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Thursday 3 December 2009

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Jeudi 3 décembre 2009

Standing Committee on Finance and Economic Affairs

Comité permanent des finances et des affaires économiques

Ontario Tax Plan for More Jobs and Growth Act, 2009

Loi de 2009 sur le plan fiscal de l'Ontario pour accroître l'emploi et la croissance

Chair: Pat Hoy
Clerk: William Short

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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 3 December 2009

Jeudi 3 décembre 2009

The committee met at 0802 in room 151.

SUBCOMMITTEE REPORT

The Vice-Chair (Mrs. Laura Albanese): Good morning, everyone. Colleagues, I call to order this meeting of the Standing Committee on Finance and Economic Affairs to consider Bill 218, An Act to implement 2009 Budget measures and to enact, amend or repeal various Acts.

I would like to invite Mr. Arthurs to please enter into the record the subcommittee report.

Mr. Wayne Arthurs: Chair, your subcommittee met on Tuesday, December 1, 2009, and Wednesday, December 2, 2009, to consider the method of proceeding on Bill 218, An Act to implement 2009 Budget measures and to enact, amend or repeal various Acts, and recommends the following:

(1) That, pursuant to the order of the House dated December 2, 2009, the committee hold public hearings in Toronto from 8 a.m. to 10:15 a.m. and from 2 p.m. to 6 p.m. on Thursday, December 3, 2009, and from 8 a.m. to 1 p.m. on Monday, December 7, 2009.

(2) That the committee clerk, in consultation with the Chair, post information regarding public hearings on the Ontario parliamentary channel and the committee's website.

(3) That interested parties who wish to be considered to make an oral presentation contact the committee clerk by 3:30 p.m. on Wednesday, December 2, 2009.

(4) That the committee clerk be directed to commence scheduling of witnesses on a first-come, first-served basis.

(5) That, if necessary, the members of the subcommittee prioritize the list of requests to appear that have not been scheduled by the deadline of 3:30 p.m. on Wednesday, December 2, 2009, and return their prioritized lists to the committee clerk by 4:30 p.m. on Wednesday, December 2, 2009.

(6) That witnesses be offered 10 minutes for their presentation, and that witnesses be scheduled in 15-minute intervals to allow for questions from committee members.

(7) That the deadline for written submissions be 5 p.m. on Friday, December 4, 2009.

(8) That, pursuant to the order of the House dated December 2, 2009, amendments to the bill be filed with the clerk of the committee by 12 noon on Monday, December 7, 2009.

(9) That, pursuant to the order of the House dated December 2, 2009, the committee meet at 2 p.m. on Monday, December 7, 2009, for clause-by-clause consideration of the bill.

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

Chair, that is your subcommittee report.

The Vice-Chair (Mrs. Laura Albanese): Are there any questions or comments?

Ms. Lisa MacLeod: I do have a few comments, Madam Chair, and I appreciate you allowing me to put our point of view forward. I just want it stated, for the record, that the official opposition has consistently requested additional hearings throughout the province.

When we first met as a subcommittee, we did put forward another motion that would have allowed this committee to travel to a total of 10 different communities over a period of three weeks, right through to January 2010. We feel that this process has been incredibly rushed. Not only is this process rushed and debate and public hearings have been stifled by the government, but simple issues like advertising in community papers and even the National Post and Globe and Mail were cut off by the government because we were unable, based on the timelines, to adequately advertise these hearings.

I'm grateful to the stakeholders and Ontarians who were able, in such a short period of time, to make their presence felt by either contacting the clerk to speak directly to this committee orally or to provide a written submission in the very short and condensed time frame.

When we look at some other bills in this chamber, it has taken upwards of six months to not only introduce the bill and go through the various stages of different readings but also to complete committee hearings. This is unprecedented, for a tax change that the government suggests is the most major of its kind in our province's history, to not speak to the Ontario public in a cohesive way.

Again, on behalf of the official opposition, I want to register our discontent. Having said that, we do look forward to hearing from Ontarians who are going to be coming in today and who are going to be coming in again

Monday. I can assure members opposite that we will have substantive amendments coming forward that we will file with the clerk on Monday.

The Vice-Chair (Mrs. Laura Albanese): NDP caucus?

Mr. Michael Prue: If I could too, I have to, as well, express the disappointment of the New Democratic Party in the entire process.

This has not been a secret. Last March, the finance minister stood in his place and announced that he was going to come in with legislation for HST. He waited until November before bringing forward this substantive bill and then announced that there was a rush because he had to have the legislation in place for January 1. The entire rush, the entire rationale for having to do what has happened to this committee and has happened in the Legislature entirely rests with the government. There was no logical reason to wait from March until November to introduce the bill so that we could begin. And there was absolutely no logical reason from the outset to refuse to have public hearings until the arms were twisted and a procedural motion was used in the subcommittee in order to force midnight hearings.

I am profoundly disappointed. For such a major tax policy, the government was either unaware or, more likely, unwilling to involve the public in debate. I am thankful that as things transpired, we are going to hear from most of those who had the opportunity, given 12 hours' notice, to put their names in and to be heard. I hope that the government heeds what they have to say.

The Vice-Chair (Mrs. Laura Albanese): Thank you, Mr. Prue. The government side.

Mr. Wayne Arthurs: Very quickly, Chair, your subcommittee report is the result of agreement among the subcommittee members under and including the direction of the House. We're happy to proceed with a vote on the subcommittee report.

The Vice-Chair (Mrs. Laura Albanese): Mr. Klees would like to make a further comment.

Mr. Frank Klees: Further to my colleague's comments, I just want to, for the record, say how disappointed I am as well that there has not been more opportunity for public consultation. I want to speak to the fact that repeatedly over the last number of weeks we've heard from the Premier, from the Minister of Finance and others defending the government's position on not extending public hearings by saying that meetings have been held across the province on the HST. I have attended some of those, and it was very clear that this was not public consultation; these were lectures, many of them by the Minister of Revenue. They were essentially a promotion, strictly, of the government's position. There was little, if any, opportunity for public response, for a challenge of the government, for stakeholders and ordinary Ontarians to put forward their concerns and their questions. Those are not consultations.

0810

What we're about to engage in here are consultations which allow stakeholders to bring forward their concerns and the potential impact of this tax. I'm extremely disappointed that we're so limited.

I do have one further question, and that is whether or not these hearings beginning now are being televised. Can you confirm that they are?

The Vice-Chair (Mrs. Laura Albanese): I confirm that they are. This room is televised.

Mr. Frank Klees: Thank you.

The Vice-Chair (Mrs. Laura Albanese): Any further comment?

Ms. Sylvia Jones: Chair, just briefly. On the same issue, I think what you're seeing here with the number of concerns that everyone in opposition has raised, and in the past two weeks what has been raised in the Legislature itself, is an indication of the frustration that we are feeling as opposition members not being able to represent the individuals in Ontario who do want to present their views on a very important taxation bill. It is an unfortunate way to proceed with legislation that is ultimately going to change how Ontario does business in the foreseeable future.

The Vice-Chair (Mrs. Laura Albanese): Further comments?

Ms. Leeanna Pendergast: I just wanted to take a chance this morning as well to complement—that's complement with an "e"—the discussion and add that I am actually very grateful that, since March, I've had the opportunity in my riding to hold public consultations. I truly believe that members of provincial Parliament, regardless of party stripe, all have an obligation to share information. Being an educator, two-way interactive communication is absolutely essential and crucial, and we have that obligation as members of provincial Parliament to provide that discussion.

I have had the opportunity in my riding to meet with seniors all summer continuously up until the present time and share with them that we're doubling the senior homeowners' property tax grant, and continued that communication, which I believe, for the record, that this government has done and done quite well.

Ms. Sylvia Jones: Chair.

The Vice-Chair (Mrs. Laura Albanese): One second, please. First of all, I would like to remind all members of the committee that in two or three minutes we should be proceeding with the first presenter.

Ms. Sylvia Jones: Just one comment: With all due respect, I'm not sure how you're supposed to do public consultation when the bill wasn't even presented. This bill hasn't been tabled. So how do you do public consultation on a piece of legislation that didn't even exist is a—

The Vice-Chair (Mrs. Laura Albanese): Any further comment?

Mr. Norm Miller: Madam Chair.

The Vice-Chair (Mrs. Laura Albanese): Yes. I did see Mr. Naqvi raising his hand before yours.

Mr. Yasir Naqvi: Thank you very much, Madam Chair. I appreciate you chairing these meetings. As we know, the budget was presented back in March, and all the details associated with the tax changes, the reforms which the government has put forward, have been clearly detailed in that package.

I can assure you, at least as the parliamentary assistant to the Minister of Revenue, that I have been travelling across the province in all ridings, not just ridings which are held by the government but also ridings that are held by the opposition parties, and have been holding consultations. They have not been mere lectures. They have actually been question-and-answer sessions where people who have been opposed to the changes, people who agree with the changes—all who have come forward have presented. I have received submissions. I've held meetings in all types of public fora. So there have been extensive consultations that have gone on across the province over the months since March. Besides the budget document and the documents around the fall economic statement, there has been ample information that has been circulated and discussed. It's time that we actually legislate those changes to ensure that we are providing a real stimulus to our economy in Ontario.

The Vice-Chair (Mrs. Laura Albanese): Mr. Miller?

Mr. Norm Miller: Madam Chair, I know you want to get on to listening to people, but I'd just like to disagree with the member of the government. As the critic, I can say that I received the details of this bill, which is quite substantial, a mere few weeks ago. Despite the fact that it was announced back in March, we really just got all the information a mere few weeks ago.

I would also like to register how disappointed I am that the government is going through the motions of public hearings but has made it very challenging for the people of Ontario to actually be heard. I would get on the record the fact that with the recent disruptions in the Legislature, the opposition was bargaining for—and in the end, would have settled for—but one day outside of Queen's Park to let the people be heard. The government wouldn't even agree to that.

I would also like to point out that we just recently received the transition rules, which I've had many people contacting me about, and just in November we learned about some of the new exemptions to do with the implementation of the HST.

So this is a substantial bill, and I do want to go on record as being very disappointed that the government doesn't seem to be willing to listen to people and to take the time to travel around to a few communities. I think the date the HST really needs to be passed by is March 31, so there's lots of time, from now until then, to take the time to listen to the people.

The Vice-Chair (Mrs. Laura Albanese): Further comments?

Ms. Lisa MacLeod: One final question, which I'm going to preface with a comment: Public hearings that are transcribed and are open to every Ontarian are different from a government holding meetings with Liberal-friendly stakeholders.

That said, I'd like to make a request on behalf of the official opposition. The MPP for Ottawa Centre said that they have documents and they've received feedback through their consultations. I would like the government to table those consultations with the committee clerk and I would like those to be tabled no later than Monday morning. If that can't be accommodated, then I think that the bravado across the way is just that. So we'll look forward to seeing those documents on Monday morning.

The Vice-Chair (Mrs. Laura Albanese): Any further comment? Yes.

Mr. Frank Klees: Just further to that—because I'm going to doubt very seriously that this committee will see any of the feedback that it is purported the government received—if we don't have a tabling of that information with the committee, at the very least what we should have is an explanation for the committee as to why that information is not being made available to the committee and, through the committee, to the public.

The Vice-Chair (Mrs. Laura Albanese): Any further comment?

Mr. Michael Prue: If I could, a motion would be able to do that, I'm pretty sure. So I would move that the government provide to the clerk the documents that they have collected in the 160 claimed meetings be filed with the clerk and be transmitted to the members of committee.

Ms. Lisa MacLeod: Madam Chair, I think that the request was sufficient. I don't think we need to go through a motion. I've requested something, and as a member of the committee I'm entitled to it. So I expect that the Liberals will accommodate it.

The Vice-Chair (Mrs. Laura Albanese): I'm advised by the clerk that a request is sufficient.

Any further comments? Shall we move to the vote on the subcommittee report? All those in favour? Opposed? Carried.

ONTARIO TAX PLAN FOR MORE JOBS AND GROWTH ACT, 2009

LOI DE 2009 SUR LE PLAN FISCAL DE L'ONTARIO POUR ACCROÎTRE L'EMPLOI ET LA CROISSANCE

Consideration of Bill 218, An Act to implement 2009 Budget measures and to enact, amend or repeal various Acts / Projet de loi 218, Loi mettant en oeuvre certaines mesures énoncées dans le Budget de 2009 et édictant, modifiant ou abrogeant diverses lois.

The Vice-Chair (Mrs. Laura Albanese): We will now move to the presentations, and I'd first of all like to welcome all the members and the various submitters and presenters, those who are here. As well, we know that many have submitted written reports.

Just to inform you of the protocol, all presenters will have 10 minutes in which to make their presentation. There will be up to five minutes of questioning following that. The first round of questioning will go to the official opposition, the second to the third party and the third round will then go to the government side, and we shall continue in that rotation.

YCC 266

The Vice-Chair (Mrs. Laura Albanese): I would like now to invite our first presenter to please come forward: Mr. Gerald Gibson, representative of several thousands of condominium units.

Mr. Gerald Gibson: These documents are to be passed out to the members.

The Vice-Chair (Mrs. Laura Albanese): Your document has already been passed out to all the members of the committee. Just for protocol—and this is for everyone else who would follow—I would please ask you to introduce yourself and, for the purposes of Hansard, to state your name.

0820

Mr. Gerald Gibson: My name is Gerald Gibson. I'm a member of the board of directors of YCC 266 in Etobicoke and I'm the chair of the communications committee of that condominium. We've been working on this issue for quite some time and have addressed it with our MPP, who happens to be a cabinet minister. Obviously, we didn't get quite the reception that we wanted there, so I'm here.

I am here this morning to discuss an issue of fairness with respect to the application of the harmonized sales tax.

In September, I attended a meeting of the Association of Condominium Managers of Ontario at which Mr. Yasir Naqvi was a presenter. He provided the government's perspective of the HST and informed his audience quite clearly that this tax would increase the cost of living for all residents of this province.

I'm a director, as I mentioned, at YCC 266. We're a 496-unit condominium corporation called The Masters. At the present time, we have a campaign going on to involve other condominium corporations throughout the province. We were led to believe by our MPP that the negotiations on this bill would extend through the winter and so our campaign was originally to extend until December. At the present time, we represent about 4,000 units, but more condominium corporations are coming on board on a daily basis.

While condominium unit owners are actively engaged in initiatives that enable the government to achieve its goals of higher-density housing, reduced demand for energy and lower environmental footprints, we think that we are being penalized rather than credited for our efforts.

We realize that the HST will apply to all residents of the province, regardless of the type of housing they occupy. However, our analysis indicates that it will apply most unfairly to condominium owners. All homeowners, both in houses and condos, will pay more for utilities, repairs and improvements. But, by their very nature, condominiums can only be operated successfully through the hiring of contracted services such as management, groundskeeping, waste management, security and pest control, and there are many more. In fact, legislation actually requires condominiums to hire auditors, reserve fund study specialists and fire safety equipment inspectors, for example. We have no option there. We have to hire those people. These are all services on which only 5% GST is currently charged and they are services that generally are not required by the owners of individual houses.

While the costs for contracted services also apply to the owners of rental apartments, those owners are able to write off their costs against their incomes since they are for-profit businesses. Condominiums are not able to write off these same costs because they are classified as non-profit organizations.

It is estimated that the additional costs to individual condominium owners as a result of the harmonized sales tax will be in the range of 6% to 7%. Government mitigation funds will apply to everyone in the province, yet only condominium owners will see such a large increase in their housing costs. With respect to the mitigation of costs, which our MPP has emphasized several times with us, a major point the government makes is that the overall tax burden on corporations will drop by about 18%. This, of course, is the biggest argument for the introduction of an HST to replace the PST—the elimination of double taxation on inputs that corporations use. We are not questioning the calculation by the finance ministry on the overall 18% tax reduction for corporations, which will be able to claim back in 2010 all HST paid as an input cost. I wish to point out how the HST impacts condominiums on contracted services very differently than corporations, the result of which is a great increase in the overall tax burden condos will face.

I've just given a little example of Bell Canada. Currently, all customers of Bell Canada pay GST and PST on their phone bills, and Bell also pays GST and PST on inputs such as wires, vehicles, computers and transmission equipment that they buy. They get the GST refunded, but the PST is effectively charged on both the inputs and the final sale to their customers. We've been told that this is in the region of about $100 million. We are confident that the savings realized by the elimination of this double PST taxation will actually flow back to customers. We're not disputing that. But, of course, as a condominium, telephone service is a very small part of the condominium's operating expenses.

Currently, services are exempt from the PST, but they do attract GST. All the previously mentioned services have to be purchased by a condo but are mostly not purchased by a single-family homeowner. These services currently do not have a provincial tax on them; they only have the GST.

Services that in 2010 will be taxed at 13%, rather than 5%, are also used by companies, be they retailers, wholesalers, manufacturers, warehouse operators or office buildings. The huge difference is that they can get a full refund on the HST, as they do now on the GST, for all these services are deemed to be inputs and the HST will be fully refundable. This is the major source of the corporate tax reduction because currently they do not get a rebate of PST paid on inputs. The only major economic entities in Ontario that will be stuck with paying the 13% are condos, as we cannot apply for a refund on the HST.

Now, you may suggest that there are many taxes that contract service suppliers now pay to Ontario that will no longer apply and that we should be able to obtain rate reductions to offset the added 8% HST. I would urge you to ask the question, "Are services exempt from PST, as electricity, gas and water are currently?" Of course, the answer is, yes, they are.

I'm going to give you an example from my corporation. This is a $250,000 annual bill for the supply of security guards. It does not have a provincial tax or charge on the gross bill, and they are exempt from PST. We only pay GST on that bill. The supplier does not pay tax on inputs, and those are things like uniforms, computers, office supplies and the like. There is, however, no tax on the biggest cost, which is the salaries and fringe benefits of both direct and overhead employees. We agree that no jurisdiction would want to tax labour costs to make the economy less competitive. In the case of the provision of security guards, less than 10% of the total costs of the supplier are inputs that currently attract PST. The same would hold true for landscaping, management and the other aforementioned services, which, again, are mostly people-based. Those are labour-intensive services.

Now, I've given you an example, and it's right in front of you. The item I talked about is the provision of security guards to a condo. The total amount of the bill is $250,000. The items that the supplier pays PST on now, such as uniforms—10% of that $250,000 is $25,000; the HST, after July 1, 2010—$250,000 times 13%—is $32,500. So the increased HST going to the province of Ontario, at 8% of $250,000, is $20,000. The PST that the supplier saves on inputs—$25,000 at 8%—is $2,000.

So as can be seen from that realistic example, there is only a 10% saving of the added HST paid possible—

The Vice-Chair (Mrs. Laura Albanese): Mr. Gibson, I would just like to remind you that we have about 50 seconds left.

Mr. Gerald Gibson: Okay. Well, you've got my example there. You can read it for yourself, I guess. Did you have a—sorry.

The Vice-Chair (Mrs. Laura Albanese): No, you can continue.

Mr. Gerald Gibson: All right. I'll skip further down, then.

In summary, there may be an average 18% reduction in taxes that Ontario-based corporations pay the government of Ontario, but the impact on condos is that they will not see any such reduction, for currently services do not attract PST. The only savings possible, such as the $2,000 in my example—and that will be offset by an additional $18,000 cost for us to the government—are on inputs that the supplier currently purchases that have PST on them. This excludes payroll costs. Surely you will agree that it would be fair if contracted services to condominiums received an exemption in the HST legislation.

0830

This is not a request for complete HST exemption for condominium unit owners. Condo owners are good citizens and are prepared to support the government's initiatives to keep the province of Ontario competitive in a global marketplace. They simply want to be treated fairly.

The Vice-Chair (Mrs. Laura Albanese): Thank you, Mr. Gibson. I'm sorry, but the time is up. I really have to enforce strict time, so I would now ask the official opposition to proceed with questions.

Ms. Lisa MacLeod: Thank you, Chair. I'll be splitting my time with my colleague from Parry Sound–Muskoka.

Thank you very much, Mr. Gibson. It was really important for you to come in here today to show the profound impact that the HST is going to have on condominiums.

You mentioned your MPP several times. I didn't quite catch the name of the MPP and cabinet minister.

Mr. Gerald Gibson: Donna Cansfield.

Ms. Lisa MacLeod: It's Ms. Cansfield.

I just want you to know that the official opposition supports your statement that there should be an exemption in the HST legislation for contracted services to condominiums, and we will be putting forward an amendment with regard to that. So I just wanted to be clear.

It was pointed out to me by my colleague from Newmarket–Aurora, and you may want to correct the record, that you made a statement that the supplier does not pay taxes on inputs. You may want to correct the record, that the supplier does pay taxes on inputs, as it is in your notes.

Mr. Gerald Gibson: I did say in my written output that they do.

Ms. Lisa MacLeod: Okay.

Finally, what do you think the dollar figure—you said that it is going to cost you 6% to 7% more as a condominium owner. Can you give me a dollar figure on what that will cost you?

Mr. Gerald Gibson: In our corporation we anticipate that it will cost us approximately $50,000 more only on contracted services to deal with this tax. In my particular case, my fees are 800-and-something dollars a month, so you can figure out 6% of that very easily. It is another $50 a month—$600 a year. It affects different people differently, depending on the size of their condominium unit, the way their corporation is structured and so on.

Ms. Lisa MacLeod: So you'll be paying an extra $600 a year on fees and you'll be paying an additional 8% more on your home heating, your Internet access fees, the fuel in your car. It is estimated by the Progressive Conservative caucus that the hardest-hit after seniors will probably be people living in a condo, and in many cases, those are seniors as well.

I'm going to cede the floor to my colleague.

Mr. Norm Miller: Certainly. Thank you for your presentation today. As you've stated, you estimate the cost increase to be 6% to 7% for individual condo owners.

Mr. Gerald Gibson: That's correct.

Mr. Norm Miller: Okay. You stated in the beginning that Mr. Naqvi came around and made a presentation—

Mr. Gerald Gibson: Yes, he did.

Mr. Norm Miller: —to your condo association. And it sounds like he was at least a little bit up front. He stated that the cost of living would be going up with the passage of this bill.

Mr. Gerald Gibson: He was quite frank.

Mr. Norm Miller: I'm pleased to see that the government is being up front and letting people know that costs will increase for condo owners.

You also stated that your MPP led you to believe that there would be a longer process of consultation and a longer process of implementing the bill. Is that correct?

Mr. Gerald Gibson: We had a meeting with our MPP on October 14, at which time we presented to her a petition of 310 signatures from our condominium corporation only.

Mr. Norm Miller: And that was Donna Cansfield.

Mr. Gerald Gibson: Yes, it was. And we were informed that a response from the government would be forthcoming in 24 days of sitting. We were told that that would not come until about the end of February, which led us to believe that the meetings on this were going to be continuing throughout the winter.

Mr. Norm Miller: Do you have a record of that?

Mr. Gerald Gibson: Yes.

Mr. Norm Miller: If you could table that with the committee, that would be appreciated.

Mr. Gerald Gibson: All right.

Mr. Norm Miller: For Monday, if that's possible.

Finally, as a condominium, you're not able to take advantage of the input tax credits that another business will be—

Mr. Gerald Gibson: No, we're not.

Mr. Norm Miller: Because most of your costs are wages for things like security guards, and because you're a non-profit corporation—

Mr. Gerald Gibson: Correct.

Mr. Norm Miller: —you're not able to benefit from that.

The Vice-Chair (Mrs. Laura Albanese): There's a minute left.

Mr. Gerald Gibson: That's right.

Mr. Norm Miller: So it's just an extra cost. Okay, thank you. Frank?

The Vice-Chair (Mrs. Laura Albanese): We have less than a minute left.

Mr. Frank Klees: Thank you for your presentation. You've made what I consider to be a very reasonable request to essentially put you on a level playing field with others who will be forced to pay this HST, and that is to provide an exemption for contracted services. Have you had any indication from this government that they're willing to consider that? If you haven't had any indication, can I suggest to you that you get back to your MPP, in writing, and ask her for precisely that?

The Vice-Chair (Mrs. Laura Albanese): A quick answer, please.

Mr. Gerald Gibson: We've done that. Her response to us was that she was really moving in a different direction. She was hoping that she would have an opportunity to have home heating fuel exempted. She didn't really give us the impression that our position would be supported.

The Vice-Chair (Mrs. Laura Albanese): Thank you, Mr. Gibson, for your presentation. I'm sorry; the time is up.

CERTIFIED GENERAL ACCOUNTANTS OF ONTARIO

The Vice-Chair (Mrs. Laura Albanese): We will now invite Mr. Doug Brooks, chief executive officer of the Certified General Accountants of Ontario. I would invite him to take his seat. Thank you and welcome. You've seen the protocol: 10 minutes in which to make the presentation. I would respectfully ask that you begin now. If anyone else is to speak, please state your name for the purposes of Hansard.

Mr. Doug Brooks: Thank you, Madam Chair. I would like to thank the honourable members of the Standing Committee on Finance and Economic Affairs for granting the Certified General Accountants of Ontario the opportunity to speak with you today.

My name is Doug Brooks. I'm the CEO of CGA Ontario. I'm here with fellow CGA Diane Gaudon representing the association, 19,000 CGAs and 8,000 aspiring professional accountants who are currently enrolled in the CGA program of professional studies. Let me begin by providing you with some background on CGA Ontario and clearly outlining the skill level of the certified general accountants.

CGA Ontario is a self-governing body that grants the exclusive rights to the CGA designation and controls the professional standards, conduct and discipline of its members and students in the province of Ontario.

CGAs follow the profession's generally accepted accounting principles and generally accepted auditing standards. They adhere to a national code of ethics and rules of professional conduct. They meet ongoing professional development requirements, and those in professional practice carry mandatory liability insurance. We are a self-regulating body and take our duty to protect the public interest very seriously.

Certified general accountants are accounting and finance professionals with a difference. They've been trained to look beyond the numbers, drawing on their broad learning and individual strengths to facilitate problem-solving and provide leadership across industries and within changing business realities. Some prominent certified general accountants that you may be familiar with include the Globe and Mail's Report on Business's just-announced CEO of the Year, Sergio Marchionne, president and CEO of Fiat; Joe Pennachetti, city manager for the city of Toronto; MPP Bruce Crozier; and MP Yasmin Ratansi—a diverse group indeed.

Now on to the HST. Diane and I are here today in support of the new harmonized sales tax initiative and the benefits that it will bring to Ontario's economy.

Diane Gauden is the author of CGA Ontario's newly released HST booklet, a complimentary resource for businesses to help them prepare for and successfully transition to the single harmonized sales tax in 2010. I think you've all got a copy of that.

The government has said that the implementation of a single sales tax would bring Ontario into line with what is viewed as the most efficient form of sales taxation around the world, and CGA Ontario agrees. We believe the HST will benefit businesses within Ontario and enable Ontario business to be more competitive. It will ease administration costs for compliance and make it easier, which usually results in more compliance.

CGA Ontario is a member of the recently formed Smart Taxation Alliance, a non-partisan coalition of business leaders and organizations, which is pleased to see legislation that will put into place the tax reform measures announced in the 2009 Ontario budget. This alliance is comprised of members representing a cross-section of the Ontario economy, including the Ontario Chamber of Commerce, Retail Council of Canada, Canadian Manufacturers and Exporters, the Canadian Council of Chief Executives, TD Financial, RIM and many more.

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CGA Ontario was also a strong advocate for the HST in the 2009 pre-budget submission process, and we are pleased to see the government implementing a policy that key stakeholders have advocated for.

Talking about some of the advantages of the HST: A value-added tax system such as HST is a model that has been implemented by many countries and several Canadian provinces. A single harmonized sales tax will offer many advantages to Ontario businesses and consumers, ranging from simplifying tax compliance for businesses, which will save an estimated $500 million annually in reduced administrative costs, to eliminating approximately $5 billion in embedded provincial sales tax that businesses absorb annually. It is anticipated that 80% of business savings will flow through to consumers within one year of implementation.

The combination of sales tax harmonization, the reduced corporate income tax and the elimination of capital tax is expected to result in 591,000 net new jobs and a $47-billion increase in capital investment within 10 years. There will also be $1.1 billion in income tax cuts by reducing the first rate from 6.05% to 5.05% in 2010 and by reducing the rates for small business from 5.5% to 4.5%, thereby helping small business thrive in Ontario. The combination of these two tax initiatives will create more jobs, generate consumer spending, reduce administration costs of two separate taxes and ultimately lower costs for consumers.

Business clients will be able to claim input tax credits for the HST they pay in the course of their commercial activities. From our perspective, there are three key benefits to Ontario businesses in support of HST: tax simplification, reduced cost and increased investment coupled with job creation.

Tax simplification: What is key for businesses to understand is that this is not about the creation of a new tax; it's the elimination of a tax and an expansion of an existing one. HST will bring one harmonized tax base, not two separate ones; one tax return; one tax return period—currently GST and PST operate on different cycles; and one audit. Tax compliance should increase as tax systems are simplified. Most goods are currently subject to both GST and PST for a combined 13% sales tax. As such, the change to a harmonized sales tax of 13% will have little impact on those goods and services. Businesses will be able to reduce costs to administrative savings along with the ability to claim the full amount of sales tax paid—in most cases. Savings should then be passed on to the consumer, creating a more competitive marketplace for businesses.

Furthermore, competitive businesses that pay less tax will have the ability to invest more heavily in capital goods, hire more workers and cut prices on what they produce. By converting the PST into a value-added tax and harmonizing with the GST there will be a significant reduction in the cost of goods that Ontario exports. This will also drive a more competitive marketplace. Under the current system, businesses may not deduct the PST from the cost of materials and other products they buy; instead, they pass the embedded cost along to consumers. But under harmonization, businesses may claim tax credits for those purchases, with some estimates suggesting that the savings could be $5 billion a year, as previously identified. The Ontario Chamber of Commerce believes that a fully blended system would cost consumers approximately $905 million in sales taxes per year, while the GST and PST bill for companies would fall by $1.6 billion annually.

Some more statistics supporting cost reduction: 80% of the cost savings are expected to be passed on to consumers within one year; 95% of the cost savings should be passed along within three years; 83% of goods and services will have no change in sales tax status.

The Atlantic provinces experienced an overall price reduction of 0.3% with a harmonized sales tax. The Atlantic provinces have seen a strong return on investments since implementing a single harmonized sales tax. Ontario should do at least as well. In the Atlantic provinces, after harmonizing taxes, per capita investment rose 11%, and they saw a 12% increase in machinery and equipment investment compared with the year prior to harmonization.

As the province prepares for implementation and transition of the new harmonized sales tax, it's important to keep in sight these important benefits. The HST will truly fuel a stronger business investment climate in Ontario, create jobs and accelerate Ontario's recovery. A strong economy is good for every Ontarian.

From our perspective, the timing of the implementation of the HST is right. As businesses recover from the challenges of the past few years, they will be looking for the most efficient and cost-effective places to do business. We want that place to be Ontario. We strongly encourage Ontario businesses to take the initiative to be proactive in preparing for the implementation of the HST. To help them, we've produced a comprehensive and easy-to-understand harmonized sales tax booklet that offers an HST overview addressing common questions and concerns for local businesses. An extensive Q&A document and a fact sheet have also been developed identifying key benefits to the new HST system. The booklet offers businesses a general checklist of things business should do to ensure that they are ready for the HST. I encourage you to stay the course and thank you for your time today.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much, Mr. Brooks. I would invite Mr. Prue to start questioning.

Mr. Michael Prue: You made the statement, and I assume you're quoting Jack Mintz—591,000 jobs. That has been disputed by the Ontario Chamber of Commerce, which says it's going to cost 40,000 jobs. Jack Mintz partially wrote that too. Who are we to believe—Jack Mintz the second or Jack Mintz the first?

Mr. Doug Brooks: As we consider all of the research that's available out in the marketplace, I think for us looking at past experiences the best predictor of the future where we've seen this implemented, in the Atlantic provinces specifically, that it ultimately has delivered on higher capital investment and has resulted in price reductions to consumers.

Mr. Michael Prue: But in the Atlantic provinces it never created a single new job. In fact, unemployment went up, did it not, following GST?

Mr. Doug Brooks: I don't know the answer to the question on the specifics.

Mr. Michael Prue: I put it to you: The empirical evidence in the three Atlantic provinces—Newfoundland, New Brunswick and Nova Scotia—that went ahead is that unemployment increased after they harmonized the taxes. In PEI, which did not do it, it had no real effect. Where is the empirical evidence? Is it only Jack Mintz? Is that your empirical evidence?

Mr. Doug Brooks: No. We're using research done by the C.D. Howe Institute as well as the Ontario Chamber of Commerce.

Mr. Michael Prue: The Ontario Chamber of Commerce said it's going to cost 40,000 jobs. Where is the evidence that jobs are going to be created? You've said "591,000"; where is the evidence?

Mr. Doug Brooks: Again, I think as part of the research that's been done, if you create an environment for business, particularly small business, that is friendly to business in terms of the tax structure—and we think the HST delivers on an improved tax structure as well as the integrated cuts to capital taxes and promotes an environment of capital investment. Capital investment drives the economy when you look at creating business structure, and business structure is going to stimulate job growth. When you look at our manufacturing sector, we've got to take a line in the sand and start to support that manufacturing base.

Mr. Michael Prue: Even in the Atlantic provinces, Nova Scotia reduced its component of the provincial sales tax by 3%, New Brunswick by 3% and Newfoundland by four full percentage points. Even then, that created no new jobs, and even then, that did not create any real expansion of the economy until the Hibernia oil field came on. Is that not the case?

Mr. Doug Brooks: Again, I don't have access to the numbers that you're quoting, but I go back to our belief, and I think this has been supported over time, is that if business is healthy and the economy is growing, that's going to be good in terms of job creation, that that benefits—

Mr. Michael Prue: You say "our belief." I have talked to CGAs who do not share this belief. Have you polled your members? How have you determined that the members of which you speak are in favour of this, or is it just the author?

Mr. Doug Brooks: This is the position of our association, as supported by our board, who represent our members.

Mr. Michael Prue: Okay, this is the board that has made this decision, not the members.

Mr. Doug Brooks: On behalf of the association; that's correct.

Mr. Michael Prue: And you also stated that consumers can expect a 0.7% increase. What's in this for consumers? I hear what you're saying about what's in it for increased business profits; what is in this for consumers?

Mr. Doug Brooks: When you talk about a healthy business economy, the market ultimately delivers, in terms of a competitive environment, the ultimate best price to the consumer. So I think when we get rid of all those hidden taxes that consumers are ultimately paying now, those savings, through competition, get passed on ultimately to the consumer.

The Vice-Chair (Mrs. Laura Albanese): Forty-five seconds left.

Mr. Michael Prue: What has happened over the last number of years is that business executives—rich people—have become increasingly rich over the last 10 to 15 years using these kinds of economies. People have gotten poorer. How are people going to do better from this when every single indication for the last 20 years is that people will pay more taxes and get less in return?

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Mr. Doug Brooks: I have to go back to, again, the idea that a strong and healthy economy with strong and healthy businesses ultimately is a job creator, and I think that's good for Ontarians and for Canadians.

Mr. Michael Prue: Thank you very much.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your presentation.

POLICE PENSIONERS ASSOCIATION OF ONTARIO

The Vice-Chair (Mrs. Laura Albanese): I would like now to move to the next presenter: Mr. Paul Bailey, president of the Police Pensioners Association of Ontario. Please take your seat, and again, please state your name for the purposes of Hansard. Welcome.

Mr. Paul Bailey: My name is Paul Bailey, and with me is Rick Metcalfe. We're retired police officers from York region.

The Vice-Chair (Mrs. Laura Albanese): Thank you. You may start your presentation now.

Mr. Paul Bailey: Committee members, my name is Paul Bailey and I'm president of the Police Pensioners Association of Ontario. Our association represents over 6,000 retired police personnel from many areas across the province, including Toronto, Peel, York, Durham, Hamilton, Halton, Niagara, Sudbury, Ottawa, Windsor, Sarnia and London. The Police Pensioners Association is also a member of the public sector retiree coalition, along with the Municipal Retirees Organization Ontario, MROO; the Association of Retired Professional Fire Fighters of Ontario; and the Police Retirees of Ontario, PRO. Together, our coalition represents about 25,000 retired municipal workers in the province of Ontario. The vast majority of our members receive an OMERS pension.

Our pension is indexed, as many of you may know. For 2010, our raise—our indexing fee, if you have it—is 0.37%. Yes, that's right: a 0.37% increase, yet when the HST comes into force we will be forced to pay 8%, which leaves us with a net loss of 7.63% before we can spend one dollar.

As many on the committee know, the coalition is opposed to the HST. The HST, if passed into law, will have a negative and harmful effect on those people who are the most vulnerable: senior citizens. Let's look at a couple of the new costs that will be inflicted on seniors.

Energy costs such as gas, home heating oil and electricity are not currently taxed under the PST but will be when the HST becomes law. StatsCanada reports that the average Ontario homeowner pays $2,047 a year in heating costs. Five per cent of that total is GST, so if that is subtracted and then the new 13% HST is added, the additional cost to all Ontarians, including seniors, will be $198. Round it up over five years and that's $1,000 for one of the increases.

The cost of gasoline is going up with the HST. Seniors don't just live in urban centres with public transit; they live in communities where a motor vehicle is their only means of transport. In some cases, the opportunity for seniors to utilize the services of domestic air, rail and commercial buses in rural communities will again be impacted by the HST. They'll be forced to pay an additional 8% on top.

Internet fees—which is very important—will increase by 8%. In many cases, given the age and health of seniors, the Internet is the most well-used and cost-effective way for seniors to communicate with their family and friends. In rural communities, the Internet has become a lifeline for community and medical support.

Let's talk about mutual funds for a minute—we just did. Seniors in the province, over the years, have invested heavily in the mutual fund business. Why? To ensure that they have enough money to look after themselves when their salary becomes a fixed income. These mutual fund companies manage the money we put into them and the investment returns are passed on to the unit holders: seniors. These mutual fund companies charge a management fee, which as you know is currently subject to the GST but not the PST in Ontario. Members of the committee, if this new HST passes and financial services are subject to this new HST, any mutual fund company in Ontario will increase the sales tax charged on its management fee from 5% to 13%. Simply put, the mutual fund management expense ratio will increase. Once again, it's seniors paying more out-of-pocket expenses at a time when they can least afford it.

Many seniors in this province have various types of disabilities that require them to request the services of plumbers, electricians, gardeners or other service providers. They will now be forced to pay additional taxes in order to maintain a reasonable lifestyle.

Even in death, the HST shows no mercy. Seniors will die and their families, those on fixed incomes and limited support, will now be forced to pay the additional costs associated with burying their loved ones.

Our question to the government is: Why are you targeting seniors?

A couple of years ago, this government introduced Bill 102 whereby they attempted to control the costs associated with providing seniors with drugs. We, the PPAO, offered support to this initiative but requested you slow down the process and not try to ram it through, because mistakes would be made. You failed to listen, and look what happened: massive fraud, with the loss of hundreds of millions of dollars. The Police Pensioners Association of Ontario asked you to call in the police to do an independent investigation to determine who was responsible. You refused. Now you have contracted a consultant for $750,000 to find ways of cutting costs. This consultant has been retained to review unacceptable practices in the professional allowance system of payments between generic drug companies and pharmacies. Once again, the seniors in this province will take it on the chin.

A percentage of our members live in condo units for a variety of reasons; some because they are unable to look after their property any longer or for health reasons. They thought that future costs were known at the time they purchased their unit. Now the HST changes all that. Maintenance costs will rise, as will the costs associated with their reserve funds.

Members of committee, we have heard about lowering personal income tax, senior rebates and the rebates being paid to individuals and families to offer a cushion to the blow that this tax will have, not just on seniors but all those living in Ontario. Many of us have spent considerable time in the House during question period and have listened to the government tell us how good this HST will be for us as individuals and as a province. We have been told by Jack Mintz that it's a great gift to this province. Committee members, with respect, we do not believe a word of it. This new tax will take more money out of pockets than we can afford. You know that and so do the seniors in this province.

Given that our time for presentations is extremely limited, I just want to talk about some solutions.

Give some thought to cancelling the new child education program for four- and five-year-olds. I think most Ontario citizens would support this initiative, but when we have a $24-billion deficit, we just can't afford it in today's financial times. Once the economy recovers, then re-implement the program, and I'm confident it will receive the widespread support of all Ontarians.

Review the use of consultants and limit their ability to participate in government projects. That alone would save hundreds of millions of dollars.

Call a full public inquiry into the eHealth initiative. Over a billion dollars was lost to this venture, and we should know why it happened so that we can prevent the same mistake in the future.

Offer full consultation in all areas of the province. It's incumbent on this government to listen to the views and ideas of taxpayers.

Our coalition will continue to oppose the HST. We will continue to educate and update our respective memberships on the impact this tax will have on their financial affairs, and we will see you at the next election because, as you know, of all large groups, seniors are the ones most likely to vote.

Thank you for allowing us this time to offer our thoughts on the HST.

The Vice-Chair (Mrs. Laura Albanese): Thank you, Mr. Bailey, for your presentation.

I hear the bells ringing, so I'm going to wait for a confirmation—

Ms. Leeanna Pendergast: It's just the House starting.

The Vice-Chair (Mrs. Laura Albanese): Okay, so we can proceed with questioning from the government side, Mr. Naqvi.

Mr. Yasir Naqvi: Thank you, Mr. Bailey. Thank you, sir, for coming here today and giving your presentation and perspective on the HST.

I'm going to split my time with MPP Pendergast. I'm going to focus a few questions on the HST, and she'll be talking more about tax cuts for seniors, which are a part of the budget as well.

I just want to go through an assertion you made in your presentation about your indexed pension, which will see an index up 0.37%. You made the assertion that you'll be forced to pay an additional 8%, which will result in a net increase in things that you'll be paying for. Is that based on the assumption that every single dollar you spend is on things that do not attract the 8% PST right now?

Mr. Paul Bailey: Well, I'm not sure what you mean by your question, but what I was trying to bring forward is that, every year, OMERS and large pension funds do a calculation to determine the indexing. Of course, for the last couple of years, this province, as across Canada, has suffered terribly in the financial markets. I guess what I'm saying to you is, that 0.37% is the lowest raise, if you want to call it that, for a retiree in the history that I've had with the OMERS pension plan that I can recall—certainly in the last few years.

Basically, as of January 1, we'll get a raise of 0.37% on our pension. After that, on July 1, when you impose this HST on us, we're losing money out of our pockets before we even spend a dollar.

0900

Mr. Yasir Naqvi: The point I'm trying to make, Mr. Bailey, is: Do you realize that you're already paying the full 13% on 83% of your consumer spending today?

Mr. Paul Bailey: No, I don't totally agree with that.

Mr. Yasir Naqvi: You can look into it. Christmas is coming, and as you're spending money this season, perhaps start looking at all your receipts. You'll notice that you're already paying 13% pretty much on 83% of the things you're buying. So the debate, I think, which you're presenting is on the remaining 17% where you're only paying 5% and not the 8%. I would argue that by that calculation, the net loss is not going to be 7.63%. That number, as you presented it, is grossly misrepresented.

According to TD Bank, the net effect of uninflation is going to be around 0.7% only on prices, so I just wanted to make that point in terms of the assumption you're making.

Mr. Paul Bailey: Just to further answer you, I read in the papers and I hear in committee and in the House about Mr. Mintz and the TD Bank and the C.D. Howe Institute and all these people making these forecasts. If you take your mind back, the government believes a lot of things that ultimately don't turn out to be accurate or true.

I'll give you an example: As police officers, we rely on firearms. It's a safety issue for us. Back in 1995, I was in the room with Allan Rock, the then-justice minister, when he proposed a gun registry, and he told us all to our faces that the most it would cost was going to be $2 million. Well, 10 years later, it's $2 billion. So my point to you is, I have problems believing all these stats that government or these special-interest groups offer.

The Vice-Chair (Mrs. Laura Albanese): One minute 30 left for questioning.

Interjections.

Mr. Yasir Naqvi: Thank you, Madam Chair. I would appreciate it if the members don't waste our committee time by clapping and interrupting. Thank you.

I will ask member Pendergast—I think she has a few questions.

Ms. Leeanna Pendergast: Thank you, Paul, for being here. It's great to see you again. I want to start by thanking you for your passion and your commitment on behalf of seniors.

Mr. Paul Bailey: Thank you.

Ms. Leeanna Pendergast: I have parents who are seniors who live in a condo, who pay Internet fees. Absolutely, I want to thank you for your passion and commitment. I'd love to comment, as a teacher, on your comments on the four- and five-year-old children and the child education, but we can do that elsewhere.

I did want to, however, refer to where you say on page 2: "Our question to the government is: Why are you targeting seniors?" I'd like to address that by saying that we are targeting tax cuts for seniors as well. Again, as an educator, I think it's so important that we're informed of all of the details. I would refer you to this. I'm sure you've taken a look at it. Do you have a copy of this?

Mr. Paul Bailey: No, not with me.

Ms. Leeanna Pendergast: If you go through pages 9 to 12, there's a whole section on tax cuts for people—$10.6 billion in tax relief, and it talks about seniors in there. As well, what I thought might be helpful is to take a look at page 24: the single-senior pension income and how it has been put out over the years.

The Vice-Chair (Mrs. Laura Albanese): Thank you, Ms. Pendergast.

Ms. Leeanna Pendergast: So seniors will see the impact of the HST in the first year—about $185.

The Vice-Chair (Mrs. Laura Albanese): Thank you.

Ms. Leeanna Pendergast: So what you're saying is true, but if you take a look at this—I want to make sure that we make this available to you and to your group. That would be helpful.

The Vice-Chair (Mrs. Laura Albanese): Thank you. The time for questioning has ended. I thank you very much for your presentation.

ONTARIO HOME CARE ASSOCIATION

The Vice-Chair (Mrs. Laura Albanese): I will now call now on the next presenter, Susan VanderBent, executive director of the Ontario Home Care Association. Again, please repeat your name for the purposes of Hansard recording. Thank you very much.

Ms. Sue VanderBent: Good morning, everyone. My name is Sue VanderBent and I'm the executive director of the Ontario Home Care Association. Thank you for inviting me this morning. I'm here today to ask the standing committee to consider creating an Ontario home care rebate to prevent additional costs to the people who must purchase private home care to top up the publicly funded home care system in Ontario.

Most people don't realize that the proportional spending for home care in Ontario is less than it was in 1998. At that time, it was 5.4% of the health care budget. We estimate, from industrial polling of our own, that 150,000 Ontarians purchase hours of care every year. We estimate that last year they purchased 20 million hours of care, which is almost the equivalent of the publicly funded system in Ontario.

As you know, home care is a publicly funded and not a publicly insured service, and I'm not here today to really address that.

In Ontario, the publicly funded home care system falls under the jurisdiction of the Ministry of Health and Long-Term Care, and it's locally administered by the community care access centres.

Ontario's provincial home care program is vital to supporting the publicly insured health care system. It enables the early discharge of people from hospitals and the premature institutionalization of people in long-term-care homes. For the overwhelming majority of people who want to stay at home, home care is both cost-effective and health-effective.

In the publicly funded system, in 2008 approximately 570,000 individuals received 26,000,485 hours of care at home, funded through the Ministry of Health and Long-Term Care. As I said, the Ontario Home Care Association estimates that about 150,000 Ontarians purchase an additional 20 million hours or visits of home care in order to remain at home.

The harmonized sales tax will place an additional financial burden on the thousands of Ontario families who purchase home health care services. The government's intent to harmonize federal and provincial sales tax to a single 13% HST creates an additional tax both on and for health care services. Specifically within home care, individuals who supplement government-funded home care privately through insurance or through out-of-pocket expenditures will be required to pay that sales tax. The Ontario Home Care Association estimates that the harmonized sales tax will place an additional $260 to $350 annual cost burden on those individuals.

Privately purchased home care services provide the vital few hours of care and respite to families who continue their caregiving responsibilities while many are raising their own children and holding a job.

Ladies and gentlemen, I am one of those people, and I think maybe some of you might be too. My family pays privately, over and above the publicly funded home care system, to keep our father—who is 86 years old, legally blind and very frail with arthritis—safe at home. Right now, as we speak, probably, the personal support worker that we are paying for is helping him get up and get going for his day.

Later in the day, a CCAC personal support worker will come in to give him the one bath that he is entitled to this week.

We pay for this care because we love our father and he wants to stay in his own home. He still enjoys the independent life that he has in his own home with his family and his friends, but he does need an additional amount of care that the publicly funded system cannot provide right now, due to the kinds of economic constraints that we all know the system is undergoing.

We aren't arguing with that, as a family. We believe that our contribution is keeping our father healthy and out of the ER, out of the hospital and out of long-term care. We do not think it is right that we should be paying additional costs for this necessary and valuable service.

Furthermore, for families who cannot afford this—and there are many who cannot—this could be the financial breaking point for some seniors and it can be a disincentive to staying at home. People just give up. Many simply will turn to the publicly funded system, to the ER, to the hospitals, and also decide that long-term-care institutionalization might be the best thing to do. There could be an overall perception that this additional tax is driving institutionalization.

0910

Insurance policies that are defined by the amount of service hours will generate fewer available dollars for those people, and the taxation decision will be regarded as negatively impacting the amount of health care available to people who have bought into these plans.

The HST does have the potential to drive more families to seek care through an underground network or a "grey market." This is concerning to me as the executive director of the Ontario Home Care Association because the grey market is not subject to the kinds of standards and regulations as those businesses that operate as respectable home care businesses, ensuring quality of service provision to people. Taxation that compromises care standards will emerge as a theme, ultimately undermining the good work of the government to create a strong and reliable home care system in Ontario. And I am one of the strongest advocates for that publicly funded home care system.

Ladies and gentlemen, the number of Ontarians who will choose to purchase care is growing, and it will continue to grow because home care is a publicly funded and not a publicly insured service. Those people who are paying do not think it is right that they should be taxed for the contribution that they are making to the health care system.

Home care is a vital component of the Ontario health care system and it's integral to the entire health system transformation, and we should be spending more money on it. Home care research tells us that people want to stay at home for as long as possible, and families like mine will try to find ways to make that happen.

The Vice-Chair (Mrs. Laura Albanese): Thank you, Ms. VanderBent, for you presentation. Official opposition.

Ms. Lisa MacLeod: Thank you very much, Susan. That was an excellent presentation. I want to assure you that the official opposition will not only consider the home care rebate; we will actually put forward an amendment so that the government will be posed with that as an option come Monday.

The work you're doing allows seniors and others to live in their home with dignity, and your message that higher taxes may mean lower standards in health care in the province has not been lost on the official opposition.

I'm very concerned with the fact that this may create an underground economy in our health care system, and I'm wondering if you'd care to elaborate a little bit more on your concerns.

Ms. Sue VanderBent: When an organization delivers home care and has the cost of maintaining a staff, which means all the administrative costs of the health human resource pool that they manage, they must bond there; their staff—they must train them; they must care for them; they must pay benefits to them. So the costs to provide the care in the home that is provided by a person that has the education and the training to do it well and properly and who has insurance to do that does cost money. You could, I suppose, ask somebody who did not have that kind of skill, training and insurance to do that kind of work. You could ask the person who comes in to vacuum your floors if they'd also give your mother a bath. I suppose you could, and that's the kind of thing that can happen. But who helps your mother if she breaks her hip getting into that bath? Who helps your mother if something is stolen from her home? These are the kinds of things that respectable organizations and businesses guard against, take care of and are accountable to their customer and to the publicly funded system when they deliver care in a home.

Ms. Lisa MacLeod: I appreciate this. One quick question, and then a little bit of a longer one: Have you been able to sit down in a consultative manner with the government on these concerns?

Ms. Sue VanderBent: Yes, we have, and I'm not here today to say that the government has not listened to us. They have. We have had meetings with the Ministry of Health and Long-Term Care; we have had meetings with the Ministry of Finance; we have had meetings with Minister Duncan's staff—

Ms. Lisa MacLeod: Thanks. I'm going to request, then, of the clerk, that we receive those documents—if we could receive from the government documents pertaining to the cost of health care.

One of the questions that we did have in question period was the cost to the health care system. When my colleague Mr. Miller and I attended a briefing with finance officials, we had requested more information on what the cost would be to the health care system, and we weren't given an answer. We certainly weren't given an answer in question period either when we asked the impact of not only the service that you're providing and the increase that that's going to cost to the health care system, but also with medical supplies. It's also going to cost the folks that are out travelling more money in gas, and there's going to be a whole plethora of issues, as well as journals and subscriptions that you may need to partake in to keep up the training. So I'm wondering if you can estimate, and I know that you're saying $260 to $315 a year just on the service: Do you have an estimation on what it will cost with the supplies and the gas for your home care workers?

Ms. Sue VanderBent: No. I'm sorry, I don't have those numbers.

Ms. Lisa MacLeod: Okay. If at some other time, perhaps in the next couple of days, you might be able to submit that to the committee, because I think the impact of the HST onto the health care system is a variable that we need to discuss before this legislation gets passed. I'm just going to pass my time on to my colleague from Parry Sound–Muskoka.

The Vice-Chair (Mrs. Laura Albanese): About 45 seconds left.

Mr. Norm Miller: I'll obviously be brief, then. So basically what you're saying is that the extra burden of the tax, $260 to $315 per year, will make it more difficult for seniors to stay in their home and get the care they need. I know in my area we're faced with a situation where the acute care beds in the hospitals are taken up with alternate-level-of-care patients, and I know it's the goal of the government to try to solve that problem. So this tax will actually make the situation worse, because families or seniors won't be able to stay in their homes. More of them will be forced out of their homes and into the long-term-care homes etc.

The Vice-Chair (Mrs. Laura Albanese): Ten seconds.

Mr. Norm Miller: Is that correct?

Ms. Sue VanderBent: Yes.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much, Ms. VanderBent, for your presentation.

ONTARIO CAMPS ASSOCIATION

The Vice-Chair (Mrs. Laura Albanese): I would now like to call upon Aruna Ogale, executive director of the Ontario Camps Association. Welcome. Please come forward and state your name for the purposes of Hansard. You will now have 10 minutes for your presentation.

Ms. Aruna Ogale: My name is Aruna Ogale. I'm from the Ontario Camps Association. I'm the executive director there. I'm a bit nervous. I've never done this before, so excuse my faltering voice.

I'd like to say thank you for having us. We've never addressed a committee like this, but this is such an important issue to us that we really felt it was important that we were here and that our voice was heard.

The camp industry in Ontario is larger than anybody understands it to be. The Ontario Camps Association is far larger than all of the other camp associations in Canada combined. In our association alone, we've got 340 camps that we have accredited. Having accreditation means that our camps have gone through about 340 standards to 400 standards, depending on whether they're a day camp or a residential camp, that they must meet in order to be accredited, and then we allow parents to know that this is a safe camp for you to send your children to.

Collectively, just our camps—and there are camps out there that are not members of the OCA—will employ about 25,000 students over the course of a summer. So that is a very large employer of summer students. What people don't realize is that our camps are a billion-dollar industry, because we are supporting food services, program services, we're constantly building camps, docks, buying equipment for lakes, whatever, and we are putting this money into areas up north and in other areas where employment might not be as readily available.

In the last few years, especially starting with SARS, it's fair to say that our numbers have been dropping. With the onset of SARS, we found that American families and international families were more loath to send their children to Ontario camps. This year you probably read a lot about the H1N1 in the media, and I will say that the media did over-blow H1N1 at camps, but regardless, the message was out there that there were epidemics of H1N1 at camps, and that certainly hurt camp membership, as did last year's economy. Last year we suffered an 8% loss in children going to camp. It is a substantial loss of campers.

0920

It should also be noted that residential camps were capped at a 3% provincial tax because of the types of services that we offer. Now, going up, it's going to be a substantial increase. Because it's residential camps, there was a special dispensation—I don't know when—so it was a 3% provincial tax that we were paying.

As you can imagine, having an HST of 13% is really going to impact our camps, because the reality is that 13% is going to have to be added to all of our camper fees. While other associations or other workplaces might be able to get some of that tax back, we cannot, because most of the money that people pay for their camp registration goes directly to hiring of staff. We cannot collect money back or get tax rebates back on employment, so you are now actually taxing our ability to hire staff.

Because the OCA makes camps follow a very strict ratio of camper to staff, if the numbers go down, the number of staff that we hire also goes down, which really does mean that fewer summer students are going to be hired by camps this year. I don't think that that is what any of us want. We want young people to have the opportunity to work at camps.

We can tell you that young people who have worked at camps have done remarkable things in their lives. Some of them are MPs, MPPs; they're doctors; they're neurosurgeons; you find them in every facet of life. A lot of them will tell you that they got their leadership skills and they learned to dream of the great things they could achieve because of what they did and what they learned at camp. We ask that you don't deprive this next generation of that.

We find it ironic that on the one hand our government and the federal government are promoting physical activity amongst children. We keep saying that we need a healthy child; we need to combat childhood obesity; we need to get them more physically active; we need to get them to eat more nutritiously. We, along with everybody working in the sports and recreation field, provide you with an opportunity to make sure that kids are learning healthy lifestyles. We've done studies that show that children who go to camp, children who learn how to enjoy the outdoors, children who learn to be physically active, will continue that into adulthood.

Knowing all of this—this tax is going to have an impact on families where they're going to have to choose whether they can afford to pay that extra percentage in tax. We fear that children will just not be able to go to camp this year because of that hidden tax.

We suggest to you that if you can exclude meals under $4 from the HST, which we think, by and large, are probably fast foods, then we also think—and I love some of those meals. I'm not saying that you shouldn't have them all of the time. But we need to balance that with making sure that children's activities, physical activities, are also excluded from this tax, which will really put a huge burden on families and associations like ours, like soccer associations—just a whole gamut of programs that cater to children and families.

We think the logical step might be to say that anybody who is able to give a tax credit under the physical activity tax credit program introduced by the federal government could easily be excluded from this HST. It's a very simple way to do it. This way, we really do make sure that we keep children and families very active.

We're also concerned about our charitable camps, as the OCA represents private camps, day camps, charitable camps, faith-based camps like United Church camps, B'nai Brith camps, the Y camps, the whole gamut. A lot of these camps that send children to camp through subsidies or donations have already been impacted because donations are less. Now our costs are going to go up with this tax, because the money is going to come out of their pockets, and it's going to mean that fewer children are going to camp. So we ask you to please consider the needs of children when you introduce this tax. Thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation. It is now the NDP caucus's turn for questioning.

Mr. Michael Prue: Thank you very much. For a woman who claimed to be nervous, you did a very good job.

Ms. Aruna Ogale: Thank you.

Mr. Michael Prue: I just want to ask a couple of, I think, really pointed questions here: 25,000 students who work in the camps may be impacted; some of them will not be hired back to work if the number of applicants to go to camp falls, if it goes down. How many jobs might potentially be lost in the camp industry as a result of the HST?

Ms. Aruna Ogale: This year we know that 8% of jobs could be impacted simply because our population has decreased by 8%. Now, thankfully, at the beginning the summer we didn't know that, so camps had hired that entire number. But I can tell you that there were kids that, as they dropped out because of H1N1 concerns—each camp let go of maybe one or two. This year, if membership enrolment doesn't stay up, I can predict that the same kinds of numbers will fall. The thing is that this year young people will get no opportunity to earn any money, because we all know that right at the outset they're not going to be hired.

Mr. Michael Prue: Okay, so if there is a 10% decline in camp enrolment as a result of the HST, it is very likely that 10% of the camp counsellors will not be hired?

Ms. Aruna Ogale: Exactly.

Mr. Michael Prue: So if there is a 10% decline as a result of this government's policy, then we will see about 2,500 summer jobs lost to students?

Ms. Aruna Ogale: Absolutely.

Mr. Michael Prue: Okay. The next thing I want to ask is about the charitable camps. This troubles me a great deal. Children with physical, emotional and psychiatric problems go to camp and for many of them, and I've seen some of these children, this is probably the greatest experience of their lives. Is there a possibility, if the HST goes in, that these children will not get an opportunity to go to camp?

Ms. Aruna Ogale: Yes. The burden that families with children with special needs also have is that sometimes they need one-on-one personnel to send with that child, depending on the severity of the disability. It would mean that camps would not be able to absorb that entire cost, and neither would families. So, yes, it would absolutely impact those children. It would also impact poorer families, immigrant families; we're trying to make sure that we have more programs in place so that children who are newer to Canada can also go. I can see that if we just didn't have the personnel there, we wouldn't be able to have those kinds of programs.

Mr. Michael Prue: The price point—this comes down to, I guess, a price point: If you increase the cost of camps by 8%, do you anticipate that there will be a decline in people willing to send their children?

Ms. Aruna Ogale: Absolutely.

Mr. Michael Prue: Will this decline be felt outside of Ontario? As an example, Americans coming to camps in Ontario or people from Quebec or Manitoba sending their children across the border to camps in Ontario: Will that also be affected?

Ms. Aruna Ogale: Yes. We already get requests from American families, for example, asking that they get their taxes back because they don't put into this economy, as it is at the present time. So I can imagine that when we have to say, "You have to pay this extra money," there is then really no incentive for those families to send their children to camp. It would be cheaper for them to send their child to camp within their own jurisdiction, be it New York, Arizona or California, because they're paying for the airline and they're paying for all kinds of things to come here. Why would they want to pay that extra cost?

0930

Those camps in the US also have to meet accreditation standards to the American Camp Association, so we can't even argue that our camps are better than theirs, because theirs are equal.

Mr. Michael Prue: Okay.

The Vice-Chair (Mrs. Laura Albanese): Thirty seconds left.

Mr. Michael Prue: I think that she has answered all the questions. I'm going to give her a reprieve. Thank you.

Ms. Lisa MacLeod: Point of order: It's my understanding that the government is passing out these documents here, and I don't think the official opposition or the third party was aware that they are passing out their propaganda. I'd like to ask that they be removed from the committee room.

The Vice-Chair (Mrs. Laura Albanese): Mr. Arthurs?

Mr. Wayne Arthurs: Just on a point of personal privilege, Chair: A document prepared under the auspices of the government, Ontario's Tax Plan for Jobs and Growth—I would hardly feel it appropriate that it be characterized as propaganda.

Mr. Michael Prue: On a point of privilege, Madam Chair: If it is to be handed out, then all members should get a copy, not just government members.

Mr. Wayne Arthurs: Agreed.

The Vice-Chair (Mrs. Laura Albanese): Yes, I think all members of the committee should be provided with a copy. I think that—

Ms. Lisa MacLeod: On that same point of personal privilege, or my personal privilege: I think it's inappropriate that it be considered something that this committee is giving out. Certainly, there are many of us on this side of the table who don't agree with that propaganda and we would like it removed from the committee, because it is not committee material. It is Liberal Party material.

Mr. Yasir Naqvi: Madam Chair, this is a document which is printed by the Queen's Printer for Ontario. To characterize that as Liberal Party material is a gross misrepresentation and I ask the member not to engage in misrepresenting this committee to those who are presenting before this committee. This is a background document which was provided to every member of the Legislature along with the fall economic statement. It has been subject to scrutiny. It has been available to the opposition parties from the get-go, and they could comment.

As concerns are coming up, it's to make sure that deputants understand, technically speaking, where their particular sector or industry stands. It's important that they have this information available to them. If it is appropriate in your view, Madam Chair, that this be handed out once again to all the committee members, sure, we should do that.

Ms. Lisa MacLeod: I would ask that the Liberal red book be given outside and not in this chamber, because it is not a committee-endorsed book. I think that the Liberal red book should be given outside.

Ms. Sylvia Jones: On the same point: I sit on three different committees, and I have never seen legislative bills handed out to deputants. We're burning time that people have taken to prepare presentations. I think we should just get rid of the material, which has never historically been given out to any deputants, and move on with the presentations from the public, which is ultimately why we are here.

The Vice-Chair (Mrs. Laura Albanese): Can we take a quick recess?

Ms. Lisa MacLeod: No, no. We have people here. I have a simple request: that the Liberal red book be brought outside so we can continue with the deputations.

Mr. Wayne Arthurs: Chair, I can give you a motion that this be provided to all the deputants and anyone else in the room, if that's what it takes.

Mr. Michael Prue: I just think that the members of the committee should have it, because if they are going to refer to it—I had no knowledge that this would be before this committee. I don't have my copy with me. If they're going to be referring to it as a document, then I want to have a copy in my hands.

I do object to it being handed out to deputants who are here in opposition, to try to sway them. I do strenuously object to that.

The Vice-Chair (Mrs. Laura Albanese): I want to thank everyone for their comments. Could we call the next presenter up and then deal with this?

ONTARIO REAL ESTATE ASSOCIATION

The Vice-Chair (Mrs. Laura Albanese): I would therefore call the Ontario Real Estate Association up to make their presentation. Thank you very much. If you will take your seats and state your names for the purposes of Hansard, you will have 10 minutes for your presentation.

Ms. Pauline Aunger: Thank you. Good morning; my name is Pauline Aunger and I am the president of the Ontario Real Estate Association. I want to thank you for the opportunity to present our views on Bill 218, the Ontario Tax Plan for More Jobs and Growth Act, 2009. Joining me today is Jim Flood, who is our Ontario Real Estate Association director of government relations.

By way of introduction, the Ontario Real Estate Association is one of the province's largest trade associations with over 47,000 realtor members in 42 real estate boards throughout Ontario. OREA was founded in 1922 to organize real estate activities and develop common goals across the province, including promoting higher industry standards and protecting private property rights.

As many of you know, OREA's primary concern with Bill 218 is the provision for a harmonized sales tax. OREA has opposed the harmonized sales tax since the early 1990s. Our opposition has been documented in our pre-budget submissions over the years.

We oppose the tax because it will increase the tax burden on Ontario homebuyers, sellers and owners. Our members believe very strongly that homebuyers, sellers and owners already pay their fair share of taxes. If harmonization is allowed to proceed, home sales will be hit with an additional 8% tax on all the services consumers use to facilitate the transaction. For example, moving expenses, legal fees, appraisals, real estate commissions, home inspections and many more will be subject to the new tax. OREA estimates, based on the 2008 prices, that each transaction will attract some $1,500 in tax, or $262 million province-wide.

With respect to new housing, the tax situation is even worse. The Ontario Home Builders' Association has indicated a new home costing $500,000 will attract an additional $6,000 in new tax under the HST, while a $600,000 house will incur additional new tax of $12,000.

For existing homeowners, the HST will add 8% to the cost of their electricity, heating, phone, cable, lawn care and snow clearing bills, as well as ongoing home renovation and maintenance. When added together, 8% more tax on these services will cost Ontario's homeowners millions of dollars.

OREA is very concerned about the impact the HST will have on Ontario's housing market. Past experience has shown that when governments increase taxes on real estate transactions, affordability and sales volume go down. While it is hard to quantify, we predict the HST will have a similar negative effect on the real estate market throughout this province.

As you know, the real estate market in Ontario is one of the key drivers of our economy. In 2008, the Multiple Listing Service home sales accounted for $55 billion, generating over $8.6 billion in ancillary economic benefits to the provincial economy. Further, the land transfer tax created $1.36 billion in revenue for this government.

In addition, one of Canada's foremost authorities on housing and real estate, Altus Clayton, calculated that Ontario MLS home sales generate 84,000 direct and indirect jobs every year, including 1,000 direct jobs in manufacturing, 13,000 in finance, real estate and insurance, and 19,000 direct jobs in construction. The imposition of HST will jeopardize job creation in the housing industry.

That summarizes OREA's concerns with respect to the impact the HST will have on resale housing, new housing, existing homeowners and the real estate market.

We would now like to address the government's claim that input tax credits on most business inputs will somehow lead to lower prices. There may be some merit to that argument if a person is buying a manufactured item and their only consideration is price. However, we have yet to see how the same principle applies to the service sector, including services associated with a real estate transaction.

In fact, OREA notes that the TD Economics report, the Impact of Sales Tax Harmonization in British Columbia and Ontario, states that consumers will be better off for goods and services under HST except in cases where the services are currently taxed only at the federal level. This is exactly the case today for services used in real estate transactions that are PST-exempt. If the TD Economics report is correct, the theory that input tax credits will lead to lower prices simply does not apply to services used by consumers in real estate transactions.

Finally, we have heard suggestions that realtors should simply reduce their income to offset the HST. On July 1, 2010, realtors will have to explain to our clients why they must now pay an additional 8% more on a variety of real-estate-related services. Our response will be, "The tax is being imposed by the provincial government. We are not responsible for the creation of the tax, and we reject suggestions that we should somehow absorb it."

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In closing, when government changes tax policy, it ultimately creates winners and losers. In this case, manufacturers are the winners and the service sector is the loser. Ontario homeowners, buyers and sellers are all losers with the HST. We are pleased to speak on their behalf today.

Thank you. I look forward to your questions.

The Acting Chair (Mrs. Laura Albanese): Thank you very much. The government side will now proceed with questioning.

Mr. Wayne Arthurs: Pauline, thank you very much for being here. Certainly, we have been hearing from OREA throughout this process, almost, I suspect, since day one. I anticipate we'll continue to hear from them subject to whatever may occur here and in the Legislature and, should it pass, during the process of its implementation. I don't think that's going to change very much in that time.

I want to ask about the new market in particular. When we introduced this, we certainly sat down with the industry, looking at the new home market, because we understand, obviously, as you do—your deputation spoke to the importance of the housing industry broadly, in Ontario. We looked at the provisions, obviously, of the GST and determined that an exemption on new housing purchases shouldn't just parallel the GST but should go beyond the current provisions of the GST.

Ms. Lisa MacLeod: On a point of order, Madam Chair: I think that we're concerned, here in the official opposition—and I'm sure the third party is as well—that the parliamentary assistant to the finance minister just told a deputant that nothing is going to change in the bill. I think if there's any more reason for the rest of the province to consider these public hearings a sham, it's the outright admission by the government that there will be no amendments accepted.

Mr. Wayne Arthurs: I never said that. Chair, first, I really object—

Ms. Lisa MacLeod: Perhaps you'd like to remove that from the record.

Mr. Wayne Arthurs: I really object to being interrupted. For those who were listening, I said no such thing.

Mr. Jim Flood: We take no offence.

Mr. Wayne Arthurs: I know you don't.

If I can continue with my question and my comments, we looked at what the GST was doing and effectively enhanced that position by increasing the provision for new home sales. There has been a substantive, ongoing lobby to look at the capacity to update that federally, and presumably if that were the case, and subject to this legislation passing—it's up to the Legislature—that would become part of that.

Would the provision of an enhancement to the current GST, presumably an HST provision that would better reflect the change in the marketplace, be a better position for the OREA and its members to be able to deal in the housing market? In essence, if the GST were tied to some provision that would parallel the CPI changes since the first introduction of that $350,000 limit?

Ms. Pauline Aunger: I'm not sure if I understand.

Mr. Jim Flood: I'm not sure we understand. Anything that results in lower taxes on housing is welcome.

Mr. Wayne Arthurs: Where I'm coming from is the current provision for the GST is a $350,000 exemption on purchase.

Ms. Pauline Aunger: Yes.

Mr. Wayne Arthurs: You guys have been a very strong lobby over time, and I presume the OREA has had a similar position, that it should be indexed because of inflation, because what was valid 10 years ago is no longer valid today, in the context of exemption on a new housing purchase.

Mr. Jim Flood: I think we can accept that in principle. We would probably, frankly, defer to the Ontario Home Builders' Association for their views on that. Our association represents 98% of the resale housing market; not so much new.

Mr. Wayne Arthurs: So the primary interest you would have, then, is in the resale market, as opposed to anything that's happening in the new marketplace?

Ms. Pauline Aunger: Well, we're concerned about both, because obviously our industry is composed of both.

The Acting Chair (Mrs. Laura Albanese): There is one minute left.

Mr. Wayne Arthurs: You had a figure of some $1,500 in your presentation, I think, early on, that "each transaction will attract some $1,500 in tax." Is that premised on sale value, or just the service provided?

Ms. Pauline Aunger: That is based on the average sale price in Ontario and all of the services that are added to it.

Mr. Wayne Arthurs: What would be the average sale price, based on that figure?

Ms. Pauline Aunger: I believe the sale price was just over $300,000.

Mr. Jim Flood: Yes. The average MLS sale price in 2008 was $304,000. That's the number we used.

Mr. Wayne Arthurs: So the vast majority of that cost obviously doesn't—the purchase price doesn't directly attract either GST or PST, but some services related to the transaction—

Ms. Pauline Aunger: It is just the services related to that, which include everything from lawyers' fees, real estate fees, the move that—

Mr. Wayne Arthurs: So the average sale—

The Vice-Chair (Mrs. Laura Albanese): Thank you.

Mr. Wayne Arthurs: Sorry; I've run out of time.

The Vice-Chair (Mrs. Laura Albanese): Thank you. Sorry, time is up. I thank you for your presentation at this time. Thank you very much.

I would like—

Ms. Lisa MacLeod: Madam Chair, just at this—

The Vice-Chair (Mrs. Laura Albanese): One second. I would like to advise the government side that the exhibit that Ms. MacLeod was referring to can be filed as an exhibit with the clerk and handed out to all the members and staff. However, it can be distributed to deputants outside the room and not within the chamber. Thank you.

Ms. Lisa MacLeod: Madam Chair, just a further point of clarification: I'd like to request a draft Instant Hansard as soon as it is possibly made available, perhaps this afternoon, just to clarify the comments. Somebody is wrong—hopefully we are, that the government isn't going to just give us the bill and not make any amendments, so that these deputations are actually meant and worth something. So if I could request that.

The Vice-Chair (Mrs. Laura Albanese): I believe that we will take that request and that will be done.

Mr. Wayne Arthurs: Chair, if you would like, certainly we would provide this to the clerk, as per your request, so it's tabled accordingly and made available in the fashion that the clerk has advised you as the Chair. I think my comments were quite clear in the context of "should the legislation pass." I made no presumption about what the Legislature might do with this legislation when it's presented to it yet again.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much, Mr. Arthurs.

Mr. Michael Prue: If I might ask a question, does that entitle the other parties to hand out their take on the HST to deputants as they leave this room as well? Is there to be a little table set up outside so that we can hand out documents that we feel reflect this bill?

The Vice-Chair (Mrs. Laura Albanese): This is not a government—if it's a government—it's not—

Interjection.

Ms. Lisa MacLeod: But not in this room; handed out outside.

The Vice-Chair (Mrs. Laura Albanese): Not in this room

Mr. Michael Prue: I just wondered, since they're being given permission to hand it out outside, can anybody hand out anything they want outside?

The Vice-Chair (Mrs. Laura Albanese): I am not the Chair outside this room.

Mr. Michael Prue: Okay, thank you.

Ms. Lisa MacLeod: But you're so good at it, we would readily welcome that.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much.

Mr. Wayne Arthurs: That deserves applause.

BLAKE BATSON

The Vice-Chair (Mrs. Laura Albanese): So we shall move right along and ask Blake Batson to please come forward. Welcome to our committee this morning. Please state your name for Hansard purposes. You will now have 10 minutes for your presentation. Thank you very much.

Mr. Blake Batson: Thank you for allowing me to present today, committee. My name is Blake Batson and I maintain a political blog in Ottawa called blakebatson.ca. I'm from the riding of Ottawa South and I had to actually come here by plane today to make my presentation to you because you wouldn't come to us out in Ottawa, where we're just over a million people.

I'd like to present to you basically two points in my submission today: (1) the real impact the HST has on consumers given the way that this government is going to implement the tax; and (2) the fight that will go on right up to the next election if this tax is actually passed in the way that it's been proposed, starting with a website called goodbyecharliebrown.com.

I know it's not lost on the members of the governing party that the 8% provincial portion of the HST is nothing more than a tax grab. I saw that the price of gas in Toronto is 96.7 cents a litre. With the HST it will be $1.044. That's 7.7 cents just in tax. It's not because of higher oil prices or other market forces; it's just the Liberal-inspired tax.

0950

My airfare ticket here today in July next year will cost about $32 more in tax.

You have implemented some tax relief and there are some one-time federal tax monies that are being credited, but it doesn't come close to covering the increase the tax burden will impose on Ontario taxpayers. The taxpayer federation calculates that the tax on a four-person family will be about $2,500 per year. Also, this version of the HST, supposedly business-friendly, is fast becoming a pain in some instances with all the special-interest exemptions that you're now proposing and granting. This is not the way to implement the HST.

The economy is not strong. We're in a recession and it's taking a toll on Ontario. Ontario is hurting from all the job losses. At a time when governments, including this province, are stimulating the economy to get things going again, the Liberal government is introducing a tax hike. Since when is a tax increase considered a stimulus? It's not like you're tinkering with a tax code and trying to make it more efficient. I know you're saying that in your arguments, but in reality, the tax will add $3 billion to government coffers—that's $3 billion out of the economy. During a recession, I would say that this is anti-stimulus. This is not the time to implement the HST.

This government doesn't have the best track record when it comes to predicting the economic future of the province. If you refer back to budgets since 2004, you'll notice that there's little accuracy in any of the forecasting that was predicted. In fact, one of the most famous quotes that Premier McGuinty gave was to Maclean's magazine in April 2008 when he was warned that Ontario was on the verge of becoming a have-not province. His response was, "The province's economy is quite strong. In fact, I haven't seen any indicators that the future is anything but bright for Ontario."

Given this type of misguided economic planning, why would anyone feel comfortable in the numbers and forecasts that the government is presenting today? This is not the government to implement the HST.

What can voters do to fight the HST? That's the question that I'm most asked on my blog. The Liberals have the majority government, therefore they can do whatever. But that's not quite true. It is true that Premier McGuinty in Ottawa South—that's McGuinty land. You would be hard-pressed to find somebody who can beat him at home. But is that true for all the Liberals? Are their seats that secure? Ottawa–Orléans, a lot of the downtown Toronto ridings: Do you believe that you will survive the HST? Probably not.

In 1985, a senior from Quebec by the name of Solange Denis confronted Prime Minister Brian Mulroney and said that if he touched their pensions that they would not vote for him and it would be goodbye Charlie Brown. The Mulroney government was the largest majority government in federal history, but the MPs realized that this would probably come to pass, and in fact, they actually did back down and did not touch pensions.

It's important that constituents realize that you can defeat members of Parliament if they don't follow the plan that the people of the province want. So my message to you is this, the same as Madame Denis: If this tax passes, it will be goodbye Charlie Brown for many Liberal MPPs. In this case, the fact that the next election is two years away actually works against the government. We'll have time to organize in critical Liberal ridings that are threatened and we will work with both the PC Party and the NDP to make sure that this happens.

The lack of public consultation proves that the government knows that there's nothing good to be said about the HST—or to be out there actually listening. Just like Dalton McGuinty turned his back away on Mike Brady, a cancer patient in Ottawa during the last election, the Liberal Party is turning its back on a hurting province.

For these reasons, I believe that this is not the way to implement an HST, this is not the time to implement an HST and this is certainly not the government to implement an HST. If this passes, it is goodbyecharliebrown.com.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation. The official opposition for questions.

Ms. Lisa MacLeod: Thanks very much, Mr. Batson. I appreciate you coming down here from Ottawa today.

Mr. Yasir Naqvi: On a point of order: I'm not sure how appropriate it is to hear from a deputant who is a large contributor to the Progressive Conservative Party of Ontario. I think it was a fairly partisan presentation, so I just want to put that—

Ms. Lisa MacLeod: I appreciate that, but do you know what? We'll be able to hear from Jack Mintz later on, who received $700,000 to attend, based on you. And here's one—

Interjection.

Ms. Lisa MacLeod: Are you basically telling us that the people who want to come here, as everyday citizens who are going to have to pay for your $3-billion tax grab, are not allowed to attend these hearings? Is that what I'm hearing?

I'd like to get on with my questioning, if it's okay, because I think we've got an important grassroots message here to tell today. We have an everyday Ontarian who had to fly here from the city of Ottawa because the government would not go to the second-largest municipality in this province to hear from concerned taxpayers. We tried time and time and time again for you to travel this province so that you could hear from people like Blake Batson. And what did he have to do? He had to fly to Toronto at his own expense to talk to you about the impacts and the negative impacts of this HST. He has had to start a website at his own personal expense to rally Ontarians, and he has done that.

I want to welcome him with open arms, and I'd like to hear a little bit more about his website and how many hits he has garnered and what he expects to do with his grass-roots campaign.

Mr. Blake Batson: Thank you. The website is a grassroots campaign, and what we hope is that, over time, over the next few days, more and more people hear about it and actually go to it. The website actually allows you to send letters of protest to the individual members of the Liberal Party that are closest to your riding. Hopefully, the Liberal members will see the number of people who actually are against the HST and, as individual MPPs, really reflect on what their constituents are telling them. They're there to represent the constituents of their riding and not to try to sort of cover bad management decisions made over the last six years.

Ms. Lisa MacLeod: I'm just wondering: Do you think that there is time for the McGuinty Liberals to back away from this $3-billion tax grab?

Mr. Blake Batson: They're a majority government; of course they can.

Ms. Lisa MacLeod: I have another question. You're from Ottawa South, and today in the newspaper, David McGuinty came out and said he has not received one single piece of correspondence to his constituency office about the HST. I guess I have a quick question on that. Based on the fact that I am, as well, an Ottawa–area member of provincial Parliament and, from time to time, do get copied on correspondence sent to Liberals at both levels of government, do you think that's accurate?

Mr. Blake Batson: I don't know. I want to say "probably not," but I'm not in Mr. McGuinty's office. Certainly, the Liberals federally had a chance to take a stand, and I think they made a decision based on their political situation. However, at the federal level, they're just saying that the HST, in concept, is not a bad idea and that they would be willing to work with provinces to actually implement it. They are not saying, however, that you should use this as a way to grab $3 billion out of taxpayers' pockets on an annual basis.

If you look at the other implementations of HST out east and in Quebec, both of those jurisdictions lowered their provincial tax when they actually blended the two together. I just don't see how this government can sit there and, with a straight face, say that this is going to be revenue-neutral or not something to the benefit of the coffers of the government.

Ms. Lisa MacLeod: I appreciate that. I also want to just acknowledge—it's unfortunate that the member from Ottawa Centre decided to tar your appearance, because you are a former municipal councillor. You're also a municipal pundit in the city of Ottawa. You do a lot of great work in political activism, basically for all three political parties, and I do apologize for that. I really regret that that happened.

The Vice-Chair (Mrs. Laura Albanese): One minute left.

Ms. Lisa MacLeod: But I guess the final question I have is: As a well-known business owner in the city of Ottawa, how do you think this is going to impact on the business community?

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Mr. Blake Batson: You're going to hear from a lot of people today representing various associations about how it's going to impact them. As the last presentation nicely laid out, as a service industry, it's going to hurt; it's not going to be that easy an implementation. On the manufacturing side, there are some definite benefits. But if you start, as I said, tinkering with what you have HST on and what you don't, then you create a nightmare. You've got the worst of both worlds; that is a higher tax rate where the service industry is hurting and then a manufacturing base that's now got to figure out what counts and what doesn't.

The Vice-Chair (Mrs. Laura Albanese): Thank you. Our time is up. We have four seconds left. At this point, I would thank you for your presentation and move to the next presenter, because time is really tight.

Mr. Blake Batson: Thank you.

Mr. Frank Klees: On a point of order, Chair: If I might, with all respect, I would very much appreciate Instant Hansard for Mr. Naqvi's comments. In the 14 years that I have had the privilege of serving as a member of the Legislature, I have sat in many committees. I have never heard a member say what Mr. Naqvi said: the suggestion, if I could, and I'll quote as best I can from the notes that I took, "I don't think it's appropriate for the committee to hear from large contributors to the PC Party." Chair, that is an offence. I believe that anyone, regardless of partisan stripe, regardless of political contributions, is welcome to make presentations to this committee and any other committee. For a member of the Legislature to, first of all, even raise that point to intimidate a witness is so out of order, I'm going to ask the member to formally apologize to the witness and to withdraw his statement.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much, Mr. Klees. We shall provide the Hansard. Mr. Naqvi, any further comments?

Mr. Yasir Naqvi: I withdraw, Madam Chair.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much.

CANADIAN TAXPAYERS FEDERATION, ONTARIO DIVISION

The Vice-Chair (Mrs. Laura Albanese): We would now like to call the next deputant: Canadian Taxpayers Federation, Ontario division. Mr. Gaudet, please come up. Welcome. I would urge you to start your presentation as soon as possible, as time is very stringent. Thank you for being here this morning.

Mr. Kevin Gaudet: Good morning, Madam Chairman. Ladies and gentlemen of the committee, I can assure you that in my capacity as Ontario director of the Canadian Taxpayers Federation, I'm no longer a member of any political party, nor have I or my organization ever made a political contribution to any political party, especially that one.

It seems to be a too-frequent occurrence, the correlation between presentation at committee by my organization—too often, it follows yet more broken lies by the Liberal Party and the Premier. Here we are again on the heels of the last election two years ago, in which the Premier promised both not to raise and not to reduce taxes. Yet they're now putting a budget through that will reduce some taxes for business, which we applaud the government for, although they're a little bit late at the table on that, but they're also yet imposing a substantial tax imposition on individuals and families. Here we are again talking about the HST.

Taxpayers in Ontario have reason to be concerned about the prospect of another 8% being added to the cost of many services with the new blended sales tax. While harmonizing the provincial sales tax may have many advantages in theory, now is definitely the wrong time for the Premier to impose the new BST. However, if the Premier insists on plowing ahead, he should move to protect taxpayers by reducing the blended rate to as much as 10%.

Premier McGuinty says that Ontarians should take his word that the BST will be good for Ontario. We all know how it works out when we trust him on any promise not to raise taxes. Yes, his record of truth-telling when it comes to taxes is less than stellar. He has lied not once but twice about promising not to raise taxes. After his first no-new-taxes election campaign promise in 2003, Premier McGuinty proceeded to hike business taxes and imposed a new so-called health tax.

Interjections.

Mr. Kevin Gaudet: Shall I proceed, Madam Chairman?

The Vice-Chair (Mrs. Laura Albanese): You may proceed.

Mr. Kevin Gaudet: Thank you.

The health tax is the single largest tax hike in Ontario history.

As well, he gave new taxing powers to the city of Toronto, which quickly imposed a new land transfer tax, a new vehicle registration tax, a new garbage tax and a new plastic bag tax thanks to the Liberal government—in cahoots, of course, with Mayor Miller.

Since his second election campaign, which also featured another "No new taxes" promise, the Premier has put in place a new paint tax, a new electronics tax, a new tire tax, as well as the Green Energy Act, which includes a new energy tax and a home-sale audit fee, and there's more. In the last budget, he raised taxes for the two top tax brackets by lowering the threshold on which they apply, amounting to a large tax grab from the middle class. And now, on top of that, he wants to add 8% on services.

Sure enough, there's a mini-reduction in the lowest tax bracket, but to quote an accountant from the Canadian Institute of Chartered Accountants: "It's peanuts." Blending the sales taxes would provide a few benefits to large businesses, especially manufacturers. There will be reduced compliance costs and reduced net taxes on business inputs. The problem is that these benefits are offset by massive impacts on consumers for every service they buy.

If the Premier won't abandon this ill-timed tax plan, he should at least undertake it in a manner that is less harmful. A key driver of tax reform ought to be, "Do no harm to anyone." Taxes should be made lower, simpler and flatter, but not by benefiting some at the expense of others. But sadly, the new BST provides benefits to business at the expense of individuals and families.

To reduce the pain of the BST, the Premier plans a bribe of McGuinty bucks—one-time cheques that likely won't even cover the tax hikes. These bribes appear politically motivated, with cheques set to land in mailboxes just prior to the next election. Of course, cheques will also be sent probably to dead people, people who've moved, and just wait until Paul Bernardo gets his cheque at Kingston Penitentiary.

Interjection.

Mr. Kevin Gaudet: These are the facts.

A better way to offset the pain of the BST would be to reduce the PST from 8% to 5%, for a combined rate of 10%. The Atlantic provinces reduced the combined sales tax rate when they underwent similar changes. Alternatively, Premier McGuinty should raise the basic personal tax exemption sufficiently to offset the cost increases that consumers will be forced to bear. This way, the new BS tax will be cost-neutral for most people.

Consumers in Ontario are understandably frightened at the prospect of another 8% added to the cost of many services in Ontario. They have reason not to trust the Premier's empty reassurances that all will be fine. We recommend that he announce real measures to reduce the financial pain the new BST will bring. The 10% solution would provide real action, not just words to soften the blow of the new tax.

Allow me to borrow the voice of an Ottawa couple who couldn't afford to be here who sent me an e-mail about the HST. Antonio and Victoria live in the Premier's former hometown of Ottawa. They were so upset about this new tax, they sent me a book. Let me please read a few excerpts.

"Dear Mr. McGuinty:

"We're sending you this message to voice our household's outrage and disgust regarding your harmonized tax plan." I can't comment on whether or not this was copied to David McGuinty.

"Enough is enough. This is just the latest tax grab at the expense of consumers, and is short-sighted, insulting and absolutely ridiculous. Where do you suppose households are going to find all of this extra cash? In case you haven't looked out your window, we're in the midst of a global recession. No one in the private sector is seeing an 8% to 10% increase in salary.

"This tax," they say, "is nothing more than a blatant attack on Ontario households and families. Had the tax been revenue-neutral, perhaps things would be different, but in its current state it will only serve to hurt Ontario families more—families already bleeding financially.

"Why must Ontario residents continue to write cheques to cover the irresponsible spending and decisions made by your completely incompetent provincial government? Why are we throwing billions into asinine programs?"

Victoria and Antonio go on to talk about how their young family is struggling to make ends meet, having to deal with job loss in the family, and on top of that, they comment on having to deal with medical bills for their ailing parents. These are the people whom this new tax will hurt. These are the people the Premier is ignoring. These are the people demanding relief from this painful new tax.

Victoria and Antonio conclude: "Mr. McGuinty, you and your cronies would see things very differently if you had to spend a day in the shoes of the average Ontario family, a family that does not collect a six-figure income, does not take lavish trips, does not belong to a group health care plan and does not get eight-plus weeks' paid vacation, on top of the many other perks that you enjoy.

"Our household is fed up with this nonsensical drivel. We are forced to consider moving out of Ontario."

These are the impacts of this tax on the average Ontarian. Mr. McGuinty may ignore Mr. Hudak and the Tories, he may ignore Ms. Horwath and the NDP, and God knows he ignores me, but it's difficult for him to ignore these people because these are the people who have to pay the bills that are being imposed.

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It's time he stopped ignoring these regular people of Ontario, who will be hurt by this new tax, and the best way, if he's not going to abandon the tax, would be to reduce the blended rate.

Thank you. God bless democracy, and Merry Christmas.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation. We will now start questioning by the NDP caucus. Mr. Prue.

Mr. Michael Prue: Yes. Thank you very much. A couple of questions: You didn't touch on this, but I would like to know the taxpayers' federation position. Given the $25-billion deficit, do you think that a $2-billion-a-year corporate income tax cut is responsible at this time?

Mr. Kevin Gaudet: I think that the province is properly undertaking business tax reform. It's regrettable, Mr. Prue, that they hadn't undertaken the business tax reform six years ago. It's a bit ironic, however—to comment on it, if I may—that the Premier promised that he wouldn't reduce taxes and then proceeds to. We're glad to see tax relief but it's peculiar to see a politician breaking promises.

New Brunswick, for example, has put in place a comprehensive tax reform package, and it makes neighbours of Ontario more competitive when they have more competitive business tax rates. I believe it is necessary to put in place business tax relief. I believe the better way to do the business tax relief is the income tax reductions that are being put in place, not to provide these types of blended sales tax reductions, which benefit business at the expense of individuals and families.

Mr. Michael Prue: Other questions here: You've talked about the massive impacts on consumers, and I think there can be no doubt about that. Some economists that the Liberals have hired have said that businesses will pass this money down, but how does a service provider pass the money down? I understand how a manufacturer may be able to. Service providers are now the largest part of the economy. How could they possibly pass this down?

Mr. Kevin Gaudet: I think, Mr. Prue, you correctly point out that businesses in your riding, where I get my hair cut, for example—

Mr. Michael Prue: I get mine cut in my riding too.

Mr. Kevin Gaudet: The lady I speak with who cuts my hair—Susie—says that she's quite concerned about what the impact will be, because she knows she has to charge me and my kids an extra 8% for our haircuts. I suspect that a lot of people are going to have longer hair, for example, because they won't be able to afford to go as often. Quite simply, the fact is that businesses can't pass these along.

I know members from the other side don't want to hear the truth on this issue, but this will have an impact on Ontarians, and you're disregarding it. The fact that you don't give a dang is a problem. Your arrogance and disregard are a problem.

Mr. Michael Prue: You brought up something that I've not heard before, and I had not really thought about it. When the government sends out cheques—this is not income tax; this is not done on people who pay income tax or even at income tax time. It's an actual cheque in their hand. This is literally to every Ontarian, I guess, who earns below $85,000 a year. Would that include people in jail? You referenced Paul Bernardo. I had never thought that the cheques would be mailed out to jails across Ontario.

Mr. Kevin Gaudet: I'm looking forward to seeing whatever enabling legislation is put in place to delineate these types of things. Usually, though, these types of cheques go to any registered tax filer, and even people in jail are required to do that.

Mr. Michael Prue: Anybody who pays taxes in the province of Ontario—there are many people who pay taxes in the province who do not reside in the province. They are required to do so by reason of business or because they may have a contract that brings them here. Is it your understanding that they too will be receiving a cheque?

Mr. Kevin Gaudet: Mr. Prue, you put me in the awkward position of trying to explain and defend the most ridiculous imposition of a new tax, the rules and details for which have not yet been made public.

Mr. Michael Prue: Yes, yes.

Mr. Kevin Gaudet: I apologize for my inability to answer those questions. Perhaps if the Premier would deign to actually answer your questions, you'd get a better answer, sir.

Mr. Michael Prue: Okay. I want to go back to the costs to manufacturers, and that that money in turn will be passed on in the form of reductions to consumers.

I do grant that there may be some reductions to manufacturers. Do you think that, first of all, manufacturers will in fact pass on all of that, or will they use the monies for other purposes, such as buying new machinery, padding company profits or even bringing their company to a level that they're at least not in the red?

The Vice-Chair (Mrs. Laura Albanese): Forty-five seconds left for questioning.

Mr. Kevin Gaudet: The theory is that the companies will pass along those savings. The report by the C.D. Howe Institute—and the chamber of commerce, for that matter—indicates that there will be a negative impact on GDP for the first couple of years that the new tax is imposed. That is in part, of course, because it will take a while for companies to pass along any savings, should they choose to.

There was an interesting op-ed in the Toronto Star X number of weeks ago—I've forgotten the date; I apologize—by two associations representing those types of manufacturers. They actually suggested that they intend to use the savings at first to pay down the debt that they've been accruing during this difficult economic time.

While in theory the savings ought to be passed along in due course, it's unclear how long that will take. In Atlantic Canada, the C.D. Howe Institute analysis—

The Vice-Chair (Mrs. Laura Albanese): I'm sorry. As per the time allocation motion, we have to stop at 10:15. This brings our morning deputations to a close.

We will be recessed until 2 o'clock this afternoon. Thank you very much.

The committee recessed from 1015 to 1400.

The Vice-Chair (Mrs. Laura Albanese): Good afternoon, everyone. Welcome. I call to order the meeting of the Standing Committee on Finance and Economic Affairs.

Mr. Wayne Arthurs: On a point of order, Chair: First of all I want to thank the Chair, through the advice of the clerk, in advising me this morning on the matter in which exhibits can be tabled. I won't take very long. There are a number of documents that have been questioned or queried about or referenced during the committee hearings and prior to that, so I would like to take the opportunity to just table quickly a number of documents at this point in time.

The TD Economics special report, by the TD Financial Group; the OECD's Consumption Taxes: The Way of the Future?; the International Monetary Fund's The Allure of the Value-Added Tax; the C.D. Howe Institute's Sales Tax Reform in Ontario: The Time Is Right; The C.D. Howe Institute's commentary, Lessons in Harmony; the School of Public Policy's Ontario's Bold Move to Create Jobs and Growth; GST Harmonization: Not Sexy, But Smart, the Fraser Institute; Fair Taxation in a Changing World, from 1993, the report of the Ontario Fair Tax Commission; Made in Ontario: The Case for Sales Tax Harmonization, the Ontario Chamber of Commerce; Navigating Through the Recovery, by Roger Martin; the C.D. Howe Institute commentary, Growth-Oriented Sales Tax Reform for Ontario; and the last one, Building prosperity in Canada, the Fraser Institute—Mike Harris and Preston Manning were the authors of that particular document—2006.

Mr. Michael Prue: If I can—

Ms. Lisa MacLeod: Point of order—

The Vice-Chair (Mrs. Laura Albanese): One second, one at a time. Mr. Prue.

Mr. Michael Prue: I just listened to that. The government has received hundreds and hundreds of applications; we know they have. The member has just introduced every single one which is favourable of the government position. What kind of release is that? I object strenuously to these kinds of shenanigans in this committee. This is unheard of, that he will put in only the documents that buttress the government's position and not one single document that says anything against this particular HST. I have no idea how this can even be allowed to happen in a democracy where he can be that selective and pretend that he's doing the committee's bidding, because he is not.

The Vice-Chair (Mrs. Laura Albanese): Thank you, Mr. Prue. Ms. MacLeod.

Ms. Lisa MacLeod: I also object. I'm going to tell you: I hope that the government members are looking at the package in front of us. There are 153 letters from everyday Ontarians, not the high-priced consultants you've consulted with to say what you want to say about the HST; 153 of them have said they oppose this tax. Three of your own people have written in to say they support it. You are doing a disservice to this province today by ramming this legislation through. You can continue to table all the fancy documents that you want, but the people deserve to be heard and we should extend hearings. If it requires it, I would like to read every one of these documents, 153, and from what I understand, that is only half of what we received from the clerk. I think we should read each one of these into the record so that the Liberal government that is trying to ram this thing through can give these taxpayers their say.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for all your opinions. None of these documents will be read into the record, but they will all be filed with the clerk as exhibits with the committee—

Mr. Michael Prue: I object to the filing of these documents.

The Vice-Chair (Mrs. Laura Albanese): If I may finish. If you want to file other documents, you are welcome to do so with the clerk, and everyone will be given that opportunity.

Ms. Lisa MacLeod: Just a point of order: Now that they have sort of read into the record their own evidence, am I able to read into the record the names of those who have applied to this committee to register their dissent? We certainly have, as I mentioned, 153 small business owners, seniors, pensioners' supports, we actually have municipalities here who oppose this tax, and I'd be happy to read that into the record.

The Vice-Chair (Mrs. Laura Albanese): Every written submission that has been filed with this committee is automatically a public document—

Ms. Lisa MacLeod: So can I be sure, then, that Jim Ellis, Colette Lacroix—

The Vice-Chair (Mrs. Laura Albanese): Yes, you can be sure—

Ms. Lisa MacLeod: —John D'Ippolito, Jeff Strassburger, Carol Richards, Sandra Thompson, all the folks in Mallorytown, Roger Crane—

The Vice-Chair (Mrs. Laura Albanese): They will all be filed with the committee and they will all—

Ms. Lisa MacLeod: —Craig Graham, Merven Patey, Wayne and Gloria Craig, the Wine Kitz of Cataraqui Woods—

The Vice-Chair (Mrs. Laura Albanese): Ms. MacLeod, we now have presenters that are here and are waiting, and I would appreciate if we could hear them out. Thank you.

We will now move on to the presenters. I'd like to welcome all of you here. I would like also to inform those who were not here this morning of the protocol: All presenters will have 10 minutes in which to make their presentation. There will be up to five minutes of questioning following that. The first round of questioning will be following the one that started this morning. So, in this case, the last one was for the NDP caucus, so the first one will be for the government side. Then we'll continue with the official opposition for the second presenter and the NDP caucus for the third one, and so on and so forth.

BOWLING PROPRIETORS' ASSOCIATION OF ONTARIO

BOWL CANADA

The Chair (Mrs. Laura Albanese): I would like to call to the table right now the Bowling Proprietors' Association of Ontario and Canada. Please come forward. Welcome.

Ms. Susan Cannon: Thank you.

The Vice-Chair (Mrs. Laura Albanese): You may be seated. Please state your name for the purposes of Hansard.

Ms. Susan Cannon: My name's Susan Cannon. I am the manager at Roseland Bowl in Burlington, Ontario. I am here to speak on behalf of the Bowling Proprietors' Association of Ontario, or Bowl Ontario.

Mr. Paul Oliveira: I am Paul Oliveira. I am the executive director of Bowl Canada, a national organization of which Bowl Ontario is a provincial member.

The Vice-Chair (Mrs. Laura Albanese): Thank you. You may begin.

Ms. Susan Cannon: If you don't mind, I'm just going to read this off. This is a compilation by about five or six different proprietors who have helped me out, and in your red folder I've got a summary of what we're about to say with some personal—Ms. MacLeod had mentioned I've got personal letters from all the proprietors; some of our proprietor members as well. That's for your viewing later.

I am here on behalf of the Bowling Proprietors' Association of Ontario to oppose the harmonized sales tax, or Bill 218. I have in my hand letters from bowling proprietors all across the province opposing this legislation. Just like the auto and financial sectors, we are an industry in peril.

As an organization we are not opposed to government taxes. What we are opposed to are new taxes, which is exactly what the HST is to bowling.

Just to give you some facts: Since the introduction of the GST back in 1991, membership in our association has dropped to half of what it was, mostly due to closures, as proprietors have been unable to maintain a profitable business. In Ontario, every time there's been new legislation—such as non-smoking, Sunday shopping; the newest one, the increased minimum wages etc.—our industry shrinks by approximately 10%. Our statistics show that Ontario has seen a 34% decline in the number of bowling centres in the last 10 years—6% higher than the national rate of decline.

Our youth program, which is the future of our industry and sport, has lost 59%, which is higher than the national rate by 5.5%. Our bowling industry here in Ontario is lagging behind that of our provincial counterparts. We already know that the bowling proprietors in Newfoundland experienced an immediate 15% loss in revenues when the HST was implemented there. We're expecting no less here.

Parks and Recreation Ontario's website states, "The increase in tax will have a direct impact on the cost of staying active in Ontario." The tax increase will therefore be in direct conflict with the provincial government's philosophy of growing a healthy and more active Ontario.

The bowling industry's main competition is government-subsidized recreational programs, of which many operate at a loss. Bowling centres are all privately owned facilities which must compete with municipal fields and arenas, and any corresponding subsidies. It is imperative that, should any sport or recreation be considered for zero-rated status, our industry be extended the same consideration. We simply must be on a fair playing field with our competition.

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Bowling is one of the largest participation sports in Canada, one which is enjoyed by all age groups. According to a Bowl Canada survey, our bowling centres see over 300,000 Ontarians weekly. Many of our clientele are seniors, young families and special-needs citizens who are on fixed incomes. When the HST is implemented, their discretionary incomes will decrease, which in turn will negatively affect our centres.

Public bowling in our centres is already down due to the recession and H1N1. Understand that the average 24-lane centre has approximately 70,000 to 75,000 people walk through its doors annually, and this will decrease significantly. To tax a physical, social sport greatly reduces accessibility, affordability and participation for many of our clients.

Our research shows that new taxes only hurt our industry. Unlike many of our counterparts, we have never requested government assistance or bailouts, so we ask now that you please consider our customers and, at the very least, reduce the percentage to a more manageable level for individuals. At the same time, we would ask that you consider zero-rating our industry or providing us with some type of corporate tax relief so that our centres will be able to survive this transition.

Just on an aside: Because we were watching you this morning, I do understand that there is some corporate tax relief coming but it wasn't specific. We're kind of at that state right now with our margins where we would really appreciate knowing what people have in mind.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation.

At this point, I would turn to the government side. Mr. Arthurs, you have five minutes to start the questioning.

Mr. Wayne Arthurs: Thank you, Chair, and I'll certainly keep within that time limit. I'll be shorter because I took a moment or so at the beginning of the 2 o'clock time frame.

First, let me thank you for the presentation this morning. It's certainly drawing to everyone's attention the issues, in part, as you see them. I think you made general reference to demographic changes over time having impacted your business; the clientele that you serve.

Can you reference for me, in the last line of your presentation, "zero-rating our industry?" I'm just not familiar with that terminology.

Ms. Susan Cannon: I actually was speaking to one of our accountants, and tax-exempt, for our industry, wouldn't work. Zero-rating would, because of the amount of capital expenditure required for a lot of these businesses and a lot of the individual owners.

Zero-rating means that we could collect the credit on the input side but we wouldn't have to pass it along to the output, which is to our customers. The reason we're asking for that is because, if you look at my accountant, he has mentioned that as a bowling facility, we don't manufacture things. We're not going to get enough credit on the 8% that we aren't paying now. So what he had suggested to me is to ask for a zero rating versus an exemption.

Any time a proprietor has to put any real money into—it's not small money. It's always $100,000 or $200,000 or $300,000 investments, and a lot of these are single proprietorships. They would like to see the credit for that. But if you don't do that, which is something that doesn't happen every year annually, you're really only collecting on your vending and on your bowling. But on our side of things the insurance, the costs of our facilities, our hydro—all that kind of stuff is going to not even compare to what we're going to pay, in the 8%, out to the government.

Mr. Wayne Arthurs: So, in effect, there will be some input tax relief but not sufficient—

Ms. Susan Cannon: Not enough.

Mr. Wayne Arthurs: Not enough, in your view.

As well, you've suggested some type of corporate tax relief. This overall tax package—it is a package—includes not only the HST but it includes a considerable number of tax relief measures for business, including direct reductions in the corporate tax that people pay. So I would encourage you to have a look at the documents that are available and look at it in the context of the whole package. I think you will find within that the type of corporate tax relief that will be also a benefit to your company.

Ms. Susan Cannon: I just specifically would like to know where we find this, because to be quite honest, I've had a few people looking for things and I wasn't quite sure. The Internet is a wonderful place, but if anybody can supply me with specific websites, that would be greatly appreciated, because we do have to go back to board members.

Mr. Wayne Arthurs: The Ministry of Revenue website of the province of Ontario would be helpful, and the Ministry of Finance website as well.

There's documentation here, and it should be readily available. I don't have the copy with me. Just one second—thank you, Mr. Hoskins. This particular document was tabled earlier today: Ontario's Tax Plan for Jobs and Growth. It will certainly give you a good starting point for that review. Thank you so much.

Mr. Paul Oliveira: May I say something? Tax relief for the businesses is great. It's a great benefit for us, but if we do still have to charge our customers HST, we will lose a great percentage of our business.

Mr. Frank Klees: You won't need the tax cuts. You won't have any profits.

Ms. Susan Cannon: That's right

Mr. Paul Oliveira: Right. That's the crux of it. Certainly a tax break is a help, but we will suffer.

Mr. Wayne Arthurs: I would certainly, again, encourage you to take a look at the documentation as part of the presentation made looking for some direct corporate tax relief. I heard your submission. Thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your presentation.

We will continue—

Mrs. Joyce Savoline: Just on a point of order: I'd like to thank my constituent for taking the time to come all the way from Burlington to Toronto to make this presentation and leave her business to do that.

The Vice-Chair (Mrs. Laura Albanese): That's not a point of order, but thank you very much, and we do welcome you here this afternoon. Thank you very much.

Mr. Frank Klees: On a point of order—just one moment, if I could. I raised a point of order earlier today and requested the Instant Hansard. I thank the clerks for providing it. On reading this, I think it's relevant to the proceedings that we get an explanation from the parliamentary assistant on the meaning of his words earlier today.

I'll quote from Hansard, referring to the interventions of the Ontario Real Estate Association, where he indicated that the government has heard from OREA a number of times. To quote him, which is what caused my colleague to raise the initial point of order: "I don't think that's going to change very much in that time."

The interpretation was that, notwithstanding what takes place here and the input that this committee gets, the government has already made up its mind and that we're really wasting our time. I would like to give the parliamentary assistant an opportunity to clarify his words to us so that we know that we're actually here for a purpose.

The Vice-Chair (Mrs. Laura Albanese): I'm sorry. Which page are you quoting from?

Mr. Frank Klees: I am on the second page, at the very top of the page.

The Vice-Chair (Mrs. Laura Albanese): Oh, the very top of it.

Mr. Frank Klees: The last line in that paragraph.

The Vice-Chair (Mrs. Laura Albanese): Any comments?

Mr. Wayne Arthurs: Chair, I leave it to you in part to decide whether we're going to move forward with the deputation in a timely fashion.

The query was whether or not I had pre-empted the decision of the Legislature. Clearly, if one looks at Hansard, you will find that that's not the case. My reference points were around OREA's ongoing interest in matters of this nature, and I think they made reference to the early 1990s as their first intervention on matters of this nature. It was all in that context. I think, reading Hansard, you'll clearly see that I made no presumptions about what the Legislature or committee may do.

Ms. Lisa MacLeod: Point of order.

The Vice-Chair (Mrs. Laura Albanese): Thank you. Yes?

Ms. Lisa MacLeod: I would just like to read into the record for evidence that we received correspondence, as a committee, from the following bowleramas: from Tom England at NEB's Fun World; Hugh Hendry at Kennedy Bowl; Bowlerama West, Danny DeFrancesco; Bruce Cockburn, Chatham Bowlerama; Steve Little from Little Bowl; Hopedale Bowl, Ron and Linda Watson; Mike's Lanes from Len Barber; Bowlerama Stoney Creek, Greg Schultz; Roseland Bowl, Greg Bond—

The Vice-Chair (Mrs. Laura Albanese): Thank you. You can file those with the clerk, and they will be made public to the others.

Ms. Lisa MacLeod: I think the precedent was set that the government was able to do this. I'd just like to finish. There are not very many: Peterborough Bowlerama; Shari Boyd at Chesterville Bowling; Roger Chung of Bol-O-Drome; Carol from University Lanes—

The Vice-Chair (Mrs. Laura Albanese): Ms. MacLeod, they have been made public—indeed, filed with the clerk.

Ms. Lisa MacLeod: I think that the bowling community deserves to be heard, and they did submit these documents. I just was following the precedent apparently set by the government by adding all of their documents into the record.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much. We'll now move on.

Ms. Lisa MacLeod: Under the standing orders, Madam Chair—

The Vice-Chair (Mrs. Laura Albanese): Thank you for your intervention.

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Ms. Lisa MacLeod: Under standing order 121(d), it deals with disorder in committee, and it says that we're able to continue to read this. That's standing order 121(d)—Richmond Hill Pro Bowl, Russ Fromm; Don Gorman, Rouge Hill Bowling Centre; Waterdown Lanes, Marlene Hyatt; Ed Sousa from Classic Bowl in Mississauga; Lee Hanley from Georgian Bowl; Jason Berryman—I'm not sure which one he's with; Sherwood Centre for family recreation; this one here is anonymous—they must have a Liberal member—

The Vice-Chair (Mrs. Laura Albanese): Ms. MacLeod, if I may—

Ms. Lisa MacLeod: —Dan McGinnis, Springwater Lanes Bowling Centre; Roseland Bowl—

The Vice-Chair (Mrs. Laura Albanese): I would just like to remind you that—

Ms. Lisa MacLeod: —Debbie and Brad Matheson—

The Vice-Chair (Mrs. Laura Albanese): I appreciate your point. I just wanted to remind you that we have our next presenter here for 2:15.

Ms. Lisa MacLeod: Okay. What I'll do then is, right after the builders do it, I'll continue to read the others into the record. Thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you, Ms. MacLeod.

ONTARIO HOME BUILDERS' ASSOCIATION

The Vice-Chair (Mrs. Laura Albanese): I would ask at this point for the Ontario Home Builders' Association to approach the table. Please come forward. Again, I would remind you of the protocol: 10 minutes for your presentation. After that, the official opposition will have five minutes for questioning. You may begin. Please state your name for the purposes of Hansard.

Mr. Frank Giannone: Thank you, Madam Chair. Members of the committee, good afternoon. My name is Frank Giannone and I'm the immediate past president of the Ontario Home Builders' Association. I'm here with Michael Collins-Williams of the Ontario Home Builders' Association. I'm also president of FRAM Building Group. Our company has been constructing new homes and condos across Ontario for four generations. I also have experience building in a number of other jurisdictions, including Michigan, Texas, Florida, New York and Italy, which allows me to put Ontario in context with the other jurisdictions. FRAM has built a number of award-winning projects that you may be familiar with, including the brownfield redevelopments of Port Credit village and Collingwood.

The Ontario Home Builders' Association is the voice of the residential construction industry in the province. Our association includes 4,000 member companies that are involved in all aspects of the industry and are organized into 29 local associations.

During my presidency I was very close to this issue, and it certainly has consumed a lot of my time and the association's resources over the past year.

The implementation of a single sales tax in combination with income and corporate tax reductions is a bold step to encourage investment and job growth. OHBA recognizes that the shift to a value-added tax will yield long-term economic benefits for capital investment, income growth and job creation. Furthermore, the tax reform package includes personal income tax cuts, elimination of the small business deduction surtax and reduction in the corporate income tax. From a macroeconomic tax policy level, OHBA is supportive of the direction that the provincial government has taken.

However, the harmonized sales tax has industry-specific taxation implications for residential construction. The initial harmonized sales tax proposal in the 2009 budget would have resulted in significant taxation increases for new housing and was based on a regressive tax structure with dual thresholds that the federal government negligently implemented when the GST was introduced in 1991.

When the 2009 provincial budget was released, OHBA was pleased that the government recognized that housing was different and required a sector-specific tax structure. However, the proposed tax structure would have implemented the highest marginal tax rates on the middle class with a clawback of the rebate on new homes valued above $400,000 and a complete elimination of the rebate on new homes valued over $500,000. Additionally, new rental stock would be taxed at the highest rate, negatively impacting the most susceptible. This proposed tax structure would have had devastating effects on housing affordability and would have created significant market distortions, especially for the middle class in urban communities with higher land values.

OHBA worked closely with the provincial government to review the initially-proposed regressive tax structure, and we are very appreciative that the government was willing to listen to our concerns and work with us to improve the tax structure as it applies to new housing.

OHBA is supportive of the enhanced progressive tax structure introduced in June 2009 that protects housing affordability by maintaining a 2% tax on the first $400,000 of a new home and only levies additional taxes on the incremental value over $400,000. The enhanced tax structure provides a rebate of $24,000 for all new homes valued over $400,000 without a clawback or elimination of the rebate. OHBA is supportive of this measure to protect housing affordability.

We are also supportive of the enhancements made to the tax structure to eliminate anomalies in the initial proposal with respect to the marginal tax rate. OHBA is now, in fact, strongly advocating, through our national association, for the federal government to adopt the same progressive tax structure as it applies to the GST and new housing, as the taxation federally still hits the middle class the hardest.

OHBA cautions that the complex transition to the new tax regime and potential strike disruptions this spring are of concern. Furthermore, the increased level of taxes applied to new homes over $400,000 will have long-term impacts on housing affordability unless the province reviews the threshold from time to time.

We urge the province not to make the same mistake as the federal government has with the GST, where no changes have been made to the threshold since 1991. Overall, we applaud the government for listening to the industry concerns and for making concrete changes and improvements to this tax structure. This is intelligent tax policy, as noted recently by the C.D. Howe Institute.

However, with respect to residential renovations, we have concerns that a cumulative 13% tax burden will have implications on the underground economy. The current underground or cash economy is estimated by the ALTIS Group to represent 37% of the total output for residential renovation contracts in Ontario. That's $5.2 billion in unreported economic activity happening under the table. The introduction of a single sales tax will only increase the sales tax burden from 5% to 13% and exacerbate the underground problems that the GST is responsible for within the renovation industry.

There are many other negative attributes to underground construction work. Coping with tight profit margins, the legitimate contractor has difficulty competing with his underground competitor. Health and safety standards of workers in the underground are not likely to be met. Warranties are generally non-existent, and consumers suffer with little or no recourse in the event of shoddy or unsafe workmanship. This exposes consumers to both financial and liability issues. However, for those of you around this table who are listening to this presentation, you should be most concerned about the implications on government revenues that a further shift from legitimate work to underground work will have.

The ALTIS Group estimated that an increase in the sales tax from 5% to 13% will result in significant added government revenue leakages such as loss of $298 million in GST revenue annually, loss of up to $1.6 billion in income tax revenue annually, and loss of $767 million from other revenue such as CPP, WSIB, EHT and employment insurance premiums.

To mitigate the impact of the cumulative 13% sales tax on the underground, the OHBA strongly recommends that both the provincial and federal governments introduce permanent home tax rebates for their portions of the single sales tax. The rebates will go directly to consumers and encourage the collection of receipts from legitimate businesses. The Ontario government should implement a permanent home renovation tax rebate for contractor renovations, which would rebate 5.4% of the contract value on all qualifying contractor renovations. The 5.4% is calculated as the difference between the 8% provincial portion of the sales tax and the 2.6% estimated to be currently embedded in contractor renovations as the provincial sales tax.

Similarly, the federal government should implement a new permanent home renovation tax rebate following the success of the home renovation tax credit, which would rebate 2.5% of the contract value on all qualifying contractor renovations. The 2.5% is similarly calculated as the difference between the 5% GST and the previously estimated 2.5% embedded federal sales tax.

OHBA believes that permanent home renovation tax rebates from both the provincial and federal governments directly to consumers would strongly encourage the use of legitimate contracts and create a paper trail to deter underground economic activity and stimulate the economy and probably decrease the current lost revenue.

Madam Chair and members of the committee, to summarize, the residential construction industry believes that the implementation of a single sales tax in combination with income and corporate tax reductions is a bold step to encourage investment growth; that tax reforms will have direct consequences for a number of affected industries, including residential construction; and OHBA is supportive of the enhancements made to the tax structure as it applies to new housing. This same progressive tax structure has since been copied in BC, although with a higher threshold of $525,000.

Lastly, OHBA is concerned about the impacts of the 13% single sales tax, which will compound the negative effects of GST on the volume of underground activity in the renovation sector.

I would like to thank you for your attention and interest in my presentation, and I look forward to any comments or questions.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much. Ms. MacLeod.

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Ms. Lisa MacLeod: Welcome to the committee, gentlemen. It was great to hear from you. I certainly heard loud and clear—I'm sure my colleagues did as well—your concern with the renovation and repair sector, that it will go underground. I'm just wondering if you agree with Paul Pettipas, CEO of Nova Scotia Home Builders' Association, who said that renovators are going to suffer tremendously for the next three years.

Mr. Frank Giannone: I don't believe that the renovators are going to suffer; I think the government is going to suffer. I think the government will have lost revenue because of it. We saw that happen with the GST when it came in. We have to understand that people will seek the lowest possible price, the lowest possible way to do the renovation in their unit. What had happened in Nova Scotia was that the renovators left the legitimate workforce and they went underground. So something we should be considering is really what the impact would be on our revenue stream in comparison to what lost income we think we'd have versus what we'd really have because of the underground activity.

Ms. Lisa MacLeod: That speaks to my next point. The ALTUS Group, an economic consulting group, said that putting the HST on renovations with no rebate will curtail the reno business as well as force some legitimate contractors to go underground and do work for cash, which is what happened in Nova Scotia after harmonization. Would you agree with that?

Mr. Frank Giannone: I would agree with that.

Ms. Lisa MacLeod: Is it true that the renovation sector is about a $20-billion-a-year industry in Ontario?

Mr. Frank Giannone: Yes.

Ms. Lisa MacLeod: So we would be impacting that. You expect that that industry would be cut by 66%.

Mr. Frank Giannone: We don't see a loss in the renovation industry in terms of the amount of work; we see a loss in the legitimate business of the renovation industry.

Mr. Norm Miller: At the beginning of your presentation, I believe you said that you're supportive of parts of Bill 218, the bill that's being discussed. It's very large and affects many different provisions, not just the HST, and you're in favour of the tax cuts part of it. Was I correct in hearing that?

Mr. Frank Giannone: I'm in favour of the policy in general, not just the tax cuts part of it. But we believe that, similar to what GST did on many fronts when it was introduced, it'll have a—

Mr. Norm Miller: The corporate tax part of it—I believe there are some corporate taxes planned for the future that are to be—

Mr. Frank Giannone: Yes, as part of the whole policy together, between HST being brought in and then they've planned corporate and individual tax cuts.

Mr. Norm Miller: I guess the only thing I would point out in that is that the government raised corporate taxes 27% in their first budget in 2003, so they're kind of starting to head back in the direction we'd like to see them go and the official opposition is supportive of those reductions in corporate tax.

The other point: the increase in the underground economy. I've certainly heard from constituents who've written emails to me saying that they're competing against the cash business, the underground economy. That business has a 5% advantage right now, and the problem is, it'll be a 13% advantage post this.

Mr. Frank Giannone: Well, it's actually more than a 5% advantage when you bring into account that every time somebody does underground business, they're avoiding income tax, they're avoiding WSIB, they're avoiding everything. So you have to look at it as an impact across all those sectors on what could happen.

Mr. Norm Miller: So how big of an advantage is it for that underground economy?

Mr. Frank Giannone: Well, it's quite a big advantage. I don't know percentage-wise what it would be, but it's quite a big advantage and we're just potentially adding another 8% to it.

Part of our strategy deals with also how you collect it. If you do the rebate, our strategy is that the rebate only be allowed by the consumer versus what happens in the homebuilding industry, where the homebuilder, within his contract, contracts the rebate back to them.

Mr. Norm Miller: So then if I'm understanding you correctly, the consumer has an incentive, I guess you'd say, to keep the receipts and ask for receipts so they can get this rebate back, and that way it creates a paper trail. So there's an actual incentive for the consumer to want to get the proper receipts and deal with legitimate business so they get this rebate?

Mr. Frank Giannone: Exactly.

The Vice-Chair (Mrs. Laura Albanese): Less than one minute left.

Mr. Frank Klees: We've seen a bit of a bubble in the home sales in the GTA over the last few months. Your assessment: How much of that activity in new home sales is as a result of the promotion that the industry has made to buy now, avoid the HST.

Mr. Frank Giannone: As it relates to the last couple of weeks—which has seen some crazy sales in condominiums, where people are realizing that Toronto specifically is a very good place to be buying real estate—very little of it, because they're buying with deliveries that are two or three years away. Therefore, they're incorporating the full new tax regime. That might be happening a bit in and around Ontario on low-rise, where you can deliver a house quicker than you can a high-rise condominium. So some of that's going on, but it would have to be in the homes that are in the $500,000-plus range, because they're the ones that are most affected by the increased tax.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation. We thank you for coming here today.

Mr. Frank Giannone: Thank you.

The Vice-Chair (Mrs. Laura Albanese): That concludes—

Ms. Lisa MacLeod: Point of order, Madam Chair.

The Vice-Chair (Mrs. Laura Albanese): Yes.

Ms. Lisa MacLeod: Following the great idea by the government to submit evidence, I'd like to submit the following Brantford Expositor news article, "Make Tax Credit Permanent: OHBA," the Ontario Home Builders' Association. They are calling on the government to make the home renovation tax credit a permanent fixture. "Government Due to Lose Billions Due to Tax-Cheating Renos"—that's from the Ontario Home Builders' Association. Also, an article from yourhome.ca: "HST Has Builders Sprinting." And finally, an article in the Orangeville Banner: "HST Will Drive the Underground Economy: OHBA."

And just to finish off with the bowleramas: Pete Brown from Ridgetown Bowling Lanes; Bryan Bridgett from Pla-Mor Bowling Lanes; Brenda Budarick, Arnprior Bowling Centre; Kevin Heron from Mountain Lanes; Bertha Wu from Roseland Bowl; Gary Blair from Parkway Bowl; and Gary Sharp from Presqu'ile Lanes in Brighton.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much, Ms. MacLeod.

INVESTMENT FUNDS INSTITUTE OF CANADA

The Vice-Chair (Mrs. Laura Albanese): We would now like to call our next presenter from the Investment Funds Institute of Canada. If you could please state your name for the purposes of Hansard, you may begin right after that. Thank you.

Ms. Joanne De Laurentiis: Good afternoon. My name is Joanne De Laurentiis. I'm president and CEO of the Investment Funds Institute of Canada. I greatly appreciate the opportunity to speak to you about the impact of HST on mutual funds.

First, a word about the group I represent. The Investment Funds Institute of Canada is the national association of the Canadian investment funds industry. Individuals representing our members work in almost every town and city across Canada. The investment funds industry manages $700 billion in assets, and more than 70% of the funds held by Canadians are held in retirement savings vehicles and are helping them build their wealth.

The mutual fund industry, through tens of thousands of highly skilled workers, facilitates the provision of billions of dollars of equity and debt financing for thousands of Canadian businesses, both large and small. It provides Canadians with access to portfolio expertise and investments that were once available only to large institutional clients. With the advent of mutual funds in Canada, ordinary investors with minimal capital could, for the first time, pool their resources with others' into a professionally managed, diversified basket of securities, rather than going the more expensive and risky route of buying individual stocks and bonds. This was a major step in the democratization of investment for the average person, particularly critical when interest rates continued to fall during the 1990s.

So how does the HST impact this industry? First, I want to be clear: We are not opposed to harmonization. We agree that a single federal-provincial harmonized sales tax is better for Canada. It eliminates paying the tax on top of tax, helps make Canadian businesses more competitive, and frees many businesses from the costs of having to manage two separate tax systems.

However, we have concerns, and I'm going to frame those concerns around three themes.

First, the inequity that exists within the financial services industry in Canada: The GST, and therefore the harmonized sales tax on services provided to funds, is four to five times the sales tax on services of equal value that are provided to non-fund investments, such as GICs, a bond, or buying individual securities.

Second, Canada is an outlier when compared to other countries that have GST or value-added tax regimes. In the European Union, Australia and New Zealand, funds are treated the same; they're not treated differently from other financial products, so the inequity that we have in Canada does not exist there.

Another issue that is unique to Canada and only four other countries is that the sales tax is applied at two levels: federal and provincial. Because funds are pooled products sold across the country, regional differences in the harmonized tax add a significant complexity and cost from an administration point of view, both to the industry and tax officials, and delivers no value to the end buyer.

Third, the GST, and therefore a harmonized sales tax based on the GST, is a tax on savings, and more specifically a tax on retirement savings.

I'll elaborate on each of these themes, but first I want to give you a little background as to why this issue is a concern right now.

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When the GST was being studied in the late 1980s, the investment funds industry was very small, around 30-some-odd billion dollars in assets, whereas today it has close to $700 billion in assets. In those days, fund holders tended to be more sophisticated and well-off. Today they are average Canadians who use funds as a primary form of savings in their retirement savings plans. Fund holders now include many smaller investors who rely on funds as a way to save small amounts on a regular basis and to affordably diversify risk and get advice on planning for their future.

In 1991, when the GST was introduced, Canada chose to treat funds differently than it treated other financial products, and that was the beginning of the inequity that we have today. Let me explain what we mean by "inequity" in very simple terms. With funds, 100% of the labour involved in providing the mutual fund will be taxed at 13%, along with the computers, telecom and stationery that all financial firms pay tax on and use to supply their offerings. With respect to a GIC, where there's no advice and a lower rate of return in most cases, zero percent of labour is taxed, and it is only the tax on computers, telecommunications and stationery that is passed to the client. As three quarters to four fifths of fund costs are labour, mutual fund holders are taxed at effectively four to five times the rate that GICs, equities and other non-fund financial vehicles are. This is where we get the inequity: where fund holders pay four to five times more tax for a fund product than other financial products.

So our issue is not that mutual fund services are taxed; it's that they are taxed at a disproportionately higher level than non-fund financial products, making them more proportionately expensive for Canadians even though Canadians have come to regard funds as another financial product they can choose to build a portfolio. To explain the unequal treatment, I've included a diagram to the material that I've left with you.

How does Canada compare to other jurisdictions? To examine that question, we asked KPMG to look at several key leading jurisdictions that Canada usually looks to because they are comparable either in size or in political and economic structure. I've included a copy of the study in the material I've left with you too. Their findings showed that investment funds in the European Union, Australia and New Zealand are taxed on an equivalent basis to non-fund financial products, whether through sales tax exemption or credits, and thus they do not have the inequities in their jurisdictions that we have.

International GST models have gone more and more towards exemption for financial products, including funds. We have suggested to the federal government that it's time for Canada to modernize its GST regime to align with these other jurisdictions.

Where are we now? With the harmonization announcements by BC and Ontario, our fund holders face a significant increase in tax. The four already-harmonized provinces—Quebec, Nova Scotia, New Brunswick and Newfoundland—have not applied the higher harmonized level of tax to funds. All four provide credits or rebates to protect investors in mutual funds and to keep the businesses in their provinces competitive with those based in other jurisdictions.

How will fund holders be impacted by harmonization? As I said earlier, the mutual fund product is one that is primarily owned by middle-class Canadians: 60% of fund holders earn under $100,000 and 70% of the funds held by Canadians are held in retirement savings vehicles. Fundamentally, then, the impact of the harmonized tax is on the retirement savings of Canadians, an outcome that we think is quite undesirable given that we have a collective public policy concern about whether we are saving enough for retirement. To put this in dollar terms, last year Canadians paid an estimated $450 million more in GST on their mutual fund investments.

We have a solution. We've asked the federal government to modernize the GST policy to bring it in line with the other VAT and GST countries globally. This will remove the inequity across products. We've had very constructive discussions with Minister Duncan and his officials over the last several months, and he has agreed to support our request of the federal government.

I also want to refer to the excellent initiative recently announced by the Toronto Financial Services Alliance that is designed to enhance Toronto's position as a financial centre. A leadership council is going to drive that strategy, and two CEOs from our member firms are part of it, as are Premier McGuinty and Ministers Duncan and Flaherty. We believe that an effective tax policy is one of the critical components to the long-term success of this very important initiative for Toronto and the province of Ontario.

Our ask of you is that this parliamentary committee include in its report a strong message to the federal government in support of an immediate review to adjust the current GST policy to facilitate a level playing field for investors in Canada, to bring Canada in line with other countries, to create a workable implementation solution for businesses operating across the country and to reduce the long-term burden the HST will have on the retirement savings of Canadians.

The Vice-Chair (Mrs. Laura Albanese): Thank you for this presentation. We'll turn it over to the NDP. Mr. Prue.

Mr. Michael Prue: You've written here, "With the harmonization announcements by BC and Ontario, our fund holders face a significant increase in tax. The four already-harmonized provinces—Quebec, Nova Scotia, New Brunswick and Newfoundland—have not applied the higher harmonized level of" taxes. "All four provide credits or rebates to protect investors in mutual funds and to keep the businesses in their provinces competitive with those based in other jurisdictions."

What is to stop a person from Ontario from going to one of these four to save the tax?

Ms. Joanne De Laurentiis: We expect that the federal government will change the place-of-supply rules so that they will see through the organization—the fund company—and apply the tax to the investor. So it won't matter where you are or where you're situated; the tax will flow through and you'll be taxed for the sales that you make in the province that is harmonized.

Mr. Michael Prue: Is there anything in this bill, though, that gives you comfort? You have some hope for the federal government. Is there anything this government can do around this issue? I'm afraid of the flight of capital.

Ms. Joanne De Laurentiis: This government can make that point, as we've made it very strongly, to the federal government and say, "Let's change the policy," because there is still a bit of a leakage problem. There are still some things that firms could do to take some business out of the province; there's no doubt about that.

Mr. Michael Prue: You have written that we would become the first, or one of the first two jurisdictions in the world, to levy a sales tax on mutual and other types of funds. Do you know of any other jurisdiction in the world that does this?

Ms. Joanne De Laurentiis: There are several, but most of them, the ones that we would compare ourselves to—the European Union, Australia, New Zealand—may levy a tax, but then they provide a rebate or they provide a credit. So what they do, effectively, is they equalize the impact. They equalize the real tax on fund companies so that it's similar to the other financial institutions.

There are several, but the names don't come to mind. But they're not the ones that we would ever look to and say, "We want to compare ourselves to those." The US, for example, has none.

Mr. Michael Prue: Again, I'm worried about the leakage, not just to other provinces, but people have capital that they can invest literally around the world. Is it conceivable, unless this government changes this rule, that capital may flow south of the border to the United States and people may invest there knowing they could save a bundle?

Ms. Joanne De Laurentiis: Investors will look at this and say, "If this is going to cost me more, I have other alternatives." Many will have that alternative, although the smaller investor doesn't have that alternative because they can't; they don't have the levels of capital. But certainly: You're absolutely right.

Mr. Michael Prue: I'm worried about this tax on many fronts, but one of the key ones has to be the investment community. Pension plans that used to be quite common are going by the wayside in favour of employees paying into—I forget the exact name of it. I can never remember—

Ms. Joanne De Laurentiis: Group RSPs and—

Mr. Michael Prue: Yes. There are two different types of plans. One is the conventional plan, where everybody pays into it—

Ms. Joanne De Laurentiis: Defined benefit and defined contribution.

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Mr. Michael Prue: That's it—defined contribution. It seems to me increasingly that people only have the option of the second one, the defined contribution plan, and they do this through the medium of buying stocks and bonds and other commodities that are now going to be subject to an HST. Is this something that is going to harm the long-term future of Ontarians who have no other source of income downstream, save and except that which they can invest?

The Chair (Mrs. Laura Albanese): I would like to advise you that you have less than a minute left for questions.

Mr. Michael Prue: A minute is enough to answer this question.

The Chair (Mrs. Laura Albanese): Yes, it is. It's just a warning.

Ms. Joanne DeLaurentiis: Interestingly, those who might be lucky enough to be part of a DB or a DC plan are not the ones we worry about. The ones who we really worry about are the ones who are building their own RSPs: the group RSPs, individual RSPs. They don't have an opportunity to top that up if the markets go down or if their investments aren't quite enough. So those are the ones we worry about. That's why we've really linked this issue to—it's about retirement savings, it's about investments, and we need to really pay attention to this, because by the time we realize what's happened, it'll be too late.

The Chair (Mrs. Laura Albanese): Thank you very much.

Ms. Lisa MacLeod: Point of order, Madam Chair: I'd like to give some evidence here, if that's the term we're using. The first is an article by Shirley Won and Karen Howlett in the Globe and Mail. It says, "Ontario Deals Blow to Mutual Fund Industry: Sector Isn't Included in

Harmonized Sales Tax Exemptions, but Vows to Keep Up the Pressure for Other Means to Ease the Cost to Investors," and it cites "Stephen MacPhail, president of CI Financial Corp.," who "said he was 'disappointed' with Ontario's decision not to give the industry an exemption ... (CI is not a member of IFIC)."

The second is actually is from Tom Bradley, who wrote in the Globe and Mail on November 27: "HST will hurt investors and their nest eggs." Tom Bradley explains how Ontario's and BC's HST isn't helpful for investors. I just want to read this one line here: "Note to reader: I have an axe to grind. I own and operate a low-cost mutual fund company—and I'm hopping mad about the HST."

The Chair (Mrs. Laura Albanese): Thank you very much.

DAN WELAND

The Chair (Mrs. Laura Albanese): I would like now to call the next presenter: Mr. Dan Weland. Welcome: 10 minutes for your presentation, followed by five minutes of questioning.

Mr. Dan Weland: Thank you again so much for the opportunity to come before the committee in this manner. I come to you as a private citizen but I will introduce myself. I'm Dan Weland. I'm a senior manager with sales tax in the firm of PricewaterhouseCoopers, which is a fairly large accounting firm. So I make my living giving sales tax advice to businesses. Some of my friends think that's probably a boring job, but I enjoy it. I'm still here, so I do want to make that point up front. I've been working probably for over 25 years in the sales tax area with PricewaterhouseCoopers.

I do want to make it abundantly clear that my comments this afternoon are my own. They do not represent necessarily PricewaterhouseCoopers. We have a lot of clients who will be affected favourably and unfavourably on behalf of the HST, so I certainly do not want to have any of my comments attributed to the firm as a whole.

I will start off by saying this much, again, that this tax will hurt me personally; there's no question about that. There will be items of the HST, the 8% tax, that I'll be paying tax on, come July 1, that I do not pay tax on now: things like home renovations, home heating fuel and the fuel in my car to get me into Toronto every day and back. It may even hurt me professionally. A lot of us who are in the sales tax consulting field wonder what the future holds for us, whether this is a good thing or a bad thing for us in terms of the number of hours and the amount of business we can get from our clients. I do get a lot of work from the current Ontario sales tax and the current BC sales tax, and that will disappear after harmonization. So I say those things only as a point. There's no hidden agenda on my part in terms of personal motives here and in appearing for you this afternoon. I do want to say, though, that I am a strong and vocal supporter of this tax change. Despite the fact that it might have impact on me personally, I try to look at what's the biggest picture for the country and what benefit this will have to both Ontario and BC in particular and to Canada in general. I fully support this particular measure.

There are some aspects of it that trouble me. One aspect that particularly gives me concern is the input tax credit restrictions on large businesses that are being proposed for the first eight years. I think this is a mistake for both Ontario and BC to adopt. It's basically the same rules that Quebec has adopted, and for some strange reason we felt we had to put those into place. The complexity that adds to the whole application of the tax itself and the areas that it affects is just incredible when you start thinking about it particularly. As someone in my field that deals with a lot of sales tax consulting, I just see the areas that it affects. I would rather have that restriction disappear, but at least I take some comfort in that it will disappear after eight years. Hopefully it won't be like the temporary War Measures Act of 1917 that we're still paying income tax for.

The reason I guess I am in favour of this is that I see some very significant benefits from harmonization. One of the first benefits I see is that there's a significant reduction in the marginal rate of tax on capital. William Short has passed around one PowerPoint slide that I used. I just took it off the Ontario Ministry of Finance website, so I don't take any credit for it. But it does show a significant reduction in the effective rate of tax on capital simply as a result of sales tax harmonization. So you'll see, for example in 2009, that the effective rate of tax on capital is 32.8%, and it'll drop to 18.6% next year. Now, what does that mean? That means that businesses have much more of a—the cost of investing in capital is much reduced in the days ahead.

Michael Smart, a professor of economics at the University of Toronto, had a 2007 study. He looked at the effect of harmonization on capital investment in the Atlantic provinces. He indicated that, for the three years after harmonization, increases in capital investment rose 12% annually, higher than it was before. So that is a significant impact. Another study, a 2008 C.D. Howe Institute study, estimated that the current Ontario sales tax reduces our capital investment here in Ontario by 9%, and that the removal of it would increase our capital investment by $36 billion. To me, that indicates that at a time when we are—studies continually show that we have a less productive economy than, say, the US does. I think we want to be giving all sorts of encouragement to our businesses to further capitalize and increase their investment to be able to make us more competitive.

The second thing that I think it does is that it removes all sales taxes on exports. Currently, when an exporter sells goods—and my son is one of them; he has a company that manufactures some goods—they obviously pay the current provincial sales tax on a lot of things like furniture, fixtures, computers and so forth which they can't recover, and it gets buried in the cost of the price they charge to their international customers. The theory of a VAT, which is what we are looking at here, is basically that the tax on all business inputs gets eliminated, so you are able to make yourself much more competitive internationally. Again, with the value of our Canadian dollar and how it's affecting our manufacturers, I think any help we can give them is going to be very much used.

It will reduce compliance costs as well. You obviously have a single administration involved and one tax return to file, not two; one set of rules, not two sets of rules. The rules between the current Ontario sales tax and the current GST are so vastly different and so fundamentally different on objectives and policy that it raises extra complexity for businesses. So having a single set of rules obviously is very much of an advantage.

It does have more neutrality, I think, from a business perspective. I think what this does, really, is it shifts the cost of the tax from the goods sector more equally across to the services sector. Right now we don't charge Ontario sales tax on my fees for PricewaterhouseCoopers. We'll have to start doing that afterwards, but that's fair. I think most economists would say that it's better to tax all sectors of the economy equally and let the resources flow to where they're the most efficient than trying to tax the goods sector, which has been taxed much more than the services sector. So I think there are some advantages with the neutrality side of it.

Finally, I guess the value-added tax is one of the most effective means of raising tax. It is a necessary evil. We do need to have tax revenues in the door. But there's a 2004 study that I looked at, and it said the economic costs of a dollar of tax revenue is $1.13 for a VAT, where it's $2.30 for a capital tax. So I think it's probably the best, the cleanest and the simplest way to raise revenue for the government, at the same time having the least amount of impact on business competitiveness. That's really my point this morning. I just felt I needed to come forward and express my personal view that this is an area that is long overdue and should have been considered long ago. I'm open for questions.

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The Vice-Chair (Mrs. Laura Albanese): Thank you very much. We will now turn to the government side for questioning.

Mr. Charles Sousa: Thank you, Mr. Weland, for attending today and presenting your views, both as an individual and also as one who is well entrenched in this industry and in the service of tax reform.

This tax reform package, I think you'll agree, has been well publicized over this past year; it's been up for discussion at very many different levels through a number of budgets. Unfortunately, it still seems that half the story is getting out. It appears from discussions I've been having over the past year that not enough people are aware of the tax cuts, including corporate income tax cuts but also personal income tax cuts, that are also part of the package that was introduced almost a year ago.

I appreciate your comments today about the embedded input costs that are doubled or go through the system as a result of paying tax upon tax. I also appreciate your comments in regard to the reduction in paper burden and the elimination of dual tax systems—just having one level of government collecting tax—and the savings that are attributed toward that whole system.

By the way, I do appreciate your report noting that the US average, in terms of marginal effect to tax rate, is still higher than here, and that the implementation of this tax reform package not only would bring us to around the OECD average but well below, and enable us to be more competitive with our US neighbours.

My question to you, however, is around the fact that almost 83% of things we buy are already subject to 8%, and for that matter, 13%; it's that additional 17% of goods or services, in this case, that are being affected. As a result of all the tax savings and all the tax cuts that are put in, can you explain to me what you see as being the overall effect to the consumer?

Mr. Dan Weland: What I will say is that I think it's going to be virtually impossible to say whether any particular individual is better or worse off at the end of the day. What I have seen, again, is some studies that have been done on the effect of harmonization in the Atlantic provinces. I that think what is forgotten in the debate here is, yes, I'll be paying 8% extra on my haircut—well, you don't need a lot for me—and an extra 8% on my home renovations and so forth, but there will be some significant tax savings to businesses that hopefully will be passed through to consumers. For example, when I buy a new car, I pay 8% sales tax on that car now; I'll still pay 8% sales tax on the car, but the motor vehicle dealer who is selling me the car will not have paid any PST on any of his costs, so competitive pressures, hopefully, will push that out.

The TD Bank came out with a report in September suggesting, based on the Atlantic provinces' experience, that most of the tax savings will be passed along to consumers. At the end of the day, there are going to be disbelievers of that particular scenario; there will always be someone who says, "I don't believe it; I don't buy that for a minute." But to be able sustain that position, you would have to say that competitive pressures now do not allow an existing business to pass along the existing provincial sales tax. If you really believe you can't pass along the existing provincial sales tax, then with the removal of that tax, those same competitive pressures should force a reduction of prices going forward.

Mr. Charles Sousa: If I'm looking at a senior, who can make upward of $1,500 to $2,000 in tax savings or grants, can you tell me what would be the equivalent of that in purchases at 8%?

The Vice-Chair (Mrs. Laura Albanese): Just a friendly reminder: one minute left for questioning.

Mr. Dan Weland: Okay, so $1,000 divided by 8%, I guess—you do the math; I don't have a calculator in front of me.

Mr. Charles Sousa: It's around $20,000.

Mr. Dan Weland: Around $20,000, yes.

Mr. Charles Sousa: So that 17% incremental increase would be about $20,000 in additional purchases by those seniors that would be affected, either their haircuts or gas and so forth, I guess the point is, and that doesn't include all the savings that would come through the system beyond that.

Mr. Dan Weland: Yes, that's right. You're quite right: As you point out, there are a number of point-of-sale rebates that are unique to the tax we are producing in Ontario and BC that are not in the Atlantic provinces. To that extent, a large part of the costs of the impact of the HST have been removed. There will still be some, but I honestly feel that our economy will benefit as a whole and we'll face lower prices on some of the items we buy.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much. The time is up, as they would say.

Ms. Lisa MacLeod: On a point of order, Madam Chair: I think there are a few important things we need to discuss about the HST right now that I'd just like to bring to the committee's attention.

On July 1, 2010, when the Ontario government plans to introduce the new harmonized sales tax combining the Canada goods and services tax and the Ontario provincial sales tax, it will directly increase the burden on middle-income families. I would like just to talk about not the impact that it's going to have on the bottom line of families but some of the constitutional challenges.

Under the HST, Ontario is going to surrender its constitutionally granted taxation powers to the whim of future federal governments. Right now, Ontario enjoys direct taxation powers granted under the Canadian Constitution. However, under the HST plan, Ontario will give up its sales tax power to Ottawa through the federal Excise Tax Act. Once the HST is enacted, the fundamental decision about what is and what is not subject to sales tax will not be made in our Legislature in Ontario, but instead will be made in Ottawa.

We in the opposition have a concern that it's not hard to foresee the day when a federal Minister of Finance from outside Ontario will decide the fate of Ontario businesses when there is a tax dispute. It is also possible that the federal Excise Tax Act will be amended, regulations will be passed or administrative practice will change without Ontario's input or approval, in which case Ontarians will become victims of taxation without representation.

The Vice-Chair (Mrs. Laura Albanese): Thank you, Ms. MacLeod. I would just like to remind you that we have a number of presenters that all members of committee, and you, fought hard to have—

Ms. Lisa MacLeod: Absolutely. I just have a few more points to make—

The Vice-Chair (Mrs. Laura Albanese): —and we're sort of behind with our presenting list.

Ms. Lisa MacLeod: —and I'll be very brief. Thank you very much, Chair. There are a few other points.

Under the HST, it is likely that tax-included pricing or hidden taxation will come to Ontario. I think we need to be up front about that. I think we also must be up front that there is no evidence that tax harmonization works in other federal jurisdictions, outside of Brazil, and soon India. They are the only other nations that are actually doing a value-added tax both at the subnational and national levels.

There will be hidden costs for Ontario businesses to comply with the HST. Any business that has been audited will understand the administrative burden associated with tax law compliance.

The Vice-Chair (Mrs. Laura Albanese): Thank you, Ms. MacLeod.

Ms. Lisa MacLeod: I just have two more.

The Vice-Chair (Mrs. Laura Albanese): I would like to remind you—

Ms. Lisa MacLeod: Businesses might not reduce their base prices after the implementation of HST—

The Vice-Chair (Mrs. Laura Albanese): —that we're meeting—

Ms. Lisa MacLeod: —and once the HST is implemented, it will be difficult, if not impossible, to undo.

The Vice-Chair (Mrs. Laura Albanese): —for public hearings from 2 to 6.

Ms. Lisa MacLeod: My final point—

The Vice-Chair (Mrs. Laura Albanese): That is what we have, under the standing—

Ms. Lisa MacLeod: —is that there's a $4.3-billion poison pill. We won't be able to—

The Vice-Chair (Mrs. Laura Albanese): That's what we've been authorized to do under the order of the House.

Ms. Lisa MacLeod: Thank you. My final point is that once it's implemented, we're locked in for this five-year period. To get out of it, it's a $4.3-billion poison pill that we'll have to pay back to the federal government. I think we need to be clear with that.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your opinion.

Ms. Lisa MacLeod: I'll provide this to the clerk.

The Vice-Chair (Mrs. Laura Albanese): Thank you.

ONTARIO TRUCKING ASSOCIATION

The Vice-Chair (Mrs. Laura Albanese): Can we move on with the next presenter, please? We would like to call the Ontario Trucking Association to come forward to the table. Thank you, and welcome. Please state your name for Hansard so it can be recorded.

Mr. David Bradley: Thank you, Madam Chair and members of the committee. I'm David Bradley, president and CEO of the Ontario Trucking Association. I'm joined by Doug Switzer, our vice-president of government relations. We're pleased to have this opportunity.

Those of you who have sat around this table for the last two decades will know that in virtually every pre-budget consultation I have made to this committee, I have argued that the current Ontario tax system is discriminatory, regressive, unproductive and inefficient, and works against investment in safety and in the environmental performance of our industry. I have argued consistently that Ontario needs to move to a harmonized, VAT-based system. So we do support the government's plan in this regard, very much so.

I've passed around one piece of paper with some pictures, and I'd like you to take a look at them. The first is a map of North America, and it shows how business inputs in the trucking industry are handled in different jurisdictions.

In Quebec and Atlantic Canada, they get a credit on their business inputs: tractors, trailers, parts, GHG-busting technologies, and maintenance and repair labour. In most US states, that equipment is provided with an exemption.

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Ontario chose, at least in terms of cross-border trucking, back in 2001, to create another layer of provincial sales tax called the multijurisdictional vehicle tax. So we actually have to deal with three tax systems in Ontario: PST, MJVT and the GST. Not only is that administratively burdensome and costly for us, but I don't believe the province can audit that. This will simplify everybody's lives.

The next two charts were developed by the Institute of International Business at the Rotman School of Management for us. Mind you, this was back in 2004, so the actual numbers may have changed somewhat, but I don't think the relative bars change. What that shows is that in terms of the effective marginal tax rate on capital in the trucking industry, we're at a 31% disadvantage compared to truckers in Michigan, New York and Ohio.

The next chart shows the treatment of taxation of business inputs in Ontario industries, and we do know that there are some industries that get some exemptions now and others that don't. There again, the trucking industry leads the province, in terms of its major sectors, in terms of the effective marginal tax rate on our investment. No other industry in the province faces such direct competition—our trucks cross borders—and such a convoluted tax system.

So we welcome this change. We believe it's long overdue. No tax is perfect, but we're all quite familiar with the federal GST. Most of the issues have been ironed out, and we would like to see this introduced.

Those are my comments, and I'd be pleased to answer any questions. Thanks.

The Vice-Chair (Mrs. Laura Albanese): I will now turn it over to Mr. Miller from the official opposition.

Mr. Norm Miller: Thank you for your presentation today.

The way the current government is planning on implementing this tax, as we know, there's $4.3 billion coming from the federal government to the provincial government, and they're using that money for what we are calling bribes, to issue cheques to individual residents of the province over the next couple of years, I think with the last cheque arriving in people's mailboxes a few months before the next provincial election.

If you had a choice of using that money for that purpose or of reducing the rate of tax by 1%, 2% or 3%—as has been pointed out by some other presenters, the Atlantic provinces in three cases reduced the rate by 3%, and in one case 4%. If you had a choice between using that $4 billion to issue one-time cheques or having a permanent reduction, which would you prefer?

Mr. David Bradley: Well, this is my personal opinion, and I don't think any time a VAT has been introduced around the world there haven't been some adjustments in other parts of the tax system to try to address the concerns of those who may be more impacted than others. My own personal druthers would be to take the reduction in income taxes over the longer term. However, at the end of the day, whichever way is approached, I don't see that as a—

Mr. Norm Miller: Sorry; I don't mean to interrupt, but not income tax. The actual rate of the HST, of the sales tax.

Mr. David Bradley: Again, unless you're going to address the income tax side of things, no, I would not reduce the rate of the the GST necessarily.

Mr. Norm Miller: So you'd use the $4 billion to reduce corporate taxes or personal income taxes?

Mr. David Bradley: Luckily, I'm not in a position to make that decision. What I am in the position to do is to be able to tell my members that when the recovery comes, we will perhaps be able to take better advantage of it by being able to invest, for the first time in a couple of years, in new, more productive, more efficient equipment, equipment that has a lower carbon footprint and equipment that is safer. That's what I'll be telling them.

Mr. Norm Miller: To be clear, the opposition supports reducing corporate income tax and reducing personal income tax. In fact, the first thing the current government did when they were elected in 2003 was to raise corporate taxes and bring in the health tax. We have been and continue to be supportive of tax reductions.

Mr. David Bradley: May I respond on the corporate income tax?

Mr. Norm Miller: Sure.

Mr. David Bradley: I think certainly we have to have competitive corporate income tax rates; no doubt about it. That's essential to attract direct investment into the province. When we do that, that creates more freight for truckers. However, in a low-margin industry like trucking, quite frankly, reductions in the corporate income tax do not visit the same benefits on a sector like ours that they might on others.

Mr. Norm Miller: Another way they're implementing it here in Ontario is—one of the key ways business benefits is through input tax credits. In other words, you spend the money on tax and you get it back a few months later down the road, and therefore you effectively don't pay it. But the way the government is doing it is, they're denying input tax credits for the first eight years to companies, which I guess you would consider the bigger companies—companies that have $10 million or more in sales. It's a line item in the budget—$1.3 billion in denied input tax credits in year three, and it continues for eight years. That's a long time for a business. Any comments on—

Mr. Doug Switzer: Yes. My sector hasn't qualified for an income tax credit, either federally or provincially, probably since the early 1990s. The safest—

The Vice-Chair (Mrs. Laura Albanese): One minute left for questioning.

Mr. Norm Miller: It's not an income tax—

Mr. Doug Switzer: Well, what type of tax credit are you talking about?

Mr. Norm Miller: I'm talking about input tax credits as part of the HST, so when you spend the HST as part of your cost of business—

Mr. Doug Switzer: You get that now. That's the idea of a value-added tax: You get the credit.

Mr. Norm Miller: I know. My point is, they're denying it for eight years. It's a line item in the budget. It's over a billion dollars a year on companies with sales of $10 million or more.

Mr. Doug Switzer: But not across the board, and certainly not in my sector. We don't have—

Mr. Norm Miller: Do you have companies that have sales of $10 million or more?

Mr. Doug Switzer: We have some.

Mr. Norm Miller: Then they will be denied input tax credits.

Mr. Doug Switzer: Not on all products. They're paying the tax now.

Mr. Norm Miller: On about five different items. But it's significant; it's over a billion dollars a year. I just wanted to bring that to your attention, that's all.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation.

I would like to move forward now with the next presenter, CCI—

Ms. Lisa MacLeod: Just a quick point of order, Madam Chair: I'd just like to table this with the committee—

The Vice-Chair (Mrs. Laura Albanese): Ms. MacLeod, just a friendly reminder: The order of the House is very clear. We have a 6 p.m. cut-off that will prevent people from being heard by the committee.

Ms. Lisa MacLeod: Sure. But the standing orders are also very clear, that I have the right to do this. So I'm just going to submit to you the stakeholders calling for public consultations on the HST, and some quick quotes. I won't read them, but I will say who they're from: Rick Ludwig, past president of the Ontario Funeral Service Association; Jim Garchinski from the public sector retirees coalition; CFIB, on page 1 of their report from September 24, 2009; Satinder Chera, CFIB's Ontario director, on September 25, 2009; Peter Coleman, the National Citizens Coalition; and Christine McMillan, chair of the Councils on Aging Network of Ontario. If the clerk could circulate these quotes to all the members, that would be great.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much.

CANADIAN CONDOMINIUM INSTITUTE

ASSOCIATION OF CONDOMINIUM MANAGERS OF ONTARIO

The Vice-Chair (Mrs. Laura Albanese): Welcome. Please state your name, and you may begin your presentation, which can be up to 10 minutes long.

Mr. Chris Antipas: Thank you. My name is Chris Antipas and I'm the president of the Association of Condominium Managers of Ontario, ACMO, and vice-president of ICC Property Management. With me today are Armand Conant, president of the Canadian Condominium Institute of Toronto, CCI, and co-chair of the Condominium Law Group of Heenan Blakie LLP. To my right is Dean McCabe, vice-president of ACMO and a regional manager with Brookfield Residential Services Ltd.; and to my far left is Brian Horlick, a director with CCI Toronto and senior partner of the law firm of Horlick Levitt.

Thank you for the opportunity to speak with you regarding the proposed tax changes in Bill 218. We hope that before you, you have the two-page chart we handed to the clerk, as we will be referring to it during our presentation.

ACMO, which I lead, was formed in 1977 to represent the collective aims of all condominium managers. ACMO's mission is to enhance the condominium management profession in Ontario by advancing the quality performance of condominium property managers and property management companies alike.

ACMO provides formal education programs, which, coupled with experience and successful completion of an exam, culminate in the registered condominium manager—RCM—designation. The RCM designation is the largest condominium management designation in the province. Ongoing education is provided through seminars, technical bulletins, newsletters and the Condominium Manager Magazine. ACMO also provides membership to corporate members who are required to comply with a very strict corporate code of ethics.

CCI is a national, independent, non-profit organization dealing exclusively with condominium issues. Formed in 1982, CCI represents all participants in the condominium community. There are 21 chapters across Canada and seven chapters in Ontario.

CCI assists its members through education, information dissemination, publications, workshops, conferences and technical assistance. It also encourages and provides objective research for practitioners and government agencies regarding all aspects of condominium operations and advocates for higher standards in all services to the condominium community and owners. CCI Toronto is the largest chapter of CCI and, with over 1,000 members representing over 120,000 residential units, is proud to circulate to all its members The Condo Voice magazine.

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I want to start by saying that for many Ontarians, condominiums represent an affordable, sensible option for homeownership. Condo owners come from all walks of life in all dimensions of our society. Condo owners are young couples trying to establish themselves in the big city. Condo owners are newcomers to Canada who chose condominium life in the suburbs for the close sense of the community it provides as they go out and about pursuing their dreams. Condominium owners are retired people who enjoy the independence of condo living without enduring the physical demands of maintaining their own home.

Over the past 10 years, many of you have no doubt seen the explosion of condominium growth in downtown Toronto in ridings like St. Paul's or Toronto Centre–Rosedale. Today, there are 7,000 residential condo corporations in Ontario, with over 504,000 individual residential units and over 1.5 million people living in them. However, you might be interested to know that with the average condominium community size in Ontario being 73 residences, the majority of condominium owners live in communities like Kitchener-Waterloo, Windsor, Sarnia, Ottawa and Sudbury, to name a few.

Research by CCI Toronto and ACMO shows that the HST is going to significantly impact those people who live in condos in all those communities. Condo owners are uniquely impacted by the HST in two ways: on a day-to-day operating budget for all condominiums and on the reserve funds condo corporations have for future major repairs and replacements. These reserve funds are mandated under the Condominium Act, 1998, to protect condominium owners. It is estimated that condominium owners are going to see their fees increase on average by 6.8% due to the HST before any other required increases are put in place in the operating budgets.

Should the government intend to go ahead with the HST, and I understand that that is their intention, then we would like to point out the significant ramifications to condominium owners on the operating budgets and the government's mandated reserve fund budgets of condos and propose a few solutions which may mitigate this impact. If you refer to our chart, you'll see what the purpose of the solution is, what the cost of the solution would be and what the impact of that would be to condominium owners.

Let me briefly talk about the impact of the HST on the operating budgets of condos and our proposed solutions. Armand will address the reserve fund.

Condominiums are locked into long-term contracts with service providers for things such as security services; heating, ventilation and air conditioning; elevator services; electricity supply; gas bulk supply; and submetering, just to name a few. We believe that the 8% increase of HST will go directly into the pockets of those suppliers. We will not be able to renegotiate any of those contracts until they expire. Consequently, condo fees will go up in the meantime.

Solutions to mitigate the HST on operating budgets include the following:

—The government should consider opening up all long-term contracts impacted by the HST; any long-term contract that is locked in on July 1, 2010, for greater than one year would be opened up for the purpose of renegotiating strictly the PST portion of the HST.

—The government should consider rebating the HST to condo corporations on a sliding scale for three years.

—The government should allow condo owners to claim a tax credit on the Ontario income tax for the HST portion for a period of five years.

Armand will now speak to you about the reserve funds and conclude our presentation. We'll then look forward to questions from the committee.

Mr. Armand Conant: Thank you, Chris. For the reserve funds, the HST is going to have a very profound effect on a consumer protection measure which the government may not be fully aware of or have considered. In order to protect condo owners from costs associated with future major repairs and replacement, each condo corporation is required, under section 93 of the Condominium Act, to carry a reserve fund to cover off such things as garage repair, window replacement, balcony restoration, interior renovations and much more. We believe that there is, collectively, right now over $1.5 billion in reserve funds in Ontario. The HST impact on expenses from reserve funds over the next three years will be in the range of $120 million. That simply was not budgeted into our corporations' plans, and that's going to hurt condo owners in a way it does not impact other homeowners.

I want to give a real-life experience of one of my clients. I have a client that is a large townhouse condominium complex. It has already budgeted and contracted to do $1 million worth of reserve fund replacement next year, mainly after July 1, and this is after the HST will kick in. No supplier has, to date, given any break on the HST for any form of input tax credit they may feel later. They might in another year or two, but not next year, when my client has to spend the money.

So now what is going to happen to this corporation? It's going to have an immediate shortfall of between $50,000 and $60,000 solely because of the HST. This, it cannot spread out over three to five years. So where are they going to get the money? A government-mandated plan to protect condo owners has just been hit with a big shortfall, and unit owners who have saved diligently for this major repair to their community have just found that they have not saved enough as a result of the HST.

We've put together some solutions that we've suggested to the government to mitigate the HST impact on reserve funds:

(1) Rebate the PST portion of the HST to condominium corporation reserve funds for a period of six years.

(2) Rebate the PST portion of the HST to condominiums' reserve funds on a sliding scale for three years.

(3) Extend the adequate funding provision of the condo act regulations to a time period for the reserve funds to top them up or adequately fund them to the year 2019. This will give the corporations more time to do that.

We've also given the clerk, or we will give afterwards, a letter we've written to the government with these suggestions that we've just made for you today. We'll be glad to provide more copies, if you wish.

In conclusion, in considering the implementation of the HST, we strongly urge the government to consider taking all or some of our solutions so that we can mitigate condo fee increases for condo owners across Ontario.

On behalf of ACMO, CCI Toronto and all CCI chapters across Ontario we wish to express our deep thanks to the committee and to Minister Wilkinson's office for hearing our concerns about the HST. We remain optimistic that we can find a solution to keep condo fees down.

Thank you very much, and we'd be pleased to take questions.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your presentation. I would like to turn it to Mr. Prue for questions.

Mr. Michael Prue: I wish you luck. I think you're trying to make a silk purse out of a sow's ear. The government has already said that what they did for Harvey's and Tim Hortons is about the end of the money they have. Have they given you any indication that they're willing to extend you the same privileges they gave to fast-food restaurants?

Mr. Armand Conant: The answer is yes. We've been working over the last five months with the government and we've been given an indication that they are looking at several of the solutions very seriously.

Mr. Michael Prue: You have offered some solutions that are at no cost. I assume they may be looking at those. Have they given you any indication that they're going to be looking at the solutions of rebate to condo corporations that cost $21.6 million, or near to $14.4 million, or a rebate on the PST portion of HST to condo corporations, $40 million a year, or a $30-million-a-year rebate of the PST portion or anything that costs money?

Mr. Armand Conant: Go ahead, Dean.

Mr. Dean McCabe: Actually, at this point, no, we've not received any indication that financial support for these condominium communities is forthcoming. We know that some of the solutions we've presented need to be partnered not only with the regulatory and legislative changes but that some of them do require financial input to help reduce the impact on homeowners.

Mr. Michael Prue: I would put it to you—I know you're hopeful, and I always live in hope too—given the statements of both Mr. Wilkinson and Mr. Duncan in the House, there is not much manoeuvrability left in those things that can be exempted. What impact is this going to have on condominium owners seeing an approximately 6.8% increase in their fees?

Mr. Armand Conant: I'll let Dean finish that. The first part, though, is that we have been given some indication that on the financial side—the actual cost ones—they are looking at those issues. But as Dean said, they're financially based, and that will go into a finance bill and different issues down the road. But on the rest—

Mr. Dean McCabe: Speaking with respect to the impact that the 6.8% will have, if we look at the fact that an average monthly maintenance fee in the condominium community—again, average across the province—is about $300, we're looking at close to half of the income tax cuts that the homeowners are going to receive going toward supporting their maintenance fees. But that still doesn't address the finances that are required to be input into the reserve funds in order to top up that deficiency. That will have to come from many corporations, either through special assessment or budget cuts, in terms of taking the funds and setting them aside for future expenses.

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Mr. Michael Prue: You also asked something that isn't going to cost the government any money, but I'm wondering: In terms of legality, have you sought any legal opinions on reopening long-term service contracts? It would seem to me that it takes two sides to reopen long-term service contracts, and not many people would be willing, even for something like the contribution on a PST, to do that, out of fear that the contract would be changed and they would be the losers. Have you looked into the legality of this?

Mr. Brian Horlick: I would just want to add that we don't feel that the portion of the tax that's already embedded for the materials is going to be passed down as a savings to the condominium corporations with respect to their long-term contracts. They have a number of very significant and substantial contracts for five years or more. I think this is something on which we would be looking to the government for assistance, from a legislative point of view, because the law of contract in and of itself is not going to allow one contracting party to unilaterally amend the terms.

Mr. Michael Prue: Okay. This is an important thing you've just said, because some economists are coming and saying that businesses will pass on the savings to consumers. You do not believe that those increases in money to the contracted agencies will be passed down to the consumers, i.e., the condominium corporation?

Mr. Armand Conant: We don't agree with that.

Mr. Brian Horlick: Well, as a lawyer, maybe I'm cynical, but I—

Mr. Michael Prue: I'm a politician. I'm probably more cynical.

Mr. Brian Horlick: But I cannot see how the supplier of a long-term contract is going to pass on the embedded savings from the PST to the condo clients. I cannot see that. As we've said, if there's a year left on the contract once the HST may be coming in, that is something that would be acceptable, but if there are four, six or seven years, there are seven years of profit going into the contract. There's no way for the condominium clients, the corporations, to somehow ameliorate, to lessen, the blow of the HST.

Mr. Armand Conant: We want to make clear we're talking—

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation. The time is up.

JACK MINTZ

The Vice-Chair (Mrs. Laura Albanese): I would like now to join the next presenter, via teleconferencing. It's Mr. Jack Mintz.

Ms. Lisa MacLeod: On a point of order, Chair.

The Vice-Chair (Mrs. Laura Albanese): Hello. Could you please—

Mr. Jack Mintz: Yes, I'm here. Can you hear me?

The Vice-Chair (Mrs. Laura Albanese): Yes, I can.

Ms. Lisa MacLeod: I have a few articles that I'd like to put in the record.

The Vice-Chair (Mrs. Laura Albanese): Since we have videoconferencing, could we do it right after, Ms. MacLeod?

Ms. Lisa MacLeod: Sure.

The Chair (Mrs. Laura Albanese): Thank you. I appreciate your co-operation.

Mr. Mintz, you do have up to 10 minutes for your presentation. You may now begin.

Mr. Jack Mintz: Thank you very much. I actually will be probably shorter than 10 minutes, to allow people to ask me questions. I'd be happy to do so.

First of all, let me say that I've been up before the Ontario finance committee many times. I'm sure people remember all the times that I talked about the importance of improving tax competitiveness in Ontario, particularly with respect to taxation of capital, and the need to lower corporate income taxes and to undertake sales tax harmonization.

I have to admit that seeing what happened in the 2009 budget is a very dramatic change. It has a very significant impact on Ontario with respect to its taxation of capital. It will make Ontario a much more competitive regime than it has been. In fact, Ontario, under my calculations over the years, was actually one of the worst jurisdictions when it came to taxation of capital amongst 80 countries in the world. The changes that are being done by Ontario now, where effectively the taxation of capital will be reduced by almost half, are very dramatic. The 2009 budget, both taking into account sales tax harmonization and the corporate tax reductions, is going to have a very dramatic effect on Ontario's economy over the coming decade. In fact, my estimates suggest that capital investment will rise by about $47 billion; annual incomes will rise by up to 8.8% or $29.4 billion; and 591,000 net new jobs will be created in Ontario as a result of these changes.

I will admit that the model that I used for estimating these impacts is a particular model, which I would be happy to explain to people in more detail if they wish. But conceptually, the key point is that the impact on investment and incomes in Ontario will be quite substantial over time. The HST is a very significant part of those changes that I think will be extremely helpful to the Ontario economy for a long time to come.

I will be happy to answer any questions that any committee members would like to raise.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much, Mr. Mintz. We will now turn it over to the government side.

Mr. Wayne Arthurs: Thank you, Chair. Mr. Mintz, it's Wayne Arthurs, one of the members on the government side of the table at this point in time. Thank you, first, for taking the time this afternoon.

I've got a couple of questions in the time remaining, since you did leave us some time. Mr. Sousa as well had a question pending, if time allows.

Thank you for the report you prepared, Ontario's Bold Move to Create Jobs and Growth, the impact of the 2009 Ontario budget.

There are a couple of things that I'd like you to expand upon a little bit, or comment on. One is the offer you just made to expand a bit on the jobs and income growth over time as a result of the HST and other significant tax initiatives as part of this budget; that's one.

Secondly, you're probably aware that the ways and means motion at the House of Commons passed today by a very significant vote. I think there were 30 votes against and some 192 votes in favour. Do you feel that will have any significant impact on some of the broader public policy initiatives with respect to taxation in the country and the province, and will it do anything to the business psyche at this particular point in time, with the economic downturn we've faced, in reinforcing and encouraging business initiatives in a little more positive perspective than we might have had in the absence of such strong support for the introduction of legislation federally?

Mr. Jack Mintz: Thank you very much. On your first question, let me mention two things.

First of all, I show the breakdown of the impacts of the various policy changes with respect to federal tax cuts and—you'll have to excuse me. I've had a cough for four weeks, so if I cough, please forgive me. We did look at what the various policies do, in terms of the harmonization and federal tax cuts, and the Ontario corporate income tax cuts, including the capital tax elimination.

The biggest impact of the Ontario 2009 budget and other changes that are coming in place, including federal changes and previous Ontario changes, is the HST harmonization, where in fact the decline in the marginal effective tax rate for investments in Ontario, almost two thirds of it is due to the harmonization of the sales tax. In fact, just to give you an idea, out of the $47 billion in additional investment, I estimate that about $30 billion of that, over the next decade, will be due to the HST harmonization. That has a pretty significant impact.

The other thing I want to mention, in response to your question, is the House of Commons vote today. The importance of that, I think, is the fact that both major parties at the federal level, the Liberals and the Conservatives, do recognize the importance of tax competitiveness. In fact, there's really not a major disagreement between Liberals and Conservatives at the federal level about the importance of Canada having a tax-competitive regime. This has been a policy that has been followed through by both Liberal and Conservative governments since 2000, which I think is really quite important.

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I think the vote today just confirms that, and the certainty it creates for business around the world in looking at Canada is that they see a country which is trying to welcome capital investment, trying to welcome people creating jobs in Canada. This is quite a shift that's occurred from many years ago. When you compare that to what is now happening in some countries with very large deficits and debt overhang and an outlook in which taxes will go up quite significantly over the coming years, Canada actually has a very good environment now for businesses to come here—

The Vice-Chair (Mrs. Laura Albanese): Mr. Mintz—

Ms. Lisa MacLeod: I do have a point of order, Madam Chair.

The Vice-Chair (Mrs. Laura Albanese): One second. If I could just advise Mr. Mintz that his presentation was three minutes instead of 10; therefore, the government's side was allowed the five minutes in the rotation, and we're now splitting the rest of the seven minutes into two three-and-a-half-minute segments for the opposition parties.

Mr. Jack Mintz: Okay.

Mr. Wayne Arthurs: On a point of order, Chair: The subcommittee report and the agreement we had spoke to presentations of up to 10 minutes and questions up to five minutes, and the procedure this committee has used for some considerable time, and which was agreed upon during our subcommittee, was that we would rotate the questions amongst the parties on five-minute intervals. In my view, the fact that a deputation doesn't use all of its 10 minutes does not create an environment that we now begin splitting the question time among the parties.

Ms. Lisa MacLeod: On a point of order, Madam Chair: I would like to seek unanimous consent that the official opposition and the third party are able to question Mr. Mintz. After all, it was the Liberal government that did commission a report by Mr. Mintz that they have been touting, not only in the Ontario Legislature but also throughout the rest of Ontario. If you want this hearing to be more than a sham and a publicity stunt, and actually be legitimate, where we have an opportunity to question someone that you paid a significant amount of money to do a significant report for the taxpayers of the province, including the members of this Legislature, then you will agree to that unanimous consent request.

Mr. Wayne Arthurs: No, we don't agree.

Ms. Lisa MacLeod: This is unbelievable, undemocratic, and I can't believe it. I'm that disappointed; I'm actually disgusted.

The Vice-Chair (Mrs. Laura Albanese): Mr. Prue?

Mr. Michael Prue: If I could just state for the record that I too am disappointed. I had some questions of Mr. Mintz. The luck of the draw—I did not have a chance to ask him those questions. There was time on the clock. It was not going to displace, even for one minute, any of the other deputants. It's quite clear that the Liberal government just wants to ask the questions of Mr. Mintz that it wants answered and is afraid to let the others ask questions that they may find embarrassing.

Mr. Mintz, it is not your fault—if you're still listening to this—but I do find this atrocious behaviour, given the statement that the Chair was willing to allow you to answer, for a couple of minutes each, some questions that we had.

Mr. Wayne Arthurs: Chair, we stand, as the government, as a member, on the order of the House and the agreement of the subcommittee in the operation of the committee structure. Mr. Mintz could have taken the full 10 minutes. I would have been happy if we had more than five minutes to question him as the governing party in rotation. The reality is, that's what we had; the reality is, these are the rules by which we agreed to proceed today.

Ms. Lisa MacLeod: Well, we could have requested, and we did request, unanimous consent, and that was denied—

Mr. Wayne Arthurs: And you didn't get it.

Ms. Lisa MacLeod: —as many people were denied. We had three dozen Ontarians who tried to speak to this committee, who were denied the right to speak. I guess I'm left with only saying—you've said that you've had over 150 consultations on the HST—we would like to see those over 150 transcripts by Monday; otherwise, it is very clear that your private meetings in this public venue are nothing more than a sham.

This is disingenuous; it is unfair. We have taxpayers who should have the right to speak, and we have members of this Legislature who should have the right to ask questions.

The Vice-Chair (Mrs. Laura Albanese): Thank you.

Mr. Michael Prue: If I could, if Mr. Mintz is still on the line: Mr. Mintz, do you have any problems answering these questions?

Mr. Jack Mintz: Absolutely not. You know me.

Mr. Michael Prue: That's what I thought.

The Vice-Chair (Mrs. Laura Albanese): Well, unanimous consent was not conceded. And I did speak before that was asked, on advice of the Chair on how that works. But I think, Mr. Mintz, that your seven minutes have now vaporized. Thank you very much for your intervention in our committee. We shall proceed to the next presenter.

Ms. Lisa MacLeod: Just further points of order.

Mr. Norm Miller: If I may, please: Just following up on the point of order of the parliamentary assistant: He spoke of the order of the House, and I think it should be very clear that the order of the House, the time allocation motion, was brought about with the majority government and with a lot of protesting going on, and it's very prescriptive and does not give the opportunity for so many people to have their say in these proceedings.

The Vice-Chair (Mrs. Laura Albanese): Thank you. We shall proceed and call—

Ms. Lisa MacLeod: On a further point of order: Just because there are legitimate stakeholders that we need to hear from that we aren't, and as my colleague mentioned the standing orders, the time allocation motion was quite draconian.

I have this from yourhome.ca: "Condo Crowd Ramps Up for HST Fight," to go to the clerk. "Ontario Condo

Law Blog: CCI's fight Against HST Takes to the Airwaves."

Toronto Condo and Real Estate Blog has an article by Ellen Moorhouse from the Toronto Star, where she says, "Condo Crowd Ramps Up for HST Fight."

There's an interesting quote here that I think needs to be said: "'Mr. Naqvi does not know his facts or it is convenient for him to try and mislead,' business owner and Gates of Guildwood condo director Wolfgang Kirchner commented by e-mail after the meeting."

I also have a condo report by Armand Conant, whom we just heard from: "Update on HST for Condominium Corporations."

The National Post on Thursday, September 24: "Condo Managers Decry HST."

And the Globe and Mail: "It's Coming: HST May Scuttle Condo Deals," by Terrence Belford.

I'd like to table those with the committee. Thank you very much.

The Vice-Chair (Mrs. Laura Albanese): Thank you.

CURVES

The Vice-Chair (Mrs. Laura Albanese): I would like to call Mr. Andy Soumbos, from Curves, to approach the table. Welcome. You may begin your presentation. You have up to 10 minutes.

Mr. Andy Soumbos: Thank you for hearing me today. It's going to be hard to follow all this.

My name is Andy Soumbos. I'm a Curves franchisee and I'm here representing over 250 Ontario Curves franchises across large, mid-sized and small cities and towns in Ontario. There are thousands of members who are all opposed to the HST being charged on health club memberships and services.

The government has stated that the new HST will save money for businesses. In the fitness business, we do not see any cost-cutting benefits by imposing the HST; therefore there are no cost savings to pass on to our customers. This will make it harder to stay in business, as most fitness clubs across Ontario are independently owned and operated—operated by people who live in the same community where they do business. In these economic times, we do not need more tax.

We live in an age where obesity is a burden in our health care system each and every day. The proposed HST exemptions for food and beverages under $4, as you have just mentioned, is allowing the average person to go out and eat food that has been well documented to contribute to obesity and not pay HST on these items. This puts an enormous strain on our health care system and costs, costs that all residents of Ontario must pay today and in the future. Examples of these foods, that are listed on page 52 here, are servings of cakes, muffins, pies, pastries, tarts, cookies, doughnuts, brownies—and the list goes on.

In turn, the proposed HST is penalizing those citizens that are attempting to make a better life for themselves through exercise by adding an 8% tax to their fitness memberships. These citizens are the ones that are least likely to be a burden on the health care system and, in turn, are saving each and every taxpayer in terms of lower health care costs to the system. Why is the government penalizing these citizens that are becoming healthy? This is an unfair tax, in all our views.

The tax, in our opinion, will increase the costs of all fitness memberships across Ontario, thus making it more expensive for a customer to join and become fit. In these economic times, where people are choosing where they spend their hard-earned money very carefully, what will be the cost on the Ontario health care system if residents of Ontario stop exercising? In our view, we're encouraging poor health with this tax.

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Fitness Industry Canada is also opposed to this tax, but has indicated that a compromise would be to allow taxpayers to expense their fitness memberships and receive a tax credit. This would reward those that make the effort to stay healthy and not be a burden on health care costs. This would be an acceptable compromise on our part.

Currently, Curves franchisees are in the process of having our members, taxpayers and voters across all regions of Ontario sign a petition against this tax on fitness club memberships. Our intent is to present the petitions early in 2010. We hope this will not be necessary and that the government will make changes to the HST, as it is harmful to those citizens that are making a better life for themselves through exercise.

The Acting Chair (Mr. Bob Delaney): Done?

Mr. Andy Soumbos: Yes.

The Acting Chair (Mr. Bob Delaney): Thank you. Okay, Mr. Miller, questions?

Mr. Norm Miller: Thank you very much for your presentation today. I guess the first thing I'd say is that the petition you're working on—you said you're planning on delivering that in 2010?

Mr. Andy Soumbos: I know that it might be a little bit late, but we started it a little bit late. The reason why was that when the under-$4 items came up, we thought that was just, for lack of a better term, pathetic. You're charging people to become healthy, which is going to save money to the health care system in Ontario, but yet you're allowing everybody to go eat foods that we know create obesity. How is that fair?

Mr. Norm Miller: I totally agree with you. How many names would you have on these petitions at this point?

Mr. Andy Soumbos: At this point, I don't know. I just met with several franchisees, actually, the previous two days. There will be thousands of members that will be signing, including their family members and so on.

Mr. Norm Miller: I would just comment that it's a good thing you're one of the lucky ones that happened to be able to get in on short notice to make your views known before this committee. There are a lot of people out there, even with no advertising for these proceedings and extremely short notice, that aren't able to present to the committee.

This legislation is being rammed through very quickly. In fact, based on the time allocation motion, it basically will be passed by next Wednesday. I'm not trying to discourage you from the petitions. I still encourage you. The views of your members and owners of the Curves franchises should still have their say. I've heard from businesses in my own riding, various clubs that are concerned about there being a new tax on physical fitness, on programs for healthy living, and as you point out, it's interesting that one of the things the government has chosen to exempt is meals under $4, which in many cases is fast food. I'm as big a supporter of Tim Hortons as anyone. In fact—

Ms. Lisa MacLeod: I just got you one.

Mr. Andy Soumbos: I don't think it's so much the coffee, unless you put sugar and lots of cream in there.

Mr. Norm Miller: The coffee's okay, but maybe it's the doughnut that goes with it that wouldn't be quite as healthy. I get the point you're making. I think even the government has stated that they've got a Ministry of Health Promotion; they should be encouraging people to go to gyms to get more fit, to go play hockey, play soccer, go cross-country skiing or bicycling or whatever, and there would be a payoff for the health system. That is a point that you are making, and unfortunately what they are doing is putting a new tax on the services you are providing to people and a means for people to live healthier lifestyles in Ontario. Earlier this morning we also heard from kids' camps that are quite concerned that it's going to mean a decrease in enrolment in kids' camps—that's another opportunity for young people to develop healthy lifestyles at a young age—and they're concerned about a decline in employment as well.

So I appreciate your coming in. I think you make an excellent point that this will be a new tax on people that are trying to live healthy lifestyles. I think that makes a lot of sense. What exactly are you saying in your petition?

Mr. Andy Soumbos: Basically it's a petition that everybody's signed that they're against the HST being charged on fitness memberships.

Mr. Norm Miller: And if they do that—

Mr. Andy Soumbos: This is right across Ontario. This is every single, solitary—I mean, you're talking about well over 250 locations across Ontario. This is not one little spot. This is everywhere. Anywhere you can think of, there's a Curves franchise.

Mr. Norm Miller: What kind of effect do you think it will have on your business?

Mr. Andy Soumbos: I honestly think, right now—in our particular business, it's women only and a lot of our members are between 40—we have members who are 80 years old, 90 years old. With the aging population, this is where they're heading to get healthy. So now you're attacking the people who are in their 60s and 70s, and in some areas like Sarnia and Orillia where we have facilities, our membership is very heavily in seniors. How are they going to afford to pay an extra 8% on their memberships? They're the ones who could potentially be a burden on the health care system, but they've chosen to come and exercise and not be a burden so let's tax them. It doesn't make any sense.

Mr. Norm Miller: I think your point—

Mr. Andy Soumbos: We're not even following the Canada Food Guide on how to eat. We're encouraging, "Go eat"—I'm not going to name names, but you know who they are—"the value meals under $4."

Mr. Norm Miller: You certainly make an excellent point, that this would discourage people and make fitness less affordable for the people in the province.

The Acting Chair (Mr. Bob Delaney): And on that comment, Mr. Soumbos, I want to thank you very much for having made your presentation.

Our next deputant is Tony Guy—

Ms. Lisa MacLeod: Mr. Chair, I actually have a point of order. I have a document here I'd like to provide to the committee. It's from Mr. Mark Douglas in Georgetown, Ontario, and it's a letter from Dwight Duncan of February 21, 2008, just mere days before he decided to table his plans for HST and months before he actually tabled legislation.

I think it's important for this committee to know that Dwight Duncan said, "I have noted your concerns about sales tax harmonization, which is a complex issue. Ontario has consistently said it would not agree to harmonizing with the GST if that would increase the tax burden on Ontario taxpayers"—

The Acting Chair (Mr. Bob Delaney): Ms. MacLeod, come to order. You've indicated that you're going to table the document. We'll table the document, and we'll accept the document. You've indicated your intention to table it; you can't read it.

Our next—

Ms. Lisa MacLeod: Point of order on section 121(2): I just want to point out that particularly with respect to basic essentials, Mr. Duncan said he would never harmonize taxes on home heating, and that's included in this. I think it's important that the committee members see this, and all Ontarians should have access to these documents.

The Acting Chair (Mr. Bob Delaney): Thank you.

Mr. Frank Klees: I have a point of order, Chair, with your agreement: In light of the previous submission that we've heard, I would like to propose a motion that the committee consider. It reads as follows: That, should the HST be implemented, memberships for fitness should be exempted.

I wonder if we could get a seconder for that motion.

Ms. Lisa MacLeod: I have to move it.

Mr. Frank Klees: If you would.

Ms. Lisa MacLeod: As a member of the committee, I have to be the one who moves it, apparently; I've been advised by the clerk.

I must say, this is from my colleague, Frank Klees, who believes that—and I would move this motion: That, should the HST be implemented, for fitness memberships, they should be exempted.

That is a motion from Frank Klees, the MPP from Newmarket–Aurora. Do I have a seconder for that?

Mr. Norm Miller: I'll second it.

Ms. Lisa MacLeod: Thank you very much.

I think I would like to also have a motion with regard to the document that was just provided, where the finance minister himself said that he would not place the HST on home heating, that we actually extend that—

The Acting Chair (Mr. Bob Delaney): Ms. MacLeod, there is a motion before the floor. Let's deal with the motion that's before the floor before we consider another one.

Ms. Lisa MacLeod: Thank you very much, Mr. Chair.

The Acting Chair (Mr. Bob Delaney): Ms. MacLeod, this is a motion that is best dealt with at clause-by-clause.

Ms. Lisa MacLeod: On a point of order, Mr. Chair: My colleague Mr. Klees said it could be dealt with at clause-by-clause, but he would prefer it to be dealt with right now. We have a mover and a seconder, so we would like to proceed with that.

The Clerk of the Committee (Mr. William Short): Which motion? I'm sorry.

Ms. Lisa MacLeod: The first one. And we can do the second one, as well, afterwards.

The first one is that should the HST be implemented, fitness memberships be excluded.

The Clerk of the Committee (Mr. William Short): We'll have to take a recess and make copies of that to distribute—

Ms. Lisa MacLeod: Okay, thanks.

The Vice-Chair (Mrs. Laura Albanese): We will have to take a quick recess for a few moments, and we'll deal with that when we return. Thank you.

The committee recessed from 1601 to 1614.

The Vice-Chair (Mrs. Laura Albanese): We're reconvening. Yes, Mr. Arthurs?

Mr. Wayne Arthurs: Can you just confirm for me the voting members of the opposition, since there are four members here—

Interjection.

Mr. Wayne Arthurs: Just the two? Sorry. Okay. Thank you.

Ms. Lisa MacLeod: Unless you want the other two.

Mr. Wayne Arthurs: I felt I knew which two; I just wanted to confirm it.

The Vice-Chair (Mrs. Laura Albanese): Ms. MacLeod has moved a motion. Do you want to read it into the record?

Ms. Lisa MacLeod: I move that the Standing Committee on Finance and Economic Affairs recommends that, should the HST be implemented, fitness memberships should be exempted.

The Vice-Chair (Mrs. Laura Albanese): Any comments?

Mr. Wayne Arthurs: Motion for a recorded vote, please.

The Vice-Chair (Mrs. Laura Albanese): A recorded vote. Mr. Prue.

Mr. Michael Prue: Before I speak to this motion, I need to know and to understand the effect that it will have, because this is a motion that appears to me to be advisory. I'm not sure who's being advised, but I would think it might be the Minister of Finance or the Lieutenant Governor in Council. This would, in my view, be different from a motion that may be made to the same effect at the time that we go to clause-by-clause, because a motion could be brought forward in clause-by-clause to have the same effect that would actually change the legislation.

So there are two potentials here, and I just need to understand either from the clerk or from the Chair what the effect of this motion will be, and whether it will in any way affect the clause-by-clause deliberation on the same thing, which would actually result—or may conceivably result, because I haven't seen the motions yet—in a clause that would substantially change whether or not gym memberships or the like are subject to HST.

The Vice-Chair (Mrs. Laura Albanese): Basically, this is just a recommendation from the committee.

Mr. Michael Prue: And to whom would it go?

The Vice-Chair (Mrs. Laura Albanese): The clerk will be checking on that.

Mr. Michael Prue: Thank you, Madam Chair. I always try to cast an informed vote.

Interjection.

Mr. Wayne Arthurs: I haven't been convinced.

Ms. Lisa MacLeod: Well, the proof is the proof is the proof.

Interjections.

Mr. Wayne Arthurs: I heard the submission. I haven't been convinced yet.

Mr. Frank Klees: Are any of your members convinced?

Mr. Wayne Arthurs: I guess we'll have to wait for the vote.

Mr. Frank Klees: I think Ms. Pendergast understands. I fully expect Ms. Pendergast to support this motion. And Dr. Hoskins, who fully understands the implications of health, access to good healthy exercise.

Interjection.

The Vice-Chair (Mrs. Laura Albanese): We have confirmed that the recommendation would go to the Ministry of Finance. Can we move to a vote? Mr. Prue.

Mr. Michael Prue: If I can speak to the motion, then, please.

The Vice-Chair (Mrs. Laura Albanese): You would like to speak to the motion?

Mr. Michael Prue: Yes, because I would like to make an amendment to the motion, because—

The Vice-Chair (Mrs. Laura Albanese): I would just caution: I know that this is a fully debatable motion; however, I would like to remind all the members that we're here to hear from presenters—

Mr. Michael Prue: I understand. If we're dealing with the motion, I'm only changing one word.

The Vice-Chair (Mrs. Laura Albanese): Yes.

Mr. Michael Prue: Okay. Where it reads, "should the HST be implemented, fitness member should be exempted." I believe that should be "fitness membership."

Ms. Lisa MacLeod: Yes, I read that in.

Mr. Michael Prue: You read that in.

Ms. Lisa MacLeod: It was a typo.

Mr. Michael Prue: Fine, then I withdraw with that. I just wanted to make sure I was voting for the right thing.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much, Mr. Prue. We move to the vote at this point.

Ayes

MacLeod, Miller, Prue.

Nays

Arthurs, Delaney, Hoskins, Pendergast, Sousa.

The Vice-Chair (Mrs. Laura Albanese): The motion is lost.

Ms. Lisa MacLeod: That is terrible.

I have another motion to move. I move that the Standing Committee of Finance and Economic Affairs recommends that, in light of the document tabled with the clerk whereby Dwight Duncan, finance minister, wrote that he would not add HST to home heating and then subsequently introduced legislation that would impose an 8% tax increase on home heating, that home heating be exempted from the HST if it is imposed.

1620

The Vice-Chair (Mrs. Laura Albanese): Any comments?

Mr. Wayne Arthurs: Recorded vote, please.

Ayes

MacLeod, Miller, Prue.

Nays

Arthurs, Delaney, Hoskins, Pendergast, Sousa.

The Vice-Chair (Mrs. Laura Albanese): I declare the motion lost.

Mr. Frank Klees: On a point of order, Madam Chair: We've now had two amendment motions that were voted down by members of the government—reasonable, certainly something that is in the scheme of things very minimal. It was an ask that was very clear from representations we've had here by thousands of people from across the province. Can the parliamentary assistant tell us why he and the government members of this committee voted that motion down?

The Vice-Chair (Mrs. Laura Albanese): Any comments?

Mr. Wayne Arthurs: Chair, I'm anxious to hear from the deputations that we're here today to hear from. The nature of those discussions and amendments, in my view, would be more appropriately dealt with in motions at clause-by-clause. I'm anxious to move on with the agenda we have before us. There are a number of deputants who wait to be heard in the time available to us.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much, Mr. Arthurs.

TONY GUY

The Vice-Chair (Mrs. Laura Albanese): I would call now Mr. Tony Guy. Could you please approach the table and state your name for the purposes of Hansard? You have up to 10 minutes to proceed with your presentation. Thank you for being so patient and for waiting.

Mr. Tony Guy: Thank you. I was christened Anthony; I go by the name Tony Guy. Good afternoon, members of the committee. I thank you for the opportunity to address you. It certainly beats writing letters to the editor, to my MPP and to the Premier.

I am currently retired and living on a non-indexed fixed income derived from investments and the CPP. This retired status may have to change if my cost of living continues to rise. I also live in a condominium and serve on its board. I am not a member of or aligned with any political party. I am not an economist, and I do not propose to argue the administrative merits of harmonizing the GST and RST/PST. I would, however, like to raise some questions and observations regarding the job creation and other benefits to business used in the government's argument in favour of this legislation.

The principal objective of my presentation is to urge the government to amend the proposed tax rate or to exempt more of the commodities and services and, by doing so, lessen the significant harmful impact on taxpayers. I also believe that the current proposal places an unfair burden on lower- and fixed-income Ontarians and will increase the gap between rich and poor in this province.

According to the Ministry of Revenue's own website, I will receive some benefits and I may receive some tax relief. I have done the calculations—I am shortening a little bit because I know we're short of time. Basically, in the first year I would have a 1% increase in the cost of living; in the second year, 5%. Based on the fact that we assume that inflation will not change dramatically, and I'm assuming that the government of the day doesn't change the tax rate, it will increase approximately 1% per year thereafter.

For someone in my fiscal position, and assuming a 5% pass-back, which the government has tabled and is likely to happen in the cost of goods, in order to make this revenue-neutral for me, I would have to buy about $22,000 worth of goods. I do not plan to do that. In fact, I cannot afford to do that.

Of this increase, approximately $450 a year is due specifically to the direct impact on the condominium fees of our particular condominium. This will seriously and adversely affect many of our residents who are either on a fixed income or are supporting young families. Our condominium is relatively new, and thus the fees at this time are relatively low. Over time, as the need for repairs grows, this amount will increase substantially.

Condominium owners, unlike single-family home owners, do not have the freedom under the Condominium Act to defer or opt out of maintaining a reserve contingency. Additionally, we are bound to utilize contractors to maintain shared facilities and do not have the option to defer repairs or supply resident labour. My circumstances, fortunately, do not include having to pay, for example, for sports activities. For many families, these costs can run into the hundreds and even thousands of dollars a year. It seems regressive and hypocritical to tax activities that are supportive of lowering health care costs, yet exempt $4 fast food that contributes to obesity and ill health.

The government recently announced that newspaper subscriptions would be exempt from the tax. I question why. I get my news from the Internet. Why is my connection fee being taxed? It is my view that this was simply an attempt to persuade voters that the government is sensitive to their needs, or, put another way, of saying, "Let them eat cake."

If I might, I'd like to touch on a couple of other issues that I think need to be addressed and considered. I do not dispute that it is possible that there may be some administrative savings to the government in the collecting of taxes. If that is the case, I would suggest that the government disclose the value in dollars specifically and apply that increase in revenue to reducing the tax rate proposed.

The current tax plan is regressive. It places the entire increased burden on the individual taxpayer, with absolutely no guarantee that suppliers will, or will be able to, pass through any offsetting savings to that same individual taxpayer. There is also no doubt that because it increases the cost of so many basic services, like heat, light and transportation—essential services needed by all taxpayers—it places the biggest burden on middle- and lower-income families.

The government bureaucrat, bank executive or even, dare I say, MPP making over $120,000 a year uses the same amount of gas to power their car as the worker making $50,000, and the same amount to heat their house, keep the lights on or pay for cable, pet bills or kids' sports, etc. Yet the additional tax burden as a percentage increase on disposable income is far less for them. This is a tax that, once we have spent the $900 gift of our own money, will contribute to a widening of the have/have-not gap and further erode the middle class till we have only rich and poor.

The United Kingdom, which also instituted a harmonized tax many years ago, appears to have appreciated this issue and instituted a series of full and partial exemptions. Home heating supplies, gasoline and home renovations are just some of the items; I also noticed this morning that funerals are exempted from the tax in Britain.

As I indicated, I am not an economist. My background includes being a public servant in both the provincial and federal governments. For the past 20 years, I have either operated my own business or acted as a CEO in several small businesses. As a result, I have many contacts in small business. From the informal surveys I have done, none have indicated to me that they foresee benefits to their businesses that will result in either reduced costs to their customers or an expansion of their payroll. In fact, most have concerns that the additional tax burden on individual taxpayers will negatively impact growth and lead to significant increases in under-the-table transactions.

I reiterate: I am not here to argue the merits of harmonization as it pertains to simplification of the tax structure or lowering of the cost of administration. However, having read the Mintz report, I remain unconvinced that this single move will create 599,000 jobs over the next 10 years and $47 billion in new investment. If true, this would be the first example of a tax increase stimulating any economy.

We are currently in a recession. Now is the time to stimulate spending, not retard it. It is my view that the increase in tax to individual taxpayers will reduce spending and retard consumer spending.

1630

Consumption taxes are generally applied in those circumstances where the consumer has a choice to avoid or mitigate the tax by not purchasing or by reducing consumption. This is not the case with the current planned legislation. This tax includes essential commodities and services which cannot be reduced or avoided.

To use the Maritimes as an example of impact that could pertain to Ontario seems, at best, tenuous. Their economy is not similar to Ontario's. The Maritimes do not have a massive manufacturing and financial infrastructure and, in the final analysis, are smaller than Peel region. As a postscript, however, I would add that when the Maritime provinces introduced HST, they at least had the sense to reduce the combined rate.

It is well understood that this province is running a deficit of over $25 billion. If, as the government states, this legislation overall will not increase gross revenues but rather reduce them, then why make these changes now? Would it not better serve the people of this province to make these changes when our economy is in better shape?

My own view is that together with the federal grants, this tax does amount to an increase in revenues, but I have yet to see any definitive report on this.

I am constantly befuddled by the attitude of government—of any stripe—to policies, services, programs and changing needs. It always seems that they are pandering to the electorate as opposed to developing innovative approaches. I think it shows how they view our intellect and intelligence.

Government should live within its means. It should not be that the only solution to any issue is to throw more money at it, which seems more the norm these days.

The Vice-Chair (Mrs. Laura Albanese): Mr. Guy, you have less than 30 seconds to conclude.

Mr. Tony Guy: Okay, I'll try.

I understand that governments in their tenure can introduce new initiatives not originally part of their election platform. The introduction of this particular HST legislation appears not to have been included in any platform in any election, and I believe it should have been.

This legislation punishes the most vulnerable; those with low incomes, fixed incomes; seniors; and those who live in condominiums. I strongly urge the government to consider reducing the combined rate of HST tax to be charged or to exempt items essential to the basic cost of living.

I thank you very much for the time.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much. I would now invite—

Interruption.

The Vice-Chair (Mrs. Laura Albanese): I would like to remind the members of the audience, or everyone who is present, that you are welcome to follow the proceedings but not participate in them. Thank you.

Mr. Prue?

Mr. Michael Prue: Yes. I'm curious about a couple of things. First of all, you went on the Ontario website, and you believe that "my wife and I will receive $900 in transitional benefits." The government often talks about $1,000 or they talk about $300 per individual. How is it you came to the conclusion you'd get $900?

Mr. Tony Guy: When you fill in the form, it gives you a result, and that's the result that came back.

Mr. Michael Prue: Okay, that's the result. All right. I'd better go on there and see. I know what's going to happen, though. Mine is going to say "zero."

You did that, and then you come to the conclusion that this is going to end up costing you a lot more money. You list $450 per year due to the impact on condominium fees. Every single person who has come here—condominium corporations, condominium owners—has come to the same conclusion. How did you come to your conclusion of $450?

Mr. Tony Guy: We did our budget exercise. We simply looked at the contract fees that we're now paying. We had to make an assumption about whether there would be any pass-back from the contractors of any of their benefits as a result of the reduction in RST or the simplification in tax. We concluded that as a result we should allow a 1% material reduction, so we used a 7% number to calculate the increase in our costs.

Mr. Michael Prue: Okay. So you were being extra cautious, even thinking that some money might be taken back by the contractor.

Mr. Tony Guy: We assumed that there might be something.

Mr. Michael Prue: There might be some. Other presenters have suggested they wouldn't hold their breath. They don't think there are going to be any at all. Those are the lawyers and economists.

Interjection.

Mr. Michael Prue: Okay. They went on to say—you make a very good point on the fast food. The deputation before yours was talking about precisely that. Does it make sense for this government, that occasionally stands up in the House and talks about public health issues, to exempt fast food and at the same time not exempt other things that will keep people healthy or that are probably better needed by people to get about their daily lives? I mean, I can do without doughnuts if I have to.

Mr. Tony Guy: I have no adequate response to your question other than to suggest to you that my belief is that this was simple pandering to the press. I don't think it had anything to do with health or anything else.

Mr. Michael Prue: You went on to talk about newspapers, and I know the newspaper lobby was here one day. Everybody from the Toronto Star to the smallest little local community paper was asking that they be exempt, and lo and behold, a day or two later they were. The magazines are now crying foul. Does it make any sense to you that the government is proposing to only exempt newspapers, but not Internet subscriptions, as you've listed, or magazines or other forms of communication?

Mr. Tony Guy: It makes absolutely no sense to me. Again, the only argument that makes any sense to me is that they did it in order to get an excuse for a sound bite and a camera visit. I don't think it has any strength other than that.

Mr. Michael Prue: Or perhaps a good editorial comment.

Mr. Tony Guy: Well, maybe. I have yet to see a good editorial comment in our papers.

Mr. Michael Prue: You went on to say that you didn't want to talk about the merits of the harmonization as it pertains to simplification of the tax structure, but you went on to talk about Mr. Mintz. I've asked this question this morning. The government members refused to allow us to question Mr. Mintz when he was on the phone. Mr. Mintz was one of the authors of an initial report of the Ontario Chamber of Commerce that said the HST would cost 40,000 jobs in the short term, over four years. He was then commissioned by the government and paid an enormous amount of money to write his own report, which then said it was going to create 591,000 jobs. You say you find this incredulous; I think everybody except Mr. Mintz and the government does, too. Can you tell us why you find this incredulous?

Mr. Tony Guy: I prefaced my comments by saying that I'm not an economist. However, I did read the same articles that you did concerning his earlier reports and his subsequent report. I think part of the reason I find it incredulous is, like any consultant, they usually tell you what the customer wants to hear. I find that is probably part of the argument.

I also saw nothing in any of his reports that, to me, demonstrated that he could make a direct correlation with simplifying the tax for business. The only thing I could find some sense in is, if we were manufacturing in Ontario and selling abroad—I could accept, in certain part, that there could be some advantages in a tax situation for Ontario companies. Unfortunately, that would negate the argument the government is currently making that says it will be passed back to the consumer.

I believe that most of these benefits are going to go into the export business, which is not in and of itself a bad thing. I have no problem with that. I just have a problem with paying for it.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation. Our time is up.

Ms. Lisa MacLeod: Just a quick point of order, Madam Chair: I wanted to say thank you very much to Mr. Guy. I think that you're just the type of person we need to hear around here, not that ivory tower elite that we have been hearing from. You'll remember that Mr. McGuinty did tell you to write a letter to the editor if you're opposed to the HST. You not only did that—and I've got that; I'm going to give it to the clerk so they can file it—but you also showed up here. I think that takes guts and courage, and you did a heck of a job.

The other thing: I'd like to see if we have unanimous consent to extend the sitting tonight so that we can get through all of the deputations. I think my colleagues here in the opposition are willing to sit here for as long as it takes to get every single person we need to hear in. So, again, we'd like to seek unanimous consent to do that.

The Vice-Chair (Mrs. Laura Albanese): Unfortunately, I am told that there is no possibility. We're only authorized to sit until 6 o'clock. We would need authorization from the House, and the House is done for the day.

Mr. Michael Prue: If I could, then, by way of courtesy: Could the clerk instruct the last two presenters not to come? It seems a shame to bring them all the way down here for nothing.

The Vice-Chair (Mrs. Laura Albanese): Unless they're already here.

Mr. Michael Prue: Okay, but if they're not, it seems that's the only courteous thing to do.

The Chair (Mrs. Laura Albanese): Yes. That would be the Ontario Chamber of Commerce and the Canadian Manufacturers and Exporters. Are they present? No. Okay.

Mr. Arthurs?

Mr. Wayne Arthurs: I don't want to prolong this because I'm anxious to hear from all the deputants that time allows us, and we can do that with the efforts of this committee. We will be very close, if not there. We will, on our next rotation, forgo our questions, so we can have the 10 minutes, and begin by making up five minutes.

1640

The Vice-Chair (Mrs. Laura Albanese): Yes, we need to make up almost 20 minutes.

Ms. Lisa MacLeod: With respect, Chair, we really feel that we need more time in this committee to thoroughly look at that bill. We've got schedule A right through W or X, Y and Z. It's an omnibus bill which should have been severed anyway, and we haven't heard one deputation for any of the other bills, with the exception of the retail sales tax. So we really feel that we need more time.

The Vice-Chair (Mrs. Laura Albanese): Ms. MacLeod, I respect that, but at the same time we're under time allocation and this is the time that we have been allowed. We're all trying to work within the parameters that we have been given, so let's pull together and put some effort into hearing all of the presenters. We're here for public hearings.

Ms. Lisa MacLeod: Thanks, Chair.

The Vice-Chair (Mrs. Laura Albanese): Mr. Klees.

Mr. Frank Klees: Chair, let's do that. But I will say, for your benefit and for the benefit of other members of this committee, there have been other occasions where committees have, by unanimous consent, notwithstanding the time allocation order of the House, agreed to extend hearings to accommodate witnesses, and we're prepared to do that. I'm sure that Hansard will co-operate.

The Vice-Chair (Mrs. Laura Albanese): My understanding is, from the advice I'm getting from the clerk, that that would not be possible unless we have unanimous consent by the House.

Mr. Frank Klees: Well, I think that's wrong. You're getting bad advice, the wrong advice.

FEDERATION OF RENTAL-HOUSING PROVIDERS OF ONTARIO

The Vice-Chair (Mrs. Laura Albanese): I would suggest that we please move forward and call the Federation of Rental-housing Providers of Ontario. Please come forward. Welcome to the committee. You have up to 10 minutes for your presentation, and if you could please state your name for the purposes of Hansard.

Mr. Mike Chopowick: Good afternoon. My name is Mike Chopowick. I'm the manager of policy for FRPO. FRPO is the Federation of Rental-housing Providers of Ontario. We represent residential landlords and property managers who provide over 250,000 rental housing suites across Ontario. Our president, Vince Brescia, sends his regrets this afternoon, as FRPO is hosting its annual awards gala where we recognize excellence and professionalism in the provision of rental housing across the province, in Toronto.

We appreciate the opportunity to provide input on the Ontario Tax Plan for More Jobs and Growth Act, 2009. I know that a lot of stakeholders and individuals wanted to express their views, so we are very grateful for the opportunity to be here today.

Today I'll be explaining to you why the implementation of the HST, as currently planned, will be devastating for the rental housing industry in Ontario and for the rental experience of tenants.

I want to state that we do appreciate the position put forth by numerous business groups and economists that harmonizing the PST with the GST is a way to make Ontario a more internationally attractive place to invest and to provide long-term economic benefits to the province. We also wanted to say that we do appreciate the corporate tax reductions in the provincial budget, and we commend the government for this positive initiative.

In the course, however, of implementing a more competitive tax system, the provincial government overlooked the acute negative impact on the rental housing sector. I'll start by explaining why the HST impacts our sector so negatively, and then I'll conclude by recommending some mitigation measures for this impact.

Residential rental housing, as you know, is one of the few types of businesses in Canada that are GST-exempt. This means that landlords pay GST on their inputs, but we don't collect GST on our rents. In addition, there are no input tax credits for rental housing. Rents are not treated like groceries, which are zero-rated. For groceries, sellers are given input tax credits for which there is no sales tax that is passed on to the customer.

When the HST is implemented, it will actually increase our industry's operating costs by about 4.8% across the board. This means that a new 8% increase in taxes will be applied to about 60% of our costs. Expenditures on things such as heat and hydro, maintenance and repair contracts, property management fees, legal fees, accounting fees, elevator repairs, snow removal, and landscaping are all examples of rental housing costs that will be subject to an 8% increase in taxes.

When you add in the forecast for regular inflation in that year by TD Economics, we expect that our costs will rise by about 6.5%, or about $400 for every rental unit in the province. This is a huge impact, and it has serious consequences.

On top of this, rental housing, unlike any other product in Ontario, is price-controlled; it's rent-controlled. That means that landlords aren't able to pass on this huge cost increase. They're going to be hit with a $400 cost increase that they can't recover. And I'll explain why $400 per home is a huge negative impact and why you should be concerned about it.

If you look at the budget of a rental building, a typical apartment building, you quickly realize that the expenditure lines are not discretionary—property taxes, mortgage payments, heat, hydro, insurance. At the end of the day, there's only one line item that's discretionary, and that is repairs, renovations and maintenance. A $400 reduction in the repair and maintenance budget represents a 45% reduction in that budget for a typical apartment building.

As it's currently being planned, the HST will result in a massive deferral of repairs and maintenance of rental stock across Ontario. This is a horrible outcome when you consider that we actually have a very aging rental stock in Ontario. Engineering studies have shown that the rental stock in this province has huge deferred maintenance issues, and large investments in the stock are required to ensure its future viability.

Something else you may not be aware of is that our industry's net operating income has been declining for the past 10 years. Over the last 10 years, the net operating income of a typical rental building in Ontario has declined by about 16%. The HST impact will be on top of this.

Now, some in the government point to corporate tax reductions as an offset. However, many landlords are made up of sole proprietorships, limited partnerships, income trusts and pension funds, and none of these will get an offset through the proposed corporate tax changes.

For tenants, there are several negative implications. They are going to see a decline in the thing that they care about most in their units: repairs and maintenance. Customer service standards will decline. The condition of their buildings will also deteriorate. Future investment in new rental housing will decline. And ultimately, whether it's next year or the year after or by 2012 or 2013, all of these costs will be passed on to tenants in the form of higher rents. This will be done immediately for buildings that are exempt from rent control, and later on through turnover or though above-guideline increases.

The bottom line is that the HST will have a huge negative impact on the residential rental sector, reducing jobs, investment, repairs and maintenance.

We've identified some solutions to this issue.

The preferred solution for the rental housing industry is a zero rating. This is a consistent position put forward federally by the Canadian Federation of Apartment Associations, and it is a strong argument for fully removing the rental housing sector from the tax base for the proposed HST. The justification for rental housing to receive the same type of treatment as basic groceries would be similar to the justification for zero-rating groceries: this shelter, which is especially dominated by low- and middle-income groups, is a basic necessity, and a tax on such a good or service is regressive. We recognize the measurable cost this would have to both the federal and provincial governments in terms of tax revenue.

A second solution is to compensate the rental housing industry for the negative impact, which could be done through input tax credits or some other form of financial assistance. We recognize this requires funding. However, the industry needs at least some transitional assistance to mitigate the sudden impact.

Reforming rent control would be a third solution. This would require the government to fix the rent control guideline to allow the industry to fully pass on the costs to our customers. The main rationale for doing this, however, is not just related to the HST. Fixing Ontario's rent control system is necessary to allow landlords to recover all normal operating costs that we face. Ontario's rental housing stock is aging, as I mentioned, and it requires more investment to be maintained, not less. But Ontario's current CPI guideline doesn't even allow for the recovery of normal industry costs. As evidence, in the year 2011 we're projecting the rent guideline to be at or close to 0%, and we already know that our industry costs that year are going to be increasing far above that, likely between 5% and 10%.

In closing, I want to state that any solution will require the government of the day to start caring more about the negative impact of policy changes on landlords. The case of the HST is a clear example of where the fortunes of both tenants and landlords are inescapably linked.

Regardless of the sales tax exemption of rent, tax rebates paid to tenants and the misguided notions behind rent control, tenants will see and experience a negative impact on their housing from the HST. We recommend that mitigation be provided before this tax is implemented in July of next year to ensure the ongoing affordability and quality of Ontario's rental housing stock.

I thank you for the opportunity to address you today.

1650

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation. Mr. Arthurs?

Mr. Wayne Arthurs: I want to thank Mr. Chopowick for his deputation on behalf of the federation. The government side will not use its five minutes for questioning, in the interests of hearing the next deputation.

The Vice-Chair (Mrs. Laura Albanese): Thank you for coming down.

ONTARIO LONG TERM CARE ASSOCIATION

The Vice-Chair (Mrs. Laura Albanese): I will now call to the table the Ontario Long Term Care Association, Ms. Christina Bisanz. Welcome to our committee. Please state your name for the purposes of Hansard. You will have up to 10 minutes for your presentation.

Ms. Christina Bisanz: Thank you very much for this opportunity. My name is Christina Bisanz. I am the CEO of the Ontario Long Term Care Association. With me is Pat McCarthy, who is CEO of OMNI Health Care, which is an Ontario-based organization that was just named as one of the top 100 employers in Canada.

OLTCA represents over two thirds of Ontario's long-term-care homes, covering the full spectrum of not-for-profit, municipal, charitable and private sector operators. Our member homes provide high levels of therapeutic care and accommodation to some 50,000 of Ontario's most vulnerable seniors.

Ontario publicly funds and regulates homes to deliver a standardized program regardless of ownership structure. This homogeneity ensures that residents are entitled to receive the same care and services regardless of the home or where they live. This is a fundamental respect shown to seniors for their contribution to building this great province.

The HST implementation framework will put this equity and respect in jeopardy through its unintended consequence of reducing services for the over 40,000 residents in 360 publicly funded, privately operated homes in 100 of Ontario's electoral ridings. Why? Because it saddles these homes with $12.2 million in additional operating costs, with service reductions as their only cost management alternative.

We are not here asking for an HST moratorium or exemption. We are asking for your support to protect services to those residents. The most effective answer is a federal-provincial solution that eliminates the inequity in how the HST implementation rules can be applied. In its absence, a provincial solution is required.

Let me explain. We appreciate government's intent to neutralize the HST's impact on publicly funded health care providers by extending the current municipalities, universities, schools and hospitals sector, or MUSH, GST rebates to include the provincial portion of the HST. This solution works for three of the four types of long-term-care home operators. It does not work for more than half of the homes providing services to over 50% of Ontario's long-term-care residents.

We also understand that the Canada-Ontario comprehensive integrated tax coordination agreement prohibits extending MUSH protections beyond those organizations that fit the MUSH definition in the federal Excise Tax Act. That definition currently includes only not-for-profit homes. Publicly funded, privately operated homes are excluded even though they are required to deliver the same high-level therapeutic services to the same standards with the same funding. Thus municipal, not-for-profit and charitable homes will be rebated from 50% to 100% of both their GST and provincial portion of HST costs. Their 360 publicly funded, privately operated counterparts will get zero.

Instead, those homes will pay the full HST on many items that currently do not attract PST, items such as contracted services for housekeeping, laundry and maintenance, which are important for infection control; utilities; education and training; and general administration services. These homes already absorb the full GST costs while their counterparts receive full or partial rebates. Now their costs will increase by 8%, leaving them paying 13% more than their counterparts for those services.

The HST-driven increase in annual net operating costs for these homes is some $12.2 million. These are costs that are after the impact of tax changes in this bill and supplier cost reductions. This is neither operationally sustainable nor service-delivery neutral.

Regulations prevent homes from passing on these costs, so their only option is service reductions, more specifically eliminating some 360 FTEs, or the equivalent of one FTE for each affected home.

If we have time for questions, I encourage you to ask Pat McCarthy about the impact on resident services in his 17 homes in communities such as Peterborough, Aurora, Kanata, Komoka, Picton, Lindsay and Brighton.

Long-term care in Ontario is not alone in facing this issue. British Columbia faces the same issues for the same reason.

It's also worth noting that in the absence of MUSH prohibitions, Ontario has extended MUSH coverage to all long-term-care homes on at least two previous occasions: with respect to pay equity and the electricity preferred pricing plan.

A federal-provincial solution is appropriate, beginning with changing the MUSH definition in the federal Excise Tax Act to cover all long-term-care providers, and then for the province to extend the hospital-level MUSH rebate to all homes.

Along with BC, we are pursuing this solution with the federal Minister of Finance through our membership in the Canadian alliance for long-term care. We have asked the province to support our position with the federal minister. We have not received a response.

An alternative approach is to change the CITCA wording to give Ontario the flexibility to extend MUSH sector protection to all long-term-care homes, as has previously been done.

In the absence of the foregoing, the solution responsibility must fall to the province. The province ultimately ensures that the level of its publicly funded services to its residents is equitable and not left to chance. This means finding the provincial mechanisms to avoid a service reduction to over 40,000 residents because 360 homes will have to absorb an additional $12 million in government-imposed operating costs.

We understand that while this service reduction will be triggered by this legislation, the solution likely lies outside it. Nevertheless, we believe this is a vital issue for you as legislators and as MPPs.

We therefore respectfully urge you to recommend to government that it immediately support and pursue a federal-provincial solution with the federal Minister of Finance as we have outlined; and, in the absence of a positive federal response, that it ensure that the funding and/or other mechanisms are provided to neutralize the HST impact on the level of resident services provided by all homes which deliver Ontario's long-term-care program. Thank you. We'd be pleased to answer any questions if there's time.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation. I will now turn it over to the official opposition.

Mr. Frank Klees: Thank you, Ms. Bisanz. I have the pleasure of beginning this questioning. We know each other well. I must say, for the benefit of committee members who don't know, Ms. Bisanz was the Liberal candidate who ran against me in the last election and was a formidable candidate.

I want to thank you for your submission. With regard to, first of all, one of your solutions, that perhaps a change to CITCA would resolve some of these problems: As we know, that agreement was signed, sealed, delivered and packaged away on November 9, containing that $4.3-billion poison pill. I don't have any hope, really, that that could be one of your solutions. You've made some others, and I'm hoping the government is listening.

I am going to take your advice, though, as the member for Aurora, and ask Mr. McCarthy, if you would: You have some resident services in that community, amongst others. Could you tell us, then, what the impact on resident services would be in these homes?

Mr. Pat McCarthy: Yes. We've estimated in our organization, across 17 homes, that the cost would be upwards of $480,000 annually. That would be the effect of the implementation of HST, for reasons relating to the cumulative effect of things like utilities, which is a major cost for us, maintenance contracts on air makeup units and that sort of thing being a large part. Education that is provided to our staff members is often provided through organizations and consultants, and we pride ourselves on that.

We think that across the company it would be $480,000. If one were to look at full-time equivalents in our other accommodation area, and that would include housekeeping, laundry, those sorts of areas, the only area where you can have any flexibility whatsoever in staffing. It would represent probably about 10% of our full-time equivalents, if one were to look there. One would also like to try to mitigate that by looking at perhaps reducing maintenance, which is not something we want to do, or reducing education and that sort of thing. But we'd need to mitigate, and it could be up to 10% of the FTEs that would be affected.

1700

Mr. Frank Klees: Most disconcerting.

Just very quickly, I think all of us have already been dealing with understaffing in long-term-care homes. The quality of service is suffering as a result of that understaffing and underfunding. To have this additional burden—what is the practical effect on the quality of care?

Mr. Pat McCarthy: Well, it has a real practical effect. When you think about housekeeping, laundry, these are care services that are provided—housekeepers, for example, interact every day with residents. We have housekeepers who will take home clothing to mend at home on their own time. They become like family, and they work well together, so the practical effect is devastating to the residents and the family.

In an area where infection control, for example, is a very important aspect for us, we can't reduce our staffing by that level and not affect infection control, so we'd need to look at how best we could deal with things like that.

Mr. Norm Miller: I just have, briefly, one very quick question to do with my own riding. Your description of the homes that I guess will face the full effect of the HST: you said "publicly funded, privately operated homes." I have, in my riding of Parry Sound–Muskoka, The Pines in Bracebridge, which is owned by the district of Muskoka, but it's run by Extendicare. And in Parry Sound, I have Lakeland Long Term Care, which, once again, I'm not sure that the company—it's a private company that operates in a public building. Would that be captured by this definition?

Mr. Pat McCarthy: I would be taking a little bit of a leap to answer that question. My understanding is no, they would—Lakeland, for example, is a not-for-profit organization. It's connected with the hospital; therefore, it would not be considered privately held and wouldn't face the additional cost.

Mr. Norm Miller: Okay, thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you. Any further questions?

Ms. Lisa MacLeod: Just quickly, have you taken into consideration what the additional cost of medical supplies and medical subscriptions will also do to your long-term-care facilities?

The Vice-Chair (Mrs. Laura Albanese): We have less than 30 seconds for the answer.

Ms. Christina Bisanz: Yes. The number that we gave you, the $12.2 million, includes all costs after any supplier reductions as a result of the tax mitigation.

Ms. Lisa MacLeod: Thanks so much, Christina. It's good to see you again, too.

The Vice-Chair (Mrs. Laura Albanese): Thank you both very much for your presentation.

CHIEFS OF ONTARIO

The Vice-Chair (Mrs. Laura Albanese): I now move to the Chiefs of Ontario. I would ask them to approach the table and to state their names. I invite you to start your presentation.

Chief Angus Toulouse: Good evening. Thank you. I'm here with Roger Jones. My name is Angus Toulouse, Ontario regional chief.

Chairperson, honourable committee members, first of all, I want to thank you for giving me the opportunity to make this presentation. This subject is a matter of extreme importance to Ontario First Nations and First Nations people; therefore, I appreciate the opportunity to be heard.

We've just concluded a Special Chiefs Assembly, which we held here in Toronto, in the Mississaugas of New Credit territory, where we spent a great deal of time discussing the impact of the proposed HST on our communities. The chiefs are very concerned and have enacted a resolution expressing their position, which I would like to be able to table with this committee. It's in your attachments. Of course, you're also aware that we just held a rally outside this building, and I think they're still there outside this building, demonstrating First Nations opposition to the elimination of the retail sales tax point-of-sale exemption for First Nations peoples in Ontario.

I'd also like to table for consideration by this committee a report commissioned by the Chiefs of Ontario office, prepared by Professor James Hopkins, the national chair of aboriginal economic development and associate visiting professor at the University of Victoria, faculty of business and law. Professor Hopkins, who would have loved to have been here tonight but with the short notice wasn't able to be here, is an expert in taxation and First Nation economic development. He identifies the impact of the harmonized sales tax, the HST, on First Nations and proposes some changes to Bill 218 to maintain the current exemption for First Nations under the new HST. My presentation will highlight parts of Mr. Hopkins's report, but I also strongly urge committee members to review the report in detail.

Also in the package, you'll notice a letter from the Premier to Prime Minister Harper dated December 2—just yesterday.

In this presentation, I want to address three topics:

(1) the lack of consultation and accommodation of Ontario First Nations in the development of the HST proposal;

(2) the economic impact of the HST on Ontario First Nations; and

(3) recommendations on how this committee can address the concerns of Ontario First Nations.

The lack of consultation and accommodation of Ontario First Nations in the development of the HST proposal is the first part I want to make points on.

The first point I want to make for the record is that Ontario First Nations have not been meaningfully consulted and accommodated on the HST. Committee members will know that when aboriginal and treaty rights stand to be adversely affected by legislative or any crown conduct, affected First Nations are required to be consulted. This is in the Constitution Act, 1982, section 35. It also has been recognized by the Supreme Court of Canada in the Haida and Mikisew cases.

The aboriginal and treaty rights do not have to be established; they just need to be asserted. Minister Dwight Duncan agreed with First Nation leaders that the First Nation tax exemption is an aboriginal and treaty right, yet we were not consulted when the memorandum of agreement was being developed, and we were not included in consultation regarding the CITCA. Needless to say, the present point-of-sale tax exemption provided for in the Retail Sales Tax Act will be eliminated in the HST. This is a major impact and it is incomprehensible how we could have been left out of this process.

I acknowledge that Ontario has at least made some efforts to discuss our concerns and has expressed support, most recently by way of correspondence from Premier McGuinty to Prime Minister Harper, but these have not been meaningful consultations and they have not resulted in any accommodation.

Ontario blames the federal government for the failure to address our rights and interests, but the chiefs do not accept that Ontario can simply shift the blame to the federal government. Ontario has its own relationship and its own responsibilities with First Nations in Ontario, and can and must do more. The duty owed by Ontario to First Nations is specific in this case, and the federal government has no authority to force Ontario to ignore and set aside the exemption.

The federal government has ignored requests for consultation and will not respect the rights acknowledged by Ontario and under the current retail sales tax exemption. There is some hope that we may be turning a corner, as per the Premier's letter dated December 2, 2009, to Prime Minister Harper, requesting a meeting and action.

The economic impact of HST on Ontario First Nations: The constitutionally protected rights and treaty rights are not the only issues. The HST will have a negative impact on First Nation economies, yet there has been no economic impact study with respect to the increase in value-added tax paid by First Nation communities on reserve. This includes First Nation members who are on reserve, living in poverty; northern First Nation communities that are dependent upon off-reserve vendors; and the increased agency costs absorbed by aboriginal and non-aboriginal small businesses that serve First Nation communities.

The report prepared by Professor Hopkins describes some of the horrific economic statistics and conditions prevailing in our communities, information available from existing studies. They forecast how disastrous the impact of the HST will be on our communities.

The negative impact on First Nation economies will include driving away off-reserve vendors, making it more costly to do business with First Nations that depend on outside services because of red tape. The proposed rebate won't work in the hands of those who have the least amount of money to pay the tax.

Not only will First Nations people now have to pay an additional 8%; the HST will cover all sorts of things the RST doesn't: fuel, electricity and other essentials.

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Rebates and tax credits will not work for our people. So the band councils hope to get a better input tax credit. Vendors can file and hope to get a point-of-sale accommodation. This is all discretionary. The exemption works where the point of sale happens, and this means it is a realistic reflection on how business is done on reserve.

Rebates do not match the taxes paid. Rebates come in the mail later on. Rebates won't feed us when we need the money today to buy basic goods and services. Finally, rebates assume that the federal government can implement this system across First Nations. The track record on implementation is terrible. From drinking water to simple road access in remote First Nations, the federal government does not manage the First Nations governance.

In Ontario, 25% of the First Nations are fly-ins. The HST will increase the cost of doing business and hurt economic development on a segment of Ontario's population that is less than 1%. It is targeted and mean-spirited, and not consistent with reconciliation we have been working toward.

Recommendations on how this committee can address the concerns of Ontario First Nations:

The RST exemption for First Nations can be retained under the HST. In meetings between our officials and Ontario officials, options were developed to maintain the present point-of-sale exemption with a view to implementation under Ontario's provision for flexibility in the MOA and the CITCA.

Professor Hopkins recommends another way, pursuant to legislative amendments to schedule R, the HST transition framework, as attached to Bill 218. According to Hopkins, the Legislature can do this without the agreement of the federal government. You simply carry over the current RST provisions that exempt First Nations and add them to the proposed bill so the exemptions continue to apply to the HST.

These are reasonable accommodations that will avoid significant economic hardships that would otherwise result from imposing the HST on Ontario First Nations. These accommodations are within Ontario's authority and can be implemented administratively and legislatively in a manner consistent with the scope and content of schedule R. These accommodations do not breach the CITCA with the federal government. The CITCA says that the parties can make other agreements in their best efforts to get the CITCA working.

In conclusion, because the federal government refuses to meet with us and the province, we have every reason to believe we will not be heard or dealt with fairly once this bill leaves this Legislature. Accordingly, we urge this committee not to pass the buck to Ottawa. If there is to be justice for First Nations, this Legislature should see to it. If First Nations are to be meaningfully consulted, this Legislature should ensure it. If our rights and interests are to be accommodated, then this Legislature should make sure of it.

Meegwetch. Thank you for giving the opportunity to present to you.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your presentation. I now turn it over to the NDP caucus for questions.

Mr. Michael Prue: I only have five minutes, so I'm going to do my best to ask a whole bunch of them.

Ms. Lisa MacLeod: Actually, Madam Chair, just given the unique status of having the regional chair here, I'm just wondering if we can extend some extra time by unanimous consent. I've raised considerable constitutional questions in the past, and that's why I'm delighted to see the regional chief here, because I think we need to discuss that. I'd be willing to extend the NDP's time by five more minutes. Given the fact that they've also got the leader of the third party here, I think, out of respect—

The Vice-Chair (Mrs. Laura Albanese): Is there unanimous consent?

Mr. Michael Prue: Agreed.

Mr. Wayne Arthurs: Chair, there's not unanimous consent. Respectfully, I understand that the member opposite knows the rules and understands the order of the House. She may not agree with that order, but that is the order of the House. It does put constraints on us, but that's the order by virtue of the consent of the House. I'm anxious to get as many of our deputants in—ideally, all of them.

The Vice-Chair (Mrs. Laura Albanese): Yes, and the time allocation can only be amended by the House, as we all know.

Ms. Lisa MacLeod: My apologies.

The Vice-Chair (Mrs. Laura Albanese): Could you please proceed with the five minutes?

Mr. Michael Prue: Ontario has a unique position in Confederation. Ontario signed both Treaty 7 and Treaty 9, to my understanding, which takes in most of northern Ontario, and is equal partners with the federal government and the First Nations communities. Is that not the case?

Chief Angus Toulouse: Ontario was certainly founded on treaties, as was pointed out by Justice Linden in the

Ipperwash inquiry. There is one segment of Ontario where there's some comprehensive claim; the Algonquin people are still waiting to get some resolution as far as their long-outstanding issues go.

Mr. Michael Prue: But the Ontario government could, at least in that whole swath of northern Ontario, act independently of the federal government, no matter what they say. That's my understanding of the law.

Chief Angus Toulouse: Yes, they can, based on what we believe are the abilities of the province. And you're right: Treaty 9, Treaty 5, Treaty 3 and Williams—there's a whole host of treaties in Ontario; 31, as a matter of fact.

Mr. Michael Prue: Excellent. Did the provincial government consult with you in any way whatsoever before they signed this secret deal with Minister Flaherty in Ottawa? I know they certainly didn't discuss anything with the NDP. Did they discuss anything with the First Nations communities?

Chief Angus Toulouse: Before they signed the MOA, is what you're talking about?

Mr. Michael Prue: Yes.

Chief Angus Toulouse: We did have some very preliminary discussions. Our point was that there were obviously some discussions, some thinking and some approaches that had taken place. What the Supreme Court says is that when that is being contemplated, that is when we need to be consulted, not after the MOA has been signed, even though we were trying to address our issues in the MOA, in the CITCA and in the legislation itself.

Mr. Michael Prue: It's quite clear, from the legal precedents, that if the government fails to consult in a meaningful way, any legislation, anything they may try to impose on First Nations communities will likely be ruled unconstitutional. Is that your understanding of those decisions?

Chief Angus Toulouse: Those are some of the legal recourses that will be available to us, that we will undertake. Again, we have to do the necessary work to have that ready for our leadership. They've asked for that analysis to be undertaken.

Mr. Michael Prue: In my travels—they're not that limited—particularly in northern Ontario and mostly in the fly-in communities, the level of poverty there is huge. But what also troubles me is that the costs for First Nations communities are outrageous. To buy almost anything from the Northern store or the equivalent in small communities, the costs are outrageous, and they are presently PST-exempt. This is going to add an 8% cost on something that people pay three, four and five times the price they would be expected to pay in Toronto. How is this going to affect poverty in those communities?

Chief Angus Toulouse: It's going to really impact. Their main source of electricity—power for lights and so on—in their communities is diesel fuel. That is their only way to provide electrification in their communities; that, in itself, plus the other services. I know that Grand Chief Stan Beardy has expressed a great deal of concern that it will impact their people. I'm not sure if there's anything technical there, Roger.

Mr. Michael Prue: The last time I was in one of these northern communities, the cost of a litre of gasoline was about $5—

The Vice-Chair (Mrs. Laura Albanese): Less than one minute left.

Mr. Michael Prue: —so if there is 8% added, that's another 40 cents on a litre of gasoline.

Chief Angus Toulouse: Yes.

Ms. Andrea Horwath: Can I just ask a question?

Mr. Michael Prue: Surely.

Ms. Andrea Horwath: I think this is why we saw what happened today, in terms of the action that happened up in the Sault Ste. Marie and the action that happened in the streets of Toronto. Could you just share with us your expectation in terms of what may happen in future weeks and months if the government does not hear the voice of First Nations on this issue?

Chief Angus Toulouse: Well, there's a resolution that I've also attached that speaks to what the chiefs talked about. It says:

"The chiefs in assembly confirm their rejection of the imposition of the … HST on all First Nations citizens, whether on- or off-reserve….

"The chiefs in assembly determine to act collectively to achieve provincial and federal government recognition of the aboriginal and treaty right to tax immunity at point of sale, whether on- or off-reserve;

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"The chiefs in assembly hereby determine to act collectively to implement the action plan, as amended;

"The chiefs in assembly direct the political confederacy to seek all possible sources of funds to support legal activities addressing the HST;

The Chiefs of Ontario shall be the central coordinator of all activities pursuant to this resolution; and

The political confederacy is directed to develop a specific action plan for consideration at this assembly."

The action plan was presented there to them and essentially gives us the marching orders to continue to work towards what we believe has historically been there, which is the tax immunity and definitely the point-of-sale exemption.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for that presentation. I am sorry, but we're out of time. I'd like to move forward to the next presenter. Thank you for being here with us today.

MICHAEL SMART

The Vice-Chair (Mrs. Laura Albanese): The next presenter is Mr. Michael Smart, professor at the University of Toronto. I would invite him to approach the table and to start his presentation. I believe you've heard the protocol: up to 10 minutes for your presentation. And please state your name for the purposes of Hansard.

Mr. Michael Smart: Thank you, Madam Chair and honourable members, for your time today.

Let me start with a bit of an introduction of myself. I'm a professor of economics at the University of

Toronto and a specialist in tax policy. Most important for you today, I've written extensively on value-added taxes in Canada and around the world, and, together with my colleague Richard Bird at the University of Toronto, I've published a couple of studies on what happened in the Atlantic provinces when they adopted the HST in 1997. So when we think about the impacts in Ontario, it's probably worthwhile to think about what has already happened in harmonization in Canada.

I'm going to speak briefly. I know it's a bit of a marathon day for you. I won't be here too long. Maybe it's a bit of a change of gears too, because I'm going to try to take a bit of a big-picture focus here. I'm not going to talk about individual sectoral impacts, unless you want to talk about that. Instead, I'll just give you an overview of how economists think about this.

Economists like this reform. I'm generalizing but I'm not generalizing much to say that most economists think that this reform is good for Ontario and good for Canada. This is not just academic economists and not just right-wingers and left-wingers; it's really everybody. For example, it's pretty diverse figures. Business thinkers like Roger Martin have come out in support of this. I noticed that Hugh Mackenzie of the Canadian Centre for Policy Alternatives has also come out in support of this. This is a policy, I think, that makes sense to a lot of people.

To understand why, I think it's very important to stress that this is really the bottom line: For economists, this is not a tax grab; this is not a cut in business taxes. Instead, it's a change in the way we tax consumption in Ontario that's going to update our tax system, which is about 40 years out of date, I would say.

What's going on here is that we're going to be taxing consumers directly instead of taxing them indirectly through our current measures, which tend to tax business costs. Essentially, for economists, what we're doing is replacing a hidden tax on consumers that exists in the current RST with a visible tax on consumers. When you present it that way, Ontarians of all backgrounds and all political stripes have got to agree that a visible tax is better than a hidden tax.

Let me talk a little bit about why we think of it that way, but in particular, let me say why that's a good idea.

Reducing taxes on business costs, particularly taxes on business investment, has been shown by economic research to be absolutely key for increasing the incentives to invest and increasing productivity. In the long run, that means higher wages and better jobs for Ontarians. Without doubt, in the long run, this is a very positive effect.

Richard Bird and I, when we looked at the Atlantic provinces, found that following the introduction of the HST in 1997, machinery and equipment investment went up 12%. I'm not going to say all of that was caused by the HST, but there's a lot of reason to believe that there was a direct impact of these lower taxes on business investment, on the amount of investment. If we see anything similar in Ontario, I think it really is, frankly, a no-brainer.

That being said, the shift from taxing through businesses to taxing consumers directly is controversial; there's no doubt about it. But I want to suggest to you that the controversy that we've seen in the last few weeks especially is really seriously overblown. In particular, let me raise two points about what the impact of that tax shift is going to be.

The first is, however you think about the economics of the tax shift, it's going to be a small impact on consumers. By my estimates, the overall impact of the new taxes on consumers is about equivalent to an increase of one percentage point in everybody's personal income taxes. I'm not saying anybody would like that or welcome that, but I don't think that they would oppose it in the same way that we've seen people oppose this HST reform. So I'm suggesting that we should be aware of the magnitudes.

The second, and most important, point to make about this is that this reduction in business taxes will, through the effects of competition in the marketplace, get passed on to consumers, so that this cut in business taxes will, I think, very shortly, become a cut in prices for consumers.

As evidence of that, let me just point out very quickly that Richard Bird and I examined exactly that impact in the Atlantic provinces in 1997. What we found is that the HST reform there, as in Ontario, raised taxes in some industries and it cut taxes in other industries. When we looked at prices, roughly the same thing happened: The industries where taxes went up, prices went up; the industries where taxes went down, prices went down. In other words, the evidence is consistent with the idea that businesses pass forward these tax changes to consumers. They don't have any choice in most industries because of the effects of competition.

The actual pattern of tax changes in Ontario is going to be different than in the Atlantic provinces. If there's time, we can talk about those central impacts here. But make no mistake: There will be some commodities, some industries that will pay more tax in the new system, but the overall impact on consumer prices will certainly be very small. The other measures that the government has put in place are going to ensure, I think, that the sectoral impacts—and, most importantly, the impact on low- and middle-income Ontarians—are going to be minimal.

I think this is a reform that's good for all of Ontario. I hope that this attempt to communicate how economists think about this is of some use in your deliberations, and I welcome questions if you have them.

The Vice-Chair (Mrs. Laura Albanese): Thank you. I will turn it over to the government side. Mr. Arthurs.

Mr. Wayne Arthurs: Professor Smart, thank you very much for your deputation this afternoon. You may have been here for a bit of time and heard my earlier comment that I was going to forgo questions on our side in the interests of hearing three more deputations in the half-hour we have available. I'm tempted to take the five minutes, but I'm going to leave it in the hopes that we can get through three more deputations in the half-hour, so those folks can also be on the record in Hansard.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much, Mr. Smart—

Ms. Lisa MacLeod: I just have a quick point of order—

The Vice-Chair (Mrs. Laura Albanese): I'm sorry, but I would like to move forward with the next—

Ms. Lisa MacLeod: Okay. I just wanted to table a document from strategicthoughts.com, which says that the HST tax shift is founded on one flawed study. It's about Mr. Smart's thing.

The Vice-Chair (Mrs. Laura Albanese): Thank you, Ms. MacLeod, but I would like to—

Ms. Lisa MacLeod: And my sister, of course, in Nova Scotia, who is unemployed and paying 16 cents a litre more in gas, probably wouldn't appreciate the HST and your assessment either.

The Vice-Chair (Mrs. Laura Albanese): Thank you.

ONTARIO ROAD BUILDERS' ASSOCIATION

The Vice-Chair (Mrs. Laura Albanese): I would like now to call the next presenter, which is the Ontario Road Builders' Association. Please come forward and approach the table and start your presentation.

I'm just trying to be fair to all of the people that we have called to be here. We're here for public hearings.

Interjection.

The Vice-Chair (Mrs. Laura Albanese): These are the orders that we have, and they cannot be overruled. A time allocation can only be amended by the House.

Thank you. Please come forward. You have up to 10 minutes for your presentation. Welcome. Please state your name for the purposes of Hansard.

Ms. Karen Renkema: Thanks, Ms. Chairman and members of the standing committee. Good afternoon, and I thank you for having us here. My name is Karen Renkema, and I am the director of government relations for the Ontario Road Builders' Association. With me today is the president of our board of directors, Tom O'Callaghan from Fowler Construction.

ORBA is an association comprised of approximately 70 contractor members that perform work primarily for the Ministry of Transportation and municipalities across the province. We also have an additional 85 associate members. Our membership consists of both union and non-unionized road building construction firms in Ontario, who collectively represent more than 50,000 workers at peak season.

We appear here today on behalf of ORBA and its membership in support of Bill 218, a piece of legislation that truly represents the right thing to do now for Ontario: to position our province for the future and to ease pressure on industry now. It is our position that the status quo is no longer acceptable.

Before we begin to tell you the story on why change is needed for our industry, and the important impacts that change will make, I want to mention that ORBA has been an advocate for sales tax harmonization for quite some time. We are also a member of a growing non-partisan coalition of leaders, associations and members of the business community called the Smart Taxation Alliance. The coalition endorses the planned harmonization of the provincial sales tax with the federal GST as the most important measure available to stimulate economic recovery for the benefit of all Ontarians and Canadians.

Updating our sales tax system through harmonization is an essential step towards helping Ontario emerge from the current recession better able to compete in world markets and attract investment in our province. Quite simply, from our perspective, a more competitive economy that realizes an increase in investment will only help spur and support the much-needed future infrastructure investment in our province.

Our members from across the province have provided us with multiple examples of how the current system has negatively impacted their businesses, from administrative issues in dealing with the current RST, to the examples of RST audits where an auditor unfairly and unilaterally will determine that a certain activity in construction is subject to RST, sometimes four to five years after the project has been completed.

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A couple of the more easily explained examples include those materials that we use where the RST is subjected on a certain material but not another, for no clear reason. A commonly used example is those materials that we use for winter maintenance. If we use a load of just sand on provincial or municipal roads, we do not pay RST on that product, or calculate it in our price to the owner of the roads. However, if by chance that load of sand is mixed with a bit of salt, we then have to pay RST on the full load of materials and incorporate that into our pricing for the owner.

Another example that is most commonly experienced by our northern members is determining whether RST should be paid on rock. Most commonly, rock is blasted on a road corridor in order to expand a road and then is reused in the roadbed when constructing an expansion of roadway. It has been left to interpretation by both businesses and auditors on whether this is a manufacturing activity from which RST might be exempt or whether it is just reusing this material in real property. We have received reports that the interpretation of this policy, depending on which way the auditor understands the construction activity, has the ability to cost our members millions of dollars in back payment, as again the current RST rules are left up to interpretation, do not provide clarity or transparency, and in the end are not fair.

These examples provide only a part of the case for harmonization, which will provide more clarity, consistency and ease of administration under harmonization, where the applicability of it will no longer be confusing, and the administration of the tax will be consistent. Harmonization will provide the ability to increase compliance in collection of taxes in our industry and will also level the playing field for all members of an industry to operate and compete.

In addition to the administration argument, it is also important to note that currently the proportion of purchases subject to the RST varies widely by industry. We in the construction industry are significantly impacted by the favouritism that our current tax system presents, which is heavily biased against investments in construction.

Construction realizes the highest proportion of purchases subject to the RST out of all industries at 39.9%, according to the OCC's report released earlier this year, Made in Ontario: The Case for Sales Tax Harmonization. These taxes become a part of the cost of construction and are ultimately passed on in the price of construction to the buyer of construction, which in our sector is most commonly the province or municipalities.

Further to this point, I will quote the C.D. Howe report of 2008, which encouraged sales tax reform. "The variation in effective Ontario RST rates is substantial, driven in part by differences across industries in the composition of their capital and other business inputs and by the amount of processing done within the province. The effective tax rates, hidden in business costs, are 3.6 per cent for nonresidential construction, for example, and 4.5 per cent for machinery and equipment." This should be concerning to all buyers of construction.

Finally, we want to mention the capability of our industry to invest in equipment and capital. Harmonization, quite obviously, will stimulate investment in new equipment and capital in our industry, as the purchasing power of a business increases by realizing the benefits of input tax credits. Michael Smart's report for the C.D. Howe Institute estimates that there was an increase of investment in machinery and equipment by 12.1% in the Atlantic provinces after HST was implemented there. The ITCs provided under harmonization will provide a two-fold benefit to the province and its taxpayers: an increased demand for manufacturing such equipment, and a realization of these tax credits in the final price of road-building construction for the buyers of construction.

Although our presentation has focused on the benefits of harmonization to the construction industry, we also want to applaud the government for the other measures that were introduced as part of the tax reform package, including the significant reduction in the corporate income tax rate.

In Jack Mintz's recent report on the 2009 provincial budget measures, he clearly illustrates how our current RST system and corporate tax system is heavily biased against investments in construction, as the marginal effective tax rate on construction is the highest amongst all sectors, at 42.2%. However, harmonization coupled with the significant reduction in the corporate income tax rate will reduce the marginal effective tax rate on construction to 20.9% once all budget measures are implemented.

It is should be apparent, then, to the buyers of infrastructure in our province what this means for the taxpayer and the province when the bias is no longer against investing in the construction of infrastructure.

There is one more issue we would like to address today in our presentation. It is the issue of transparency and direction as it relates to the HST, public procurement and tendering by the province, most specifically the Ministry of Transportation. Our request is that, if in fact the HST is a matter of government policy and it is intended to be implemented on July 1, 2010, the MTO reflect this in their instructions to those bidding on government contracts that will extend beyond the date of implementation.

The current flawed language in MTO contracts has resulted in some confusion on how clawbacks on payments might take place post-July 1, 2010, as a result o the HST. As you can imagine, this has complicated the tendering process for many of our members. We request that the committee consider this issue as we move forward with this legislation.

In summary, Bill 218 provides clarity, consistency, transparency and a decrease of administration for our members. As the provincial and federal governments continue to focus on infrastructure investment as a means to stimulate the economy, we congratulate them for supporting a transition to a tax system that will no longer create a bias against investment in infrastructure. Thank you.

The Chair (Mrs. Laura Albanese): Thank you for that presentation. We'll now turn it over to the official opposition for questioning.

Mr. Norm Miller: Thank you very much for making your presentation today. Of course I'd like to welcome my constituent Tom O'Callaghan, from Fowler Construction in Bracebridge, here to Toronto today as well.

Part of the way this tax is being implemented is that there's an agreement that has been signed with the federal agreement, the CITCA agreement. From that there's $4.3 billion that's flowing to the province. The province is using most of that money to send cheques out to individual people over the next two years, and that's going to be a one-shot deal. I guess my question for you is: Do you agree with that or would you prefer to see a reduction in the tax rate of the HST of 1%, 2% or 3% that would be permanent?

Mr. Tom O'Callaghan: Do you want to answer? I think I'll let Karen—she's got the answer for it right at her fingertips.

Ms. Karen Renkema: As far as that money currently, I don't know if we have a concise opinion on it from the Ontario Road Builders' Association perspective. I think that moving forward, the smart thing to do would be to look at lowering personal income tax rates. But as far as where we're at on that currently, for a number of reasons, putting the money back into the hands of the consumer is what the decision was.

Mr. Norm Miller: I was asking if you agree with that, but it sounds like you're fairly non-committal. You probably don't want to take a position based on, and let the evidence—

Ms. Karen Renkema: We don't really have a position on that right now.

Mr. Norm Miller: Very good. Also, the way this is being implemented, one of the benefits to business is that you're able to claim input tax credits, so you're able to pay the tax and then get it back in the form of an input tax credit, and that is a benefit for business. I certainly recognize that. However, the way it's being implemented here in Ontario is that for companies that have sales of over $10 million, the input tax credits are denied on about five different categories of items, like automobiles and entertainment, for eight years, and it's a significant amount of money. I know in year three it's $1.3 billion. Have you got an opinion on that? It seems to me that if you're going to bring in a new tax and the benefit for business is an input tax credit, it should happen immediately, and eight years is a long time for a business to survive if they're not getting the benefit of getting the tax back.

Mr. Tom O'Callaghan: I think presently, Norm, we're feeling that there will be a benefit in our industry. We do feel that we're paying an excessive tax burden right now because of the various ways we have taxes on taxes within our industry. The general feeling around the board, and a lot of people investigating within their own outfit, is that there is going to be a benefit to our industry.

Mr. Norm Miller: I assume most of your companies would have sales of $10 million or more.

Mr. Tom O'Callaghan: Yes. I would say the majority.

Mr. Norm Miller: So have you actually analyzed to see what input tax credits are going to be denied? It's a line item in the budget. It's on page 134 of the budget, if you want to look at it, and it's over $1 billion a year, so it's a substantial amount of money.

Ms. Karen Renkema: Absolutely, but the choice of where we're at right now is much worse than what we're going to get under harmonization.

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Mr. Norm Miller: In terms of the corporate tax rate, I just want to make it clear that our party has been in favour of having competitive and lower taxes. In fact, the first thing the current government did in 2003, in their first budget—the corporate taxes were on a schedule going down and they would have been 11% in March 2004. The first budget put the rate up to 14%. It was a 27% increase in corporate tax. So we're glad they've seen the light and are starting to address, six years later, reducing corporate taxes. I just wanted to put on the record that we're absolutely supportive of that and we understand that competitive taxes are very necessary.

You also brought up concerns to do with the transition rules, and I think I'd have to take about a month to read them to be able to figure out how you operate through the transition. So I'm not quite sure how—

The Vice-Chair (Mrs. Laura Albanese): Thirty seconds left.

Mr. Norm Miller: —business is going to do that.

You say MTO right now—is it that they don't understand the transition rules themselves, or what's happening?

Ms. Karen Renkema: Just really quickly, there has not been any clear direction from the government on how to deal with public procurement, including the Ministry of Transportation. There is different language in the Ministry of Transportation contracts as there is in other contracts.

What we're asking is that if it's clearly a direction of government public policy that we're moving toward HST, the ministry and other agencies recognize that in their public procurement process and direct bidders to bid as if the HST was being implemented on July 1, 2010, and that's been our request for a number of months now.

The Vice-Chair (Mrs. Laura Albanese): Thank you for the—

Interjection.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your presentation. Unfortunately, the time has expired.

ONTARIO CHAMBER OF COMMERCE

The Vice-Chair (Mrs. Laura Albanese): I would now call forward the next presenters, the Ontario Chamber of Commerce. Please approach the table and state your name for the purposes of Hansard. You have up to 10 minutes for your presentation.

Mr. Len Crispino: Good evening, Madam Chair and committee members. My name is Len Crispino. I'm president of the Ontario Chamber of Commerce. I'm joined by Stuart Johnston, our vice-president of policy and government relations. We want to thank you for the opportunity to express our members' views on this bill, a document that we believe contains many important initiatives that will serve to make Ontario a much more competitive jurisdiction for years to come.

There is one fundamental reason why we have long supported the significant tax reform measures contained in this bill, and that is because the status quo is just not good enough for Ontario. That is why, since 2004, the Ontario Chamber of Commerce network has been calling for significant tax reforms such as those that are outlined in Bill 218.

Over the last decade, our standard of living, or the GDP per capita, has been in decline. As the Ontario Chamber of Commerce predicted in 2005, we have been forced to rely on federal transfers for important programs. We are simply not generating enough wealth for Ontarians. The Institute for Competitiveness and Prosperity says that our prosperity gap relative to our main competitors is staggering—$10,200 per household. This is not good enough for Ontario.

Business investment in our province has been deteriorating. One of the primary reasons for this has been the antiquated high taxation system, as represented by the marginal effective tax rate on capital, or METR. Currently, Ontario's METR is over 32%, which means that for every dollar earned by a business on capital, over 32% is absorbed in taxes. This discourages key investments that create or maintain jobs. This is not good enough for Ontario.

Every leading economist and think tank in the country points to Ontario's current tax system, our retail sales tax in particular, as one of the primary obstacles to increasing prosperity, generating wealth, raising business investment, regaining our place in the Canadian federation and being better equipped to compete in the global marketplace.

More than 130 industrialized countries utilize a value-added tax system like the GST so that businesses are not penalized for purchasing products for their operations and so that layers upon layers of taxation are not built into the final price for consumers, as is the case here today in Ontario.

As you have already heard—I'm not going to repeat what some of the other presenters have mentioned—our retail sales tax is convoluted, full of contradictions and many, many exceptions. The current retail tax system requires complicated accounting. This costs time and money and creates an audit trail full of potential landmines. In addition, about $5 billion in retail sales tax paid by businesses every year is embedded in the cost of doing business. This is not good enough for Ontario.

What Ontario needs is a smart tax system: one that is simple and clear and provides the kind of revenue the government requires, one that rewards business investment so that employers throughout the province are encouraged to invest in new equipment, to expand their companies and ultimately to employ more people.

TD Bank, the Institute for Competitiveness and Prosperity, the C.D. Howe Institute, the Canadian Council of Chief Executives, the Tax Executives Institute, Certified General Accountants of Ontario, Research in Motion, road builders, railways, truckers, grocery distributors, manufacturers and exporters, automobile dealers—all of them and more agree that the tax reforms contained in Bill 218, including the tax cuts for individuals and small and mid-sized companies, and in particular the sales tax harmonization that these reforms represent, make a smarter tax system.

In part, these organizations make up a growing non-partisan coalition named the Smart Taxation Alliance. This coalition notes that the tax reforms will cut the tax rate on new investment in half. In fact, it was just this jump in Ontario's competitiveness that the BC government noted when it too decided earlier this year to harmonize its sales taxes.

If this recession has shown us one thing, it is that we need our businesses, our employers, to be competitive. Economic recovery cannot occur just on the back of government. We need the right environment that encourages companies in this province to create jobs. Ontario needs capital to flow in the economy, and when it does, jobs will follow.

Gennum Corp. in Burlington, Ontario, is a perfect example. A high-tech company that exports about 95% of its products, Gennum has examined the impacts of these tax reforms. According to Gary Mathieson, their senior manager of tax planning, it's easy for one person in their company to be tied up for two to three weeks on a PST audit, generating invoices, researching issues and responding to auditors' queries. On average, these audits take place every three years. Double the impact when you add the federal audits for the GST into the mix. If those audits occur in the same year, they've lost an employee for roughly six weeks. Dealing with one tax authority instead of two simplifies their accounting. More significantly, on the HST alone, Gennum has calculated that it will save roughly $320,000 for each year because they will no longer pay PST on various business inputs. They go on to state that this will enable the company to do other things with the savings. Top of the list: hiring more engineers.

Every company's experiences and examples are of course different, yet it's the cumulative experiences of all Ontario's businesses that add up to a net benefit to our economy.

You've all heard the research conducted by Dr. Jack Mintz. As you've heard, he estimates that the tax reforms taken together, including HST, will result in a significant boost to our economy. We need to support this tax reform in Bill 218 so that Ontario can shrink the prosperity gap and generate wealth for all Ontarians.

Recognizing that the status quo is simply not an option—it is a path to decline—we cannot afford not to implement these tax changes.

Thank you very much.

The Vice-Chair (Mrs. Laura Albanese): Thank you, and—

Ms. Lisa MacLeod: Just quickly, Madam Chair, I would like to table two documents. These two documents are—

The Vice-Chair (Mrs. Laura Albanese): Could you please wait until—

Ms. Lisa MacLeod: One is, "Nothing's Certain, but This Tax Could Spell McGuinty's Death" by Randall Denley, and the next one is, "Poorly Timed, Badly Structured, Too Complex: McGuinty's Harmonized-sales-tax Plan Needs a Fairness Fix"—

The Vice-Chair (Mrs. Laura Albanese): Thank you very much. I would like now to move forward with questions from the NDP.

Mr. Michael Prue: Thank you very much. We seem to run into each other from time to time.

Mr. Len Crispino: It's always a pleasure.

Mr. Michael Prue: I hope so.

You put much stock in Jack Mintz and his report. The Centre for Spatial Economics wrote a report that was commissioned by the Ontario Chamber of Commerce. It said that relative to the status quo, the HST will kill up to 40,000 jobs.

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My understanding is that Jack Mintz had a hand in that report as well. And then, later on, we have a report that says it's not going to kill 40,000 jobs; it's going to increase jobs by 591,000. Which one of these two should we believe, your report or Jack Mintz's?

Mr. Len Crispino: Well, you've asked me this question before, on TV.

Mr. Michael Prue: I know, and I'm going to ask you again.

Mr. Len Crispino: I've already answered it, but I'll repeat my answer. First of all, it's taken totally out of context. Number two, the three options that were laid out were options that were in fact not proceeded with by the government. Thirdly, we are looking at this reform package not just in terms of HST, but also the various other tax reforms that the government has chosen to implement. So, net, this is going to create many, many jobs, in the order of 591,000.

Mr. Michael Prue: I'm curious; you had this report by the Centre for Spatial Economics for a long time on your website, but you've now taken it down. Why did you choose to take it down? Was it causing you some embarrassment?

Mr. Len Crispino: It is not down. I'm not sure where you're getting your information, but it is not down. You can check now if you have your BlackBerry.

Mr. Michael Prue: I had people look for it this morning; they couldn't find it.

Mr. Len Crispino: I apologize for that, but if someone has their BlackBerry they can check it.

Mr. Stuart Johnston: If I may, Mr. Chair, you can go to taxharmonization.ca, which is linked from the OCC website. It's a specific website that we've created to have our report and link other reports and factual information about all of the tax reforms. So the report is indeed at taxharmonization.ca.

Mr. Michael Prue: I have a question about the 591,000 jobs, because I am totally and completely skeptical—as I think most people are—on that number.

We know what happened at the time of harmonization in the Maritime provinces; they each reduced their level of taxation by either 3% or 4% and then imposed the tax. Yes, there were some additional monies made available for retooling and new machinery, but in fact, the number of jobs in the Maritimes declined for the three years following that. Can you tell me why it is you think that this is now magically, in Ontario, going to produce 591,000 jobs when the reality of the Maritimes was a decline in jobs?

Mr. Len Crispino: First of all—in a minute I'll let my colleague answer—I think one needs to look at this in two different regards: Number one, the package that we're talking about is not just about HST. The government, in its wisdom, I believe, chose to implement a tax reform package in its entirety, which means that one can't just look at the HST. Unlike what happened in eastern Canada—in fact, you're quite right. However, the other tax measures, the interim tax measures, were not in place in eastern Canada, so it's very difficult to make that kind of comparison.

Mr. Michael Prue: To be fair, then, what you're saying is that the tax package, not including the HST, may create those jobs, but the HST itself will not.

Mr. Len Crispino: I think you're taking it out of context. What we're saying is that one needs to look at the entire effect, the entire impact on the province. You can't just take one slice and say, "Okay, well, this alone"—

Interjection.

Mr. Michael Prue: I believe your colleague wants to say something.

Mr. Len Crispino: Yes, go ahead.

Mr. Stuart Johnston: No. I think Mr. Crispino is handling it very well.

Mr. Michael Prue: Okay, but the contentious issue isn't so much all of the tax items—although some of them, in and of themselves, are contentious—the contentious issue to the public is the HST and the claims of what the HST is going to do. You've said yourself, and I thank you for your candour, that in and of itself, it's not going to create the jobs. The other tax measures may.

Mr. Len Crispino: I didn't say that.

Mr. Michael Prue: Do you think the HST is going to actually create jobs?

Mr. Len Crispino: Yes, I think that the HST will, in fact, because of the improved competitiveness of companies who can decrease their costs of production, and that is going to be passed on to the consumer.

Mr. Michael Prue: What about service industries?

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation. I believe our time is up at the moment.

CANADIAN MANUFACTURERS AND EXPORTERS

The Vice-Chair (Mrs. Laura Albanese): I would like now to call forward our last presenter, the Canadian Manufacturers and Exporters. Thank you for being with us tonight. I don't know if you will have all of the 10 minutes; I believe you'll have six minutes for your presentation.

Mr. Ian Howcroft: Thank you very much for the opportunity to make a brief presentation. We promise to make our brief even briefer, given time constraints.

My name is Ian Howcroft, and I'm vice-president of the Ontario division of Canadian Manufacturers and Exporters, and with me is our director of policy, Paul Clipsham.

Notwithstanding the current economic challenge that manufacturing and exporting has been dealing with over the last several years, it continues to be the single largest sector in the province, contributing almost $300 billion to the provincial economy. Further, manufacturing directly employs 800,000 Ontarians, and another 1.5 million Ontarians are indirectly employed in and dependent on manufacturing.

Impressive as these numbers are, it's still a far cry from the peak of 1.1 million in 2002. I think it's also important to note that every dollar invested in manufacturing generates $3.25 in total economic activity. Consequently, it's crucial that we do all we can to retain the manufacturing base we have and grow that as we move forward. Our current standard of living and quality of life are greatly impacted and supported by manufacturing. The manufacturing and exporting sector is also on the cutting edge of innovation.

We're all aware that we are emerging from what has been a deep and protracted recession. Manufacturers and exporters have been impacted significantly. Manufacturing shipments are down 13% from a year ago, and our November survey of manufacturers does indicate that 68% of companies have had to cut their workforce over the last 12 months. Companies are adapting quickly to the changing circumstances, but more has to be done. They're taking the necessary steps to survive in a very challenging global environment.

However, more must be done here in Ontario to help the manufacturing sector and to protect the jobs that we have and that we all value. CME was very pleased to see that the government is taking bold steps to address challenges that are impacting manufacturers and exporters. In particular, we strongly support the proposed harmonization of the PST with the GST. A harmonized sales tax has been a long priority for CME, and we are pleased that Ontario has introduced a bill that would greatly assist our challenged sector: the two million workers who depend on manufacturing, and the entire province that benefits from the wealth created by manufacturers. Failure to harmonize will be another challenge manufacturers will have to deal with, and this could cause enormous challenges for companies, which could impact the viability of many of them.

We encourage this committee to recommend the passage of the bill so that we can move forward with a tax system that makes economic sense and that will help to build the province's value-added sector. One thing this recession has taught us is that we can't support the lifestyles and a standard of living just by spinning other people's debt. We need to focus on the value-add, and that's what manufacturers do. Let's move forward and help manufacturers do what they do best.

I'll now ask Paul just to talk about some of the specific recommendations in the brief moments left.

Mr. Paul Clipsham: Thanks. I'll be very brief. It's coming to the end of a very long day for you guys, and I commend you on sitting through it this long.

CME is supportive of the harmonized sales tax and the implementation approach detailed in the bill. We feel there's always room for improvement, and we have two specific recommendations that, if implemented, would derive maximum benefit to manufacturers, exporters and the Ontario economy. They are: the elimination of input tax credit restrictions on HST as quickly as fiscally possible, and the implementation of point-of-purchase input tax credits for manufacturers on the sales tax so that they have this exemption. It would certainly help ease some of the burden on manufacturers if this were to be implemented. But in general terms, CME is very supportive of the harmonization approach as outlined in the bill.

We also have some recommendations for going forward, which are in the package, and I encourage you to look at the details of those, but I won't go through that at this point.

Thanks very much for your time and your attention.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation—I know you had to shorten it—and thank you for your patience.

This brings to a close the deputations. We have one minute left.

Mr. Wayne Arthurs: Chair, since we have the minute: We did give up some time in the interests of getting here, so thank you for the presentation and doing it in that short period of time.

My question to think about—it's more of a take-away, I guess, with the time available—today's ways and means; very strong support federally by the federal Liberals, the federal Conservatives of the governing party, and the Bloc: Is that type of political support a strong signal internationally, as it rolls out, of the willingness of this country to be more competitive in its tax policy?

Mr. Ian Howcroft: In one word, yes.

Mr. Wayne Arthurs: Thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much.

Ms. Lisa MacLeod: May I have a point of order?

The Vice-Chair (Mrs. Laura Albanese): We are adjourned.

Ms. Lisa MacLeod: I just wanted to say that we would have liked to have extended—

The Vice-Chair (Mrs. Laura Albanese): It is 6 o'clock, so we are adjourned. I'm sorry. We're adjourned until 8 a.m. in this room on Monday.

The committee adjourned at 1800.

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