities and are low-income.

A wonderful century-old statement says that any society, any nation, is judged on the basis of how it treats its weakest members; its seniors, its low-income tenants, single mothers and people with disabilities. Or, to rephrase, the greatness of a nation and its progress can be judged by the way it treats its members who are the most disadvantaged. If we apply this to the regional government of Ontario, I think it is fair to say that we, the people of Ontario, should be disgusted with our current government, and we feel it needs to act quickly to fix those outlined problems.

We deserve equal treatment by the building management and increased support for people who are disadvantaged. We demand to live with dignity and respect, and refuse to be taken advantage of or be harassed in our own buildings. It is bad enough that the government is cutting social funds all the time for people who have disabilities; people are suffering greatly from the stresses of paying for the basics such as rent. We are taking money from our ODSP and CPP to pay for medical expenses when it should be covered under OHIP.

How can we cover rent if we don't have enough money to keep us healthy? People living on social assistance are not even allowed to receive anything their parents or family members would leave to them in their will after they've passed on. How can we survive?

Premier McGuinty, I ask you: Would you allow your mother to be treated the way we are treated by this current government? You said that if you were elected or re-elected you would improve conditions for tenants and people with disabilities. When are you going to fulfill those promises?

If the landlord does not want to do their job and respect their tenants, then we feel they should not receive a financial gain until they use the golden rule—treat others how you want to be treated.

Brothers and sisters, what do you think about that?

The Chair (Mr. Pat Hoy): Thank you. The questioning will go to the government. Mr. Arthurs?

Mr. Wayne Arthurs: Can I call you Martin, as opposed to Mr. Levine?

Mr. Martin Levine: Yes. Sure. Just don't call me late for lunch.

Mr. Wayne Arthurs: We'll try not to call you late for Tim Hortons.

You sat here through the afternoon; I noticed you were here when we started at 2 o'clock—

Mr. Martin Levine: I was. I was hearing everything.

Mr. Wayne Arthurs: That's right. You'll appreciate the fact that it's probably unusual for us to have individuals come to this committee at the time of the budget and express their concerns about their own, their families' and their neighbours' situations. You will have seen, just before you, some half-dozen lawyers, so you must have felt somewhat outnumbered in that way. I do want to thank you for being here.

Just a couple of comments, if I could: I very much appreciate what you put here. I would hope that you would have the opportunity to work with your social worker, presumably with the board of the co-op—it's a co-op building? I think you mentioned a co-op in here.

Mr. Martin Levine: Yes, it's a co-op.

Mr. Wayne Arthurs: And hopefully, since people there are intended to work in a co-operative environment to support each other, you can seek some additional satisfaction with the operation of the building that way.

We've recently adopted our poverty legislation, the poverty reduction strategy, which was unanimously supported, I think I can say. We've seen increases in the budget, in the Ontario disability support payment—although it's modest, it's an increase—an increase in the Ontario Works payment, so there's some additional resource. We're certainly aware of those who have special needs from the standpoint of economic support and continuing to provide support in that way.

I appreciate, too, the comments you made, the quotes that you've selected in making your presentation. The quote that we will be judged, effectively—if I can paraphrase—by the way we treat those with the greatest needs in our community: Hopefully, at the end of the day, we'll all be judged fairly in that regard. We should be treating people—

Mr. Martin Levine: I hope so, instead of having more people like the single mothers and people like us living on the streets.

Mr. Wayne Arthurs: Exactly.

Mr. Martin Levine: I wanted to mention to you that there are agencies behind us that want to know: Why won't the government give them more money when they want to take the homeless, the single mothers, off the street and get them back on their feet and help them out? Why won't the Premier and the Prime Minister help them in that kind of case? That's what I would like to know.

Mr. Wayne Arthurs: I think it's, in part, why we're having the debate and discussion we've had around poverty reduction strategies and putting plans in place for some longer-term initiatives in that regard.

Thank you for being here. I certainly would encourage you to continue working through your social worker, with the board of your co-op, to make your housing situation better. Your points, being made as an individual who is provided with some of these services, but who also reflects the service needs in our communities, were well received today. I want to thank you for being here.

Mr. Martin Levine: Thank you, sir.

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

Our next presenter has not arrived, so we'll recess until 3:45 p.m. or until they come. I ask you to stay by the room, as they could drop in at any second.

The committee recessed from 1524 to 1529.

CANADIAN MANUFACTURERS AND EXPORTERS

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

We have our last presenter of the day, the Canadian Manufacturers and Exporters.

Gentlemen, you have 10 minutes for your presentation. There could be up to five minutes of questioning. I just ask you to identify yourselves for Hansard.

Mr. Ian Howcroft: My name is Ian Howcroft. I'm vice-president of Canadian Manufacturers and Exporters. With me is Paul Clipsham, our director of policy.

On behalf of CME, I'd like to thank the Chair and the committee for allowing us the opportunity to comment on the recently tabled budget and offer insight from our perspective. Arguably, this is one of the most important budgets in the province's history.

Before we turn to the specifics or more substantive comments, I think it's important to note a few things about CME and manufacturing and the important roles that we and manufacturing play in the Ontario economy. It'll help put things into perspective.

CME is the voice of manufacturing and exporting. Our member companies account for approximately 75% of total manufacturing output and approximately 90% of Ontario's exports. Our members represent a broad variety of industry sectors, with approximately 85% of our members being small and medium-sized enterprises. Consequently, we feel that CME is well equipped to represent the voice of manufacturers and exporters in the province of Ontario.

Our sector accounts for approximately 16% of GDP, producing about $300 billion of output for the Ontario economy. Further, the manufacturing and exporting sectors provide employment for approximately 800,000 Ontarians directly, and another 1.5 million have jobs that are indirectly dependent on manufacturing. One out of every six jobs in Ontario depends on manufacturing, and this is after the significant losses that we've seen since June 2002. These are highly skilled and highly paid jobs, with wages about 25% above the national average. Every dollar invested in manufacturing generates $3.25 in total economic activity, the highest multiplier of any sector. Manufacturing is also responsible for over two thirds of private sector research and development.

We raise these facts, again, to demonstrate how important manufacturing is to Ontario and why it's important that we all take steps to protect and grow this important sector.

It's also important to recognize and commend the government on its commitment to a strong manufacturing sector. By adopting some of CME's earlier recommendations to create the Ontario Manufacturing Council, to eliminate capital tax for manufacturing activities, and to provide funding for productivity improvements that ultimately became CME's Smart program, the government has taken meaningful and demonstrable steps to address some of the challenges facing this sector during these crucial times. However, a lot more has to be done.

Since our presentation to this committee in January, we've now had the opportunity to review the budget bill, and overall we're pleased with many aspects and some of the bold steps that were taken to help manufacturers deal with these current challenges. This will assist not only manufacturers but the entire economy of Ontario, and ultimately benefit all Ontarians.

The recent credit meltdown in global financial markets, liquidity issues and the recession south of the border have only added intensity to what we classify or call the perfect storm. In Ontario, as I referenced a few minutes ago, we have over 200,000 fewer manufacturing jobs than we did just a few years ago. Reports by leading economists suggest we could lose tens of thousands more jobs over the next year or two if we continue on our current path. Consequently, an aggressive, collaborative and co-operative approach to developing innovative solutions to get us through these difficult times and challenges is necessary. This budget, in our view, moves us in that direction. We again commend the government for making some crucial decisions.

Despite the unprecedented nature of these challenges, there is still reason for some cautious optimism. We know, for example, from our annual management issues surveys and regular surveys we're now doing that companies that are able to make investments are more optimistic about their prospects for growth. We're getting a sense that we may have hit bottom. Nothing is guaranteed, but the question now is, how long will we scrape along the bottom before we see some marked improvement?

We need urgent action on the part of government to allow manufacturers and exporters to retain more of their cash flow in order to make the necessary investments in skills training, productivity enhancements and research and development that are so crucial to survival and ultimate expansion. The actions of the government must be based on the following three tenets or principles: a competitive taxation system, cultivating a highly skilled workforce, and a world-class infrastructure. Therefore, we're pleased to see that the manufacturing tax rate will be reduced from 12% to 10%, albeit this will not take place until 2010. We're also very pleased with and very supportive of the harmonization of the PST and GST addressed in this budget. This has been a long-standing priority for CME, and it makes sense on several levels—from a regulatory and bureaucratic approach to a tax-policy and economic approach. These are major steps forward that will assist manufacturers and thus help the entire economy and all the people of Ontario.

Keeping these broad facts in mind, I'll now ask Paul Clipsham to talk about some of the more specific recommendations and specific comments that we have on some of the substantive issues that I've already addressed and some others that were in our pre-budget submission.

Mr. Paul Clipsham: Thanks, Ian. I'd like to spend the remaining time going into a bit more detail about what we felt was right about this budget and what should be done to stimulate the economy further.

The level of Ontario tax burden continues to be viewed as an uncompetitive cost of doing business in Ontario. A recently published report by PricewaterhouseCoopers and the World Bank entitled Paying Taxes ranked Canada as 99th among 178 countries in terms of the total tax rate paid by businesses. These costs are beyond the capacity of individual companies to control and a major impediment to attracting new investment and sustaining economic growth. The harmonization of the PST with the GST and corporate tax reductions will significantly improve the total tax rate for business and elevate Ontario to a more attractive place to keep and grow investment.

In order to maximize the benefits of harmonization, the government should eliminate the remaining input tax credit restrictions as quickly as possible. As presently drafted, companies would not see the full benefit of harmonization for nine years. Let me be clear, though: CME fully supports the direction that the government has proposed on harmonization.

CME also supports a proposal to reduce corporate taxes for manufacturers from 12% to 10%. Given the increasingly global competition for manufacturing and investment, we feel that the government should reduce the rate further in order to provide a more compelling case for investment.

Access to credit continues to be an issue for our members. In our April survey of over 700 manufacturers, 56% of companies reported some degree of difficulty in accessing financing. While this is a slight improvement over the March figures, it is still alarmingly high compared to pre-recession levels of between 20% and 30%. CME recommends that the budget bill be augmented to include provisions such as loan guarantees or direct financing to provide relief in this area.

The budget also does not address inequities in the property tax system that are widespread in Ontario, with industrial taxpayers bearing a disproportionate burden. CME recommends that the government reduce property taxes for manufacturers to be more in line with commercial rates. The corporate minimum tax, or CMT, is not a significant source of revenue for the government and represents an administrative and financial burden for businesses in Ontario. The budget proposes reducing the CMT, which is the right direction, but CME recommends that the CMT be eliminated for greater efficiency.

CME also supports the budget initiatives regarding skills training and development. In particular, we support enhancements to the apprenticeship training tax credit and the co-operative education tax credit, and we feel that further enhancements are warranted in each of these areas. These credits, I should point out, are refundable, which means that if a company is not currently profitable, they can still access the incentive. CME recommends that the government look to monetize all existing credits to ensure that companies facing particularly bad circumstances can also access these incentives.

The significant investment in infrastructure is also certainly warranted. It is important that these investments begin to flow as expeditiously as possible.

So in conclusion, CME is supportive of the key measures of this budget, and we encourage this committee to work to ensure passage and swift implementation of the budget. CME appreciates the opportunity to provide comments on Bill 162 to the Standing Committee on Finance and Economic Affairs, and we are open to take any questions that you have at this point.

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

Mr. Norman W. Sterling: First question. This government has increased taxation tremendously over the last five years. The health tax was a huge hit on businesses and on individuals. How long will it take business to react to a 180 in terms of taxation policy? Investors, in my view, would look askance at first at a significant move, and it does require time to make those investment decisions in terms of going forward. What kind of time frame would we be looking at in terms of companies doing their investment in a jurisdiction?

Mr. Paul Clipsham: One example that we point to is some work that was done in the Atlantic provinces on harmonization that showed that the actual savings on consumer goods happened very quickly. So companies did react very quickly, certainly within a year of the implementation of harmonization there. That's just one example that I would point to—

Mr. Norman W. Sterling: That's the benefit, but I'm talking about the investment climate. How long does it take it to change?

Mr. Ian Howcroft: I think that's going to vary depending on the company, the investor and the sector. The initial reaction we got from our committee members when they saw, read and reviewed the budget was, "That's great. We've been fighting for these things for a long time."

However, the negative side is, we're not profitable right now. These aren't going to help us for a while, until we are profitable, and that's why we again raised the issue of monetization of the tax credits. The companies that aren't profitable right now aren't able to benefit from the lower tax rate, but they could benefit, perhaps, if some of these tax credits that they have are allowed to be monetized in the form of a rebate. But it is going to take time for the tax rates to get through the system and to build investor confidence. As I mentioned, the manufacturing tax rate being reduced to 10% is, again, the right direction, but that doesn't take place until 2010, so we're still dealing with the 12% for another year and a bit.

Mr. Norman W. Sterling: You say in your brief that harmonization will take nine years to complete.

Mr. Paul Clipsham: No. Well, to achieve the full benefit. There's currently a phase-out schedule for input tax credit restrictions, so it begins—over five years, there will be these input tax credit restrictions, and then, beginning in the sixth year, they start to be phased out over three years, so nine years before the full benefit is achieved is the point I was trying to make.

Mr. Norman W. Sterling: Can you give us an example of how the rebate system would work for a manufacturer?

Mr. Paul Clipsham: In the present system, manufacturers do receive exemptions on sales tax for inputs to the manufacturing part of their business, but they don't receive those credits on overhead, for example. What happens is you get this cascading effect of taxes that are built into the supply chain so that by the time you get to the finished good, the consumer is bearing those taxes that are built into the system.

In the case of harmonization, it's a more transparent system. The consumer sees more of it, so they don't like it as much, but, in effect, it should result in reductions in the overall cost of production and also the consumer good at the end of the day.

Mr. Ian Howcroft: And a benefit on the regulatory side, as well, to harmonized tax. You're not doing it twice, so there are hundreds of millions of dollars in savings right there, as well.

Mr. Norman W. Sterling: So if you buy a machine, for a manufacturer, you don't have to pay the sales tax on it?

Mr. Paul Clipsham: That's correct, but if you buy office furniture or pencils, pens, computers or whatever, you would pay it on that, and, again, so does your supplier and your supplier's supplier and so forth. It's built into the system, so harmonization would eliminate all of that that's currently built into the system and move it to the end point.

Mr. Norman W. Sterling: So you would get your money back on the pencils in terms of your product going out the door.

Mr. Ian Howcroft: That's correct.

Mr. Paul Clipsham: In the form of an input tax credit.

Mr. Norman W. Sterling: Thank you.

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

I remind the committee that the deadline for filing amendments to the bill shall be 12 noon on Monday, May 11.

We are adjourned.

The committee adjourned at 1543.

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