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Tuesday 10 February 2004

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(Hansard)**

Mardi 10 février 2004

**Standing committee on
finance and economic affairs**

Pre-budget consultations

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

Consultations prébudgétaires

Chair: Pat Hoy
Clerk: Katch Koch

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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**

Tuesday 10 February 2004

Mardi 10 février 2004

The committee met at 0900 in room 228.

**PRE-BUDGET CONSULTATIONS
ONTARIO MEDICAL ASSOCIATION**

The Chair (Mr Pat Hoy): The standing committee on finance and economic affairs will please come to order. Good morning, everyone.

I would ask the Ontario Medical Association to come forward, please. You have 20 minutes for your presentation. You may leave time, if you wish, for questions within that 20 minutes. I would ask you to identify yourself for the purposes of Hansard.

Dr Larry Erlick: Mr Chairman and committee members, good morning. I am Dr Larry Erlick, president of the Ontario Medical Association. After my remarks, I am looking forward to answering any questions the committee may have.

I've been in practice since 1972. I'm a comprehensive care family physician and an emergency physician. For many years I was deputy director of emergency and urgent care at the Scarborough General Hospital, as well as a member of the medical advisory committee. I believe this has afforded me the opportunity to gain insight into many of the issues confronting our health care system at multiple levels.

Our message today is simple: Increasing delays in treatment and access to medically necessary care no longer can be tolerated. The health care and well-being of our patients is at risk.

Having practised for more than 30 years, one thing I know for certain is that the people of Ontario—in fact, all Canadians—deeply value our health care system. Year in and year out it ranks as the clear number one priority for voters of this province. This committee does not face an easy task. You have heard from many people in the last two weeks, and this week you will again hear from other groups advocating for what they believe needs to be a priority. We are beyond priorities; we are talking about necessities. There is a crisis in the health care system.

I am here today advocating for my patients to make sure they continue to receive the medical care needed and delivered by the best and most skilled doctors in the world: Ontario doctors.

The OMA has been a partner with government in developing innovative approaches to health care delivery. I take pride in having negotiated the family health group

concept last year with government, an innovative way to deal with improved access for patients that recognized the value of comprehensive care family physicians. In fact, the Ontario Medical Association has developed with government over 100 different alternate payment plans to deliver care to our patients that best suits their needs, the needs of the community and the needs of physicians to delivery quality care. All of this is in jeopardy today.

One of the biggest frustrations I face each and every day as a family doctor is telling my patients they're going to have to wait months to see a specialist or get an important diagnostic test. Wait lists to see a family doctor or a specialist consultant are unacceptably long. Our emergency departments are overloaded. Surgeries are delayed while anxiety and suffering continue.

Governments have cut back services, restructured and consolidated in the name of efficiency. There is no meat left to cut from the skeleton of health care. At present, we have increased stress for providers, as well as frustration and fear for our sick patients and their families. I have been all across this province. I've seen and heard at first hand the dissatisfaction and concern from my colleagues and their patients.

The OMA recently completed a survey of 2,000 physicians, the largest ever undertaken, to assess physician concerns about the health care system. I am providing for the committee a copy of those results. I strongly urge you to read those results to see what the doctors of Ontario—your constituents—are saying about the state of health care in this province. These women and men are on the front lines, and much of what they have to say may surprise you. Doctors are frustrated by their inability to provide the quality care to their patients that they have been trained to deliver.

We are entering into negotiations with the government to address the problems of delayed access to medically necessary care. As a backdrop, we cannot ignore the facts. The fee schedule used by the government to pay for medically necessary services is seventh when compared to the other 10 provinces. The ratio of patients per family physician is the worst, or 10th in the country. Medical students are finding family medicine unattractive because of poor remuneration, heavy debt load, high tuition fees, lack of resources and high overhead costs. We are short almost 2,000 physicians in this province and have not enough established growth in medical school enrolment to deal with this fact, let alone that one in three

specialists and one in four family physicians are over the age of 55 and will retire within the next five to 10 years.

You must address in your budget deliberations the realistic challenges of retention and recruitment of physicians. This is not an option. We cannot afford to lose any more physicians to other provinces or the United States. We must recognize that our highly skilled medical resources are being drawn away by more attractive fee schedules, better infrastructure support and improved quality of life. Competition is real. The OMA supports and has become involved in developing integrated approaches to the delivery of health care with other allied health care providers, including nurse practitioners, social workers and dietitians. We are also working to get rid of the red tape and speed up the process to allow Canadian-trained physicians in other jurisdictions as well as qualified international medical graduates to come to Ontario.

Government has repeatedly stated its desire to hire more doctors, yet we are having trouble keeping the ones we have. Those not looking to leave are so frustrated by their inability to provide timely access to care that they are planning retirement. In either case, they are gone forever and there is no one in the wings waiting to replace them.

Over the course of the last four years, fee increases in Ontario have not kept pace with inflation and the rising cost of running a practice. Contracts reached in other provinces have resulted in a steady decline in the relative value of Ontario's fee schedule to seventh place. Ontario is no longer the preferred place to practise.

Ontario is not competitive, and this is having a real effect on your constituents. As a result, we are experiencing extreme difficulties in recruiting and retaining doctors in this province. In turn, we have a million people in Ontario without the expert care a family doctor can provide, a figure that could double in the next eight years.

Despite the erosion in the value of Ontario fees, our doctors and the OMA remain committed to managing the medical care system in Ontario in partnership with government. Our surgeons need more operating rooms to deal with the wait lists; we need more diagnostic services; we need an improved public health care system; we need improved integration with other allied health care providers; and we need to start the long overdue process of long-term-access model planning. Timely access to medically necessary care for all Ontarians is our goal.

Remember as well that the population of Ontario is expected to grow significantly faster than the overall Canadian population. Economically, Ontario's GDP per capita remains second only to Alberta. Ontario government expenditures per capita are the lowest of all the provinces. Although in 1992 Ontario had the highest per capita spending on health care, at present, in 2003-04, the per capita spending on health care is expected to fall to seventh among the 10 provinces. Since 1987, spending on physician services in Canada has dropped from 16% to 12.9% of total health expenditures.

0910

Losing physicians to other jurisdictions is of grave concern to those of us who are still practising in Ontario. Doctors are deeply concerned about the physician shortage in this province. We are not training enough doctors to meet the current, let alone future, requirements of our citizens. There are critical shortages in virtually every specialty, from family practice to obstetricians and gynecologists. While the doctor shortage may not be news to you, what may be is the extensive plan the OMA put forth 18 months ago to address it.

The OMA has produced strong and practical recommendations to improve the physician human resources situation in Ontario. I have provided the committee with a copy of the executive summary; the full document can be provided. Unfortunately, processes of implementation of those recommendations have been bogged down in Ministry of Health committee upon committee deliberations. This document outlines practical ways to address short-, medium- and long-term solutions to a real crisis in this province. We need to improve access to patient care. We need to improve physician morale. We need to improve doctors' perceptions of this province.

What this committee needs to clearly understand is that there is no more room for cutting. It is time to take real action and demonstrate the fiscal commitment that we have seen in other provinces, to improve the professional lives of our physicians and provide the resources necessary to allow doctors to do the jobs they are trained to do: care for the people of Ontario.

Our negotiations with government to enhance medical care in Ontario are not about options and luxuries and things that can be put off until tomorrow or next year or the year after that. Our negotiations and needs are here and now.

We are committed to finding workable solutions that address the needs of the province, the patients and the physicians of Ontario.

I've been involved with the OMA for over seven years and I have seen the problems in the system building up. Doctors are tired, frustrated and undervalued. The patients we see are sicker, they require more time, and the support systems to meet their needs at home and in the community are lacking. We need to start to fix the system now.

Premier McGuinty and Minister Smitherman say our health care system is the best expression we have of the values we share as Canadians. If this government truly believes this, then it is time to do as Ontario doctors have been doing and step up to the plate and address some of the real issues that are driving Ontario doctors out of this province and worsening the crisis in access to health care for Ontarians. The time to act is now.

Thank you very much.

The Chair: Thank you. We have about two minutes per party for questions. We'll begin with the official opposition.

Mr John O'Toole (Durham): Thank you, Dr Erlick, for your presentation this morning. There are a number of

presentations ongoing in the province with respect to health care, not the least of which are Bill 8 and Bill 31, dealing with health quality and the whole issue of health privacy, which you and I have had some time to work on in the past. It's an important ingredient in streamlining the delivery of health care while securing privacy issues.

You mentioned in your presentation several times that the fee issue is a huge issue. I could cite an article from April Lindgren in the Post this morning, where she says, "Doctors See Medical Tests as Wage Negotiation Tool." The ongoing negotiations are a part of trying to drive more money for health care, yet the government's own documents that I'm looking at show that 46 cents out of every dollar is being spent in health care. My question to you is, is there any new method in providing health services or increasing accessibility to health care?

In the context of some of the initiatives you mentioned in your presentation, one of which is the clustering of doctors, the family health networks or other methods—which really, at the bottom line, is rostering of doctors' services—what is the OMA's position toward collaborative health care, which includes the recognition of the important and expanding role of nurse practitioners? If you go for a fee for service, it drives volume, yet if you go for a rostering model it could potentially create more line-ups. Technically, are they going to see more people if they're on a salary?

Yesterday in Peterborough we had a very, very informative—

The Chair: You have a number of questions there, Mr O'Toole. We'll let the presenter answer.

Mr O'Toole: Excuse me, Chair. I have the floor. If you want to intervene on a procedural issue, that's fine.

The Chair: If you would leave time for an answer, it would be helpful.

Mr O'Toole: Are you going to add that time to mine? I'd appreciate it if you did.

Mr Mike Colle (Eglinton-Lawrence): You only have two minutes.

Mr O'Toole: Mr Colle is now speaking. Who is speaking with you, Mr Colle?

Mr Colle: You only have two minutes.

Mr O'Toole: What difference is that to you? Go through the Chair, please.

The Chair: Order. I'm asking the member to—

Mr O'Toole: Mr Erlick, you see the difficulty here of getting any serious debate going. They want to just slough you off on the most important issue in this province.

Interjection.

The Chair: Order, please.

Mr O'Toole: Do you support a new approach, as opposed to a fee-for-service model, in the delivery of health care, for accessibility? In fact, we're spending more money on health care, and I question some of your numbers.

The Chair: Thank you for your comment. We'll move to Mr Prue and the NDP.

Dr Erlick: Can I answer?

Mr Michael Prue (Beaches-East York): No. I have some real questions.

Mr O'Toole: On a point of order, Mr Chair: I had my watch clearly on, and there was still time left for Dr Erlick.

The Chair: I said all parties would have two minutes. Included in that is the answer—

Mr O'Toole: Well, I'll be watching, because it seems to me that—

The Chair: —and you left no time for an answer. We move to Mr Prue.

Mr Prue: You have stated that the OMA is trying "to get rid of red tape and speed up the process to allow Canadian-trained physicians in other jurisdictions and qualified international medical graduates to come to Ontario." We know that in the past not your group but the College of Physicians and Surgeons and some of the professional nurses' groups have been part of the sticking point. What is the OMA doing to get around that sticking point? We have thousands of foreign-trained health care professionals in this province. What are you doing?

Dr Erlick: Within the province itself, one of the sticking points has been the 12 to 18 months it takes to get certification of specialists through the royal colleges. We worked with the government last year to amend the OHIP fee schedule. It therefore allows for recruitment of physicians without that necessary step.

Again, we welcome the introduction of qualified, well-trained international medical graduates. In fact, 25% of the practising physicians in Ontario today are foreign-trained, and that resource is vital if we're going to retain and recruit in the short term.

Mr Prue: My second question is, you have said that Ontario doctors have now fallen to seventh place, and we were in first place in 1992. How much extra would it take to get Ontario doctors back to number one, or even number two if we have to be behind Alberta?

Dr Erlick: Over the last six months we've been working with the Ministry of Health as part of our pre-negotiations to develop a common, shared database that we both agree to use. That's where that number comes from. We hope to conclude our negotiations by the end of April—at least that is what's called for in our agreement—and fix a number. What we're looking at, again from our 2,000-member survey, is that we have to deal in the short term with retention and recruitment. If we don't recognize that we're losing doctors, we will be non-competitive with other provinces. Ontario is not the place physicians look upon as where they want to come and practise or stay.

Mr Prue: But how much to get to number one?

The Chair: We'll move to the government and Mr Colle.

Mr Colle: Thank you, Dr Erlick. While I was in opposition, I moved a private member's bill, which the previous government blocked, to end mandatory retirement in Ontario. One of the things that really bothers me is that we've got highly qualified, expert doctors who are being forced, basically, out of hospitals, out of the field, through the silly rule that says that at 65 you can no

longer practise in this province if you are affiliated with a university. Do you have any idea how many doctors we lose because of this ridiculous mandatory retirement provision in Ontario?

Dr Erlick: Unfortunately, I can't give you that exact answer, but certainly that has been a sticking point for many years with us, retiring at 65 when someone is well qualified to continue to provide care. As well, even for physicians who are older than that and who are prepared to continue working part-time, we should also be addressing those needs and modifying how we can keep our physicians working. We do know now that one in three specialists is over 55, and there is a cohort of neurosurgeons approaching 60.

Mr Colle: And if they want to work part-time, under the mandatory retirement they can't even come in and do that?

Dr Erlick: Many of the practice plans in the academic centres don't allow that, although we are now in the midst of renegotiating academic health science centre contracts through the ministry.

Mr Colle: Thank you very much, Doctor.

0920

The Chair: Mr Orazietti, very quickly.

Mr David Orazietti (Sault Ste Marie): Thank you, Dr Erlick, for your presentation. The riding that I represent is Sault Ste Marie, and in that riding we have the Group Health Centre, which was a model recognized in the Romanow commission report. I'd like your feedback on these types of health care facilities and whether or not you think they can play a valuable role in terms of retention and recruitment of physicians in this province.

Dr Erlick: I believe that we have to integrate our health care system delivery, and I certainly believe, in terms of primary care delivery, using nurse practitioners—I must remind you that doctors and nurses have worked together for years, and nurse practitioners are working in many of our alternate-payment models. The Group Health Centre model in Sault Ste Marie has provided excellent care. It's one method of providing care. It's a capitated global funding model. We have different funding models for different parts of the province: rural; in terms of northern group funding as opposed to community service contracts. All those models serve the needs of the community and best provide the care.

I might mention just in passing that I'll be going to Peterborough on Thursday, where they too are working with the local communities, the community health centres, public health. I've talked to the chair of the medical staff there. I'm going to be meeting with the community leaders and the physicians to discuss a very innovative approach they are taking to the delivery of primary care in Peterborough to address the needs.

The Chair: Thank you for your presentation.

ONTARIO TRUCKING ASSOCIATION

The Chair: I call on the Ontario Trucking Association. You have 20 minutes for your presentation. You

may leave time within that 20 minutes for any questions, if you so desire. I would ask you to identify yourselves for the purposes of Hansard.

Mr David Bradley: My name is David Bradley and I'm president of the Ontario Trucking Association. On my far right is Stephen Laskowski, OTA's manager of policy and research, and on my immediate right is George Ledson, who is chairman of the Ontario Trucking Association and owner and CEO of Cavalier/Georbon Transportation in Bolton, Ontario.

Thank you very much for the opportunity to speak to you this morning. There are some new faces around the table, so I don't want to belabour it, but just a little bit of background about our industry.

Trucks haul 90% of all consumer products and food-stuffs in the province. We employ directly in excess of 200,000 individuals. Interestingly, in the last census of Canada, truck driver was the major occupation for Canadian males in the country, and the same would no doubt apply here in Ontario.

Perhaps our role is most evident when it comes to our trade with the United States. Some 80% of the value of all trade between Canada and the US moves by truck. The reason for that is really quite simple. It's because of the service that trucks provide: flexible, reliable service that fits very neatly with the just-in-time and quick-response inventory systems preferred by manufacturers.

We think this is an extremely important budget and an extremely important time in Ontario. We believe our economy is vulnerable at the present time. Consequently, what we need to try to do are two things.

One is to ensure that we have the access to the US markets that we have enjoyed up until 9/11. In fact, I would say that Canada, and Ontario in particular, was the envy of the free world in terms of the proximity to that large market and the relative ease with which we were able to tap into it. That, of course, has changed quite considerably. Concomitant with that is that Ontario industries now, more than ever, have to be competitive in that market to be able to make up any of the lost productivity and efficiency that we've seen at the border.

In terms of access to the market—and we believe this is the single largest economic issue confronting Ontario at the present time; it is the driver of direct investment in plant and equipment in the province—one of the things we would urge you to look at is to continue to maintain investment in our highways, which are our rivers of trade in the 21st century. I think the government has made some useful announcements, even though it is early days in terms of the new McGuinty government, but it's something that needs to be maintained. I would say that the former government also did a very good job over the last five years in terms of investing in our highway system.

If I had to pick one project now that requires urgent attention—that is to get on with the job of implementing the medium-term solution in Windsor—is the \$300-million joint plan both the federal and provincial governments have agreed to. They've come up with a nine-point

plan for fixing, at least in the medium term, some of the issues at Windsor. That would set the stage for a longer-term and a more forcible solution. However, we've now seen many, many months pass since the nine-point plan was agreed to and there is no implementation in sight. I would urge you to get on with that.

In fact, a truck driver once said to me, "You can take a truck from Toronto to Miami and you'll go through 17 stoplights; 16 of them are in Windsor," yet it is the world's largest gateway for trade and it is in an intolerable situation. As economies come back on stream, we run a real risk of choking off that trade with the United States which is so important in terms of our competitiveness.

In terms of our competitiveness as an industry, we do need to look at taxation, making sure that taxes are equitable, that they're efficient and that they're based on ability to pay. If we don't do that, we run the risk of deteriorating or not being able to build what we think is required, which is an Ontario advantage. We don't think, as Canadians or Ontarians, that we should just settle for a level playing field with the Americans. We have a smaller economy. We don't have the economies of scale that they have. We need to have competitive advantages on this side of the border.

One of the areas that businesses—I'll speak specifically to the trucking industry—are at a disadvantage is with respect to taxation on business input. Presently, if you purchase a truck in Ontario, you'll pay three different types of taxes, all of which we have to administer. You'll pay the federal goods and services tax; you'll pay on intra-Ontario trucks; you'll pay the provincial sales tax, the 8%, up front; and if you have trucks that cross the border, you will also pay what's called the multi-jurisdictional vehicle tax, which was introduced a couple of years ago to try to address some specific problems in terms of the demise of the interprovincial sales taxing arrangement and the coming on stream of an international registration fee compact between the 60 North American jurisdictions.

If you look at the map we've included with our submission here, you'll see that while perhaps you might argue it's not an island, Ontario has chosen by moving the MJVT approach to take a position very much different from most of our competitor states in the US and most of our competitor jurisdictions in Canada. The yellow circles signify those US jurisdictions where in fact trucks that cross borders are not taxed. They're sales-tax-exempt. The blue dots, Quebec east, represent those jurisdictions that have harmonized with the federal goods and services tax. The hollow circles are those jurisdictions that have something like the Ontario multi-jurisdictional vehicle tax.

This tax was rushed in at the time, and I think most people in the finance department would recognize that and admit to that. They were trying to do a lot of things with this tax: having to deal with different types of fleets; whether they cross borders or not; different tractor-trailer ratios; different ages of equipment. Putting all that

together in one neat formula where you have a recurring sales tax is a challenge at best. It's also very difficult to administer if you have mixed fleets, which most of my members would have, and very difficult for the province to administer as well. I can tell you that audits of the MJVT still have not started, and I think that's because to unravel all the different parts and service taxes and whether they should be applied by MJVT or by a provincial sales tax is very difficult and costly to do.

So what did we do? We hired the Rotman school of business at U of T to take a look at taxation of our industry. You'll see that the effective marginal tax rate on capital and on labour and translating that into our service costs is significantly higher, staggeringly so, than the major competitor states' submissions—eg, Ohio and New York—and similarly, compared to other Ontario industries—manufacturing, mining, communications, forestry—we're taxed significantly higher on our business inputs. That's a form of discriminatory taxation and it breaks one of those tenets of efficient equal taxes.

0930

So what are the choices, if you were to pursue this, to try to make our industry more competitive and at the same time make the rest of the Ontario economy competitive? One of the things you could do would be to simply exempt equipment in Ontario, as it is in 25 US states. That has happened before. In the early 1980s Ontario had that policy, but it's not likely, given the current fiscal situation of the provincial government. We could continue to tinker with the MJVT, look at broadening the base to include all trucks, not just those that cross borders, but this is a very cumbersome tax and, again, it's out of step with the approach taken by our major trading partner.

Finally, the suggestion that we think you should pursue and consider would be to harmonize the provincial sales tax and the multi-jurisdictional vehicle tax with the federal GST. We think this is the most appropriate way to tax business inputs. If you look at the experience around the world, there are many ways to lessen the impact on consumers, the most disadvantaged or for projects of a political nature. There are ways to deal with those things.

We would recommend that you move in that direction. According to the Rotman folks, this would reduce the effective marginal tax on capital; it wouldn't completely eliminate it. There are some things that would need to be done at the federal level, but it would introduce a much more efficient and equitable tax and one that is much easier to administer, both for industry and government.

Thank you very much. If there is time, we'll take questions.

The Chair: We have about three minutes per party and we'll begin this rotation with the NDP.

Mr Prue: Thank you very much. I'm most concerned about Windsor. I think that's your number one concern too. What is delaying the process? Is it environmental concerns? Is it community opposition? What is it, in your view, that is happening in Windsor that we're not proceeding?

Mr Bradley: It has mainly been an issue, I believe, of local politics. City council has for the most part been opposed to the nine-point plan that was proposed by the federal and provincial governments. Similarly, as we have had a provincial election, there was also a municipal election there which introduced a whole new slate of councillors. They are now starting to make some noises of looking for some other solutions. As yet, they have not been able to put any forward that seem to make sense.

The beauty of the nine-point plan was that it didn't disadvantage any of the major proposals for private infrastructure in Windsor. It doesn't disadvantage the Ambassador Bridge's proposal to expand and change the route to their bridge, and of course they've got a monopoly situation in Windsor right now. It also doesn't disadvantage the Detroit River Tunnel Partnership, where CP Rail would like to take the existing rail tunnel, which separates cars from trucks, and make that a truck-only route. And it doesn't disadvantage the real longer-term solution, which is looking 10 to 15 years out, although we could use it today: a second bridge at Windsor. What it does is bring the highway linkages to the front door of each of those projects.

Mr Prue: What can the province do, though? Should the province, in your considered view—are you asking us to override the municipal concern? They do have jurisdiction in the planning process.

Mr Bradley: I wouldn't suggest that I would use the word "override." I would suggest that the senior levels of government do need to show some leadership here. Fixing the problems in Windsor is of national and provincial importance. I would suggest that what they need to do is garner a good understanding of where the opposition is coming from, the parts of the community that are most affected, and then take measures to try to work with those communities to ameliorate those concerns. I think those things can be done and I don't know that enough effort has been put into that at this point.

The Chair: We'll move to the government.

Mr Colle: Thank you, Mr Bradley. In terms of the MJVT, it seems that this approach to taxing trucking is really putting trucking in Ontario at a comparative disadvantage with your competitors in Ohio, New York etc. I guess the real question here is, you're suggesting that it's basically not worth making adjustments to this because you're never going to really make it work, that we should therefore go beyond looking at the adjustments and go to the harmonization. But how long will that take? Are we better off maybe trying to do something more trucking-specific before we go into the harmonization route of PST, GST etc?

Mr Bradley: What we found with the MJVT was when you rush things in, often you get a partial solution that creates as many problems as those it tries to solve. In terms of introducing a GST outside, I suppose, of any political considerations that the government would have to undertake, in terms of actually implementing a harmonized system, if you look at the experience in Quebec and Atlantic Canada, it has gone quite smoothly,

because the fact of the matter is that the federal system already exists and the province is already collecting GST on behalf of the federal government. So from a system's point of view, it's not that great a transition. I think the thing that will take time, perhaps, is the political decision, but I believe once that's taken, the actual mechanics will run more smoothly.

If indeed it was felt that we're not going to move in this direction, then clearly we're left with second-best, and second-best at that point would be to try to make the MJVT as efficient and fair as possible. One of the ways of doing that might be to bring all equipment under the umbrella, but I would argue that that should only be done if it were on a revenue-neutral basis so that the industry gets some efficiency out of the tax that it doesn't get right now.

It was introduced solely for the purpose of—with the introduction of the international registration plan, which, again, is a compact on vehicle registrations—pro-rating them across all jurisdictions. With that, the interprovincial sales tax arrangement died, where each of the provinces used to share, based on miles, the sales tax on equipment. When that died, Ontario no longer had a mechanism for collecting from Alberta carriers and Quebec carriers and this and that and everything else. So they seized upon this recurring sales tax, which is now called the MJVT, because it could be collected through IRP if you didn't call it a sales tax. That's basically what they did.

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

Mr O'Toole: I for one also agree. We were in Windsor a couple of weeks ago and there was a huge line-up of trucks. It's just discouraging in an environment of just-in-time. So I agree with your proposal there and I take it as notice that the government understands that.

I'll just bring to your attention that yesterday in Peterborough we had an interesting presentation from a company called GlobalTech which, in brief, really uses just a small amount of hydrogen to act as a catalyst in the ignition. It increases mileage and horsepower and eliminates emissions for diesel and almost all traditional combustion engines. It would be worth looking into that. In fact, we passed a resolution, or at least moved a motion, yesterday to encourage the government to incent that cleaner environmental issue, along with the transportation issue.

I do want to pick up on your comment on the harmonization and the MJVT. What I was thinking was that I'm kind of concerned that the harmonization in a broad sector is really a cash grab for the government; it really is. It's a huge issue, and a whole range of goods that are now GST-taxed aren't PST-taxed, so you're increasing the list of items, and services primarily, that would then be taxed at 8%, the provincial sales tax. It's a cash grab. Would you agree to something like where this would apply as a replacement tool only for your industry-specific needs?

Mr Bradley: Certainly, if we could carve out trucking, I would be happy with that. But I just believe that a

value-added tax approach is the best way to approach a taxation of consumption compared to the PST. I would argue, Mr O'Toole, that there isn't a whole lot left, quite frankly, that isn't under the PST umbrella at the present time. But where you have situations, whether it's food or municipalities, for example, as we just saw last week in the throne speech federally, exemptions can be provided to ensure that for those less fortunate or those products or services where the tax is an issue, you can deal with that.

Quite frankly I'm interested—and I'm coming at it from something I know, which is the competitiveness of my industry, which many other industries have and ours doesn't. But at the same time, when I look in most jurisdictions, their experience is that when they introduce the value-added tax, they find that they generate more revenue than they initially expected. Now, there are two ways of dealing with that. You could say, "We're going to be revenue-neutral." At the same, I understand that the government does have a fiscal imbalance and they're looking at all sorts of other ways of raising money, many of which, to my mind, are regressive. Whereas I think that were we to generate more revenue from a GST approach, it is still a more efficient, balanced way of taxing consumption than the present one.

The Chair: Thank you for your presentation this morning.

0940

CANADIAN UNION
OF PUBLIC EMPLOYEES,
ONTARIO DIVISION

The Chair: I call on the Canadian Union of Public Employees, Ontario, to come forward, please. You have 20 minutes for your presentation. You may allow time for questions, if you desire. I would ask you to identify yourselves for the purposes of Hansard.

Mr Brian O'Keefe: Good morning. My name is Brian O'Keefe. I'm the secretary-treasurer of CUPE Ontario. Unfortunately, Sid Ryan, the president of CUPE Ontario, is unable to be here this morning. He's laid up with the flu so I'm doing his role.

CUPE Ontario, as you know, is the largest union in Ontario. We represent some 200,000 members across the province. We have brought with us this morning a representative from each of the major sectors where we represent workers across this province. I have Charlotte Monardo, who is the chair of our school board workers' committee. She works with Kawartha Pine Ridge District School Board. I have Valerie Hartling, who is representing our social services workers' committee. Val works with the Toronto children's aid society. I have Janice Folk-Dawson, who is the chair of our university workers' committee. Janice works for the University of Guelph. Mary Willis, beside me, is the chair of our health care committee. Mary works for Streamway Villa nursing home. Finally, we have Brian Manninger, who is the chair of our municipal workers' committee. Brian works for the municipality of Chatham-Kent.

We're here today to talk to you about rebuilding public services, rebuilding our communities and to issue you a challenge. We are challenging you to join us in a campaign that we have underway to build strong communities across the province of Ontario. That is the essential task, we feel, that needs to be presented here this morning. This is the task that the Liberal government was elected on. We are all experiencing the aftermath of the policies of the previous government. We all know that approximately \$14 billion was extracted from the revenue base of this province by the previous government through tax cuts.

Our members experienced this at first hand. We know what it's all about. I want to remind you that CUPE workers are the workers who deliver essential services across this province, such as child care services. I want to remind you that it was our members who put their lives on the line in the SARS crisis last year. Our workers are also those workers out there in winter who fix water mains in temperatures 30 degrees below zero, and many other services. Our members deliver a very large percentage of public services across this province, so we know what the impact of cuts is all about.

Another reason why our members know what cut-backs in public services are all about is because, quite simply, their jobs are on the line. What we're seeing in many parts in this province is trying to do the job with less money and fewer workers. Many of our members have had their job targeted through privatization, through contracting out, and now we're haunted with the spectre of public-private partnerships, which is a huge concern for our union. That is the reason why we're issuing a challenge to you this morning, both to the committee and especially to the government, to join us in rebuilding this province and investing in public services.

The government platform in the last election basically addressed the issue that the glass was half empty and that serious change needed to take place. In fact, the title of the platform was Choose Change. Now we're finding that maybe this is not the case; maybe the way this was described in the election is not the reality of the situation. The discussion paper that is being used for the public inquiries across the province is talking about privatizing many public assets such as the LCBO. We're hearing about user fees. This is of great concern to us. We feel this government was elected on a very clear platform, a platform of investing in our communities, investing in public services, and that's what our challenge is all about.

I want to talk about the whole issue of public financing and how we deal with capital infrastructure in this province. As we know, and we acknowledge it, there is a huge infrastructure deficit in this province right now, and massive investment is required. But we want to make it very clear that public-private partnerships are not the route to accomplish this. Public-private partnerships are, to a very large extent, financial scams to get capital expenditures off the government books. It's too clever by half, and the reality is that the government ends up paying more in the long run for these projects.

I'll give you an example of the Nova Scotia schools. There was a public-private partnership out in Nova Scotia to build approximately 35 schools and the Nova Scotia government realized that it cost them more to go that route than if they had built the schools themselves, to the tune of \$32 million. That's on record with the auditor general out in Nova Scotia.

There are zillions of examples around this particular situation. We have all the research that's available on hospitals in England, where we've seen a 30% cut in beds and a 25% cut in jobs.

We feel this is a very retrograde route to go for the financing of public infrastructure in this province. We hope this government will not go down that road.

To give you some other examples of why this is wrong, what public-private partnerships do is actually open the door to the outright privatization of services. In order to leverage money from the private sector, it hands over ownership and control to the private sector. Rather than going down that road, what this government should be doing is leveraging money from the private sector in such a way that ownership and control remains in the public sector, not in the private sector.

0950

There's a huge issue around jobs involved here. The contracts that are out there for the William Osler Health Centre in Brampton and the Royal Ottawa Hospital—we know that there's a bundling aspect to those contracts that includes services. If I can remind you of some of the horrendous developments that occurred in British Columbia, where wages of workers have been cut in half, being reduced by as much as \$9.50 in Vancouver General Hospital, to give you one example. The Premier has given us an assurance that he does not want to go to a low-wage economy in the province of Ontario, and bundling of services through public-private partnerships is the slippery slope to a low-wage economy. That's another reason why we are totally opposed to these arrangements.

There is also the situation of liability, transparency and accountability. On the liability issue alone, if I could remind you of what happened down in Hamilton with the privatization of the water service down there, which has been through a number of bankrupt companies, one of them being Enron. The municipality of Hamilton ended up having to pay the tab for 180 million litres of raw sewage ending up in Hamilton Harbour. There is no control with these public-private partnerships. It's giving away the store. I just want to emphasize once again to stay away from that way of financing public infrastructure in the province of Ontario.

If I can return, once again, to the projects that are currently out there—the William Osler Health Centre, the Royal Ottawa Hospital, and also the six other hospital projects that are in the works—we don't even know the details of these contracts. There's no transparency here. It's all done behind closed doors. The two issues for CUPE are, one, ownership and control, and the other one is centred around this just being another scam so as to cut the wages of public sector workers. I want to make it

very clear that our union is not going to stand on the sidelines and allow this to happen. We're going to fight this with everything we've got, because we feel it's bad for the taxpayer, it's bad for Ontario, it's bad for our communities, it's bad for workers, it's bad right across the world. It's a regressive form of policy, and it's not in the interests of the province of Ontario.

With that, I'd like to talk about some of the issues that exist in our different sectors. I'm going to start off with the university sector. We have a campaign currently underway in the university sector in which representatives from our university committee are travelling the province visiting different universities as a way of doing a campus evaluation of the conditions in universities. Last week, they went to the University of Guelph and McMaster University. It's very interesting what they've turned up. We've heard a lot about the double cohort, which seems to have kind of dropped off the pages of the newspaper these days, but there are serious implications of the overcrowding and the current conditions in universities.

To give you a few examples, in the University of Guelph, there is a dorm there where 40 young women share two shower stalls. At McMaster, there are three students living in rooms built for two. We heard about the engineering building at McMaster, where sewer fumes were filling the building just because of maintenance being put off. This ties in with the fact that there's a deferred maintenance bill right now in universities across the province to the tune of \$1.7 billion. At Guelph also, students line up for 20 minutes at a library computer terminal just to find the call number for a book. This is outrageous, and serious dollars are going to have to go into our university system in order to rectify these sorts of problems. This campus checkup evaluation process that we're doing is ongoing, and we'll certainly be reporting on that later.

Obviously, our union supports the tuition freeze, but we don't want to find ourselves in a situation where universities end up with no money to do the nuts-and-bolts work they need to do. So, we're making a strong argument here that there needs to be a serious infusion of operation dollars that flows into the university system.

The issue again in the school board system is a question of dollars. There are not enough resources in the system, and this point has been made over and over. During the election the Premier and the Minister of Education and other members of the government made this a huge issue: that they were going to pump significant resources back into the school board system. We're calling for significant multi-year funding for the school board sector. When we say "multi-year funding," we're not just talking about meeting inflation; this has got to go beyond inflation.

If I might refer you back to the funding formula and the remarks that were made in the Rozanski report, we're calling for the changes advocated by Mordechai Rozanski. We're advocating that those be implemented, and I'm talking about the real intent of that Rozanski

report, not the sanitized interpretation by the previous government.

We are the main union in Ontario that represents school board support workers. We actually represent 45,000 members in that sector. We're seeing appallingly high workloads experienced by many of our support workers, particularly custodians and secretaries, and also teaching assistants. That is something we feel is very much the result of a defective funding formula, which is geared to parts of the school system other than the areas where our members work. Also, the cash-strapped boards with deferred building maintenance costs and lowered cleaning standards are a huge problem. The classroom is an integrative place. If you've got an unhealthy environment where children are expected to learn, that's not going to happen. We're calling for a serious review of that funding formula that addresses the concerns of support workers in the system.

The final point I want to make is that underfunding has led to some pressures toward contracting out, particularly in the area of custodial work. This does not make any sense. The custodial workers in the school board system play a very important role, they have very close contact with the kids, and to try and farm that out to the private sector would be an extremely retrograde step. We're urging the government to stay away from that and not advocate anything that would farm out these workers to the private sector.

In the municipal sector, the issue for our members is the aftermath of the serious downloading that has taken place over many years. Our municipalities are struggling. There's a huge infrastructure deficit right across the province. This is our biggest area, actually. We represent some 80,000 members in this sector and our members work on the front line in a whole variety of different areas in the municipal area. They know the reality of what's taking place in our municipalities.

Obviously, we want to support the new deal for cities. We're supportive of close working relationships between the federal government and the provincial government to significantly address the concerns of municipalities. Giving additional taxing authority to municipalities to give them some control over their own house would make a lot of sense. So we fully support a portion of the gas tax going to municipalities and what other infrastructure monies can be channelled in that direction.

1000

The Chair: I want to remind you that you have about two minutes left in your presentation.

Mr O'Keefe: I just need a few minutes to wrap up.

We are calling for some recommendations around—I'll do them very quickly—restoring the contribution to public transit funding; ensuring that child care money coming from the federal government is channelled where it should go, to regulated child care; and we want the cap on municipal corporate tax rates removed.

In the health care area—I talked about the hospital situation already—we have an appalling situation in long-term care. We've been working with the parlia-

mentary secretary, Monique Smith, and also with the Minister of Health to address that situation. The conditions for our workers in that sector are appalling. They're expected to work under almost impossible conditions. A lot of unpaid work is taking place there right now. Registered nurses and registered practical nurses can lose their licences if they don't do the work that's required, which means they're doing work beyond their hours in order to get the job done.

We are committed to working with the Ministry of Health to get that situation addressed, but no significant dollars are going into that sector. The minister made some remarks to us about using volunteers and family members. That is not going to cut it. The removal of a minimum standard of care, 2.25 hours, was an absolute disaster. We're calling for a 3.5-hour minimum care level and significant dollars going into the system.

Obviously the social services area has taken an enormous hit. We've got social problems right across this province as a result of the policies of the previous government, and it's our members who are doing society's dirty work and picking up all the problems and dealing with them. This is a grossly underfunded sector, particularly for community agencies. We're seeing strikes and lockouts rampant across this province. There have to be dollars that go into this sector to address concerns in that area.

As a union, we have a social conscience on this issue and we're not going to ignore the fact that the social assistance rates in this province are a disgrace. Many recommendations came out of the Kimberly Rogers inquest. The rates have to be reviewed. We're calling for social assistance rates to go back to 1995 levels, plus an inflation adjustment to take care of whatever inflation has taken place since 1995. There's a huge poverty problem in this province, and this government has to address it. This is not an area that can be ignored.

The Chair: I want to thank you for your presentation this morning.

Mr Peter Kormos (Niagara Centre): On a point of order, Mr Chair: I seek unanimous consent to extend the time to allow Brother O'Keefe to wrap up his comments.

The Chair: Is there unanimous consent? Agreed. You may go ahead.

Mr O'Keefe: I'll try to make this really quick.

What we have here is a serious revenue problem in this province, and we're asking this government to bite the bullet and do what is necessary to address that situation. The Ontario Alternative Budget Working Group came up with some very good suggestions which could address the current deficit that's out there, such as closing corporate tax loopholes, ending the exemption to the employer health tax, improving enforcement of tax collection and recovering a portion of revenues lost to tax cuts under the Tories by raising personal and corporate income taxes by 2%.

I might add that compared to other jurisdictions across North America, our tax rates in Ontario are actually very reasonable. I think the time has come when governments

have realize that you can't run a government on fresh air. The last government gave away \$14 billion in revenue—it would have been \$16 billion if they got away with the additional money they wanted to cut. I think we've reached a point in time when governments have to seriously address this issue, bite the bullet and look at some form of tax increases. If I might say, what the NDP proposed in the last provincial election, adding two tax brackets for those who earn over \$100,000 a year, would be a very constructive and progressive way to deal with some of the revenue shortfalls that exist in this province.

All in all, we believe that the challenge is investment in our public sector and that it not be allowed to fall by the wayside. That's the challenge we're asking you to face, and not to continue on the same route of the previous government by cutting and chopping and destroying our essential public services, which are an important part of a modern society and a modern economy. We're going to shortchange ourselves if we continue down this route. We're calling for significant investment in our public sector and in our communities. That's what's going to turn this province around. We very strongly urge the government to live up to the commitments they made in their election platform.

The Chair: Thank you for your presentation.

ONTARIO HOSPITAL ASSOCIATION

The Chair: I call on the Ontario Hospital Association. You have 20 minutes for your presentation. You may allow time for questions within that 20 minutes, if you desire. I would ask you to identify yourself for the purposes of Hansard.

Mr Tony Dagnone: Good morning, Mr Chairman and committee members. I want to begin by thanking you for giving us this opportunity this morning.

I'm Tony Dagnone. In a voluntary capacity, I'm chair of the Ontario Hospital Association. With me is Hilary Short. She is the CEO and president of the OHA. She is someone who has contributed in a very substantial way to the health care system of our proud province. Also with us is Steve Orsini, a vice-president of the OHA.

Our single purpose this morning is to place before you a number of recommendations that we believe will lead to the creation of a better health care system for the benefit of the people of Ontario.

Just to begin, I should indicate that the Ontario Hospital Association is a voluntary organization representing some 159 hospital organizations located on 225 sites across this great province. In addition to those hospitals, we have membership from district health councils, children's treatment centres, rehab centres and mental health treatment centres. We are an association of health care providers dedicated to the continuing improvement of our health care system for Ontario citizens, and we're here this morning to underscore the fact that the OHA is there to serve the public interest when it comes to delivering quality care through our membership.

All of us here today know that on the streets and highways of our province, the blue sign with the large white "H" points the way to Ontario's hospitals, many of which enjoy a world-class reputation. But for those of us who work in the hospitals, this sign is also far more than just a symbol; it's indeed a promise to each and every resident of Ontario that they can count on those hospitals to get the care they need and when they need it. It means meeting the true promise of medicare, our cherished social program that truly distinguishes all of us as caring Canadians.

1010

The hospitals of Ontario are excited about the government's health care agenda that they have shared with the people of Ontario. A few weeks ago, after the election, the Honourable Mr Smitherman in his new capacity addressed the Ontario Hospital Association's annual meeting. In that particular address he said that his goal was to make Ontario's health care system more effective and more accountable. He said that effectiveness means more than just being responsive to patient needs; it meant that we had to provide timely care and a new emphasis had to be given on innovation. He also called for a new era of accountability and said that accountability means being answerable for our actions, not just good intentions. Perhaps more importantly, he said that we need a new spirit of common purpose at Queen's Park. We applaud this new spirit of collaboration and the new agenda in health care. Ontario hospitals couldn't agree more with our minister's pronouncements. We as a group of health care providers have a lot of confidence in his resolve to improve our system.

However, patients' expectations are very, very high and there is a huge amount of work that needs to be done, and that work has to be done together. If we do work together, we will be able to deal with the many challenges that each of our Ontario hospitals faces, and in particular those challenges facing the 200,000 health care workers who are associated with our hospitals. They're there to serve the patients in our community each and every day.

The Ontario hospitals take very seriously their obligation to get the maximum value for every health care dollar that is provided to them from the public purse. Our hospitals have taken the initiative to move forward with many innovative new ways of making the services that we provide more efficient. For example, we continue to increase the amount of day surgery performed in Ontario hospitals so that we can free up more of the scarce hospital beds for those patients who really need them most. After years of continuous quality improvements, Ontario hospitals are the most efficient among our peers from coast to coast. However, our job continues to try to improve the value that we're getting out of our health care dollars.

We as a group of hospitals in this province touch a lot of Ontario lives. Last year alone, Ontario hospitals provided high-quality care to 1.1 million residents who were admitted into our hospitals. On top of that, we as a

collective group of hospitals provided care to some 15 million outpatient visits. We have provided care on a 24-hour basis, seven days a week, during a most unprecedented challenging year with SARS, which threatened the health of our staff, our physicians, all health care workers and our communities.

Each and every year, the challenge for our hospitals to respond to the increasing population is definitely something we are addressing at all times. As you know, Ontario's population grows by more than 150,000 people every year, and that's the equivalent of the entire population of Prince Edward Island. Over and above that, the people we are treating are aging. They are sicker and they require complex and costly medical treatment involving innovative therapeutics and expensive technology.

The hospitals of Ontario are doing this job with per capita funding that even today is still below the 1993-94 level, exactly a decade ago. In fact, per capita hospital operating funding in Ontario is the lowest of all the provinces in Canada. Only the Yukon has less per capita funding for hospitals. To put this in perspective, if we were to bring up Ontario's hospital funding just to the Canadian average, we would require an infusion of \$1.2 billion in base operating funding to our Ontario hospitals.

The decline in real per capita hospital funding over the past 10 years has taken a toll on the capacity of the system. Over the past decade, Ontario lost more than 12,000 hospital beds. This has led to peak occupancy rates, which result in lengthy backups in our emergency departments, which everybody in this room is aware of.

Although some progress has been made in restoring past funding cuts to hospitals, I need to share with you that regrettably, our financial situation for hospitals is tenuous. There is a sense of urgency to address hospital funding. Here we are, six weeks away from closing our fiscal books as of March 31, and as of today most of our hospitals still do not know their final budgets.

According to our most recent forecasts, which have been shared with the Ministry of Health, hospitals face a total shortfall of \$420 million for the current year. This figure is on top of the more than \$1 billion in debt accumulated over the years due to perpetual underfunding over the past few years. This is money that we had to borrow so that when patients walked through our doors, they would continue to be served with the diagnostic and treatment services that they have come to expect from our hospitals.

We were very grateful that the provincial government recognized the tremendous human and financial impact of SARS and took action to provide emergency resources to assist hospitals during the two outbreaks last year. However, hospitals and health care professionals who displayed such heroism during the battle against SARS are now severely strained to do more, meaning to look after more patients.

Like all other health care providers throughout Canada, we face unrelenting cost pressures. For example, the additional cost increases that hospitals were expected to

absorb this year alone included such things as: \$580 million in additional costs to meet the collective agreements we have for our staff; another \$80 million for the necessary purchase of drugs and essential medical supplies; and \$90 million for necessary things like utilities and insurance premiums. Those are just examples; the list can go on and on, and most of these increases are very difficult for us to control. For example, the huge increase in insurance rates: We had very few choices other than to ensure our facilities and malpractice insurance coverage.

In this regard, we do agree with our Premier and his comments of two weeks ago when he said that we simply cannot go on like this any longer. It isn't sustainable without a joint effort by both levels of government. It would be unfair to expect any one level of government to shoulder the burden of financing Canada's medicare program. The federal government must step up and help all provinces now, not later.

Given our challenges, we were very pleased when the Premier said during the election that his government would provide "immediate relief" for hospitals and to "bring stability by providing adequate multi-year funding." We were also pleased that the government promised to "work with experts to set and meet maximum needs-based waiting times" for specific procedures such as cancer surgery and orthopaedics. These are landmark government commitments that will allow hospitals to better meet the needs of Ontario patients. But we must act now.

Hilary would like to share with you some of the recommendations we'd like to advance to you and your committee.

1020

Ms Hilary Short: We do recognize that the Ontario government is facing a \$5.6-billion deficit, and we hear the Premier's request that everyone should try to temper their requests. But we are here to talk about the challenges facing hospitals and how we can be part of the solution.

Despite the province's fiscal challenges, we've already seen evidence of the government's commitment to protect medicare. We appreciate and understand the words of Health Minister Smitherman, when he said at the OHA annual meeting, "But we cannot and we will not allow" the deficit "to distract us from our priorities. The pace of change may be slower, but we will keep our commitments."

In the finance minister's fall economic statement, we were pleased to note, for the first time ever, that the province recognized hospital working capital shortfalls. This open and transparent approach to examining the problems of health care is very welcome. We were also pleased to hear the finance minister's comments, when he appeared before this committee on January 26, that he values our close working relationship when it comes to developing longer-term solutions that will bring stability to hospital funding. We particularly welcomed his comments when he said there won't be any slash-and-burn quick fixes.

We need lasting solutions to hospital funding needs. We need to reform how hospitals are funded. We need to restore their working capital, and we need to move quickly to fund hospitals based on performance and outcomes. I can assure you, Mr Chairman and members of the committee, that that work is underway. There is a quiet revolution occurring. Tremendous progress has been made toward our being able to achieve that goal. The OHA has indicated to the government that we are prepared to accelerate efforts to begin negotiating performance agreements as soon as possible. We made that offer back in October 2002, when an OHA working group on multi-year funding recommended that the government negotiate multi-year service agreements with hospital boards. This will fundamentally change the ways hospitals are funded.

If properly structured and jointly negotiated, we believe that multi-year agreements will provide the certainty hospitals need to deliver quality patient care and provide more stable working conditions for our front-line staff, and will provide the government with a better sense of what they're getting in terms of outcomes for the money they're spending on health care.

Ontario's hospitals know that government cannot solve these problems alone. Ontario's hospitals are ready to assume their responsibility. They are already taking that responsibility to work with the government to stabilize the health care system and put it back on track. We want to continue to ensure that our collective efforts improve Ontario's quality of life and international competitiveness. We welcome the opportunity to rise to the challenge posed by the finance minister when he appeared before you in January. Ontario hospitals are already taking significant action. We are committed to working with members and the government to aggressively develop systemic reforms. Here are some of them.

We are committed to working in partnership toward better integration between hospitals and other service providers. We will continue, and are actively exploring, efficiencies that could be gained through shared services and supply chain management—the purchasing aspects of hospitals. We will work with the government to help set and monitor waiting times for critical services such as cancer care and surgery for hips and knees. We will also continue to pursue innovative solutions to the pressures facing the health care system.

But these solutions require continued collaboration. Others will require the government to provide targeted investments in strategic areas of the health care system. We are therefore recommending to the committee that the Ontario government consider the following key areas for investment for the 2004 budget.

First and foremost, in order to enhance access to care, we need to stabilize the system and increase capacity. We are asking the government to increase hospital base funding to deal with the severe shortfalls Mr Dagnone has referred to. Hospitals also need to know their allocations for next year, 2004-05, as soon as possible so

they can finalize their budget plans for the delivery of patient care services and staffing.

We are asked to temper our demands. We respect that. But just to meet the needs of a growing aging population, we, the government and other independent commentators know that hospitals require increases of between 6% and 8% a year.

We are also asking the government to address hospital working capital shortfalls. Hospitals face huge challenges in health human resources. We have significant challenges in many areas and, in particular, we have severe issues with nursing. We need to work with our partners to ensure that there are more full-time positions so we can make sure our new graduates have positions in our health care system.

We are recommending an investment in innovation in front-line patient care as an effective way to improve quality and patient safety, reduce costs and increase system capacity. A targeted investment in new information technology will improve access, patient safety and integration. In our detailed presentation, we have much more information to share, which we would be pleased to discuss with anyone at the appropriate time.

Mr Dagnone: In conclusion, our government made very important platform policy statements during the election that have resonated very positively with the people of Ontario. One in particular stands out in our minds, and it comes from the health care platform, which states: "We believe medicare is a fundamental statement of the values we share as Ontarians and as Canadians. Our job is to make health care work better so you," meaning everyone in the province, "get the care you need, when you need it."

We couldn't have said it better ourselves. We are here to answer any questions that committee members may have.

The Chair: I'm sorry, but your time has expired. You finished almost exactly on time. I apologize for not giving you a two-minute warning—I have a cough—but we appreciate your presentation this morning.

AGGREGATE PRODUCERS' ASSOCIATION OF ONTARIO

The Chair: I call on the Aggregate Producers' Association of Ontario. You have 20 minutes for your presentation. You may leave some time within that 20 minutes for questions, if you so desire. I ask you to state your name for the purposes of Hansard.

Ms Carol Hochu: Good morning, Mr Chairman and members of the standing committee. My name is Carol Hochu. I'm president of the Aggregate Producers' Association of Ontario. I'm pleased that two of our board members are joining me today to answer any questions you might have: Ron Winslow, our association chairman of the board and the general manager of Preston Sand and Gravel Co Ltd in Kitchener; and Richard Seibel, the association's incoming chairman of the board and the vice-president of The Murray Group Ltd in Moorefield.

We thank you for the opportunity to appear before you today, and we want to tell you up front that, perhaps unlike many of the delegations you've heard from, we are not coming to you with a request for financial support. We're taking a different, and perhaps novel, approach. We are coming today with suggestions about how we can help you meet your plans for strong communities and the economy—plans that will potentially save the government money, which could be put toward your key goal areas of excellent public education and health care.

But first, a little bit about our industry, our members and our contribution to Ontario's economy. What is aggregate? The definition, according to the Aggregate Resources Act, covers quite a bit of ground, so to speak: gravel, sand, clay, earth, shale, stone, limestone, dolostone, sandstone, marble, granite and rock. Aggregate products are not typically consumer products, so it's no wonder that most Ontarians don't realize that aggregates are vital for everyday living and contribute to the tremendous quality of life we enjoy in Ontario.

Aggregates are used in the building and maintenance of infrastructure for stability and strength. Whether a highway, house or shopping mall, structures are dependent on a base of aggregates. The concrete and asphalt used by Ontario's construction industry are composed primarily of aggregates.

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Aggregate products are also used in a variety of manufacturing processes, including steel and iron, insecticides, aluminum, crayons, toothpaste, lipstick, paper, rubber, plastics, glass, ceramics, floor coverings and fertilizers. Every day, Ontarians use and benefit from non-renewable aggregate products. We live and work in buildings built with aggregate, including this beautiful building. We travel on roads and highways constructed from aggregate. Even the water we drink is filtered and purified by aggregate.

However, this ongoing consumption of aggregate products means that the industry is always challenged to find new sources and deposits to meet and feed current and future demand. The current per capita usage of aggregates is over 14 tonnes—that's 14 metric tonnes—per person in this province. If I can help you paint a picture of what that looks like, imagine, if you can, a cone-shaped pile. The bottom of the pile would be a circle 13 feet across, in diameter, and the pile would be six feet high. That's an approximation of what 14 tonnes looks like.

As Ontario's construction and growth increases, this figure will increase correspondingly. To help meet this challenge, we are constantly working with the Ministries of Natural Resources, Environment, Northern Development and Mines and Municipal Affairs to identify and appropriately develop aggregate operations. This means striking a balance between the need for a close-to-market supply for such places as the greater Toronto area, while also respecting the environmental initiatives of the communities that are adjacent to our operations. We are con-

stantly looking for innovative means of meeting the demand for our products, while respecting this important balance.

Now just a few words about our association, the Aggregate Producers' Association of Ontario. Our mission is to build partnerships with government and the public to promote the wise management of aggregate resources. Our association consists of some 220 member companies, 90 of which are producer-members with licensed pits and quarries. The remaining member companies supply important products and services to the producers like equipment, consulting services, transportation and so on.

Our members represent over 60% of the sand, gravel and crushed stone produced in the province each year and are a key component of Ontario's \$30-billion construction industry. The aggregate industry employs over 41,000 workers, both directly and indirectly, in services such as transportation and equipment. Hundreds of thousands of jobs in the construction industry also rely on an adequate supply of quality aggregate products.

In Ontario, aggregates are used in greater volume than any other mineral resource. Production of aggregates in 2002 totalled approximately 165 million metric tonnes. This production number is a direct indicator of the strength of Ontario's economic growth and is intricately linked to construction spending and sustained growth. In fact, one of the reasons our industry has been so successful is because of the growth of the construction industry throughout Ontario over the past few years.

We are pleased with the government's creation of the Ministry of Public Infrastructure Renewal and its interest in building Ontario's future in a number of areas including housing, highways and transit, and water and wastewater facilities. We support a clear commitment to strategic and coordinated planning for Ontario's future infrastructure needs. The APAO would be pleased to contribute in any way we can to the process and consultations, if any, leading up to the development of these infrastructure investments.

As a proven, responsible industry, we would like to see the government adopt a model that favours stimulation of Ontario's domestic economy and local suppliers, contractors and expertise as these new projects are planned, developed and built. We want to be the foundation of Ontario's future success stories.

It should also be noted that as part of our business operations, Ontario's aggregate producers are committed to being environmentally responsible citizens. Key elements of our members' business plans are measures to protect and enhance the environment. We think about the condition and end use of the land before, during and after extraction. Aggregate extractive sites undergo a process called progressive rehabilitation. Rehabilitation begins not after the pit or quarry has been depleted, but while extraction is taking place. As work finishes in one part of the site, rehabilitation begins. Progressive rehabilitation means that a site can be returned to its previous use or developed for other uses very quickly after extraction has been completed.

Pits and quarries have been a part of the rural landscape in Ontario for more than a century. These pits and quarries have been rehabilitated for a wide variety of after-uses; for example, the Royal Botanical Gardens in Hamilton were once a gravel pit. The quarries of the Hunt Club in Ottawa are another example. One of our members, Walker Industries, has rehabilitated land to a vineyard. At Preston Sand and Gravel's Snyder's Flats, swans, osprey and eagles use the ponds, which also provide fish habitat connected to the Grand River. A former quarry, Kerncliff Park in Burlington, provides habitat for breeding cliff swallows and vegetation. We are proud of the fact that most people would be hard-pressed to recognize any of the more than 70 rehabilitated pits and quarries within Metro Toronto alone because the rehabilitation has been so successful. We don't just talk about our commitment to the environment; we prove it.

We have brought with us today copies of an eight-minute video called *The Next Landscape*, which describes our industry's successful rehabilitation efforts. We hope that you will take some time to review this at your leisure.

Now back to my earlier point about how we can help you meet your plans for strong communities and the economy, plans that potentially will save the government money that can be put toward your key goal areas of excellent public education and health care.

There is currently an aggregate supply problem facing the greater Toronto area. As already mentioned, the province consumes about 165 million metric tonnes per year. The majority of aggregate is purchased by the public sector, whether provincial or municipal governments, for the building and maintenance of roads, buildings, schools and so on. The current GTA consumption is 58 million tonnes per year and is expected to grow.

Central Ontario's population growth is expected to increase to 10 million people by 2021—2.5 million more than today, or about a one-third increase. Road infrastructure alone is currently inadequate and will have to grow to serve this population growth. In addition, 1.1 million housing units will be required. Over 1.5 billion tonnes of aggregate are required to service the GTA over the next 25 years, and where will that aggregate come from?

New licences in and around the GTA are desperately required, as the GTA relies on grandfathered licences, those that were issued between 1971 and 1975. To meet current and future demand, new sources must be located close to market, and there are solid environmental, social and economic reasons for this. The millions of tonnes of aggregate that are consumed require millions of truck trips every year to deliver the product from source to market. The GTA, for example, requires close to 3.5 million two-way truck trips to deliver this volume every year. Double the distance, and you have more trucks going past more people with more gridlock ensuing, and we know that this government and taxpayers want to reduce gridlock.

From an environmental perspective, every extra kilometre added to the GTA average haul distance annually costs 4,800 extra tonnes of greenhouse gases and consumes 1.8 million extra litres of fossil fuel. The federal government's commitment to the Kyoto accord was reaffirmed in the recent speech from the throne. Every public sector dollar spent on unnecessary haulage is a dollar not available for health and education.

Ensuring a close-to-market supply of aggregates means that we can help all governments achieve their goals of clean air and healthy and strong communities. The concept of close-to-market is an essential provincial public interest. We want to work with the province and municipalities to achieve these goals, and that can be accomplished if we're all together at the table.

In order to replace depleted supply, we need a strong provincial policy statement and clear and reasonable rules that will allow us to license new close-to-market supply. The industry is willing to invest, but we're looking for clear rules.

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As business people whose goal it is to produce a quality product at an affordable price, we support any initiatives that reduce costs to our members. Our industry is different from most, as we have a plethora of small and medium-sized owner-operator companies and only a handful of large companies. These smaller members are greatly affected by burdensome and costly paperwork. We encourage the government to look for ways to reduce red tape for good aggregate operators and licence applications and we would be pleased to discuss and participate in ways to address this concern.

One of your initiatives that we are watching closely is the Greenbelt Protection Act and the minister's zoning order. We want to work with you to focus the greenbelt initiative so that traditional rural uses like aggregate are distinguished from urban sprawl. Planning for the greenbelt should encourage and permit uses that must locate in the close-to-market rural areas so that investment in new licence supply is not delayed or discouraged.

In conclusion, we would like to leave you with these messages. Ontario is a growing, thriving, exciting place to be conducting business right now. The growth of the economy leads to a boom in the construction sector, which demands quality products from our members. Aggregate producers are an integral part of the economic foundation upon which Ontario has been built and will continue to grow. Aggregate producers want to continue to provide high-quality products, produced in an environmentally responsible manner, for the people and for the province of Ontario.

We look forward to continuing our work with you to achieve mutually beneficial goals of success, growth and sustainability. On behalf of the Aggregate Producers' Association of Ontario, thank you for your time and attention today. We would be pleased to answer any questions you may have.

The Chair: We have about two minutes per party, and we'll begin with the government.

Mr John Wilkinson (Perth-Middlesex): Thank you for your presentation this morning. Just to make this clear: So what you're saying is that—isn't the nearest aggregate supply for the GTA the Oak Ridges moraine? Isn't that where you—

Ms Hochu: It's one of the closest.

Mr Wilkinson: That would be the place. OK.

I come from a rural riding and there is a lot of aggregate in Perth-Middlesex, so I guess my concern goes around the environmental. You need to get the aggregate out, and you're giving us a presentation on how you rehabilitate. Could you just expand on that? If that's the closest place to get the aggregate and you're saying that environmentally it's better than hauling it in from all across Ontario on the roads, what assurance do we have, or what steps do you have in place, to make sure that as you are digging into areas that go directly into the aquifer, that we're limiting the risk of contamination of groundwater? I just don't know enough and I'm sure you guys do, so if you could share that with me.

Mr Richard Seibel: I'm Richard Seibel from the Murray Group. I'll have a go at answering that.

For protecting the environment, we work hard on our site plans. The biggest risk would be fuel oil spills. We use best-management practices to handle that. Gravel is a highway to the groundwater. It's something our industry has been cautious about for years. Other than that, we are considered a benign thing environmentally, especially compared to farming, where they're putting on fertilizers and have highly intensive uses of the land. As an industrial use, we have less impact on the environment. The rehabilitation in good areas of farmland is required to be back to agricultural. So it is an interim use. We've also shown in other areas that we can rehabilitate back to natural environment features: swamps, wetlands, trees. As long as you take the long-term view and don't look at what's happening over a 10-year period but look over the 20- to 30-year periods, you can remove the aggregate and have it rehabilitated to agriculture or a natural environment.

Mr Wilkinson: Thank you.

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

Mr O'Toole: Thank you very much for your presentation. It was very informative and doesn't ask for money directly. But my riding of Durham of course is a very important home to many aggregate producers, certainly in the Mosport area, and certainly at Lake Ontario the St Marys Cement plant there is another important economic resource. In all things where you're using resources and you're generating economic value, that's the fundamental equation in society: How much economic activity can you sustain for the quality of life we all enjoy: education and health care being the two top areas, certainly?

Some of the economic activity you talked about was the important minister's order that in the greenbelt protection area does affect my riding. In fact, one of the home producer groups told me that the average home price in that minister's order area has gone up by about \$30,000 to \$40,000. That's because you've limited the

supply of land available for development—rightly or wrongly—and the natural market pressures have forced the price of a lot up. If you don't bring new supply on to market, what will be the economic implications, going forward, for the aggregate producers of Ontario?

Mr Seibel: When we talked about the environmental implications of doubling the haul distance, burning all that extra fossil costs money. Right now trucking is the major cost in our product. When trucking distances are doubled, that trucking cost doubles, so it can have a major impact. It will be a longer-term effect; it won't be immediate. It would be our position that aggregate extraction is a rural land use and is not urban development. The wording in the law suggests the law isn't clear on that.

We have a long lag, similar to power plants. You may realize now there is a problem with generating power, but it's going to take seven years to cure it. We're trying to deal with the issue now, before it becomes a problem, so we don't have that lag.

Mr O'Toole: You see the resource costs go up, I guess.

The Chair: We'll move to the NDP.

Mr Prue: I would just like to assure some of the members who are a little bit worried about the rehabilitation, if you're here in Toronto, go to the brickworks and you will see that it is far better today, I am sure, than it was at the time it was first discovered. Having said that, I'm very curious. You've made a statement here that says, "As a proven responsible industry, we would like to see the government adopt a model that favours stimulation of Ontario's domestic economy—and local suppliers, contractors, and expertise—as these new projects are planned, developed and built."

As you telling this government, are you telling this committee that you want the new Liberal government to be aggressive in building public infrastructure? Are you telling them they should be spending more money in this particular field in the coming budget cycle?

Mr Seibel: I think the government's going to come to the conclusion that they have to maintain and increase their spending on infrastructure. Our message today is that our product goes into every hospital, every school, every road, and if non-budgetary actions can be taken to make sure the planning policies in place now are maintained and possibly strengthened, it will have the impact of decreasing the price of that infrastructure to the government. With over 50% of our product being used by different levels of government, by proper planning we can reduce the impact and achieve that needed infrastructure.

The Chair: Thank you for your presentation this morning.

PEOPLE FOR EDUCATION

The Chair: I'll call on the People for Education. You have 20 minutes for your presentation. You may leave time for questions within that 20 minutes, if you desire. I

would ask you to identify yourself for the purposes of Hansard.

Ms Annie Kidder: My name is Annie Kidder, and I'm with the parents' group People for Education. We've been coming to these committee hearings for many years now and usually we bring reports. These are some of the reports we've brought over the years. We haven't brought any reports or charts or numbers for you this year. What we've brought this year is a lot of parents who have a number of concerns.

We're here today to explain why the government must stop asking the impossible of our children.

In the last eight years, Ontario's students have borne the brunt of chaotic change and devastating cuts in their publicly funded schools. Eight years ago, in 1996, the then government said that sacrifices had to be made in order to secure a better future for our children. Immediate needs were put on hold. Students were told they had to wait.

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Over the course of those eight years, parents across the province kept track of the effect of the cuts and changes on their children's schools. They kept track as waiting lists for special education services rose to a record 42,000 students in elementary schools. They saw a 28% drop in the number of schools with teacher-librarians and they watched as the number of schools with libraries open only part time doubled. There was a 46% drop in the number of schools with regular access to psychologists; at the same time, the average number of hours youth workers were available decreased by half. Parents rallied to support their children's small schools, but still—I am going to give this out afterwards, if that's what you're concerned about—nearly 200 of them closed in just four years.

During that time, a generation of students went through high school, many without appropriate curriculum or supports. Many failed and many are still there, waiting for help.

Over the course of the last eight years, students have lost outdoor education programs, phys ed teachers and music programs. And even if these things are eventually returned to the system, the students who have already gone without them will not get a chance to experience them. They can't go back.

When I first started doing this, my daughter Katie was not in school yet, and Molly, my older daughter, was in grade 3. This year Kate will graduate from elementary school and Molly is about to enter her last year of high school. The inevitability of children is that they grow up.

A new government was elected this year. During the election campaign, the new Liberal government promised many changes that would make the province better for children. They said they would cap class sizes in schools, they would improve literacy rates, they would implement all the recommendations in the Rozanski report and they would save rural and urban schools alike. Students' needs would be served at last.

Parents greeted the new government with great hope. But then, the new government discovered the deficit and all the promises were put on hold. Parents and citizens were asked to be patient, to be reasonable in our demands. We were told, "You can't have everything right away. We have to put our fiscal house in order first, then we'll get to our promises." The Minister of Education even went so far as to ask students to "hang in there" and not give up.

We're here today to try to get you to understand that for Ontario's two million students there is an insurmountable problem with the requests for time and patience. Our children are being asked to do the one thing they cannot do: wait.

It is not possible for children to stop growing, to stop getting older or progressing through school. Time does not stop for children while governments focus on deficits. We, the grown-ups, say we're just asking for what is reasonable. But really, we're telling our children they have to wait. We're telling them they will not get what they need when they need it, because children can't wait for help, for programs, for teachers. Students are dropping out of school right now. They're falling behind right now. They're missing out on the experience of outdoor education or of being in the school band. They are losing whole years of school because there is no room in the learning centre or the LD class. And because time does not stand still, because the reality of children is that they grow up, they will continue to move through school even if they're not getting what they need.

Gabriella Enriquez is one of the parents in the audience today. Her older daughter, Valentina, fell further and further behind in school as she waited to be assessed, waited for room in the learning centre and waited for an appropriate reading program. Gabriella's younger daughter, Kristina, also needs special education support. For every month she has to wait, she falls a month further behind.

Sondra Vandervaart is also here today. She is the guardian to her niece, also named Christina. Christina recently moved to a new school. She is in grade 2. She suffers from severe hearing loss in both ears and she has learning disabilities, but there was no help for her in her new school. She sat in her grade 2 class for three months with no teaching assistant and no accommodation for her hearing loss. When Sondra complained, she was told that maybe by next year, by grade 3, there would be room for Christina in an appropriate program. She ended up waiting three months for assistance for her physical disabilities and even longer for learning support. She will not get the speech therapy she needs because her board has cut speech therapists. And even just three months of waiting had an effect, because with each month she too fell further behind. With every month that she waited, she became more discouraged. Sondra says, "Every day, I have to live with this."

Faduma Mohammed works with young people who recently emigrated from Somalia. Many of the Somali youth and children live in crowded high-rises and a lot of

their parents won't let them go outside because they feel it's too dangerous. Youth counsellors, recreation programs, ESL teachers and extracurricular activities will save many of them from dropping out or from ending up marginalized. But they're being told they have to wait just a little bit longer. They cannot wait.

Madeline Stratton is in grade 9 this year. Her mother, Valerie, is here in the audience too. Madeline is taking what are called essential skills courses in grade 9 math, English and social studies. She needs to take them again in grade 10, but if she does, they won't count as compulsory credits and she won't be able to graduate. There is presently no curriculum that will allow her to graduate, but she too is being told to wait, to hang in there.

By asking Ontario's children to wait, really what we're telling them is, "Sorry, you won't get what you need. Maybe next year or the year after, the children in the grades below you will get those programs and teachers, but you will have to go without."

We understand that there is a deficit and we understand the importance of fiscal responsibility. Many others have come before you offering solutions to the government's financial problems. You have been told that a tax increase of just \$3 a week for the average taxpayer would generate over \$1 billion. The former Provincial Auditor has said that improving the audit system would result in millions more dollars for the public purse. And you have been told there are many loopholes that could be closed in our tax system that would help supply the money that is needed to gradually overcome the deficit.

A report from the Task Force on Competitiveness, Productivity and Economic Progress commissioned last year by the former government says Ontarians are "trading off future prosperity for today's consumption." The report says that Ontario under-invests in education and that if we continue this practice we "run the risk of falling further and further behind, to the point where we cannot catch up and be competitive." They say that "investment in education affects productivity and prosperity throughout our society."

What we know is that governments cannot fund education only in good years. Balancing the books in a responsible way means budgeting for long-term gains, not short-term political payoffs. There is no better return on the public's money than funding education. In the long run, it saves billions of dollars in costs to the social welfare system, the justice system and even the health care system. If we budget for the long term, it will save us money in the end. If we budget for the short term or to meet simplistic political pledges, we hurt children and diminish our chances for long-term prosperity. Investing in education is the real and lasting way to get our fiscal house in order.

The parents who are here today are holding up pictures of their children as they are now and as they were eight years ago. These are my two children as they were eight years ago and as they are now. You can see how fast they grow up. We're hoping the pictures will help you remember the children as you make your

recommendations to the government. We hope that in looking at these pictures you remember that all the decisions you make are affecting real children, children who are in school right now. But most of all, we hope you understand that the two million children presently in Ontario's schools cannot wait.

The Chair: We have about three minutes per party, and we'll begin with the official opposition.

Mr O'Toole: Thank you for your presentation, Ms Kidder. I hope in the next eight years, or four years, potentially, you hold the current government to the same standard as you've held in the past.

Ms Kidder: We will.

Mr O'Toole: That's clear from your presentation.

I too am the parent of five children and, as you probably know, my wife is a teacher. Public education is an extremely important vehicle for all of us in society to find some quality.

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I commend you for your openness in your presentation. You really replicate what Hugh Mackenzie said in his presentation here on day one. He said that he knew the Liberals had a \$6-billion basket of promises, and everyone knew there was a deficit.

They promised everything, and the instant it no longer mattered any more about telling the truth—the election had been called and over—all of a sudden they discovered there was "shock and dismay," there was "independent verification," "maximize the bad news" and "dampen expectations," which is the PR tour they're on now across the province.

To caption the phrase, you said "wait." I would say the word is "deceived." Sondra and Christina will have to wait unless they're prepared to make difficult decisions to keep their promises.

As you are suggesting, my wife is an elementary teacher. She is looking for the cap-size class. I hold them to their pledge and their promise, today, and I'll be moving a motion later today that requires them in their budget that's coming up to fulfill at least one promise—not the Oak Ridges moraine, not the 407, not the P3 hospitals; one promise—and that would be education, for the very reasons in your presentation, if you'd like to respond.

Ms Kidder: I'm glad you're going to do that. Yes, what a change. I think it is vital that all of the promises that were made are kept. I guess for me, the reason we wanted to make this presentation is that we really need people to understand that if we wait for four years or until the surprise deficit is taken care of, these children who are in school right now—it will affect the rest of their lives. They are dropping out, some of them, but especially the ones in younger grades who aren't getting the help they need right now may end up failing in school continually over the rest of their time in school. I think it's vital we understand that this is the one promise that can't be left unkept.

I hope that in looking at these pictures you understand and think about the reality of children—probably most of

you have children—and that a year in a child's life is a huge percentage of their lives, and if we mess up with one year in a child's life, it has an effect on the rest of their lives. A lot of the rest of us can wait. We're old. Time goes altogether too fast when you're old. We can wait. I think taxpayer coalitions can wait, the people can wait for a lot of the other promises, but the children cannot.

We will hold the government accountable. We are expecting the promises to be kept and we're expecting them to be kept now, not in four years.

The Chair: We move to the NDP.

Mr Prue: I will tell you, on October 2, although New Democrats were not pleased with the outcome of the election, at least I took some solace that Mike Harris and his group were gone, but I'm not sure they are. As I read in today's Toronto Star, there is a new document called Delivering Change, and it comes from Choose Change. As Ian Urquhart writes:

"But somehow one doubts the changes outlined in the document are the ones the public had in mind in ousting the Tories and replacing them with the Liberals last fall.

"Rather, the document suggests we have replaced one Tory government with another. Indeed, McGuinty's Liberals might go one step further than Harris' (and Ernie Eves') Tories by actually implementing these changes."

I hope the government members opposite are not going to follow their leader. I hope they're going to listen to you. I'm going to ask you a very simple question: Should these government members—they made 231 promises—commit themselves to the 230 promises, primarily to those around education, or should they commit themselves to the taxpayers' federation? I think the answer is quite simple, but I want you to tell them bluntly, if they're going to break promises, which ones should they break?

Ms Kidder: I think all governments when they're elected hope they don't have to break any promises but I do think the promise that was made to the Harris tax coalition is a promise made to maybe 10,000 people in Ontario. There are two million students in Ontario, and those two million students can't wait.

Mr Prue: In terms of the students in the schools, are you asking this government to immediately make those changes? They're now talking about it taking up to four years to get around to some of their election promises. I quite bluntly think, from what you're saying, that four years is too long. Should there be provisions in this budget that is going to be presented in April?

Ms Kidder: I think that most parents, when they voted in the election, voted because of the promises. I think that all of the parents who have been doing the tracking for the last seven years in Ontario and have noticed all of the cuts to their schools are hoping that some of those cuts will be undone, but they're certainly hoping that more cuts won't come.

I think it's important to understand that if money is not put back into the system, if all of the money recommended in the Rozanski report is not put into the system

this year, the schools will continue to fall farther and farther behind, as will the students in the schools. Trying to budget for schools now is like trying to run up a down escalator: They can never get ahead because they still don't have the catch-up money that was recommended in the Rozanski report well over a year ago that they needed.

I think that one of the biggest election promises had to do with the Rozanski report. We heard a lot about it before the election; we've heard nothing about it since. I'm very worried about what's happening to the recommendations in the Rozanski report, especially the well over a billion dollars that needs to be put in the system now just so that schools can keep up, not even so that they can replace anything that was cut over the last eight years.

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

Mr Colle: I want to first of all thank you and thank the parents for being here and reminding us as Liberals why we ran and what we ran on the last election. I think it's very important that you keep doing that, because obviously we're going through a process here of trying to determine how we're going to deal with this financial situation. So I think it's critically important that you keep doing what you're doing.

I just want to say that there is a bit of a silver lining here and that we did repeal the private school money, that both official parties in opposition voted against the repeal. We did repeal the corporate tax cut and we also gave \$112 million, which I know is not enough, for children who are in English-as-a-second-language programs. So there is, as I say, a bit of good faith there, but I do agree with you that we have to really do some soul-searching to find out how we can grapple with this financial reality and meet the commitments we did make, which I think most of us on this side are committed to.

I represent some of the finest schools in North America: Joyce Public School, Blessed Sacrament, Allenby Jr, John Wanless Jr, John Ross Robertson. We ran to fix the public school system. So I just want to say I just hope you keep on challenging us to do the right thing.

Ms Kidder: We will. When the hearings happened about the tax credit, one of our suggestions was that an estimate be made of all the monies saved by not implementing the tax credit and that those savings be put into the education system, that they be designated for education and given to the Ministry of Education to distribute. So I think that that is an area that should be looked at, and we should think about the fact that the government's not having to spend that money.

I think, most importantly, what we have to do when we're thinking about balancing budgets or working out fiscal problems is that it's important not to think in four-year terms but in 10-year terms or in 15-year terms. That's why the report from whatever they're called, the accountability-responsibility-productivity people who were asked by the Conservatives to make the report, is so

interesting, because they, too, say—and many of the things they say I wouldn't agree with, but this one I do—is that money is saved in the long term. We have to be able to begin to look at budgets that way, with more imagination, and actually work out balances and costs for a long-term gain, as opposed to for just this year.

The Chair: Thank you for your presentation.

Ms Kidder: Thank you.

Mr Prue: On a point of order, Mr Chair: I would like to give notice that I will be moving a motion this afternoon on this very topic.

The Chair: That is noted.

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DAILY BREAD FOOD BANK

The Chair: I call on the Daily Bread Food Bank to come forward, please.

Mr Oraziotti: On a point of order, Mr Chair: From the last presentation, we didn't receive a package of comments.

The Chair: It's coming now.

Mr Oraziotti: Thank you.

The Chair: You have 20 minutes for your presentation. You may leave time within those 20 minutes for questions if you desire, and I would ask you to identify yourselves for the purposes of Hansard.

Ms Sue Cox: Thank you very much, Mr Chair, members of the Legislature and everybody else, for the opportunity to be here. I'm Sue Cox. I'm the executive director of the Daily Bread Food Bank. On my left is Michael Oliphant, who is a policy analyst at Daily Bread, and on my right is a member of our board of directors, Erika Klein.

We truly appreciate the opportunity to speak to you. We realize and commiserate with this committee on the difficult decisions that you face, but we do feel too that it's incumbent upon us to bring you up to speed about some of the results of government actions that have impacted so heavily on food banks and, more importantly, on the people they serve over the last several years. We want to make you aware, as you wrestle with these tough issues, of what the situation is, and perhaps offer some suggestions for the future.

We've been looking at food bank use for many, many years, and I must say I've sat in these committees many times and talked about it. Over the last year we looked at every month of the year that we had good statistical data for, and every month, food bank use was higher than for the same month the year before. That had happened not as the result of any specific government action, but as the result of a general neglect of the issues confronting very low-income people. That's really, more than anything else, what we need to talk to you about. Like your previous deputants, we feel it's time to make an investment if we're going to stem the tide of hardship and suffering that having to go to a food bank represents.

We see not only increases in the number of people using food banks, but a changing face of food bank use,

certainly in Toronto. I must say, looking at Ontario's statistics, we see something of the same kind of thing. We see, for instance, four times as many people who are actually going hungry in spite of having gone to a food bank. We see twice as many kids going hungry in spite of their families using food banks. We see the number of times that families have to use the food bank increasing by about three times since 1995, really a devastating impact and one that the charitable sector is certainly unable to meet.

The face has changed in many other ways. Over the years there have been increases in the people who have no income, at least in that particular month, and have to go to a food bank, and incredible increases in the number of working poor who are using food banks. These are basically social policy issues, and while we certainly will be talking to Minister Papatello about them, we also think this committee needs to be very, very aware of them.

Let me move into some examples of things that we see actually inhibiting people from going forward, because our bottom line is that we think this government now ought to be making an investment up front in people in order to see the results at the end of the mandate. It's not going to happen at the last minute unless the financial assistance is there to make some changes. This isn't purely a matter of raising welfare, although I must say we're in favour of that. It's also a matter of how differently this government might look at how we support low-income people.

To talk about some of the details, let me first of all introduce Michael to just go over some of things that are in the brief, which has been handed out and which we're not going to read to you.

Mr Michael Oliphant: I'll talk about some of the specific recommendations we've made. We've made basically four recommendations.

I should start by saying that Daily Bread believes that income security actually takes a four-pronged approach. We believe affordable housing, affordable, high-quality child care, good jobs and adequate government income assistance are the four key areas of income security. We support the efforts that other people are making in the areas of affordable housing and child care, but we're going to talk mainly to the other two: good jobs and government income supports.

The biggest thing that has happened at food banks in the last 10 years is working poor people coming to food banks. We've seen a 138% increase in the working poor who are coming to food banks since 1995. They now represent 19% of all food bank clients. There was once a time when poverty was basically related to the lack of employment, and that's what our welfare system in the 1940s, 1950s and 1960s was designed for. It was designed for people who weren't working. The reality of the 1990s is that you're almost as likely to be poor if you're working as not working. However, income security policies in Ontario don't reflect that changing reality. So we feel the priority has to be on ramping up

the supports for people who are in the workforce and yet aren't making ends meet. That's where our recommendations really follow from.

The first recommendation that we've made specifically is ending the clawback of the national child tax benefit supplement. The child tax benefit is a federal program; it's federal money. It has been valued at approximately \$183 million in the year 2001. In opposition, the Liberals did support ending that clawback. They supported ending it over a period of four years. What we are saying is that this is an important down payment to make. If you're going to prioritize anything, it should be this, over social assistance rate increases. It's a significant amount of money for families with children, and of course any child who is going to school hungry, for example, isn't going to get the full impact of education reforms. Anyone who has to sleep on a mat in an overcrowded apartment will not see significant increases in education spending. What we are saying is that we really need to focus on children, and ending the clawback of the national child benefit should be the very first step.

We call our second category of reforms "Ending welfare as we know it," but this is really a euphemism for ramping up employment supports. What we are saying to the Ministry of Community and Social Services is that they need to go through a process of looking at the full program of employment and income assistance in Ontario, to do a public review. This was committed to by the Liberals previous to the election, so we are renewing that call. We'll give you three examples of what this review might look at.

First, and this is in line with ending the clawback, once the clawback is ended, we think we should be looking at taking children off the welfare system in Ontario. This is a suggestion that was made in 1988 in the Transitions report released by the Peterson government, which is still considered to be one of the most significant reports released on income assistance in Ontario. That's the first step.

Second, we recommend that drug and dental benefits, as well as winter clothing allowances—in-kind benefits that are available in the welfare system—be extended to the working poor. Just to give you an example of how this impacts people's ability to work, we hear very often of people who have to quit a job and go on welfare because a child becomes ill. They have to do that because they don't have access to those prescription drug benefits that are available on social assistance. This is one of the things that we term the "welfare wall." If we can bring that down, we think we can get more people into the workforce and keep the ones who are in the workforce. This will have the impact, at the end of the day, of reducing welfare caseloads, which will also reduce welfare expenditures.

The third area is savings. People on social assistance aren't allowed to save. There are very strict asset rules in place. In Paul Martin's recent throne speech, he actually talked about registered education savings plans. Of course, these are plans that have preferential tax treat-

ment that allows people to save for their child's education. Well, people on social assistance can't invest in these because of the asset limits. For example, a single person can have up to \$520 in liquid assets. We've come to realize how important it is to have a cushion to fall back on in cases such as the hydro blackout last summer. People didn't have emergency funds to be able to buy food that they lost due to spoilage in the blackout. So assets are a very important part of income security that haven't really been talked about. It has always been secondary to income. We need to talk about assets as well. The specific proposal is that we raise asset limits in social assistance and that we exempt other types of assets, such as registered education savings plans, from social assistance asset rules.

Moving on, the fourth part of our proposal is investing in Ontario's social capital with real job training and employment supports. To give you an example of what has happened under Ontario Works, we've changed from a system that really invests in people to a system in which we look at the shortest route to a job—that's what we call it—and this has produced some bizarre results. For example, we have a volunteer at Daily Bread who is illiterate. He went to his caseworker wanting to take literacy courses so he could learn how to read. Obviously, we all know the benefits that would have for him in the workforce. He was actually told there were no programs available to him to learn how to read. Instead, they sent him to learn how to use Microsoft Word. So there was an illiterate man sitting at a computer, typing away, but he didn't even know what he was typing. These are the bizarre results that happen when we don't properly invest in people. We think that's very important.

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The other thing we have found is a diverse group of needs among our recipients. A really important one is foreign skills recognition. A good chunk of food bank clients in the GTA have incredible skills—PhDs, for example—and yet they are on social assistance or working in low-wage jobs. We think that part of a program that would really customize training to individual needs would have to take into account things like foreign skills training and get people into the kinds of jobs they came to Canada for in the first place. Other groups could be youth at risk—we could have specific programs geared to them—or single parents who are fleeing abusive relationships. We need to get rid of one-size-fits-all education and training programs and really adapt programs to various specific needs.

Our final point is the Ontario disability support program. We've found that one half of singles coming to food banks say they are disabled but not receiving disability benefits. The disability support program in Ontario has put very strict and difficult rules in place that make it difficult for anyone to get into the program. We could reduce welfare caseloads quite significantly just by allowing disabled people to get the benefits to which they're entitled. That is the final point we're making. I'll now pass it on to Erika.

Ms Erika Klein: My name is Erika Klein. I'm a board member for Daily Bread Food Bank, and I'm also a single mother of a seven-year-old child. I just want to share some of my thoughts as quickly as possible, because I know we don't have a lot of time.

Over the past eight years, we have seen the number of hungry families grow at alarming rates. What was supposed to be a temporary problem has now evolved into long-term shortages. The current social assistance rates are not enough to cover basic necessities based on the actual cost of living. Much money is filtered through the social service industry, but how many of those dollars are for band-aids and short-term solutions instead of long-term viable solutions? We can throw money at problems, but the issues will not disappear unless the money is directed at good, sound, long-term strategies. Asking the people whom these issues affect is the best way to come up with a system that not only works, but also helps people move beyond poverty.

Almost three years ago, I was a single mother of two daughters, aged 16 months and four years. Now, in 2004, I'm only raising one. My daughters were kept in foster care due to poverty, and my youngest child was placed for adoption. I was later allowed to remain with my older daughter. I was evicted from my home, turned away from social assistance and eventually lost my youngest baby to the system. I'm here to tell you today that policies and investments, checks and balances directly affect and impact the lives of our families greatly. I have no doubt that had there been adequate supports and services to me, my family would still be together today. It is painful to think there is a price tag on my family. How much would you give to better your children?

When we fail to invest in our women, children and youth, we are failing our future. The children of today will become the society of tomorrow. It is economically cheaper in the long run to provide meaningful and adequate social assistance. When we turn someone away, that person eventually ends up in a larger, more expensive system, such as the shelter system, corrections, the legal system, health care and hospitals, mental health, child welfare etc. When we help families and youth, we reduce the burden on these institutions. By denying people the necessities of life, we are creating an even larger debt and social deficit for years to come.

Helping families raise their children and become financially independent is imperative to the future of our communities. Children raised in a shelter and group care situation walk into adulthood without the life skills and love that our families and communities would give us. Women and children become numbers in a system that offers no real resources. In its current state, it is a trap, and it is extremely difficult to gain employment without the necessary supports. It takes a village to raise a child. Let's rebuild and strengthen our existing communities and create new ones. Our current model is overloaded, because nothing has been invested. We have to invest in our future, which means helping youth and women and children in particular.

Ms Cox: Thank you very much. I'd just like to say that another member of our board of directors had hoped to be here, but he is working. He has a PhD, is a relatively new immigrant and is currently working in a part-time job for \$10 an hour. I'm sure you would like to have heard from him too. Let me just reiterate that for us this is all about making a big investment up front, and I believe this government will see an excellent result by the end of the mandate.

The Chair: Thank you for your presentation. We don't have time for questions, but the committee appreciates your being here this morning.

Mr Prue: On a point of order, Mr Chair: I would like to give notice to make a motion this afternoon on the end of the clawback.

The Chair: Notice is given.

GREATER TORONTO HOTEL ASSOCIATION

The Chair: I call upon the Greater Toronto Hotel Association. You have 20 minutes for your presentation. You may leave time for questions within that 20 minutes, if you desire. I would ask you to identify yourself for the purposes of Hansard.

Mr Rod Seiling: My name is Rod Seiling. I'm president of the Greater Toronto Hotel Association. I want to thank you for the opportunity to appear before you today.

Our members own and operate approximately 35,000 hotel rooms and employ over 32,000 people. This economic activity contributes over \$1.6 billion annually in GDP and generates about \$579 million in tax revenues in a normal year.

As you all know, 2003 was not a normal year in our industry. Many have categorized it as a perfect storm, and I could not disagree with them. It was a tragic year both economically and from a human perspective. The experts have pegged tourism industry losses for the year at around \$600 million for Toronto, with the hotel industry representing close to half of those losses. We also had over 13,000 people laid off or on drastically reduced hours.

I am pleased to report that the industry is recovering, but it is going to take time. In the middle of the crisis, we estimated it would take one to two years to recover, and that forecast appears to be correct. The support we have received from governments has been most appreciated, particularly the \$138-million, two-year economic recovery program funded by the province. I would add that continued support is crucial if the economic renewal that is underway is to reach its full potential.

I should add that governments have a vested interest in the tourism industry. A recent independent study re-confirmed that 30 cents out of every tourism dollar goes directly back to government in taxes. In the case of the provincial government, your share of the pie is 13 cents.

There was, in a perverse way, a silver lining to last year's events. Government, as well as the public, dis-

covered the economic and social values of the tourism industry. Toronto was also recognized as the economic driver of the industry, as well it should be; it represents almost 40% of the province's tourism business.

Tourism marketing: In past years I would lead off this presentation with a plea to provide the industry with the tools to implement a secure source of funds for destination marketing. The inability of government to act created a situation where your economic engine was starved to the point that it was put into a state of economic decline.

I'm happy to report that the industry has implemented its own secure and dedicated 3% destination marketing fee and does not, at this time, require government assistance in this area. What we are requesting is a PST exemption on the DMF.

If government had been able to act, there would not be a tax issue, just as there is none in our competing destinations. We suggest it is a poor business decision to tax the DMF. The incremental tax revenues that would be generated from the revenues that are currently being diverted by tax on the DMF will far surpass its share of the tax on the DMF.

Independent tax experts have also questioned the tax policy implications of applying PST on the DMF. The DMF is not a good or a service. Hotels are charging the fee, and it is dedicate 100% to the convention and visitors' bureau. Based on these facts, we believe there is another compelling reason for PST exemption.

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This bold self-help initiative by our industry will also ensure the government will earn a higher return on its \$34-million investment through the Ontario Tourism Marketing Partnership, the OTMP. Working together in partnership, we will be able to leverage federal dollars that, in the past, other provinces used to our own collective detriment. It is essential that the government continue to flow these resources through the OTMP. To do otherwise will minimize the hard work the industry has done to become a true partner with it.

To fully achieve the return on investment that it can earn, the government needs to clarify and unequivocally renew the mandate of its tourism marketing arm, the OTMP. Temporary status with temporary personnel is not the ideal management model.

Our recommendations are: (1) provide the PST exemption on the DMF; (2) secure year two of the economic recovery funding program; (3) maintain the funding base for the OTMP; and (4) renew the OTMP's mandate.

Property tax: There are demands emanating from the municipal sector for changes to the property tax system. The city of Toronto is asking for policy and legislative changes such as the elimination of the hard caps contained in Bill 140. The government must look very carefully before making any changes. It must examine the full impact of the proposed changes.

The GTHA and its members believe that the property tax system must be fair and provide certainty. Ontario's

property tax system has undergone significant changes over the past six years. It has not reached what we would term full stability or equity. Many areas of the province still are subject to overly high and uncompetitive property taxes such as in Toronto. For example, the property tax per room at the Marriott Airport Hotel is about \$5,800, while the tax per room at the Airport Hilton Hotel is about \$1,700. The only real difference between these two hotels is that one is in Toronto, one is in Mississauga.

The reason for this huge difference is twofold. First, the commercial tax rate in Toronto is just under 5%, while in the immediate neighbouring 905 communities it is just under 3%. The other reason is the provincial business education tax, which is some 28% higher on Toronto businesses than in the neighbouring 905 communities.

Tax ratios: A fundamental piece of the new tax system is the concept of tax ratios. It is the relationship in tax rates between the various classes of properties. Municipalities have the option of leaving these tax ratios where they are or lowering them to a range of fairness, as set by the province. Once a municipality's tax ratios for a given class are within the designated range of fairness, provincial regulations allow the municipality to allocate taxes within the property taxes as it wishes.

The purpose behind this policy is to provide municipalities with an incentive to move their tax rates to a broad base of fairness. Inasmuch as it is the residents who elect councils, the natural tendency is to protect the residents at the expense of the business taxpayer, not understanding the long-term cost that unfair business property taxes have on both retaining existing businesses and attracting new ones.

The municipal levy restriction, or hard cap: This, we suggest, is the most important aspect of the current property tax system. It is imposed when a municipality's tax ratios are above the provincial threshold tax ratio for that class. The threshold ratio is approximately the province-wide average for that class. The hard cap is currently applied to municipalities such as Toronto, Hamilton, Ottawa and Oshawa, which have long taxed businesses at much higher ratios.

Removing the hard cap will increase the already punitive tax burdens on business. It will ultimately force more businesses to locate outside the city, perhaps even out of the province, and put even higher stress on the system. It also provides transparency to the cost of government, as most homeowners are unaware of the level of cross-subsidization by business, and it increases the level of accountability of elected councils, which, as we have stated, are elected for the most part by homeowners, not by businesses, which are paying a disproportionate share of the property taxes. In Toronto, the 20% commercial sector represents 40% of the revenue.

The business education tax: The business education tax, formerly controlled by local school boards, was taken over by the province as part of the local government reforms of the late 1990s. However, the former government did not move to a uniform province-wide

rate for business, as it did for residents. It is worthwhile noting that all other provinces did this when they assumed control of education property taxes from local school boards. Instead, it instituted a \$500-million tax-cut program whereby business education tax rates in those municipalities above the provincial average, like Toronto, would be reduced to the provincial average over an eight-year period. The rates were frozen in those municipalities below the provincial average.

The current cuts are scheduled to be completed by January 1, 2005. However, with the increased assessment base in Toronto relative to those across the province, Toronto's business education taxes are now below the provincial average but still 28% higher than the GTA cities.

Capping protection: Capping is the mechanism whereby assessment-related municipal tax increases on individual properties within the commercial, industrial and multi-residential classes cannot exceed 5% over the previous year's taxes. This aspect contained in Bill 140 was designed to protect against large tax shifts resulting from the change from the old tax system to current value assessment.

The problem that has developed is that municipalities, to subsidize the capping provision, have employed a system of clawbacks. This revenue-neutral mechanism has in effect denied property owners the reduction they legally have forthcoming.

Capping and clawbacks have essentially made the move to tax fairness a slow process at best. They have also introduced a confusion into the system and made the relationship between tax paid and assessed value tenuous at best, and in some cases, thereby calling into question the rationale for the assessment process.

Recommendations: (1) maintain the hard caps of Bill 140; (2) maintain the tax ratios; (3) adhere to the business education tax cuts and move to a province-wide rate; and (4) develop a capping exit strategy.

Electricity rates: The GTHA recognizes the government's need to remove the 4.3 cents per kilowatt hour of electricity. We also recognize the need for a secure, stable and affordable source of power. It is fundamental to the future well-being of this province and its citizens.

Electricity is an important component of the overall cost structure of a hotel. Conservation has long been an important management tool in this area. Given the nature of the business, there is only so much that can be done, as being a service provider means you cannot force a guest to stay away from his or her home away from home or forbid them to turn on the lights.

The GTHA supports the government as it moves to make significant changes to the province's electricity system. Part of its decision-making process, we believe, includes identifying how to best hold on to the old economy of the province while we transition ourselves into the new knowledge-based businesses of the future. The ultimate goal, we believe, is an open market system that allows for individual choice. The government must also, we suggest, provide a comprehensive educational

program for the public. It must be provided the information it requires to understand what the real costs of power are.

Recommendations: (1) move to a truly competitive market that allows customer choice and ensures an economically sustainable supply; (2) develop a transition plan that leads to an open market; (3) implement a consumer education plan to ensure that people understand the importance of electricity to the province's health and the need for reform, along with the issues and choices; and (4) ensure low-volume consumers are not exposed to the uncertainties of the market.

Municipal governance and infrastructure: It is clear that municipalities cannot exist and maintain a competitive and healthy environment on just the property tax base and user fees. Toronto is not just the economic driver for tourism in this province; it is the economic engine for the province's economy.

Today Toronto is facing major problems. While the city is not yet in crisis, if its problems are not addressed, it soon will be. Trying to deal with the issues at hand, we suggest, is forcing its representatives to advocate for potential solutions that are counterproductive for its citizens and businesses.

Municipalities must be provided the means to cover the costs of the key services that make the cities like Toronto the place where people want to both live and work. This means that major infrastructure issues such as affordable housing, transportation—which means public transit and roads—safety, cleanliness and waterfront redevelopment must be provided the dedicated and sustainable funding they require to both maintain and improve these key services.

Recommendation: Dedicate stable funding for key identified infrastructure projects.

Tax expenditures: Tax write-offs, when introduced, were part of an important public policy at the time. As with any good business practice, one needs to revisit expenditures on a regular basis to ensure that they are still valid and are meeting their objectives in the current business climate.

During the government's current public discussions as it moves to introduce its first budget, two tax matters have been raised: the OFTTC and capital tax.

Ontario now has a real film industry that not only produces quality works but contributes significant economic benefits. It continues to be under siege from competing cities and governments, as they all recognize the benefits accruing to the film industry. The rapid rise in the Canadian dollar has also hurt the industry, not to mention last year's events, which also devastated the tourism industry. The OFTTC credit provides a 20% write-off, and 30% for first-time companies, if 75% of the film's total costs was spent in the province. This credit has and continues to be a major factor in film location.

The capital tax is a tax on debt. It is a major disincentive to invest in Ontario, especially given that fewer and fewer governments have this tax. For the accom-

modation industry, which requires large investments of capital, it continues to be a major drag on new investment, not just for hotels but also for tourism, which continues to require investments in the attraction sector.

Recommendations: (1) maintain the OFTTC credits at their current levels; and (2) commit to elimination of the capital tax.

In conclusion, I want to thank you for the opportunity to appear before you today. We appreciate your dilemma as you look at ways and means to eliminate the deficit. In your ongoing exercise, we want to take this opportunity to remind you that with industries like ours, you can earn a bigger return on your investment in us.

The Chair: Thank you. We have about two minutes per party. We begin with the NDP.

Mr Prue: Two questions. I was a little intrigued. I know that in Toronto you've done a good thing and have raised the 3% tax for tourism. Why do you not think that that is better raised province-wide through the PST? Because then the hotels and service sector in every municipality would have the same opportunity that some of the hotels are providing in Toronto.

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Mr Seiling: Quite frankly, there are some areas of the province where instituting this wouldn't be productive. It is an increase in the cost of business, and it works simply because—and it's proven that it works. It's why your marketing programs bring more people. If you think about it in the means of a funnel, as long as you continue to pour more in the top of the funnel than you lose out of the bottom, it's productive. If you don't, it's counter-productive. It's simply that we don't believe there are enough critical masses or enough things to market in certain areas of the province. Others like Ottawa or Niagara Falls, certainly, and they're all moving in the same direction we are.

Mr Prue: OK, but you don't see that for smaller communities, say along the Kingston area with the American tourists, Cornwall? You don't see that in the north, where the hunters are coming in? They're using the facilities. We need to market everything we do in Ontario, do we not?

Mr Seiling: You market by hub and spoke. As last summer unfortunately proved, Toronto is the hub. You move people through here. When Toronto was hurt so drastically, it negatively impacted not only on the rest of Ontario, but the rest of Canada. You bring people in your major gateways, as Toronto is, as Niagara is, as Ottawa is.

I will reiterate: There are parts of the province where we don't believe this ever needs to be instituted. They should have local choice. It shouldn't be forced upon them.

Mr Prue: Do I still have time?

The Chair: About 30 seconds.

Mr Prue: OK. My next question is to do with electricity. I'm somewhat baffled by your recommendation to move to a truly competitive market, when the electricity costs for hotels, since the previous government tried to

do that, have skyrocketed. Surely you were better off in the system as it was before than what you're advocating here, which is going to end up costing you millions of dollars extra.

Mr Seiling: Well, no. First of all, we were in a buying group. More importantly, we also recognized that the previous system was unsustainable, and at some point in time you're going to pay the piper. So what we commend the government for doing is looking at it now to see what we need to develop and what you need to attract new investment in the electricity system. There's a problem. It needs to be fixed. The old system didn't work. It got us into a huge debt. Look on your electricity bill; it's called stranded debt. We're paying for the past mistakes. We need to go forward. People have to understand what the true cost of power is. We can't continue to fool people that power costs 4.3 cents per kilowatt. It doesn't, and pegging it at that price creates more problems.

There has to be a solution, we recognize and we said, to protect smaller consumers who aren't sophisticated enough or can't protect themselves from the vagaries of the market, but ultimately an open market, where you have people who can invest and earn a return, whether it's the government or whoever, but there has to be new investment, and new investment needs a return.

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

Mr Tim Peterson (Mississauga South): Mr Seiling, nice to have you here. I'd like to congratulate you on getting this tax through and managing it. This is something that our government probably would not have been able to accomplish in the short period since we got elected without both your terrific efforts and your credibility. I think it's great that the government didn't have to involve themselves in this. It's better managed by your association.

That being said, I take your notes about the fact that we should co-operate with you in the marketing of northern Ontario and other parts of Ontario—because Toronto is the hub; we have some phenomenal resources here—and look forward to working with you on it and look forward to your lead on it.

I really don't have any specific questions, but I do want to assure you that working with you to inject approximately \$20 million into the future marketing of Toronto and Ontario is just a fabulous future for us. If you could enlighten us with any thoughts on where and how you might be spending that, it would be of interest to us.

Mr Seiling: Thank you first for your congratulations, Mr Peterson. Ontario is a great place to market. We haven't had a product problem. We've had declining market shares, which turned into absolute decreases in tourism the past couple of years, even before SARS hit. The problem was there.

We are not doing the marketing ourselves; we are turning it over to Tourism Toronto. We have a process in place, and I can assure you that we won't be marketing hotels. We would market attractions, whether it be

cultural events, places to see and do. There will be a spinoff across the province, because we recognize that, while we're the gateway, it'll flow to other parts of the province as well.

We're going to get healthy. The recovery is underway. December was the first month in 12 months that we had increased spending year over year. I'm happy to report that January showed a similar increase. It's all relative. We've got a long way to go and we look forward to the government approving year two of the recovery funding because it is still crucial. While we have this dedicated marketing fee in place, that just started January 1 and it'll take us a while to collect some money to make a dent in the marketplace. So year two of the recovery funding is important and getting the PST exemption on it is equally important because the more money we can divert toward marketing, the higher return you're going to get in terms of jobs and also increased activity, because the government is our major shareholder, as I said. Thirty cents out of every dollar in the tourism industry goes back in direct taxes—that's not indirect; that's direct taxation.

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

Mr O'Toole: I commend you, Mr Seiling. You're still a very good stickhandler. Despite time, it treats us all well.

Mr Colle: He doesn't have a good slapshot.

Mr O'Toole: At one time he had a very good one. Again, I commend you on that.

We've heard that destination marketing fee from a couple of locations and I commend you for, as Mr Peterson said, going on your own. That's really what was being encouraged all along.

I thank you for your primer on property tax. I think it's quite a good review, as we struggled with it. The caps and the shifts are quite technical until you're actually into it for a while. I'm quite impressed with your list of recommendations there. I know personally the issues around the whole assessment base and tax rates and the shifting of load.

What would your response be to those who have been overpaying for many years? I have a number in my riding who are actually entitled to a reduction and it's been clarified that they've been overpaying for years. They are limited by the amount of relief they can get year after year by this 5% capping mechanism. What would your response be—I see you want to maintain that—to get out of that strategy? There has to be an exit strategy, as you've suggested. What do you think we should do? Really, you can't just all of a sudden whack me up 20% or whack somebody else down 20% without having a huge impact on municipal revenues.

Mr Seiling: Thank you for raising the property tax, because it's a real concern of ours. I can tell you that if the hard caps come off there will be no new development in Toronto, in hotels for sure, but I think across the board, and it will continue an exodus of businesses out of the city. One only has to drive around Mississauga or Markham and take a look at all the new building space there versus the void of it here in Toronto to understand what the impact is.

Regarding the clawbacks, the government has to take a look at it. We have members who are due a \$1-million reduction who have been subsidizing other property groups for years now and they're denied it. As the 5% creep comes up, quite frankly, if you charted it out, they may never see that. There are outliers. There are some people who need protection, but there are a whole bunch of people in that 10%, 15%, 20% range who over a couple of years could absorb it quite easily. It's not fair to have people subsidizing other people, especially if you're competing against them. I recognize that if there is an outlier there you can take some funds out of the class to subsidize those outliers, but they're far and few between because they have been moving. It has been used by municipalities to deny property tax fairness. One of the things that we've said is that predictable, fair and equitable has to be the standard for any property tax system or people will lose faith in it, as in anything else, and it just comes into disrepute.

The Chair: Thank you for your presentation this morning.

Mr Seiling: Thank you for the opportunity again.

ONTARIO NON-PROFIT HOUSING ASSOCIATION

The Chair: I call on the Ontario Non-Profit Housing Association. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questions, if you desire. I would ask you to state your names for the purposes of Hansard.

Ms Angie Hains: I'm Angie Hains and I'm the board president of the Ontario Non-Profit Housing Association. On my right is Sharad Kerur, who is the executive director, and on my left is David Peters, who is a special adviser to ONPHA.

Good morning, Mr Chair and members of the committee. On behalf of the Ontario Non-Profit Housing Association, I'd like to thank you for giving us the chance to speak to you today and to share our views on the important subject of sustainable, affordable and supportive non-profit housing in Ontario.

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ONPHA, the Ontario Non-Profit Housing Association, is a member organization representing 770 non-profit housing providers with over 150,000 rental units in the province of Ontario. Our members provide affordable rental housing for families, seniors, the formerly homeless and hard to house and those living with a wide range of disabilities, including developmental disabilities and mental illness.

I'd like to acknowledge this government's public commitment to the housing file. We've been very impressed with it. The government was elected on a strong housing platform. Already we've seen movement in areas that reflect the commitment, and there are at least four ministers at the cabinet table with responsibility for housing matters. Minister Caplan has already made improvements to the affordable rental housing program and is actively

exploring further improvements with the federal government. The first organizational steps have been made to improve the delivery capacity for that program.

In the Ministry of Health and Long-Term Care, preliminary steps have been taken to stabilize the housing funding for housing providers under their jurisdiction. And as promised, the government has released the reports of the nine regional task forces on mental health. They too concluded that supportive community-based housing is essential for those trying to live with mental illness, and virtually all supportive housing is built and managed by non-profit providers.

Recently, the \$3.5 million received from the sale of the Princess Margaret Hospital site in Toronto was made available to the city of Toronto for affordable housing, and a consultation process has been established under the Premier's parliamentary assistant, Laurel Broten, to develop recommendations dealing with the many issues associated with women fleeing violence, including housing. We're heartened by both the government's platform and their initial steps and we thank them for their interest in the housing needs of Ontarians.

While much can be said about improving the state of social housing in Ontario, in our presentation today we would like to focus on six key areas. The first is the continuing need for more carefully targeted and truly affordable rental housing; the second is the immediate housing priorities that should be addressed within this budget; the third is how the government's housing commitments can be made while still being mindful of the deficit challenge; the fourth is non-budget items that are important to our members; the fifth is the need for a more coordinated housing strategy; and finally, what the province should be saying to the federal government.

I'll now turn it over to our executive director, Sharad Kerur, to elaborate on these areas and to provide you with recommendations that we believe can assist you in meeting your mandate.

Mr Sharad Kerur: Thank you very much. Good morning, Mr Chairman and members of the committee. I'd like to just initially say to you that the details of what I wish to speak to you about can be found in our submission that we've tabled with you. But what I'd like to do in the time we have here is perhaps just focus on the key recommendations we have made in our submission.

I'd like to begin the balance of our presentation by leaving you with this thought: The undeniable basic element and strength of any society rests on its ability to provide decent, supportive and affordable housing to all those who live in that society. Invariably, how healthy we are, the atmosphere in which we teach our children and the strength of our communities can be traced directly to how we house our citizens. So I believe we are all here today not to question or debate the merits of truly affordable housing but really to explore how we can make this happen.

Truly affordable housing means providing the capacity to house those with low to moderate income, as well as providing support services to those with special needs.

But the strategy to bring about truly affordable housing rests in a balanced approach that addresses both the supply side as well as the demand side of the equation. This is a generally accepted principle espoused by many experts such as TD Economics, which in their June 2003 report on affordable housing made that very conclusion.

Since the ability to address housing from just a supply side or just a demand side is not on the one hand economically feasible and cannot, on the other hand, simultaneously address both short-term and long-term measures, a balanced approach seems to be the logical choice. On the supply side, we are recommending that the government continue with its plans to produce 20,000 more units of affordable rental housing and 6,600 more units of supportive housing. Some would argue with us that there is no need to move quickly on this front, since vacancy rates at the low end of the rental market have recently improved. However, for the reasons we have detailed in our written submission, we believe the market forces that have brought about this change are of a temporary nature. Given that it takes normally two to three years to bring a housing project on stream, the vacancy data of today are largely irrelevant. What matters are the vacancy data for two to three years hence, and we believe that these data will show that the vacancy rate pattern will revert back to its low form.

We also recommend that the government move now on the implementation of its supply plans for two reasons. First, nearly \$345 million in federal funding assistance is available now, and must be committed by the year 2005 or face being lost. Secondly, since there is a two- to three-year time frame to bring housing on stream, it will mean that the provincial commitment need not impact on the government's current deficit reduction strategies.

While addressing the supply shortage is one issue, addressing the high demand side is another. Many households that wish to rent available units simply cannot afford them. Nowhere is this more evident than in the recent statistics from Statistics Canada showing that more than 270,000 households pay well over half their income on rent and 135,000 households in Ontario are currently on waiting lists. In Toronto alone, for example, the active waiting list is 50,000 households, which translates into an average waiting time of seven years, and, if you are a large family seeking a large unit, the waiting time is approximately 12 to 15 years.

To address these immediate needs, we believe that the government's proposed \$100-million housing allowance should not only target individual households themselves but also target the unit side as well. This will ensure that at least half the units are accessible to those who are on the waiting list. In addition, we believe that the shelter component of the Ontario Works program should be increased in order to keep pace with the direct housing allowance initiative.

Our next recommendation deals with the government's plan to build 6,600 more units of supportive housing. On this front, we applaud the government for

recognizing the shortage in this area and for taking steps to remedy this shortage. However, while there is a need for this type of housing, two things of a more immediate need must be considered. First, funding for supportive housing falls under the auspices of the Ministry of Health and Long-Term Care and of the Ministry of Community and Social Services. The base operational funding for this type of supportive housing has severely fallen behind over the last 10 years by as much as 18% to 22% of where it should be. While there have been some positive steps taken recently by the Ministry of Health to address a small portion of the funding shortfall, unless the base funding is properly fixed, the ability of the government to bring 6,600 units on stream may not be fully realized since there will be a reluctance to develop appropriate projects, knowing that ongoing operational funding arrangements are inadequate.

We therefore recommend that the funding shortfall be dealt with first. Alternatively, given the fiscal constraints of this government, we would reluctantly support a reduction in the 6,600-unit commitment if it means being able to deal with the base funding shortfall.

Second, the government also needs to recognize support services being given to those with critical housing problems, often referred to as hard to house. This type of housing does not fall under the Ministry of Health and Long-Term Care or the Ministry of Community and Social Services. It was devolved to the municipal sector, but is in no less need of adequate funding for support services they provide. As such, while the new program should give priority to those suffering from mental illness, we recommend that the program's definition be broadened to include these alternative housing projects, and that funding be made available to all agencies with good project proposals and not just those agencies servicing the Ministry of Health.

The government, as part of its election platform, spoke to the development of an Ontario mortgage and housing partnership to provide competitive financing rates, presumably utilizing the province's strong credit rating for non-profit, co-operative and commercial developers who want to build rental housing. Since each of these developers has vastly different approaches in their definition and development of affordable housing, our association would welcome the opportunity to consult with the government on this initiative from the standpoint of the non-profit sector.

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We recommend, however, that the government partners with CMHC in this regard to not only mitigate some of the borrowing risks, but also to explore other partnership ways to reduce financing costs, such as exempting providers who must meet the criteria of permanent affordability from insurance fees, which presently range from \$4,000 to \$5,000 per unit, or developing funding pools to deal with capital repair shortfalls within existing non-profit and public housing projects.

In keeping with the recommendations that we have provided in dealing with housing, an area where we

believe the government can save money is with respect to the land transfer tax rebate program. During the past several years, this program has cost the government as much as \$130 million, and yet the benefit is equivalent to a mere \$8 per month in reduced mortgage payments in an already low-interest environment which, in and of itself, has created a booming market for first-time homebuyers. In our view, the continuation of this program is not a prudent use of taxpayers' money and has little, if any, impact on the decision to buy a home.

In our written submission, we touch on several recommendations we believe are needed to give structural strength to Ontario's affordable and supportive housing programs. Key among these include ensuring that at least one half of all units result in permanent affordability. We all know there has been and will always be a need in our society for affordable and supportive housing. Permanent affordability is the hallmark of non-profit providers, who are not motivated by a desire to maximize a return on equity for investors and therefore do not need to limit their affordability commitment to a set number of years.

We also need a consistent long-term program environment. On-again and off-again funding programs are not helpful. While funding can be adjusted year to year based on prevailing conditions, programs should not come and go with the times.

We also recommend that the government ensure that at least one half of all units are accessible to those on the waiting list.

We also recommend that the government create a centre of housing development expertise to assist non-profit developers to produce permanent affordable housing.

We also suggest that the government review the manner in which housing services are now separately delivered by each of the four ministries that have housing files, with a view to creating a more streamlined and coordinated approach so that cost efficiencies and economies of scale can more easily be identified.

We encourage this government to speak with the federal government to encourage them to remain committed to housing through the development of a long-term national housing strategy, to accelerate the advance of funds it makes available for project development funding, and to recycle back into the national housing sector the nearly \$32 billion in savings it stands to gain from expiring federal operating agreements over the next 30 years.

Our written submission contains several other recommendations that we don't have time to go into here today but that we feel set forth an important blueprint by which this government can steer its housing course, fulfill its commitments and establish a solid housing foundation in order to be able to strengthen our communities and, ultimately, our province.

In closing, let me say that the Ontario Non-Profit Housing Association and our members are very encouraged by the actions this government has taken to date. We look forward to working with you so that together we

can solve the challenges that lie ahead and offer you our assistance in this regard.

Thank you very much for giving us time to speak with you today.

The Chair: Thank you for your presentation. We have about two minutes per party. We'll begin with the government.

Mr Colle: I appreciate your positive approach and the fact that there are potential solutions out there with more partnering, especially with the federal government.

I don't know if you're familiar with Michel Labbé's approach to providing housing. What is the non-profit housing sector's take on his approach? You're smiling, but I have a beautiful project in my area that seems to be affordable. I know he got land from Canada Mortgage and Housing. Anyway, what is your take on that?

Mr David Peters: Our take on it is that what Options for Homes does is provide, through several efficiencies—not the least of which is, he doesn't do a lot of marketing. He has a very good construction arrangement with DelZotto, and he produces a very cost-efficient home ownership option. He's got a vision that he believes will ultimately produce some very affordable housing, but that vision will take a long time to happen and can't replace the need for affordable and supportive housing. It's a niche that he's exploring that the government might be well advised to see if it was programmable in the sense that other developers could be encouraged to go in there and create some competition in that niche.

Mr Colle: It doesn't really target the high-need area.

Mr Peters: No. There's an honourable and genuine effort to get at it, but it's really a few units per project.

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

Mr O'Toole: Thank you for a very balanced presentation. I commend you for that. I'll make a couple of remarks and then I have a question.

As you know, our government's platform was based on home ownership, basically. I still espouse that perspective, in balance. We've heard input that house prices are affected very much by the amount of development charges, fees, licensing and permits—by as much as 40% of the house. Some 40% or 30% of a \$150,000 house is \$50,000 on a mortgage for 30 years. It's a lot of money that the buyer is actually paying. There could be much done on that—I didn't see much in here on that—to drive the costs of getting these developments to completion.

As you know—your presentation announced it and I commend you for it—there is a lag in housing inventory moves, and that lag effect is showing up now. You said on page 5 of your report that there is a higher vacancy rate and that rents are lowering in the lower quartile of the whole spectrum of affordability. That's the way the real market works. I believe, to some extent, people moving out of rental creates more rental vacancies. You understand the economics of that. I think there could be more done to encourage, as you've said, a program which offers both the private sector and not-for-profit housing. That's a balanced way, because no one solution, no government solution is going to fix this. That's what we saw in the late 1980s and 1990s.

The one question I have is to deal with the recommendation to cancel the land transfer tax for first-time homebuyers. I don't get that one. That's a very successful program for people, if your motive is to encourage home ownership and commitment to property and maintenance etc. How would you justify that? These are the market entry people, the very people you're trying to get out of rental. Why would you recommend cancelling that?

Mr Kerur: The issue of the cancellation stems back to putting forward the best use of the government's dollars in that regard. Right now, as we state in our submission, the impact on the actual first-time homebuyer—and it is only for first-time homebuyers—is really limited to a reduction of \$8 in their monthly mortgage payment.

What we see as being the real stimulus in terms of moving people out of the rental market into the home ownership program is not that program per se. What we see is the fact that we have a low interest rate environment right now. We see different financing arrangements coming on stream from the financial institutions. So we see the market as responding more than the fact that the government had provided a land transfer tax as an impetus for people to move out of the rental market. What we're simply saying is, save those dollars.

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

Mr Prue: Just a couple of questions in terms of the \$350 million sitting there from the federal government which has not been utilized to any significant extent. We have only about a year to get to do that. What can this government do in the next year to maximize the \$350 million? Obviously, we're going to have to spend \$350 million ourselves.

Mr Kerur: I think the true challenge there—and that's why in our submission what we're espousing is a quick response time in meeting a commitment—is to at least get the funding access from the federal government now. But given the fact that it will take two to three years to bring the housing on stream, there is some time before this government actually has to shell out current dollars to make that happen.

The other thing I think the current government can do is talk to the federal government to see whether there's a possibility of extending that particular time frame out beyond 2005 or 2006 when the program ends.

Mr Prue: My second question is, this will only build so many houses. It won't build the 20,000, but it may build the 6,600, which is for supportive housing primarily for the mentally ill and the hard to house. If we have to spend the money, should it go there? Or do you favour the other side or do you favour a combination?

Mr Peters: That's a tough question.

Mr Prue: Well, I ask tough questions.

Mr Peters: I think the honest answer to that is we could live with the idea that the deficit challenge means that, in the short run, the total of the government's promises don't add up to 26,600 units. So if they wanted to fund the 6,600 supportive housing units, the capital side of those units, out of the 20,000-unit program for affordable housing, there's a certain amount of common

sense that goes there. I think we would prefer the alternative, but practically speaking that would be sensible.

Other than that, we would say that you have to keep working really hard to get those commitments delivered. The experience of delivering housing, as Sharad says, is that you don't have to slow it down to try and save some money. Housing, regrettably, slows itself down. It's a long, tough grind to get a housing project built. There are all sorts of challenges that you're all familiar with. If someone suggests that some money is to be saved in the deficit by slowing down the housing programs, forget it; it will slow itself down. You should be working as hard as you can or you'll lose the 350 million federal dollars.

The Chair: Thank you for your presentation. The committee is recessed until 1 o'clock.

The committee recessed from 1212 to 1301.

TORONTO DISTRICT SCHOOL BOARD,
WARD 15, TORONTO-DANFORTH

The Chair: The standing committee on finance and economic affairs will please come to order. I would ask that the Toronto District School Board, Ward 15, Toronto-Danforth, please come forward. Good afternoon. You have 20 minutes for your presentation. You may leave time for questions within that 20 minutes, if you so desire. I would ask you to state your name for the purposes of our Hansard recording, and you can begin.

Mr Richard Telfer: My name is Rick Telfer and I am here as the trustee for Ward 15 of the Toronto District School Board. That's the riding of Toronto-Danforth.

I just want to start by saying good afternoon and thanks for this opportunity to speak. I want to make three arguments today in talking about education on a provincial level, but also at the level of the Toronto District School Board.

The first thing that I want to say is that it's absolutely critical for the new provincial government to reinvest in the education system significantly and immediately. To this end, I want to outline the current fiscal pressures that are facing the system provincially and also talk about the current fiscal pressures facing the Toronto District School Board specifically. I want to argue, secondly, that Toronto schools require special consideration. Lastly, I want to argue that properly funding education is going to require raising taxes in the province.

I'm sure you've heard from other groups already and will hear from more that will talk about the Rozanski report, so I'm not going delve into the finer details of the Rozanski report today. But I do think there are certain points worth reiterating, just to set the framework for what I want to argue.

You will recall that only 15 months ago the government's Education Equality Task Force, which was led by Dr Mordechai Rozanski, released a report containing 33 recommendations about Ontario's funding formula for public education.

Rozanski called on the government to address three critical areas. The first was the chronic underfunding of the funding formula's current benchmarks, or the fixed costs for education; second, students at risk and other areas of immediate need such as special education and school renewal; and finally, salaries and benefits funding for education workers.

Rozanski estimated that the minimum cost of these three critical areas was \$2.1 billion, with funding for some areas, of course, to begin in 2002-03, and for funding in other areas to be spread out over two to three years, to be phased in.

Given this obviously very significant amount of money, Rozanski recommended that benchmark changes of \$1.1 billion be phased in over three years beginning in the current fiscal year, 2003-04, as part of a multi-year funding plan.

I think it should be stated too, and I don't think that the previous government acted on this particular very important recommendation, that one of Rozanski's most important contributions to the debate was that benchmark values needed to be revised on an annual basis to cover inflationary costs. So the bottom line, and this is where I want to leave it as far as Rozanski goes, is that the system needs an investment of \$2.1 billion over the next three to four years.

Now, turning to one of Toronto's four public school boards, and one of the largest ones in North America, that being of course the Toronto District School Board, I want to provide you with some specifics about the board's current fiscal situation so that, for example, people aren't just relying on what they see in the Toronto Star.

I have learned from the board's administration, and you will likely hear from them—I see they're on the agenda for later today; you'll hear from them again—that as of last August the board's long-term debt is in fact \$115 million; \$20 million of that has to be repaid this year and \$20 million repaid every year until that's paid off. That's the plan, currently. The deficit that the board is facing is \$3.9 million for the current fiscal year. That will be an added \$3.9 million, plus another \$1.5 million to cover the electricity rate increase that's scheduled for April 1. Unless the province covers that particular unexpected cost, that means that the board's deficit is going to jump up to \$5.4 million this year. All of that is in addition to the \$55-million deficit that we're carrying over from the previous fiscal year, 2002-03, that being the deficit that was imposed on the board by the previous government under supervision.

The bottom line, then, is that the board is heading toward a total debt load of more than \$175 million by the end of the current fiscal year. That's a debt load that has accumulated even after several years of spending cuts, which, as we all know, have resulted in continually declining classroom resources and the loss of important programs.

Of course, there is a need for immediate and significant reinvestment in Toronto's schools, and that's best

assessed, I think, at the level of individual schools. As the trustee for Toronto-Danforth, I've had the privilege of representing and therefore regularly hearing from parents, students, teachers and support staff in the schools. There are 32 schools in my ward alone, and I'm just going to highlight some of their stories.

At Dundas Junior Public School, parents are very concerned about the classroom overcrowding that has resulted from the loss of educational assistants, and they lost three teachers in the past year alone. They are also deeply concerned about the general decline in the school's upkeep and maintenance, including the plumbing. This is all despite the best efforts of maintenance staff.

At Earl Grey Senior Public School, a high school, parents are concerned about the lack of funding for special education. They have also rightly argued, I think, that all schools should have basic staffing needs met regardless of the size of the school, and of course that's one of the fundamental flaws with the funding formula. Earl Grey does not have enough money to cover the costs of purchasing even the necessary textbooks for their science class or for their French immersion math class. Although it is always clean, Earl Grey is physically deteriorating. The school needs new windows, new curtains and new coats of paint on the interior and exterior. There's just not the money for this kind of thing, and fundraising efforts are dwindling because people are feeling squeezed.

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To continue: Bruce Junior Public School has had snow coming through its windows despite the windows being closed. They don't have the money to fix that. Jackman Avenue Junior Public School, which is in generally good state vis-à-vis other schools, has peeling paint on the walls, and the parents are having to fundraise just to buy curtains. At Leslieville Junior Public School, parents and teachers need more space for extracurricular and enrichment activities, but extra space is being locked up behind classroom doors because there is not enough funding to cover the electrical costs of actually powering those rooms. At Roden Junior Public School, the nutritional snack program was literally just cancelled because the school can no longer afford to fund it, so there's no more nutritional snack program for kids.

These are only some of the recent problems. I just wanted to highlight some of the recent ones that I've been hearing from parents because I think a lot of us have already heard about some of the problems that have been facing the system for the last few years. These are things I've learned only since I was elected last November, just 10 weeks ago.

You're likely aware that on January 28 a majority of trustees of the Toronto District School Board voted against a motion to commit to balancing the board's budget for the current fiscal year. I was among the 13 of 22 trustees who voted against the motion because, in the final analysis, trustees were being asked to cut a minimum of \$3.9 million from the budget; that's the low-end deficit figure that I cited earlier.

Knowing that the board oversees 558 schools Toronto-wide, that kind of cut translates into \$7,000 per school. In my ward of 32 schools, that means about \$225,000 is immediately withdrawn from the schools. If the province does not cover the unexpected jump in power costs, that would be an immediate withdrawal of \$310,000 from schools in my ward.

It's a fact that schools would be the areas affected by such a cut. The only "soft" areas left in the board's budget at this point are classroom resources and programming, including computers, textbooks, supplies and maintenance. You will notice that these are the kinds of things that parents have told me are already in short supply and urgently need reinvestment and restoration.

Besides, even if unused or unneeded budgeted-for items are to be found in any other area of the board's \$2-billion budget, then I think those monies should immediately be channelled into classrooms, and not cut, as though that money just isn't needed, that other areas of the budget accurately reflect the needs of our schools.

I want to add at this point that the province has to acknowledge—and the funding grants already do to some degree, but I think there needs to be something above and beyond in the way of recognizing that Toronto has very unique needs in the areas of English as a second language, the cost of maintaining older facilities that are in Toronto, especially in the downtown areas, the high cost of living in Toronto, and lastly, the extreme poverty that's experienced in parts of our city.

On the topic of poverty specifically, one principal and parent recently wrote to me and said:

"I think [poverty] is the issue of greatest cost to Toronto. In an article two years ago, in the Toronto Star it was stated that nearly 40% of the children growing up in Toronto live in poverty. Families from all over the country and the world move here seeking work and often need support when they get here.

"The impact on children's learning is widely documented. They come to school hungry, they are not exposed to literature at home and they often have behavioural issues. The Toronto Board has responded with safe schools staff, social work, assistants in the kindergartens, reading recovery, breakfast programs, etc.

"Prior to the introduction of the funding formula, the metro board knew this and the 'inner city' schools were supported. The learning opportunities grant attempts to help but it is not enough. More funding in this area will help us maintain many of the great programs and staff that we need."

It is clear that the province must address the specific needs of Toronto through a special urban factor grant, which would be a separate and enhanced envelope of funding.

To tie all of these facts, figures and reports together, I believe that the parents of Earl Grey high school, whom I had the opportunity to meet with again just last night, said it best, in a recent letter addressed to me:

"The concept of schools having to compete for funds ... is bizarre. All schools should get the money they need

to allow each and every student the very best education possible.

“Education funding must be increased. If this cannot be done without raising taxes, then it is our belief that we should put the needs of our children first: Raise taxes and make the investment in our children’s futures.”

In the same vein, a parent at R.H. McGregor Elementary School recently wrote to me:

“The current government cannot keep both its promise to not raise taxes and its promise to properly fund our children’s education. I choose more taxes.”

These comments reflect my own position exactly, and I am confident that they reflect the general sentiment of my constituents and in Ontario.

Since being elected, I have sought to maintain regular contact with every single parent council—all 32 of them—in my ward and I have explained my position to them. To date, not a single parent council has opposed my position. This doesn’t surprise me, of course, because I ran on a platform of no more cuts and increased education funding, and I was elected with over 15,000 votes.

My constituents, the people of Toronto, and the people of Ontario, are willing to pay their fair share. Like me, they support fair tax increases, they support progressive taxation of income; they don’t support flat taxes or user fees.

People recognize that there is a desperate need to rebuild social programs like education. They understand that the future of education is at stake. It is plainly obvious that the people of Ontario voted for change and they meant it. They want the new Liberal government to keep its promises, and not just on the small-ticket and no-cost items. People want significant and immediate reinvestment and they understand and accept that this will come at a small cost to them as taxpayers.

I want to say that I am well aware of the pressures facing the government from the vocal, right-wing fringe organizations like the Canadian Taxpayers Federation and the Fraser Institute. For these groups, representing the narrow but disproportionately influential corporate elite, the only economic policies are tax cuts and privatization. This sounds familiar, of course, because it is also the favourite refrain of the Progressive Conservative Party, the party of big business and wealth.

I wonder how familiar members of this committee are with the fable of the frog and the scorpion. I thought it would be fun to just state it here for the record. A scorpion and a frog meet on the bank of a stream and the scorpion asks the frog to carry him on its back. The frog asks, “How do I know you won’t sting me?” The scorpion says, “Because if I do, I will die too.” The frog is satisfied and they set out, but in midstream the scorpion stings the frog. The frog feels the onset of paralysis and starts to sink, knowing they both will drown, but has just enough time to gasp, “Why?” Replies the scorpion, “It’s my nature.”

I tell this story because, to me, it reflects the commitment that the new Premier, Dalton McGuinty, made to

the Canadian Taxpayers Federation not to raise taxes during last fall’s election campaign. Of course, the Liberals are represented by the frog and the Canadian Taxpayers Federation by the scorpion: Whether the Liberals raise taxes or not, the scorpion will sting.

I have to ask, then, why would the new government cater to such a greedy, anti-social agenda of the right wing at all? Why would the Liberals not choose the change they promised, but instead choose to sleep in the bed that the previous government made? I say to the new government, it is time to remake the bed and, as the first step toward that goal, repeal both the Balanced Budget Act and the so-called Taxpayer Protection Act.

Our province is facing a large fiscal deficit, one that is the fault of the previous government, true, but also one that the Liberals predicted on the public record several months before last fall’s election. The fiscal deficit was not really a surprise, and correcting the social deficit was the foundational theme of the Liberals’ election platform. I wonder, then, why do I find myself sitting here today, trying to make the case for what the people of Ontario already chose? That’s a question I’d like representatives of the new government to answer sometime soon.

All of that said, I wish to acknowledge and thank the new government for keeping many important promises like, obviously, cancelling the private school tax credit, eliminating teacher recertification, introducing a short-term moratorium on school closures, eliminating junk food from public schools, making a modest first-step allocation of \$112 million to Ontario’s schools and, finally, committing to freezing college and university tuition fees, albeit for domestic students only, beginning next September.

To be sure, these are all welcome and needed improvements to the education system, so I must commend the new government for announcing and introducing them so quickly in the first year of its mandate. However, the biggest problem that continues to face our public schools and that burdens the children and youth learning and growing in them must be addressed significantly and swiftly. I am talking, again, about the revenue problem. This problem must be tackled in the next provincial budget by way of a systematic plan for recovering public revenue.

Rozanski told us only 15 months ago that the education system needs \$2.1 billion. We also know, despite all of the cuts and the ongoing decline of classroom resources, that the Toronto District School Board is spiralling toward a debt of \$175 million. We simply cannot afford to cut further, to ignore inflationary pressures and rising energy costs and to accumulate more debt at the expense of future generations.

To sum up, I want to say that on behalf of my constituents, and I think on behalf of most people in Ontario, I am calling on the new provincial government to meet the expectations it raised during last fall’s election campaign specifically with respect to education funding. I want to conclude by restating the three main points that I hope I made clear today.

First, the next provincial budget must reflect a commitment to Rozanski's funding recommendations for all of Ontario's public schools, recognizing that Rozanski's recommendations represent only the bare minimum requirements for the entire education system.

Second, the next provincial budget must address the rapidly accumulating debt load of the Toronto District School Board, and again, you'll likely hear more about that later this afternoon. It must introduce an urban factor grant to address the unique needs of Toronto's schools, especially in the area of poverty.

Lastly, the next provincial budget must begin to recover public revenue in a sustainable way through progressive taxation measures as part of a long-term strategy to restore the foundations of our cherished education system. The new government must reject inequitable measures such as flat taxes and user fees, including OHIP premiums.

I just want to conclude there, and I'm happy to have questions. Thanks very much for your time.

The Chair: We only have time for a question from one party, about three minutes, and we'll go to the official opposition.

Mr O'Toole: I guess I'll be the only person to ask questions. I look at the agenda today and I think I'll reserve my questions for the superintendent of business services, Toronto District School Board.

The Chair: Thank you for your presentation.

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RETAIL COUNCIL OF CANADA

The Chair: I call on the Retail Council of Canada to come forward. Good afternoon. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questions, if you so desire. I would ask you to identify yourself for the purposes of Hansard.

Ms Lisa Marsden: My name is Lisa Marsden. I'm the vice-president of government relations for the Retail Council of Canada. Thank you for the opportunity to appear before you today. I will try to move through the presentation quickly so that we do have some opportunity for questions.

The Retail Council of Canada has been the voice of retail since 1963. We represent an industry that touches the daily lives of most people in the province. Like most associations, we are a not-for-profit association funded through dues revenues. Our 9,000 members represent all retail formats: mass merchants, independents, specialty stores and on-line merchants. You will notice from our presentation that 90% of our members are small, independent retailers and 40% of our membership is based in Ontario, which is consistent with the industry averages that you'll see later.

The retail industry is a dynamic and fast-paced industry. Nationally it contributes about \$315 billion to the economy. That represents about 5.6% of the GDP. In Ontario, currently we're posting \$105 billion, as of November, but we expect that to push up to about \$115

billion when the stats are in, which represents about 5% of GDP.

The retail sector touches every corner of the province, as I said, and there's a chart in your presentation today that gives a breakdown of a little bit of what retail looks like in some of the ridings across the province. There's a supplemental note you will see, because when we ran the numbers, they showed Windsor only having 106 retail establishments, which obviously is not the case. There was an error in StatsCan's numbers. Windsor is around 2,006, I believe.

Despite its significant size and scope, retail really is dominated by small business. The majority of our members employ fewer than four people. When you see this indeterminate column in graph 2, indeterminates are actually companies with no payroll, so they are sole proprietorships, mom-and-pops. They don't have a payroll; they don't employ a single person. More than 70% of our retail sector has sales of less than \$500,000, and 89% of the retail sector has sales of less than \$2 million, so this is really small business we're talking about. We talk about the Wal-Marts or the Bays or the Sears, and they are really in the minority at 3% of the industry.

Retail is Ontario's second-largest employer, with over 730,000 employees in Ontario. I think that's actually a little-known fact, but we rank right behind manufacturing, and you can see that in scale, well ahead of health care, the tourism industry. It's just a huge industry in terms of employment.

Economic review and outlook: As you all know, 2003 was the year of SARS, mad cow disease and the blackout. All of that being said, retail fared fairly well. We posted a 3.1% growth nationally and a 3% growth in Ontario, which shows remarkable consumer resilience and consumer confidence. That is the province as a whole. There were obviously ups and downs, and Toronto is one of those areas that was down.

The retail outlook for 2004 is actually one of cautious optimism. The consensus among the industry is that we will post a 3% growth next year, which seems consistent with the chief economist's prediction of a 3% to 3.4% growth. The only thing I would note here is that usually retail actually leads the growth. So we're seeing some cautious reserving there by retailers. When we push them on that, the reasons they highlighted it were that they are still concerned about the Canadian dollar, the rising debt levels that consumers are taking on, some increases in input costs, and the Bank of Canada outlook was obviously not as robust as they were looking for.

In terms of trends in the industry, mass merchants are taking considerable market share away from independents. Independents are really struggling at this point in time, and their success is really going to hinge on finding that niche marketplace where a large retailer can't attack. So they're really struggling with that.

Just to move on to some general fiscal policy advice, I guess, from the retail industry, retailers are well aware of the government's \$5.6-billion deficit. They are well

aware of the structural deficit and they're aware of what your priorities are, namely health care and education. They don't dispute those.

That being said, retailers understand, and the business community understands, that we can shoulder this all by ourselves. We've recently seen the rollback of the corporate tax rate, which I'll note that we did not oppose. We did not oppose holding the line on the small business tax rate. We did not oppose the increase in energy prices, because we understood it had to happen, and we suspect that those energy prices will actually rise again. We did not oppose the introduction of the blue box program plan in December, which will cost about \$42 million annually. We are one of the few employer-based organizations that did not oppose the increase in the minimum wage. So the industry as a whole is very realistic and reasonable. That's what I want to tell you before I go on to our next phase.

That being said, retailers are saying right now, "Enough." We are dealing with some pretty serious increases in input costs. We are still dealing with the appreciation of the Canadian dollar. We think your chief economist said it best when he said that you certainly want to realize and recognize that you're in an environment where you don't want to be adding on to business costs as they grapple with these other inputs, specifically the exchange rate.

So in terms of some advice, we think the most important thing the government can do right now is to sustain consumer confidence. That needs to be done by removing impediments to job growth, not adding them. It needs to be done, obviously, by balancing the increases that you've already done with stabilizing spending. We do think the budget needs to be balanced sooner rather than later, because deficit budgets certainly do have a seriously negative impact on consumer confidence, which is going to affect the economy.

Moving on to something we think you can do, the government in its campaign platform committed to taking the Red Tape Commission and moving it into a very specific agency devoted to small business needs. We supported that and we think that should be done sooner rather than later.

During pre-budget consultations, whether it's been at this committee, the town hall meetings or in scrums, there have been a number of trial balloons sent up about tax increases, whether it has been the RST, the employer health tax or some of those issues. We'll touch upon them here, but we really think what's better is that this small business group, whatever it's going to be called, gets established, announced in the budget, and that it be given a mandate to look at these initiatives and report back either to this committee or to the Minister of Finance with some real recommendation. A lot of these things are being debated without due consideration and input. Even though we will touch upon them here, we really haven't had the time to analyze them to the depth they should be and tell you what the impact is going to be on our sector. Some of the impacts I'm going to give you

are obviously very high-level. So we'd urge you to move forward with a recommendation to establish that group.

The retail sales tax: There was obviously a reference from this committee, I think, in your first meeting about the potential for increasing the retail sales tax. We would obviously urge you not to move in that direction. We'd point to some research actually done by the parliamentary research library when it looked at a suspension of the GST to help stimulate the economy after 9/11. That research found that there were immediate positive benefits. It increased consumption. It would have boosted demand, increased profit margins, earnings and revenues, stabilized the market, and resulted in real GDP growth and a reduction of unemployment. So our message to you today is that if you were going to move into an RST increase, all of those things there that would have been positive in a suspension would actually turn up in their negative form. It wouldn't yield you, I think, the revenues you're looking for, because you'll see a downturn in the economy and spending.

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Moving to the employer health tax: As I mentioned, we're the second-largest employer, and the employer health tax is a profit-insensitive tax that hits employers, and large employers more adversely than other employers. We supported the government's initiative to introduce the EHT exemption on the first \$400,000. I think some of you will remember we actually lobbied for it to be much higher than the first \$400,000. Ontario is currently one of only five provinces that have this type of tax, along with Newfoundland, Manitoba, Quebec and the Northwest Territories. In fact, Manitoba exempts the first \$1 million of payroll. The exemption level helped us create 108,000 new jobs between 1996 and 2002, and our message to you today is not to eliminate that exemption. If it were to be eliminated, it would result in a decrease in jobs in our sector.

Moving on to property tax, this is an agenda item that has really been placed on your agenda by the municipalities, and we want to give you the view of our industry and of small business. Property tax revitalization or modernization, or whatever we were calling it several years ago, was a very painful exercise for the government, for businesses and for residents. But it had devastating impacts on the commercial sector, because tax bills doubled, tripled and quadrupled overnight, mainly as a result of higher assessment values as we modernize our assessment tool, but also because of tax rates that were placed on the commercial class. In some municipalities across Ontario, in fact in the majority, the commercial tax rate is two, three, four, five and six times higher than the residential tax rate. This situation is even more untenable for businesses when they receive only a fraction of the services and in fact pay for some services like garbage pickup and now the blue box program.

The previous government introduced Bill 140. Bill 140 was really to encourage municipalities to move within the bands of fairness and lessen the tax load on commercial businesses so it was shared more equally

across the tax base. Our message to you is that a number of municipalities have encouraged you to repeal Bill 140, and we urge you not to. We urge you to resist that. While it may seem like a quick fix to some of the municipalities' financial problems, it would have a really negative impact on small businesses in those communities. We do believe municipalities need a new deal, and we're ready to stand with municipalities and help them on that new deal—I think you're hearing from the Toronto Board of Trade later on and some of their efforts—but that new deal should not be the repeal of Bill 140.

Finally, the last issue I'd like to talk about is training tax credits. The government announced in their economic platform that they would roll out training tax credits. Our industry is facing a severe labour shortage in the coming years. We, as a sector, have identified this as one of the top priorities, and we've thrown considerable resources, both staff and financial, at dealing with it. We've launched what we call the retail as a career initiative, which has training models, such as retail first-level managers and sales associates. This is really to help people who enter the retail workforce work their way up to management positions.

What we're asking today is that you consider moving forward with that training tax credit, so that more employers, instead of just the large employers, who are currently taking up that initiative, can benefit from those training programs and really help to develop the skill sets within the retail sector. Retail is still one of the few sectors where you can enter at a mid-level or even junior position and really, through training on the job, work your way up to a senior level, whether it's buyer, purchaser, accountant or even president and CEO. We have a number of presidents and CEOs of Canadian companies who started as sales associates. So we encourage you to move forward with that. That's a really positive thing the government could do.

In closing, I'll note there are two other briefings in your book. Both are tax simplification issues, one on bottled water and one on herbals and naturals. The issue with those is that Ontario applies PST differently to those products than other provinces or than the federal government does with GST. We'd ask, just for simplification, that Ontario move to streamline the application of PST on those items. We're not going to say whether you should exempt them or tax them. We're just going to say make it simple and streamline it so retailers know what they're charging PST on and what they're not, because there's a lot of confusion in the marketplace about that.

I hope that leaves time for questions.

The Chair: Thank you. We have about two minutes per party, and we'll begin with the NDP.

Mr Prue: Only two minutes, and I had three good questions.

Ms Marsden: Pick your best.

Mr Prue: I'm just going to go to payroll taxes. You want them to remain as they are. We heard from an economist, on the first day, who described how they are being misused, not necessarily by the retail sector but by

all kinds of people—everyone from tax consultants to mediators to auditors to law firms—who are just using this as a way of getting around taxation. If we keep it exactly as it is, we're going to be losing hundreds of millions of dollars from people who I think probably are not eligible for it. I would just like your comment on that.

Ms Marsden: I guess our comment on that would be, first of all, that that's very unfortunate. This was an initiative that was supposed to be targeted at small business and to help employment within those sectors. There was a small business task force that took place under the Minister of Finance that actually identified that issue and the misuse of that issue and was starting to grapple with ways we could address that. I think that work needs to continue. Maybe that's something this red tape/small business group could continue to do and bring forward recommendations. It has to keep the purpose it was intended for. The purpose was to help small employers create jobs and become more competitive.

Mr Prue: My second question, because I'm going to get it in, relates to the city of Toronto. You are saying that Bill 140 should not be repealed. The city of Toronto is facing a budget shortfall of \$344 million. If they do not get the gas tax from this government, if they do not get money that they are expecting from this and the federal governments, what other source of revenue could they possibly get, except the direct tax? They're going to have to tax everyone, not just homeowners. They're in a conundrum, just as you are.

Ms Marsden: I guess our response to that from a business perspective is that the city of Toronto needs to equalize their tax rates between commercial, industrial and residential at this point in time. As you'll recall from the last debate on this, small business owners were literally going out of business along the Danforth in those areas—small business owners, because their tax bills were so huge. We can't allow that to happen, because it will gut our downtown core. There are serious issues, but I'm not sure the issue is just let's throw it over to the commercial taxpayer, because that has consequences we don't want to see happen, any of us.

Mr Prue: Provided they have some other source.

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

Mr Wilkinson: I'm just reading your brief on simplifying the taxation of bottled water, but I want to go to the broader issue. Obviously, the advice is good advice, that we would apply the PST on water differently than the GST that the feds apply, but could you comment about actually harmonizing the PST and the GST in Ontario, something that's never happened? Other jurisdictions do it, so just your take on that.

Ms Marsden: Our understanding is that there are some discussions going on at the federal level on that. We haven't developed a policy position, other than to say that if that happens, we don't want it buried in the price of retail. It still has to be on the sales ticket, because if it gets buried in the price of retail, it gets rolled up into net sales, rents and all those kinds of things. That's the only

piece of it we've grappled with at this point. The other issue would be that in doing that, do you expand the base, and what do you expand the base to? We haven't had a chance within Ontario to look at what the implications of that would be for our sector specifically.

Mr Wilkinson: How do you find it in comparison to—I mean, you obviously represent other jurisdictions. So how do you find it's working there? Is it easier for business to have just one tax to deal with?

Ms Marsden: In some other jurisdictions some of the comments we've heard is that it simplifies the administration.

Mr Wilkinson: Thanks.

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

Mr O'Toole: Thank you for your presentation. Just a couple of comments. It was a good presentation, quickly covering a number of the issues. I'm glad to see you're in favour of a number of increases in taxes. They're not reversing; they're increasing tax. With Bill 2 they increased the tax. They also did the same on the energy issue. You're happy with that. That's great. You have to know that 80% of all the business job creation is small business.

Another comment here is on the small business advisory task force. We had a small business advisory task force, which the Retail Council of Canada was on. It dealt with red tape, regulation and harmonization of tax issues. You made a very good point on the retail sales tax, which I sort of clarify in terms of Mr Wilkinson's question there. There is a theory that if you increase the taxes—to harmonize is really an increase, because they'll harmonize to the GST schedule. It's about \$400 million more in revenue, kind of a blind tax increase. People will go for it because they sometimes aren't told everything they should be. If you increase taxes, you actually reduce the revenue. Erik Peters, whom they respect very highly—they use him both as a consultant in an ongoing sense, probably as a paid consultant too—said that about 26% of the economy is underground. What's the sense in your industry of harmonizing PST and GST? It's a good question Mr Wilkinson raised.

Ms Marsden: To back up first of all, we didn't say we support it. We said we didn't actively lobby against some of those increases because we understood the pressures the government was under. Just to be clear, I don't want my members to think we were out advocating for them.

Secondly, back to the issue of harmonization: Like I said, other than the package of whether it's priced in or priced out, we haven't taken a position yet because we haven't done the analysis that needs to be done for our sector.

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Mr O'Toole: The commercial sector has about a 4% to 5% multiple of residential. Most people in the assessment argument don't understand, with all the different property classes, that commercial gets killed. They're non-residential taxpayers so they hammer them—and some of them here are previous councillors. Multi-resi-

dential is about three times residential, industrial-commercial is four and six times it. What would you like to see to deal with the hard capping? That came up with the hotel-restaurant people earlier today with respect to the capping mechanism.

Ms Marsden: Our members supported the capping and we've continued to do so. We support Bill 140 staying in place because we believe the rates between municipalities, between the commercial and the residential tax base has to be equalized. The commercial sector can't continue to carry them. If the caps were lifted and Bill 140 were repealed, I think we would see the same kind of revolting in the streets that we saw five years ago from business.

Mr O'Toole: That's what happened with Bob Rae too.

The Chair: Thank you for your presentation.

ONTARIO HEALTH COALITION

The Chair: I call on the Ontario Health Coalition. You have 20 minutes for your presentation. You may leave time for questioning within that 20 minutes if you desire. I would ask you to state your names for the purposes of Hansard.

Ms Ethel Meade: Thank you. Am I using the microphone right? Can you hear me? OK.

My name is Ethel Meade. I am the community co-chair of the Ontario Health Coalition, a network of more than 400 organizations representing hundreds of thousands of individuals in all parts of Ontario. The coalition's purpose is to empower the members of its constituent organizations to become actively involved in debates in the public realm, especially around public health and health care policy. We provide to our member organizations and to the public regularly updated information on the health care system and its programs and policies.

By supporting and encouraging public debate in this area, we contribute to the checks and balances essential to good decision-making. We are a non-partisan group committed to maintaining and enhancing our publicly funded, publicly administered health care system by honouring and strengthening the principles of the Canada Health Act.

With me is Natalie Mehra, our executive coordinator, who will be speaking to you shortly about the health coalition's main concerns. Before she speaks, however, I want to briefly present the views of Care Watch Toronto, the organization that I represent on the coalition's steering committee.

Care Watch Toronto, a network of organizations and individuals focused on improving in-home care, does not share the government's obsession with balancing the budget without raising taxes. Such an objective can be reached only at the expense of health care and other social programs, all of which were battered by the previous government and their obsession with cutting taxes.

Our member organizations, which include major seniors' organizations, are willing to pay our fair share of

the cost of social programs that serve the public good. The progressive income tax, which indeed could be made more progressive, is the fairest way to distribute the burden of these costs.

The only other alternative that has been proposed, and unfortunately embraced by the previous government, is the sale of public assets, paid for originally, of course, by Ontario's taxpayers. Surely the trouble this government has already encountered with the private owners of Highway 407 and the developers of the Oak Ridges moraine should show you how such measures work to the detriment of the people of Ontario.

The consequences of privatizing Hydro are another example of the folly of this approach. And it is hard to imagine that the government could be so short-sighted as to consider selling the Liquor Control Board of Ontario, which contributes substantially to provincial revenues.

What assets are left to sell in aid of the government's proposed balancing of the budget without raising taxes? Unfortunately, the government seems to consider that the construction and management of our public hospitals are for sale. Despite the changed terminology in the deals acceded to in Brampton and Ottawa, it seems clear that everything aside from direct medical services will remain in the hands of the consortia that construct these hospitals. This will include laboratory services, payroll and medical records, as well as dietary, laundry and cleaning services and the lease of undetermined parts of the premises to commercial enterprises.

Experience in England, New Zealand, the USA and other countries has given abundant proof that so-called public-private partnerships cost more and provide less care than publicly owned hospitals. The simple fact that the USA spends 15% of its gross domestic product on health care, as opposed to our 10%, and still has millions of its citizens uninsured is unmistakable proof that profit-making corporations provide less care for more money.

The "managed competition" mandated for Ontario's community care access centres has already proved that community care too becomes more expensive in the hands of corporate enterprises. We know of instances in Ottawa and Hamilton particularly where the access centres have had to pay substantially more for services that they themselves and/or non-profit organizations could have delivered.

Federally and provincially, our health care system, including community care and public health services, has suffered from many years of the bottom-line mentality that I say is the antithesis of cost-effectiveness. When they take their eyes off the ledger, policy planners surely can see as well as anyone else that it is cheaper to keep people healthy than to let them get sick and then cure them in expensive acute care hospitals. Yet community care, including post-acute care that prevents relapses and readmissions, remains at between 5% and 7% of the health care budget, and support for public health services has been steadily eroded.

Supportive care to allow seniors to age in place is obviously cheaper than the cost of supporting them in

long-term-care facilities. Health Canada's national evaluation of the cost-effectiveness of home care, under the direction of Dr Marcus Hollander, provided empirical proof that over a period of years, seniors receiving supportive care made fewer visits to doctors' offices, fewer trips to emergency rooms, spent fewer days in acute care hospitals and made applications to long-term-care facilities at a later age.

Moreover, within the field of supportive home care, supportive housing is even more, and even more obviously, cost-effective. Yet among seniors' buildings eligible for the introduction of on-site, around-the-clock, every-day-of-the-week service, less than 10% have been funded for such purposes.

We hope the government will revisit the budget-balancing question and consider the long-term advantages of investing in supportive care for the elderly and in health promotion/disease prevention programs for everyone, which will postpone or avoid more costly health care interventions.

Thank you. I'll turn this over to Natalie.

Ms Natalie Mehra: Over the last couple of months, in response to some of the issues that have been raised publicly by Mr McGuinty, we have received literally hundreds of concerned phone calls from our membership. We have given you a written brief. I want to focus in on a few key issues. One is the false economy of delisting or uninsuring medically necessary services; the second is the high cost of turning over delivery of the health system to the private sector, especially those costs which are absolutely massive in the P3 projects that are being proposed; and finally, some places where we might find some possibilities of controlling costs in the health system.

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Quite simply, delisting of health services is, as Mr Romanow put it in his report, a false economy. Delisting medically necessary services simply transfers the burden of payment for services from a progressive tax system to out-of-pocket expenses by people when they are sick or least able to pay. Without going much further into it, we reject the notion of delisting services, premiums or reducing the universality of the drug benefit plans for that reason. It's not going to provide any greater savings for people; it's simply going to shift costs around.

In terms of the cost of the private health system, we think this government should be particularly concerned about the proposed P3 hospital deals. If you look at the only figures that have been released for the Brampton P3 hospital, the total value of the project is \$1.13 billion. That's \$417 million for capital costs and another \$600 million or more for the services privatization contract. For the Royal Ottawa Hospital, it's \$125 million for capital costs alone. So all told, for the first two P3 hospitals we're looking at the government getting into long-term contracts for about \$1.3 billion at least. That's for the first two; we've heard there are another seven in process. At an average cost of \$200 million to \$400 million per hospital, we're looking at a huge percentage

of the health budget being sucked into these projects. We think it warrants public debate, and we think it warrants a much closer look by the financial side of the government as well as the health side of the government.

The evidence from around the world is that P3s cost more. In fact, in New South Wales, Australia, the state auditor found they could have built their hospital two times over in the public system for what they eventually paid in the private system. In Britain, the association of chartered accountants has just conducted a survey of its membership, many of whom have been asked to look at the value-for-money audits of these facilities. The vast majority of those members believe that PFI hospitals, as they call them there, do not provide significant value for money. In fact, they point out that if you simply reduce the risk denominator by one point—and it's a very questionable denominator, based on a higher interest rate than is real—none of the projects show value for money at all. In addition, we see that the lifespan of the buildings is shorter than the usual 60 years—it's set at 45 years—and that the accountants are having problems figuring out how to actually assess the value of these projects. We're extremely concerned about going further down this road.

I'd also like to talk a little bit about privatization in the home care system. We're hearing a lot about how government should steer but not row these days—this kind of ideology. The perfect example of that in practice is Ontario's home care system, in which each community care access centre contracts with private, for-profit and private, not-for-profit providers to provide home care services. In each town there are something like 10 different companies providing home care services. Each of those companies has its own administrative system, its own computer system, its own case managers. The CCACs then have their case managers to review the case management of the lower case managers. All the companies have to hire people to sort out how their communications systems communicate with each other, how they keep records with each other etc. It's a system rife with duplication, high administrative costs and unnecessary information technology and all that stuff. We estimate that you could save about \$250 million a year just by allowing the CCACs to hire staff directly and getting rid of the competitive bidding system in the home care sector.

We also believe that one of the biggest cost drivers in the health care sector is the rising cost of drugs, increased by a whopping 130% since 1995. We believe that attacking the universality of the health system, and therefore the socio-economic class support for it across all classes, is a dangerous way to go. We believe the province must work both publicly and with other provincial governments to control the costs of new drugs, to ask the federal government to impose meaningful controls over the cost of new drugs and to control the prices of drugs.

I think we'll leave some time for questions. Those are our major points.

The Chair: We have about two minutes per party, and we'll begin with the government.

Mr Mario G. Racco (Thornhill): You just said that we should keep the cost of medicine low. Yet one of the arguments that have been made in the past is that unless they can make money, they won't be able to invest in new medicines and so on in Canada. How can you balance that?

Ms Mehra: I'd like to see evidence of the research and development investment that was promised in the first place in order to get that extended patent protection. As far as I know, a lot of that has not fully come through. There are things that the pharmaceutical industry must have in Canada: the infrastructure of people to test drugs in order to get them passed here and so on. Basically, that's what's here. I think a closer look needs to be taken at those numbers. Is there really research and development at stake here?

Furthermore, the pricing of new drugs is beyond the means of both the provincial government and the people in this country. There are millions of Ontarians who can't afford their drugs. Meanwhile, the pharmaceutical companies are at the top of the Fortune 500 list. So the means to control the cost of drugs is absolutely necessary.

Mr Racco: One area of interest to me is additional hospitals in Ontario. What is your position? Should we put more money in hospitals, or should we use those dollars to provide additional services in existing hospitals?

Ms Mehra: We think there needs to be greater transparency about where the money is going in hospitals. What we can see is that after the deep cuts of the mid-1990s, the government has refunded hospitals to above the rate they were funded prior to the cuts. So we're not talking about exponential hospital funding increases; we're talking about a reinvestment after deep cuts. However, we've lost, as far as we can tell, about 5,900 beds from hospitals and a great number of staff. So the question is: Where is the money going in the hospital system? Can we improve democratic, community control? Can we ensure some transparency, some accountability about that money? People on the front lines in hospitals say they do see waste in hospitals, and they would like to be able to address that, but they are not free to complain. There's no protection for whistle-blowers in this system, etc. We actually need improved accountability about where the money is going in hospitals.

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

Mr Prue: You talked about getting rid of competitive bidding and the high cost of home care. Could you, just for the record, say again how much it would save the Ontario government if we went back to the system that existed before it was tinkered with a few years ago?

Ms Meade: Actually, it's obvious on the surface that the more organizations involved, the more administrative costs there are going to be. We have the experience in Hamilton of the Visiting Homemakers Association having to shut down their operations because they weren't getting enough hours from the community care access centre to pay their overhead. As a result of that, the access centre had to make a contract with another

agency to cover these patients, and it's costing them more than it would have cost to give VHA what it asked for in the first place. The same thing happened in Ottawa. They found that before they were forced to divest themselves of professionals, they were able to provide professional therapies at home at a much lower rate than they had to pay after they'd been forced to de-hire—to fire—OTs, PTs, speech pathology people and all the other professional health providers that they used to have on staff.

The CCACs themselves have a very heavy administrative load just dealing with all these proposals, which one to take and which one not to take and the rest of it. They have a big part of their staff and their expenses dedicated to that process. The original home care program said, "We have so many hours, and this is what we'll pay for it if you want us to do it," and they only used not-for-profit providers when they ran out of VON, the Red Cross and Visiting Homemakers. That worked extremely well and was less costly than what we're doing now.

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Mr Prue: My second question goes to long-term care. We were all horrified, but I think we should not have been surprised, at what was on TV this past week, in a privatized system, with old people being beaten. I have seen the same thing on 60 Minutes on a couple of occasions in the United States in privatized services. What is your position on taking back into public hands our homes for the aged, where people can be treated with dignity and not have their things stolen and not be beaten in the middle of the night?

Ms Meade: Actually, when they took away from the homes for the aged and the non-profit homes the advantages they used to have—because they had community sources of funding. They wanted a level playing field for the for-profit providers, so they took away the red-circling and refused to increase the funding for the non-profits until the others caught up with them. That has not really served us well at all.

What's happening even at the non-profit homes now is that they are getting much more sick and incompetent patients and they do not have the staff to deal properly with the acuity of the patients they're dealing with. We've seen the figures comparing the profile of a resident in 2002 with a resident in 1992 and found that what has gone sky-high are incontinence, the inability to get in and out of bed, the inability to dress oneself, the inability to feed oneself—the very things that staff can help with but obviously are not there to do. These are the things that have skyrocketed. I think almost 80% of people in nursing homes are now incontinent. That doesn't mean they went in there incontinent; they went in there ringing bells that nobody answered, and after a while that becomes incontinence. That has gone up, and it's the same thing with getting out of bed and feeding yourself and all the rest. Without help, without supervision, these things deteriorate, and that's exactly what's happened in those 10 years.

The Chair: Thank you for your presentation this afternoon.

Mr Wilkinson: On a point of order, Chair: Due to the weather, I was just going to ask the official opposition if they could let us know how many motions they're going to be putting in later on this afternoon.

The Chair: That's not a point of order.

CITY OF TORONTO

The Chair: I call on the city of Toronto. You have 20 minutes for your presentation. You may allow time for questions within that 20 minutes if you desire. I would ask you to state your name for the purposes of Hansard.

Ms Olivia Chow: I'm city councillor Olivia Chow, and I'm the city of Toronto's children and youth advocate—also the chair of the community services committee.

To start off, thank you for allowing me this opportunity. I was talking to one of your colleagues about colours. My folder is blue and my jacket is red, and your tie is orange, so on that note, we shall start.

Interjection: It's actually yellow.

Ms Chow: Is that what it is?

The Chair: Order.

Ms Chow: Sorry. Let's start. My apologies.

I thought I could start with describing to you some of the jobs of the city of Toronto as they connect with children and what we do. We have 825 licensed child care centres, we have home care agencies, we have 21,000 subsidized child care spaces and 34 family resource agencies serving 100,000 families. We have the parks and rec program—10,000 programs. That's huge. That serves 73,000 children aged zero to five and 204,000 aged six to 12 etc. Preschool speech and language programs: 5,000 kids. Public library: What do we have? We have three million children's items, 32 homework clubs, 39 leading-to-reading programs. We have community housing. We give children and youth sports programs, rec camps etc. Of course, we have a pilot project called First Duty, which I will talk a bit about later on, and the city contributes \$3 million.

Some of those things I described, whether it's library or parks and rec, are 100% city funding. Many of those we share with you. The child care is 80%-20%, supposedly; we'll go into that too. For public health: Healthy Babies, Healthy Children. What we noticed, though, is that under the previous government, the shortfall got bigger and bigger and bigger. For 2003, the children's services shortfall on child care is \$27 million, and the public health shortfall is \$1.7 million for Healthy Babies, Healthy Children. For the preschool speech and language program, it's \$417,000. Why? There's this thing called inflation.

I was here a year or two ago—some of you may remember—talking about inflation. Every year in the city of Toronto for the last few years, especially since amalgamation, we've said, "There's this thing called inflation. You have to acknowledge inflation. If not, we'll get

further and further into the hole.” That’s what we are at right now.

So what do we do? Last year, just before the election, we were faced with cutting 500 kids’ child care. We were able to tell city of Toronto councillors, colleagues, “Hold on there. Let’s fund 100% of these 500 kids.” Normally, we fund 20% and you fund 80%. We said to them, “You know, there might be an election. There will be a new start and things will probably change. Just for the next few months: leap of faith.” We all used that term. “Let’s have a leap of faith. Let’s fund those 500 kids using 100% city dollars,” because we don’t want to cut any more kids. We already cut 1,760 kids’ child care services in the last two years. It is the lowest number since 1992. Some of you may have been members of council in the past—one of you—and you will know the city of Toronto always maintained good child care services. We had to cut 1,760 kids two years ago. It’s serious, absolutely serious.

I remember the discussion in July, August last year. We said, just before the summer break, “Hang on tight. Let’s not cut the 500 kids.” So we paid 100%. We’d never done that before at all in the last 10 years; we’d never done it. We said, “OK, we’ll pay for these 500 kids because we don’t want to tell them that they have to leave.” We also said, “Why don’t we pay the rent for these child care centres in schools?” because with this strange funding formula, child care centres are not part of the funding formula even though they are in schools. We said, “Let’s pay the school board \$5.3 million.” We said, “Even though a lot of those after-4 activities have been cut from schools, somebody has to pick it up.” We pick it up 100%, after-school activities. You can’t have kids, especially if they’re under 12, stay home and be latchkey kids. We’re not going to do that. So what did we do? We said, “OK, parks and rec, let’s bail that out. Let’s also have more recreation programs for kids,” because some of them are being cut after school. We put in \$15 million, 100% city dollars, to deal with these kids.

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Now what do we have? We really welcome the announcement of the Minister of Children’s Services. I participated in a press conference where she made an announcement that she will pass on the multilateral agreement from the federal government, which for the city of Toronto is \$2.2 million or thereabouts this year, for dealing with health and safety improvements. You’ve just heard how much money we’re short. So in the meantime, we can fix the ceilings, make sure the tap doesn’t leak and all that stuff. It doesn’t deal with the number of kids we have to cut out of the program because of an inflationary increase. So tomorrow at the community services committee we’ll have this big problem in front of us: We have a shortfall. What do we do? Are we going to cut these programs out so another 500 kids lose their child care? This is what we’re in trouble with. That’s why I’m here to say, please give us some indication of what you can do. I will begin to suggest what some of the things are that we can do.

The total budget shortfall in children’s services is \$24.9 million, and the public health shortfall—just before the election period there was a cut, and as a result we will have fewer high-risk pregnant women being screened. How many? It’s 1,500. These are high-risk pregnant moms. If we don’t screen them, some of the babies born are going to be low birth weight. It’s going to get into your hospital. Per baby it’s \$300,000, for a premie. It’s going to be really expensive. Five thousand newborns and their mothers will be visited by public health nurses, 1,000 fewer high-risk families will be visited and families will wait six months for preschool speech and language screening—lots of good news.

OK, what do we do? Every year in the last three years you would have gotten from the federal government early childhood development initiative fund \$18.6 million. We need that fund forwarded to us. The former government had this thing called “anything but child care”; we called it ABC. We didn’t get a penny of those dollars for child care. If you can just immediately flow that \$18.6 million of those federal dollars, it will deal with our budget shortfall.

There are these early year centres out there, but we also have family resource centres, we have schools and we have child care centres. Let’s integrate all of them into something called “consolidated municipal service managers” so that they’re not up there doing their own thing. Let’s bring it all together. That doesn’t cost you any money. That’s the first step in actually working together.

Other things that wouldn’t cost you any money: Remove OSAP student loans as income for the purpose of user fee determination. Right now you have mothers who want to go and study. You want to encourage that. But the minute they have OSAP, they lose their child care fees and therefore they don’t get subsidies and you get into a cycle of poverty. Recognize study and travel times so that they can actually study properly. This is all dealing with the child care subsidies formula. Give them time to search for jobs because it takes more time than it used to. It used to be a good system. It got changed. Let’s look at reversing some of those. If not, the kids are going to go in and out of the arrangement and it’s just not good for the kids. Also, a ceiling for families with special-needs children needs to be looked at etc. At the end of the day, let’s get back to the 80-20 relationship and we’ll be totally happy and we’ll continue our share.

In other areas, the school funding formula: Facing the budget right now—the city, of course, bailed out the pools for a while, and this year again, because of a shortfall in front of our recreation committee yesterday, we will be facing the cutting of pools in Toronto from 47 pools to 30 pools. We’re dealing with 17 pools’ closure because we don’t have the money. We need to look at a funding formula that allows affordable community use of schools, whether it’s pools or after-school activities—then, of course, the board of health situation.

I want to say also that we really want to work with the provincial government. We want to integrate services,

because we know only by co-operating and working together that we would be able to make the best services for kids. The mayor announced last month a new round table for children and youth in education. We would love to have you participate. We have sent invitations before, not recently but in the last few years. We said, "Let's work together." When there's a program, let's design it together because we are huge service providers. Let's work together. We have the infrastructure. Let's talk to each other. Let's find ways to co-operate. That is a very good forum that we could work together, and I'm sure the Minister of Children's Services may have other forums. We could participate in your forum also. So let's begin that co-operative style.

Also, we want to have equal service across the city, because you will see from our report card, which we will give out in a minute or two, that we need 10,000 additional subsidized child care spaces. If there is any desire to do that, if you want to expand on it—I heard the minister at the press conference saying that she wants to have more child care services; it's needed—if that is the case, then let's make sure we do it together so that the low service areas are the ones that get the programs.

Lastly, I just want to say that a bigger-picture situation I notice is that the committee wants to talk about dollars. From the city of Toronto's point of view—and then I'm going to get a bit out of the children's hat, because it all connects; the money connects—we of course need to look at the provincial subsidy for the TTC. It used to be that 75% of TTC dollars came from the province and 25% from the city. We're looking for \$120 million of subsidies. We're looking at an item that wouldn't cost you any money, which is Bill 140, lifting the cap on commercial-industrial property to allow us to have flexibility. Everybody else is allowed to do that, but not the city of Toronto. That would give us room to manoeuvre.

Lastly, in terms of inflation and all of those kinds of discussions, whether it includes children or shelter and housing, again we're paying a lot more than our 80% right now. On the shelter fund, for example, when we counsel homeless people to help them find jobs and help them with addiction problems or find housing, none of those dollars are included in your cap. Therefore, we're \$16 million short.

If nothing else, if you recognize those kinds of shortfalls and forgive that so-called loan that we got—because it was downloaded; it shouldn't be a loan, it should be given to us—it's \$20 million. In total, if you add the actual dollar amount that's needed from the province—it's \$140 million, bare minimum, never mind all the inflation part—and the cap removal would be \$53 million for the city if we put in a 3% tax increase, then we would be able to deal with our budget shortfall.

At the end of the day, we want to restore, improve and expand services for children and for a lot of the programs that we have. We can't hang on much longer. That's why we're here in front of you, asking you to support the city of Toronto and the kids and families of the city of Toronto.

The Chair: Thank you. We only have time for questions from one party. In this rotation, it will go to the NDP.

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Mr Prue: My goodness, after all this time I actually get to question you.

Bill 140: We've had two groups this afternoon that are begging and pleading with this government to leave Bill 140 in place. Both are business-oriented groups that are afraid their taxes will rise. What response does the city of Toronto have to that? I know you need the money. Do you have any alternative if this government doesn't give you two cents on the gas tax or make good on all the shared-cost arrangements?

Ms Chow: If you want to give the city an extra \$60 million if you don't remove the cap—find money to assist us. Our shortfall is \$330 million. It's been fairly well documented. At the end of the day, from every dollar of property tax, at least 25 cents go to pay police costs. The police cost is like \$700 million right now. It's huge. Would the city of Toronto lay off police officers? Well, I don't think we want to. Are we going to have a fare increase? No, we don't really want to. Are we going to cut TTC service? Should we cut 200 or another 1,000 kids out of daycare? Our report card has documented very carefully and scientifically what the needs are out there. We need to enhance the services, not cut them. So the choice really is yours. If you want to give us the tools so we would be treated fairly—I mean, you don't do that to any other groups in Ontario, any other municipalities in Ontario. Why is it that the cap is only in Toronto? Because Toronto is not mature enough to deal with its taxes? Is that the question?

Mr O'Toole: It's not just Toronto.

Interjections.

Ms Chow: OK. Pardon me. Bill 140 is for everybody. In terms of the downloading, though, you know that the downloading is for all municipalities, but you have a huge partner in the city of Toronto. Whether it's the gas tax or what have you, if we don't get that amount, then we end up cutting services. That's not going to assist anyone.

The Chair: Thank you and thank you for your presentation this afternoon.

Mr O'Toole: On a point of order: Could I, with your indulgence, ask Ms Chow if she is considering running federally?

The Chair: No, you cannot.

TORONTO BOARD OF TRADE

The Chair: I would ask the Toronto Board of Trade to come forward. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questions if you so desire. I would ask you to identify yourself for the purposes of Hansard.

Ms Elyse Allan: Good afternoon. My name is Elyse Allan. I am president and CEO of the Toronto Board of Trade. With me today is Cecil Bradley, the board's

director of policy. We appreciate the opportunity to present and discuss our priorities for the 2004 Ontario provincial budget.

For members new to the Legislative Assembly or new to the committee, it may be helpful to briefly answer the question: What is the Toronto Board of Trade? The Toronto Board of Trade is Canada's largest local chamber of commerce. We have over 9,000 members from a broad cross-section of Toronto's business community. The board is a non-profit membership association funded entirely by its operations. Our vision is to be the champion of a competitive and vibrant Toronto.

The Toronto Board of Trade believes that cities are the drivers of growth in our province and in our country. They are the centres of our population growth. They create opportunity and wealth. They generate tax revenues for senior governments.

The board has argued for several years now that cities, Toronto in particular, are at risk. Toronto's ability to continue contributing resources to the federal and the provincial government is being jeopardized by neglect and under-investment.

Given the board's concern, you can imagine how encouraging it was to read in "thriving urban communities," a key part of the Ontario Liberal Party's 2003 election campaign, that the party was committed to a number of things. It was committed to "help communities become more self-sustaining by giving them the means to invest in their own infrastructure and growth"; to "give two cents per litre of the existing provincial gasoline tax to municipalities for public transit." The document said it would "match federal support to create almost 20,000 new housing units for needy Ontario families." And it would "bring a region-wide approach to identifying and meeting GTA transit needs by creating the Greater Toronto Transportation Authority," which would "be given the clout and resources to tackle gridlock."

Commitments in that quote sounded to the board like the party got it and was resolved to take action. However, by the time the party became the government and the election platform became the throne speech, the ambitious commitments had become the modest promise to "introduce legislation to establish a Greater Toronto Transportation Authority." This is a good first step in tackling region-wide gridlock, but it is not enough. As you know by now, we have had enough of not enough. The Ontario government must move past the rhetorical assurances on urban issues and take action where it is most needed to ensure our cities thrive.

The Toronto board has several messages it would like to leave with the committee today.

First, the city of Toronto cannot deliver the services that are demanded of it with property taxes as the main source of revenue. That's why we've been calling for a new deal for cities for several years. That's why we've launched the Enough of Not Enough campaign.

Toronto's mix of revenue and costs is simply not sustainable. The city must be given access to new sources of revenue; it must be relieved of some of its responsi-

bilities or some combination of the two approaches must be found that would allow the city to meet its obligations as well as make the investments necessary for city building.

Second, allowing Toronto to increase non-residential property taxes will not fix the revenue problem; it will aggravate it. The board of trade strongly recommends that the provincial government maintain the hard cap on non-residential property taxes. High property taxes are a threat to Toronto's competitiveness in terms of business investment and job creation. Toronto businesses' property taxes are at least double the property tax paid in the 905 municipalities of the GTA. This interjurisdictional tax inequity has resulted in significant business relocation, employment decline and a stagnant assessment in the downtown core.

The hard cap protects non-residential property classes in Toronto from unfair tax increases and has helped prevent what is a bad situation from becoming worse. However, it is not a sustainable long-term policy. The tax clawbacks used to finance the cap perpetuate inequity and further compromises the sustainability of the system.

We urge the government to establish a property tax review panel to assess the current situation, to consider the recommendations contained in the Beaubien report and to develop a strategy to create a more sustainable and equitable property tax system. The board would look forward to being a very active participant in such an initiative.

Third, the provincial government promised to give cities additional revenue and should start in the 2004 budget to deliver on that promise.

The federal government, recognizing that the financial dilemma of cities is real and immediate, has granted a full GST rebate to municipalities. That measure alone won't solve the problem but it is a significant first step. Cities can't afford to wait until the slow dance of federal-provincial negotiations is finished. They need revenue relief now.

The board of trade recommends that the province take a similar first step by providing an immediate PST exemption for municipalities. This would provide significant financial relief to municipalities and be tangible evidence of good faith.

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Fourth, this 2004 budget should begin the renegotiation of the province's fiscal arrangement with cities by establishing a process that will seek long-term, sustainable and predictable funding for cities that would provide them with new sources of revenue.

We were disappointed by the backing-off on the commitment to give two cents per litre of the existing provincial gasoline tax to municipalities to help finance public transit. Sharing the gasoline tax with Toronto could have been a key element of the new public finance model that has been consistently recommended by the board. But a portion of the gasoline tax is just one revenue source among many that could be considered as part of a broader package of sustainable financing initiatives.

I think it's important to say we're not asking for no-strings-attached revenue relief. Toronto's access to additional revenue must be accompanied by changes that improve accountability in city asset and program management. It must be clear to residents and taxpayers that any additional revenue capabilities will be backed by a structure that provides transparency, delivers good decision-making and strives to attain the highest quality of services.

Fifth, the revenue problem at both levels of government will only be relieved if the infrastructure of Toronto is improved through investment. To address the most pressing needs, the board is proposing that the governments of Canada, Ontario and Toronto enter into a capital funding agreement committing the three governments to investing \$3.88 billion over a period of five years, targeting specifically the Toronto Transit Commission, city-owned housing and the waterfront redevelopment.

On the TTC, the board requests that the provincial government provide \$130 million in each of the next five years to the TTC to support its state-of-good-repair capital program, which involves subway and surface track replacement, rehabilitating the transit fleet and additional vehicles.

On affordable housing, we request that the province provide, at a minimum, \$65 million, again over the next five years, to support specifically the rehabilitation of city-owned housing stock, to ensure 45,000 existing units remain as habitable stock.

On waterfront revitalization, the board requests that the province commit the remaining funds needed to implement the vision. This is a commitment you have already made. We support the allocation of the funding responsibility based on the anticipated return.

Our city can contribute a high return, and grow that return, if the government makes necessary investments in our infrastructure immediately. We recommend senior governments flow dedicated funds specifically to the city for five years as a transitional investment to stem further infrastructure erosion.

The Ontario government is the most influential player in determining the future of our cities. It is the most influential player in determining Toronto's future and helping to build the Toronto of tomorrow. The province must embrace its responsibility and deliver with its 2004 budget a process and a strategy to move cities from fiscal dependency to fiscal autonomy. Thank you for your time.

The Chair: Thank you. We have about three minutes per party, and we begin this rotation with the government.

Mr Colle: I guess the dilemma we have is that if we follow through with all the commitments you've called for, how do you suppose we pay for it since we already have a deficit of about \$6 billion? We pay \$10 billion a year in interest payments on a provincial debt that is now \$140 billion. I know you're very responsible people. How does the board of trade suggest we finance it? Do we raise taxes, do we increase the deficit, or do we cut other services to help the city's legitimate needs?

Ms Allan: With all due respect, I will never have the information that you have in terms of how to manage the government's budget. I can only say that these were the commitments that you brought forward—not my commitments—with respect to your platform when you were elected. How you manage to achieve those—I can only let you know that among the many priorities that I'm sure are coming forward to you during these deliberations, one that we are bringing forward on behalf of our 9,000 members in the business community is that if we want to remain a competitive province and continue to have a healthy business economy, contributing the \$1.5 billion net that it contributes annually, we need to have our infrastructure addressed. It is now rated in our CEO surveys as equal to taxes as the number one competitive disadvantage in locating in the Toronto region.

Mr Colle: With all the information we have before us, let's say we make a decision to increase the deficit to help the city of Toronto become competitive, will the board of trade support us in that decision?

Ms Allan: I'm saying that what decisions and trade-offs you make, you will make. You know that the board has called consistently, year over year, for the government to manage the deficit, because you only pay more when you increase the deficit and the debt, and to be fiscally responsible. You will note that we did not come out screaming loudly when you made your decisions with respect to taxes, and despite your tax platform you were still elected. So clearly you are seeing some response from the community that there is a willingness to provide some balance with respect to the funding obligations you came forward with in your election platform. On the other hand, you know that you have \$1.4 billion net that we contribute. We're asking for \$200 million this year.

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

Mr O'Toole: Thank you for your very thoughtful presentation, and congratulations also on "Enough Is Not Enough." That's a good theme and it really drives me to where I'm coming from here, looking at the clippings today. The first headline here is, "Grits to Raise Taxes, Cut Services, Critics Warn." In fact, the endorsement here, the revealing of this hidden agenda of the Liberals is made, surprisingly, by "MPP Marilyn Churley: "In the campaign [they promised] the stars, the sun, the moon and almost a pony for every child." It's about promises being broken, is what she went on to say. I think she has it right.

In fact, I would say Hugh Mackenzie, in his presentation to this committee, is required reading. He has unmasked the complete sham of the election promises. It's surprisingly well done from the perspective of an ardent socialist, but nonetheless, he is right on. They have no intention of keeping their promises until about year three or year four.

I'm just going to dwell on one small commitment. Of the 230-plus commitments, I was devastated, having a background in municipal politics, about the two cents a litre they promised. It was so obvious. Do you think they're actually going to do that? Not just the gas tax; are

they going to keep any of the promises, do you think? I'm not setting you up here, but—

Ms Allan: I would simply comment first that we applaud the Liberal government for having come forward with such a thoughtful urban platform and a very strong cities agenda.

Mr O'Toole: A share of the gas tax has been talked about for 10 years.

Ms Allan: If I may answer the question, we certainly applaud the fact that there was such a thoughtful urban platform that was put forward at the election campaign. We do appreciate the challenges the government faces with respect to the many pressing priorities. We simply want them to appreciate that we do have many citizens who are saying that the needs of cities will in fact help contribute to achieving many of their other objectives. If we have healthy cities, we will have healthy businesses, which contribute a lot to the revenue pool, which helps our other problems and pays for our other programs.

Mr O'Toole: Just one small thing—and I'm very impressed. You've mentioned Bill 140 and the mechanism on assessment and capping—very critical. Your group, even when we were the government, worked very hard at trying to find the balance, up and down, of the shifts in the tax load. You are clear in your presentation that they should not remove the hard cap. We've heard from the hospitality industry as well that it's a devastating issue. For the committee and specifically for Mr Colle, who is the PA for finance, is your message clear to keep the business sector—you want to shift the tax load to the residential. That's what you really want to do, ultimately. Any uplifting in the load has to go to the residential side, isn't that what you're saying there?

Ms Allan: What we're saying is that right now the property taxes for the commercial and industrial sector are second to New York City in North America. So in terms of us being an attractive place for investment of capital, we are losing ground on that. Right now the ratio is completely out of balance—

Mr O'Toole: Six times, yes.

Ms Allan: —between business and residential. While we want to maintain a strong, living community in the city—that's critical—we also need to therefore put pressure on the city to manage their expenses.

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Mr O'Toole: Did you hear Olivia Chow's presentation today?

Ms Allan: Yes, I caught just the end of it.

Mr O'Toole: You missed a show.

The Chair: Your time has expired, Mr O'Toole. Now we'll go to the NDP.

Mr Prue: I'd like to first of all commend you for your campaign. I think it's quite brilliant. I hear it on the radio, I see it on television, and I think the people of Toronto are starting to understand that this golden goose here, this egg, cannot be sustained.

First of all, I have to tell you that the hard capping I think is a sign of desperation from the city of Toronto. They are reaching out to that in the event that they do not

get the two cents of the gas tax, that they do not get the PST, that they do not get the cost-sharing agreements. They don't know where else to turn. So I think, to be fair to them, that's their last choice too. But in any event, you have recommended these two things that can be done, the PST and the two cents on the gas tax, and we welcome that.

I have to go back to a question similar to what Member Colle asked. This government made a lot of commitments, 231 according to the best estimates; 230 of them involved the expenditure of money and one involved the promise of not raising taxes. I have to ask you, if the only way that they can commit to the gas tax, if the only way they can commit to the refunding of money to the PST, would you, as a business community, accept the increase in taxes? We've heard from ordinary citizens that they're willing to do it. We've heard it from social groups; we've heard it from religious groups; we've heard it from teachers. Would you, as a business group, make the same commitment?

Ms Allan: The comments the board has always made is that our taxes need to be competitive. We need to understand whom we're competing with along the Great Lakes and primarily in other major cities. So if we understand that we're in the ballpark and we're competitive—no one has ever said we need to be number one. The tax that has more impact than anything on business right now is the capital tax because it is such an outlying tax and such an expensive tax. It affects small business, even though many people think it doesn't, and it also affects our mid-sized businesses and businesses trying to grow. It is a profit-sensitive tax. It is not a good tax. So if there is any tax that people are very sensitive to, it is the capital tax.

The board has recommended in fact a very specific increase in tax, which the government has not yet moved forward on. We have called for a destination marketing fee. We have asked the government to please put that in so that we could provide specific revenues to the tourism and hospitality sector to offset some of the costs the city bears in trying to market our city. So here is a specific case where we've said there's a good way to institute a tax or a marketing fee. We know exactly where it can go. We know how it can be managed. So I think the business community recognizes the problems and is trying to be reasonable in the solutions and is willing to work with you to do that.

The Chair: Thank you for your presentation this afternoon.

Mr O'Toole: On a point of order, Mr Chair, a clarification: You said that capital tax was profit-sensitive. It's actually profit-insensitive.

Ms Allan: Insensitive. Sorry. Thank you very much.

The Chair: That's not a point of order.

CAMPAIGN 2000

The Chair: I call on Campaign 2000 to please come forward.

Mr Pedro Barata: Thank you very much, Mr Chair, and thank you to the committee for giving us the time to hear our message today. My name is Pedro Barata. I am the chair of the Ontario Campaign 2000 network. To my left is Colin Hughes, a community worker with the children's aid society and one of the original founders of Campaign 2000. To my right is Gerald Vandezande, a steering committee member of the Campaign Against Child Poverty and a mainstay at Queen's Park.

Campaign 2000 is a national public education movement of more than 90 organizations dedicated to the implementation of the 1989 House of Commons resolution to eliminate child poverty. In Ontario, Campaign 2000 engages in research and public education regarding child and family poverty in conjunction with more than 40 partners that represent professional groups and organizations, faith communities, labour unions, ethno-cultural groups, individuals and a wide range of community organizations.

Colin is going to start us off on our presentation.

Mr Colin Hughes: I'll go back to May 1997, with the Liberal response to the budget in a publication called *The Human Deficit: The Real Cost of the Mike Harris Budget*. This is a quote from Dalton McGuinty, who was the Liberal leader at that time: "Do the people of Ontario really have a good reason to celebrate a provincial budget that awards a \$5-billion tax cut? ... I know how I would choose. I would choose people over tax cuts." This is really a central theme in our presentation. We're calling it "Tackling the Human Deficit: Investing in Children and Families in Ontario."

We believe it is time to learn from the lessons of the past. The legacy of across-the-board tax cuts has left us with a persistent fiscal and human deficit in Ontario. Relying on economic growth alone to address family income security will not be enough to pull us out of this deficit. A different course is needed. Now is the time, as Premier McGuinty once said, to "choose people over tax cuts."

Choosing people over tax cuts will require doing more than ending further tax cuts. The development of public policies and services that invest in people must proceed with rebuilding the province's fiscal capacity. Tax cuts have manufactured a crisis in public revenue. The cost of tax cuts is staggering: a \$14-billion loss in annual provincial revenue, a current budgetary deficit of some \$5.6 billion, public services in disarray, and public policy paralysis.

For many years now, Campaign 2000 has pointed out that general tax cuts are not an effective anti-poverty strategy because they often deliver little or no benefit to low-income families, tend to benefit upper-income families disproportionately, and deplete public revenues available for other types of social investment. And social investments, not economic growth alone, are really what are needed to tackle the human deficit. Relying on economic growth alone has only taken us so far. As our brief shows, child poverty persists despite strong economic growth. There is not a trade-off between economic

growth and social investments. Indeed, social investments that extend the ladders of opportunity to all children are a key to their future success as adults and to the future success of our economy.

Public policy must play an active role in ensuring that all our citizens are included and share in our collective prosperity. It is clear that the people of Ontario understand this. In pre-election polling, about 80% of Ontarians indicated that action on child poverty should be a priority for the Ontario government over the next five years. They have voted for a package of measures that would restore public services and advance policies in areas that are key to addressing child and family poverty. These include employment-oriented policies, early childhood education and care, education, housing, child benefits and improvements to social assistance. Campaign 2000 has long urged a comprehensive approach in these areas to tackle child poverty. We urge that the province take the necessary steps to ensure that the fiscal capacity of the province, so badly depleted through previous tax cuts, is restored to meet these commitments.

Mr Barata: As you will gather from our brief, which includes some detailed statistics and trends of child poverty over the past 20 years, the end result, even through economic prosperity, is that more than 350,000 children remain in poverty in Canada's richest province. Ontarians have said loud and clear that action on child poverty should be a priority. Investments in children cannot wait for brighter days, especially when inequality in Ontario continues to grow amid prosperous times. We have heard much about Ontario's fiscal deficit, but the social deficit affecting too many of our families is something that we hear very little about. We have a responsibility to step up and pay for what is needed, and this has to be part of Ontario's debate.

Campaign 2000 is calling for recommendations in five key areas.

Around the minimum wage, we certainly applaud the recent increases announced by the government, but we see that Ontario should set a higher target than \$8 an hour, it should aim to reach it much sooner, and it should consider indexing it to inflation. The province should also move quickly on commitments to develop labour market policies that invest in people and enable them to achieve their full potential.

1450

On social assistance supports, we see that the government should implement its election commitments to provide families on social assistance with quality skills training, child care and housing to help parents find sustaining employment and climb out of poverty permanently. We urge that the government reorient the system of social assistance to facilitate opportunity planning. This includes access to post-secondary education as a welfare-to-work training option.

On adequacy, in addition to implementing your commitment to adjust social assistance to inflation, the shelter allowance portion of both Ontario Works and the Ontario disability support program is clearly inadequate

to meet average rent needs across Ontario, and action must be taken on that front.

On the clawback of the national child benefit, the province should address anti-poverty and equity policy goals by rescinding this clawback, as it has promised to do. It should also ensure that community programs funded through welfare savings are not compromised.

On quality child care, we see the first step for the Ontario government as restoring the cuts since the previous government was in power, which are estimated at about \$160 million. It should, in addition, review how federal early childhood development initiative funds are spent in Ontario, with a view to developing a comprehensive system that is linked to schools. Ontario should also work with the federal government to substantially enhance investments under the multilateral framework on early learning and child care.

Finally, on housing, while the commitments on affordable housing fall short of what is needed, they represent a first step toward re-establishing a provincial presence in this critical area. Given the urgency of the crisis, the province should move quickly on its commitments to match federal housing funds and reinstate rent controls.

I will give Gerald the last word.

Mr Gerald Vandezande: I just want to remind the committee that on September 15, the Campaign Against Child Poverty ran a full-page public message in the Toronto Star entitled "Prayer Alone Will Not End Child Poverty." That ad was signed by 60 faith leaders across the spectrum and across Ontario. In direct response to that public message, Mr McGuinty then wrote the following to us, and I want to put it on the record: Poverty, and especially child poverty, "is an issue which we take very seriously. Taking concrete measures to eradicate it will remain a top priority for us, whether we are the official opposition or the government." That was in a letter to the Campaign Against Child Poverty by Mr McGuinty on July 31.

In support of Mr McGuinty's position, we want to remind you that the Campaign Against Child Poverty supports the growing calls to expand the government's revenue-raising capacity in order to provide the public services Ontario needs. We maintain that there is no reason to delay social investments in our families and children. Investment in children and a strong social infrastructure represent wise, prudent expenditures with long-term benefits and payback to our society. That's why we appreciate, until this day, what Mr McGuinty committed the Liberal Party to on July 31.

The Chair: Thank you. We have about three minutes per party. We'll begin this rotation with the official opposition.

Mr O'Toole: Thank you very much, Pedro and Gerald. It's good to see you again. I appreciate and respect your advocacy over the years. It's an important voice. I say that in all sincerity. Hold everyone's feet to the fire when they say things in public and then fail to keep the promises. That's obfuscation, and that's not

acceptable in society. We're trying to teach children values. They say one thing and then—it really is quite embarrassing for people who serve, under difficult circumstances. There's no perfect answer. You've been looking at this for a number of years.

Mandatory reading—I've referred to this—is the Canadian Centre for Policy Alternatives' budget policy document presented by Hugh Mackenzie. With your indulgence, he explained very clearly that there was \$6 billion in promises, clarifying that he knew nothing about the deficit, while Gerald Phillips and Monte Kwinter and anyone who was paying attention—maybe he wasn't paying attention. I understand that. Then he went out on election night and said he had to have an audit because he was shocked and awed at this problem. I think that's pure deception—pretty strong language—to say one thing and do another. What's it saying to the real, serious issues when he has written a letter to you in July?

My question to you is, of all the promises he made that would most improve the lives of those less fortunate, which would you require that they come up with in the budget that will be expected for 2004? What single action could they take, whether it's for disability support, housing, shelter allowance, whatever? This is the government now; they are the government. They can take directly to the minister—probably most of these presentations, unfortunately, just go in a cardboard box—

Mr Colle: They do not. Yours used to.

Mr O'Toole: I've seen it.

The Chair: Order.

Mr Hughes: I think I have a very quick answer. A theme that runs through our presentation is that the province has to restore its fiscal capacity and its revenue base in order to proceed with all these commitments, because we call for, and the public has voted for, a comprehensive set of policies here. I believe a very strong point made in Mr Mackenzie's paper is that rebuilding the fiscal capacity of the province is absolutely urgent.

Mr O'Toole: I would ask for a copy of Dalton McGuinty's letter dated July 31. I'd like to use that in the House the odd time; I'd like to cite it to him.

Mr Colle: Don't be so petty.

Mr O'Toole: It's an extremely thorough, thoughtful letter. He just didn't mean it.

Mr Vandezande: Just one comment, Mr O'Toole: I don't accuse anyone of deception until the proof is clear and evident. We are waiting for the budget. The budget, hopefully, will translate the politics of hope into concrete deeds of justice for families and children. Our call here is not to accuse people of deception but to appeal to the conscience of people that they do the basic things in keeping with their core values that they promised the Ontario people they would do.

We appeal also to the opposition to be as supportive as they possibly can be of the demands we made in that message, which was also addressed to you, now as an opposition party, and that you urge, together with the other members of this committee, Mr McGuinty and Mr Phillips and others to do what they said they would do.

We ought to hold each other to promises, but I don't want to accuse people of deception until they're proven guilty.

The Chair: We'll move to the NDP.

Mr Prue: Thank you very much. I think those latter words, to wait until the budget, were very sage words. We're all going to have to do that, even though—

Mr Vandezande: They're not safe words. They are an appeal—

Mr Prue: Sage words.

Mr Vandezande: Oh, sage. Sorry.

Mr Prue: I didn't say they were safe words; they're sage words—even though you read the paper and you get very nervous at some of these pronouncements. But I'm going to leave it at that.

I'm going to put a question to you. You're here on behalf of children, and I think justifiably so. I put it to you that there are three ways we can help the children in this province most in the upcoming budget. The first is that the government immediately, as they promised when they were in opposition, remove the clawback so that all the children of welfare families get the money that's coming from the federal government. The second is that they immediately go ahead and build the 20,000 units of affordable housing and the 6,600 units of assisted housing for those who have mental disabilities. The last is that they put money into the schools, so that the kids have an opportunity to learn and get themselves out of the cycle of poverty.

Do you agree with those, or do you have others that you think this government should be keying on a little more?

Mr Barata: Those are certainly three very good steps. We also see quality child care as a central component to an anti-poverty strategy.

We see many parents struggling in the labour market, and the minimum wage is certainly not keeping up with living standards. We don't think the current schedule for increasing the minimum wage is moving nearly fast enough.

At the same time, the policy package that can address poverty is really in danger under the current fiscal discourse. Any time you present options that speak about looking at how we can do services better and how we can shuffle the deck, our fear is that social assistance, affordable housing and quality child care programs will be left out.

We really want to send a strong message on behalf of our coalition that part of the debate this government is having with Ontarians cannot negate tax increases as a very important component of how we will pay for an anti-poverty strategy. We want to make sure that's integral to the discussion that goes forth.

1500

The Chair: We'll move to the government.

Mr Colle: It's interesting that Hugh Mackenzie is now the designated chief economist of the Conservative Party of Ontario. I guess all their economists have been so discredited that they now have to rely on the famous Hugh Mackenzie.

I guess the other thing, in terms of the deficit—we talk about deception. We had the former finance minister repeat about 15 times in the Legislature that there was no deficit. Where repeatedly there was no deficit and the former government was spending like drunken sailors, you can see that we've come to a point where we recognize we have a huge deficit. That's reality, and I appreciate the fact that you appreciate that.

I want to let you know that as we travelled across this province, one of the most predominant messages we got from presenters was to increase taxes to pay for needed services. That has not been unheard by us, and we appreciate your saying that. We also appreciate the fact that, unlike some other presenters, you're telling us how we're going to pay for these things. All these proposals on child poverty, child care etc are obviously essential.

The critical thing I'm going to ask you is, how can we get the public at large to accept the fact that we're in a new paradigm economically? It's not the old neo-con stuff that's now thrown out with the dirty wash. How do we get people to understand it's a new paradigm in Ontario? The neo-con tax cut stuff obviously is a total failure; we have to find a new economic-social paradigm. How do we get people to understand that?

Mr Vandezande: If you want to get people onside, the first thing that needs to happen is that we are brutally honest with ourselves, with our own government, with the opposition parties, with the public, through the media, and that we do that in an attempt to promote integral human well-being and spell out what that really means and don't simply focus on the fiscal deficit or an environmental deficit, but an integral deficit that promotes human well-being. In that context, it is very important to talk about fiscal integrity and fiscal sanity. So I plead with you that when you, as a committee, go public with your report, that it is an appeal to the conscience of the government, the other parties in the House and the public: This is the challenge we face; this is what we want to do for vulnerable families and voiceless children; this is the moral commitment we made during the campaign. If that means raising the revenue capacity of the government, go for it. You've got morality on your side; you have conscience on your side. You'll have people on your side. But you must speak with courage, with conviction and out of a deep commitment to the well-being of people. Then people will respond. But if you fool them and don't deliver and don't come through for those who are suffering in the streets of our cities, then you'll lose credibility and you're going to lose power.

The Chair: Thank you.

Interjections.

The Chair: Order, please.

Gentlemen, if there are documents you wish to leave with the committee, I would ask you to provide them to the clerk; then all members will have copies of those.

Mr Vandezande: We'll make sure you get the letter from Mr McGuinty dated July 30. I'd put it on the cover of your report.

The Chair: Thank you for your presentation.

TORONTO DISTRICT SCHOOL BOARD

The Chair: I call on the Toronto District School Board. You have 20 minutes for your presentation.

Interjection.

The Chair: I'm addressing the deputants, Mr O'Toole. Order, please.

You may allow questions within that 20 minutes, if you so desire. I'd ask you to state your names for the purposes of Hansard.

Ms Sheila Ward: I am Sheila Ward. I am the chair of the Toronto District School Board. I am accompanied here this afternoon by our associate director, Gerry Connelly, and our executive superintendent of business services, Don Higgins.

On behalf of the Toronto District School Board, I want to thank you for the opportunity to appear before you this afternoon. Province-wide pre-budget consultations make a refreshing change to policy-making in this province, and it will be even more refreshing if the views you hear are actually reflected in the budget when it is delivered to the Legislature.

I will leave the details of our submission to staff but I do want to make a few points before turning it over to them.

First, and probably most important from the TDSB perspective, is that since amalgamation the province has taken about \$380 million away from the education property taxes paid each year by Toronto residents. That means that over the past eight years, \$3.4 billion has been diverted from Toronto schools to uses other than education.

What that has meant for the TDSB is that in our 580 schools, our students have lost 93 vice-principals; our students have lost 770 classroom teachers; our students have lost 160 education staff who reached out to at-risk students and new immigrants to Canada; and there are now 120 fewer school secretaries, 1,100 fewer department heads in our high schools, 464 fewer program staff and coordinators and 580 fewer caretakers.

There is no part of the TDSB that has not been seriously weakened by the devastation wreaked on the children of this city by your predecessors. No system can withstand this kind of attack without serious implications, and we are no exception.

Today, 25% to 40% of our economically disadvantaged students are falling through the cracks. Closed technical education shops and classrooms, no counsellors and too few teachers mean kids are dropping out and ending up on the streets or in the criminal justice system. Schools that are shut at night and on weekends are stark reminders in every community of the price our children are paying. What kind of fool would keep billions of dollars in shoe boxes instead of investing them? What kinds of fools let billions of dollars' worth of precious community assets sit idle while problems that could be avoided fester and grow?

This government has an opportunity to demonstrate to the people of Ontario that it will be the government that

recognizes the folly of shortchanging education in an age when knowledge is and will continue to be the source of all economic and social well-being.

I want to acknowledge the pressures that exist on this government in terms of the debt that you have inherited. Perhaps nowhere else will you find a more sympathetic or clearer understanding of your predicament than in the schools of Ontario. We have had eight years of wrestling with inadequate funding.

I want to say to you today that replacing revenue is obviously critical to meeting the future needs of health and education and transportation and the infrastructure of the province.

I am as aware as any citizen that this government promised not to increase taxes. Keeping promises is always important, but sometimes we have to accept that circumstances alter cases. I believe the one promise this government ought to break is that one. Do what is right and begin to replace the money that was so recklessly thrown away by the former government.

I recall vividly when the \$200 was handed out a couple of years ago. The media was full of tales of people who said they didn't want it, that they would rather see their health care and schools and buses and services maintained than get that meaningless money; because in the hands of individuals, it was meaningless. It could not and did not replace what we lost. Many people were so upset, they donated the money to a worthy cause.

Most citizens in this province would be unable to say what they spent it on. It was such a small sum individually, but it took \$1.6 billion out of the provincial bank account. That money, used intelligently, could be so beneficial to all of us.

1510

None of us likes paying taxes. Of course we'd all like to avoid taxes, until we are sick or until our kids sit in cold schools with too few textbooks and too few teachers or until we look at crumbling infrastructure that surrounds us or we think of the safety of the water we drink and the air we breathe. Then \$200 seems like the biggest bargain of the century, and it is.

Keeping a promise and doing damage to that which is most important to us is unwise and wrong. I have regular and widespread contact with my constituents and I can tell you I am hearing that they want you to provide good services rather than keeping your promise not to raise taxes. On their behalf and on behalf of every child in this province, I urge you to break the promise and fix what is broken.

I thank you for your time, and I am pleased to have Don Higgins, our director of finance, continue with our presentation.

Mr Don Higgins: The Toronto District School Board, as the chair indicated, appreciates the opportunity to participate in the annual pre-budget consultation. The TDSB has over 262,000 day students and we serve over 40,000 adults in a variety of continuing education courses, including English or French as a second language, credit for diploma and general interest programs.

Our annual expenditure for 2003-04 was \$2.2 billion. As referenced in the remarks of the chair today, there have been substantial expenditure and program changes made by the board since 1998. In spite of these reductions and significant grant changes, the board is still facing significant cost pressures as we begin to plan our 2004-05 fiscal year. This is also true of many school boards across Ontario. Appendix 1 summarizes the cost pressures, and I will refer to them in this brief as we proceed.

One of our challenges now and over the next several years is declining enrolment. This is a fact for most school boards as well. Since 2001-02, and including our 2004-05 projection, our enrolment decline will reach about 19,000 students, or about 7% of the population of the schools. This decline is expected to continue over the next several years.

In the background, I touch on what improvements have been made in the funding of education over the last two years and I acknowledge here that it has been substantial. It is broken basically into two parts. One part deals with funds amounting to about \$480 million which were provided in the sense of general funding improvement—that is, not an envelope to be spent by the board in a specific manner. The balance of it, being about \$1.2 billion, was in fact provided to school boards to cover specific cost pressures that boards would have to incur. Grants come in and expenditures go out, so that amount of money was spent really to meet the obligations and cost pressures of boards.

Our share of these grants totalled about \$160 million over the last two years, of which about \$82.9 million was directed to the funding gap, as we refer to it, which is the shortfall between our expenditures and what the province recognizes. While acknowledging the grant changes made, there still remains significant erosion that has arisen since 1998 in several areas of school board operations. In November 2003, the Ontario Public School Boards' Association provided the Ministry of Education with a written brief on education finance. With permission, we appended a copy of that material to the presentation which is in your package today for the information of the standing committee.

The TDSB is very aware that the government is facing demands from every sector regarding funding priorities. We can relate to the challenges of balancing the annual budget. It is hoped that your need to balance your budget, however, will not weigh heavily against education, and the future of Ontario's children in particular. As referenced in the throne speech, "Your new government's first and most important priority will always be excellence in public education."

There are key elements of education funding that need to be addressed in 2004-05 and beyond, and I cover that under four topics in the notes that follow, one dealing with benchmarks, the cost pressures we all will face in 2004-05, renewing the learning environment and negotiations.

We believe that the benchmarks are the single most important component of the funding model. Dr Rozanski

in his report indicated that, and the quote is there, effectively saying that the funding model is critically supported by the benchmarks. If the benchmarks are not maintained on a current basis and up to date, then the funding model fails to provide the adequate level of funding and the effective tool for education. Dr Rozanski recommended that "The Ministry of Education ... develop mechanisms for annually reviewing and updating benchmarks in the funding formula and for conducting a more comprehensive overall review of the formula every five years."

Fundamental to school boards' ability to reinvest in teachers and support staff is the implementation of the recommendations regarding benchmarks in the EETF report. The TDSB, as the chair has indicated, has eliminated about 770 teachers due to the funding of the average salary and benefits being below what our actual costs are. The cost pressure in 2004-05 could result in the elimination of a further 225 teaching positions in our schools. If this happens, we will only be able to staff our secondary libraries on alternative days and our guidance teachers in the secondary schools will be drastically reduced. Other areas of support staff have also been reduced to compensate for funding shortfalls, and the cost pressures and inadequacy of updating these benchmarks will continue that threat to programs and services.

The Rozanski-recommended changes in the benchmarks amounted to \$1.1 billion, and that reflected changes up to and including 2002-03. I have estimated that the Ministry of Education up to now has implemented only \$100 million of that \$1.1-billion need to adjust. We recognize, again, that the government is under fiscal constraint imperatives due to their projected deficit. However, additional teachers, support staff and building maintenance are critical needs for our board and for many of the boards in the province.

The TDSB's estimated funding increase, based on the benchmark changes recommended, would amount to approximately \$134 million, of which only \$13 million has been implemented to date. The adjustment for teachers' salaries and benefits alone would contribute \$55 million to the TDSB and reinstate over 800 teachers to offset those lost due to funding shortfall.

Another significant change is in the school operations area, where the funding shortfall has grown primarily due to increased utility costs since 1997. There has been no adjustment since that time for the ever-rising costs of natural gas and electricity. The amount of the change, from the Rozanski recommendations, would amount to \$25 million a year, and that would go a long way in repairing our deteriorating school conditions.

We recommend that the benchmark changes recommended be implemented over the next two years. The areas of critical importance include classroom teachers, school operations and maintenance and employee benefits, and further, that the mechanism to update and maintain the benchmarks on a current basis be established.

Cost pressures is the second area which impacts 2004-05. Appendix 1 to my presentation outlines a

summary of those cost pressures, which I don't have time to go into in detail but they are outlined for you there. The column headed "Toronto District School Board" shows that we have cost pressures before we even start getting into 2004-05 of some \$48 million. Couple that with the need for the school board to reinvest in new programs and services to address the ever-changing and demanding needs of our students. We plan to put another \$20 million in, if we can. That would give a forecasted shortfall of \$68 million.

When you look at the provincial estimates column—and it is an estimate—it would appear that other school boards are in the same predicament that we are on a province-wide basis. So the tally of the cost pressures province-wide amounts to somewhere between \$270 million and \$305 million, and that's before we even start getting into next year. The OPSBA briefing note I referred to earlier provides expanded details on some of these cost pressures.

Failure to recognize the cost pressures has ominous outcomes: reduced teachers, reduced services and the potential of the TDSB continuing in a deficit position and other schools falling into the same predicament.

The recommendations are set out and they deal with the establishment of wage adjustment in 2004-05 to make up the 1% over and above the funding that was provided in 2003-04; that the hydro increase that is the provincial government's award to us be specifically provided for and funded; also, that the pressure that was created in our current fiscal year be recognized, not only for us but for all school boards in Ontario; that the declining enrolment grant, which is a grant that was put in place two years ago to protect boards from falling enrolment for their fixed costs, be frozen for 2004-05 so that coming out of this year the grant will not be decreased—that's vital since fixed costs just don't disappear overnight and the funding model for that element assumes that that takes place—and that benchmarks be adjusted to recognize inflation.

1520

Renewing the learning environment: There is an attachment, appendix 2, that is a memo that I prepared and we presented to the Minister of Public Infrastructure Renewal. The condition of schools across this province is in dire straits. The ministry's own estimates last year put it at \$5.6 billion of deferred maintenance. The ministry is working now on a condition report that will update that number as to where it currently stands, and every school will be tagged as to what its condition is against a standard. We alone, in the TDSB, have a backlog of maintenance and renewal requirements of over \$600 million.

The vicious circle, which is indicated in the appendix that we submitted to the minister, shows that what boards of education across the province do is take their current funds and start to rotate them. What ends up happening is maintenance is the one that gets hit in order to sustain teachers and classroom support, therefore the deteriorating conditions just continue to be a spiral.

What is recommended is a \$2.8-billion, four-year program to revitalize the learning environment. What is out-

lined here—although that sounds like a lot of money, and it certainly is—is also an attachment from California, where they attacked the same problem. Their schools went downhill in a hurry and our schools are in that downhill spin. What we're suggesting here is we think that although the current year and maybe next year are tight, the future economic outlook hopefully looks better. This program, in its first year, would only cost the province \$10 million to \$15 million of interim borrowing costs. It ramps up, but it will help to reinstate our schools.

Negotiations: I'll be brief here. Basically, the summary of this is that school boards are required by law to negotiate a three-year deal. All collective agreements for teachers expire at the end of August 2004. School boards have no power to negotiate compensation. The provincial elementary and secondary federations decide on their strategy for compensation on a provincial basis. We then impose that outcome on a local basis and we are caught in a squeeze with the other provincial objective, which is the ministry. Without the funding, we can't negotiate and therefore the three-year deal can only be achievable if funding is provided.

The example of the provincial mandates is the elementary teachers, who have already indicated their demand for 200 minutes of prep time. The report here indicates where we are now and where the funding is. That is a big-ticket item for the province and obviously impacts on the ability of achieving funding.

In closing, there are other areas. I would encourage you to refer to the OPSBA report, which details some other things on technology and transportation, which are also in tough straits.

Again, we appreciate the opportunity to present today and trust that the government will reflect seriously on our recommendations and find the resources to invest in the future of our children. Thank you.

Ms Gerry Connelly: If I could also just express my sincere appreciation—

The Vice-Chair (Mr John Wilkinson): We have about two minutes left.

Ms Connelly: I'd just like to leave a few comments about what we are and what we do. As the chair has indicated, we are about children and about learning. We educate more than 270,000 students. We have over 30,000 full-time employees; 17,000 of those are teachers, which means that we're one of the largest employers in Canada. Our annual expenditures are in excess of \$2 million, and we have properties and assets worth billions more that we manage on a daily basis.

Our goal is to ensure that all of our students are successful and that our parents and our community feel confident that the Toronto District School Board is serving its students well. How well we serve our most vulnerable students is our critical goal and is an indicator of our success as a system. I know you share that as a government.

We serve more than 70,000 meals each day to students in need of nutrition to ensure that our most vulnerable

students can learn. We provide safe transportation to tens of thousands of students each day. We clean and maintain over 50 million square feet of school and building space each day—that's the equivalent of 30,000 homes. We support more than 50,000 e-mail addresses and 60,000 computers in our schools.

We're very proud of what we do. We're committed to investing in the things that matter: our students. We want to work with the government to ensure that our long-term goals of student learning, student success and public confidence in the Toronto District School Board are achieved. We need your serious consideration as you move forward in your 2004 budget.

If you require any further information or clarification with respect to our presentation, we are available at your request and will be prepared to speak to you further. Thank you very much.

The Vice-Chair: Thank you very much. There isn't time for questions. The committee thanks you for coming this afternoon.

ELECTRICITY DISTRIBUTORS ASSOCIATION

The Vice-Chair: I would now call on the Electricity Distributors Association. Good afternoon. The committee welcomes you. I just want to let you know that you have 20 minutes for your presentation, and that can include questions, at your discretion. We would ask that you begin by stating your name for our Hansard record.

Mr Anton Krawchenko: Good afternoon. My name is Anton Krawchenko. I'm the director of external relations for the Electricity Distributors Association.

My message today is a fairly straightforward one. It is simply that the path of electricity sector reform that we're currently on will positively impact the provincial budget, both directly and through positive impacts in the budgets of municipal governments.

The electricity industry is complex and has many industry participants. I will restrict my comments just to the distribution industry.

Distributors are the providers of critical local infrastructure. They are the local wires businesses that deliver power to consumers, to homes and businesses across the province. There are 95. One of them is provincially owned—that's Hydro One—most are municipally owned, and there are two private distributors.

There are some substantial benefits that the distribution industry provides to the province, both at the local level and provincially. I am speaking now from slide 3. First of all, on an annual basis, the distribution industry invests \$750 million a year in capital investment. Those are simply wires, poles and computer systems that ensure electricity reliability. It's probably worth mentioning for a second that supply of electricity, by which I mean generation, is a very important topic right now in Ontario. But of course, unless you can ensure the delivery of power, no matter how much supply you have in the province, it's more or less irrelevant. This capital invest-

ment that I'm talking about is what ensures the reliability of electricity supply every single year.

Distributors also pay proxy taxes, since they are largely publicly owned. In 2002, that was \$165 million. This was money earmarked to payment of the stranded debt. By that, I refer to the \$21 billion left over from the former Ontario Hydro.

The municipally owned distribution companies, of which there are 92 or 93, pay \$210 million every year to municipal governments through property taxes, through dividends and also through interest payments on debt held by these municipal shareholders.

Also, there is the question of jobs, and there are 8,600 of them in communities across the province as a result of the distribution industry.

These benefits that I've just outlined to you have been frozen, and in some cases reduced, as a result of cost pressures that have been building up in this industry. For the past several years there have been unfunded cost pressures of nearly \$800 million that have built up. By unfunded costs, I'm referring to both government-mandated expenditures and other expenditures which cannot be avoided, which are not recoverable through rates or which have not been as a result of rate freezes.

There are some very serious negative effects, to hundreds of millions of dollars of unfunded costs, building up in an industry like distribution, which has annual revenues of only about \$2.1 billion. First is massive financial pressure, financial instability, which is independently corroborated by the virtually instant credit-rating downgrades that the entire industry received after the price freeze of November 2002.

Second is frozen or lowered proxy taxes paid to the provincial government to pay down the stranded debt. There is also the question of municipal contributions. These have been frozen or lowered as a result of this buildup of unfunded costs.

1530

Ultimately, and most important, is the fact that the reliability of electricity supply would be affected. I don't mean to suggest that there is an imminent crisis. I think that proactive measures by the current government will ensure that there will be no such crisis.

When I talk about these proactive measures, what I'm talking about is Bill 4, which is an electricity pricing law adopted by the government in December of last year. Bill 4 talks about many different parts of the electricity industry. I'm going to touch on only the distribution components.

The purpose of Bill 4 was to alleviate this financial pressure which has been building up, and ultimately to ensure the reliability of electricity supply for years to come. It does this in two ways—well, one way, which is a minimal rate increase for consumers, which will be implemented to achieve two things. First is the recovery of about half of those unfunded costs that I mentioned, the \$800 million; and second is the implementation of the third phase of a rate of return on invested capital. This is a rate of return that was implemented about three years

ago. It was going to be implemented in three phases to lessen the impact on consumers. The first two phases were implemented; the third phase was not, as a result of a price freeze.

You probably will wonder what this impact is, when I say “minimal impacts” of what I’m talking about. The recovery of unfunded costs will mean a 0.5% increase in the average consumer’s bill once a year for the next four years, after which it will be removed entirely. The increase in the rate of return will result in a one-time 3% increase of your average consumer’s bill.

If you turn to page 8, we’re talking about fairly large magnitudes of money here, \$100 million recovered each year for four years. One of the reasons why the impact is not that large is simply because distribution is not a very large component of the bill. If you take a look at the pie chart, you see that it’s about one fifth of your average consumer’s bill.

The question is, who benefits from Bill 4 and these price changes? Well, through minimal rate increases, consumers benefit, because they get a reliable electricity distribution system for years to come. Secondly, the province benefits through the payment of proxy taxes and also through increased payments from Hydro One, its distributor. And municipal governments also benefit from increased contributions from their distribution companies.

Financially stronger distributors means that municipalities will have more money to invest in local priorities, whether it’s local water systems, community centres or whatever the case may be.

For this reason, I would characterize Bill 4 as a win-win-win. It will strengthen the provincial budget. It will end years of financial pressure on the distribution industry, which was unsustainable. And also, customers will benefit through the reliability of electricity supply for years to come.

In conclusion, I just want to commend the new government for the implementation of Bill 4 and add one caveat, which is that it must be implemented in its entirety for the benefits that I’ve outlined to be fully implemented. That’s the end; thanks.

The Vice-Chair: Thank you for your presentation. We do have time for questions. In this rotation we’ll begin with the NDP. We’ll have about three minutes per caucus.

Mr Prue: I used to be a hydro commissioner with one of the previous hydro commissions before we were amalgamated, much to our chagrin. Can you tell me—

Mr O’Toole: It’s a big asset for the city.

Mr Prue: It’s a big asset. It was a big asset for East York too.

Can you tell me what effect the amalgamation of the hydro boards in Toronto or elsewhere has had on the municipalities? Have the rates of increase gone up or down since then—rates of increase to the municipalities in terms of money that came to them?

Mr Krawchenko: I’m afraid I can’t give you exact figures for what happened with rates due to amalgam-

ations in particular areas, but I’d be very happy to provide them to you and the entire committee—

Mr Prue: In terms of service levels, because I often get complaints in my own riding that service levels have declined considerably since that happened. Is that the feeling across Ontario? It’s all well and good for you to tell us you’re going to make more money this way, and I appreciate that, but what are you doing for consumers? Have the service levels gone up?

Mr Krawchenko: I don’t know that service levels have been reduced. I haven’t heard that this is a problem across the province. There are complaints sometimes here about the difference in service levels between different areas as a result of the structure of the distribution industry, where people within communities can be served by different distributors, even across the street. But as for reduced service levels, I think that distributors by and large do a very good job of serving their customers.

Mr Prue: I have also noticed recently a change of heart—it’s gotten much colder—from the distribution companies when people fall into arrears. When I was a commissioner, if someone fell into arrears we would try to work with them and try to make sure that the electricity stayed on. We are seeing increasingly in my constituency office that the electricity is being shut off, including in this cold winter. It wasn’t last winter, but it was this winter. Can you tell me about that? This is all well and good, you’re making more money, but I’m not seeing much satisfaction out there, as you contend.

Mr Krawchenko: My experience in talking to LDC executives about the question of disconnection and how they collect bills is that they are by and large sympathetic to working with individuals who come to their attention who are not able to pay bills. There are also examples of distributors who have worked very effectively with local poverty groups to identify those individuals who genuinely have trouble paying their bills, as distinct from, for instance, as we experienced during the disconnection ban, students who realized that they could go through a year without making payments and then leave.

The disconnection ban over the last winter had the effect of increasing dramatically the cost to distributors, through unpaid bills. This is not something that goes into the back pocket of distributors. When you lose millions of dollars because some consumers don’t pay, it’s other consumers who simply pay the difference. It all comes out of the same pie. To the extent that massive financial pressures have been building up in the industry, perhaps there has been increased pressure to collect overdue accounts.

The Chair: We’ll move to the government.

Mr Peterson: You mentioned that one distributor is provincially owned. Which one is that?

Mr Krawchenko: Hydro One.

Mr Peterson: And which two are private companies?

Mr Krawchenko: Fortis Ontario owns distribution systems in a few different places in the province. One is Canadian Niagara Power. It leases the distribution system owned by Port Colborne. Also, it owns distribution

systems around Sault Ste Marie, though not Sault Ste Marie proper; Cornwall and Gananoque.

Mr Peterson: You say the name is Fortis?

Mr Krawchenko: Fortis Ontario. Excuse me, I need to make a correction. The other private distributor is Great Lakes Power, which is around Sault Ste Marie.

Mr Peterson: Hydro is all broken up. I'm not sure of my history here, but these distribution companies were all part of Hydro at one point, were they not?

Mr Krawchenko: No. In fact, at one time there were many more of them. There were over 300 until several years ago, after which there was a period of consolidation in the industry. Ontario Hydro did have distribution assets, which have been broken off and are now the distribution part of Hydro One.

Mr Peterson: Are you seeing any difference in the functioning model between the private companies and the municipally owned companies? I'm thinking of Ener-source in Mississauga, which is now 10% owned by OMERS.

Mr Krawchenko: I think all the distributors, regardless of their ownership, do a good job of keeping costs down in serving their customers and maintaining electricity reliability. One difference you may see is that during a period of great difficulty for the industry where there is an accumulation of huge costs which are unfunded, private investors would be less forgiving of the circumstances that their distribution assets are in.

1540

Mr Peterson: What I'm driving at here is that private funding for this asset would have to pay two to three percentage points more than provincially backed funding for a utility. It seems to me on large capital projects like laying wire, it would be better and more efficient for our province if we as a province funded that and got the lower rates of funding for the long-term benefit of consumers.

Mr Krawchenko: I won't speculate on capital investment and whether or not private or public funding would be cheaper.

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

Mr O'Toole: Thank you very much for your presentation.

Mr John R. Baird (Nepean-Carleton): Mr O'Toole is our new energy critic.

Mr O'Toole: In fact, Mr Baird was the Minister of Energy. We hardly know where to start.

Mr Baird: You voted for my bill. Thank you.

Mr O'Toole: They voted and then they changed their minds, as they did just after the election, but that's another issue.

Mr Baird: I couldn't have done it without you.

Mr O'Toole: I'm certain that you're happy with Bill 4, because it's a tax increase by any other name, right? Just say yes or no.

Mr Krawchenko: No.

Mr O'Toole: Yes, it is. Actually it is, because what they're going to do is allow you—

Mr Colle: Don't let him put words in your mouth.

Mr O'Toole: The fact is that it's going to increase their revenue. "Unfunded liability" is what they called it, and I agree, there was a problem there. We had to do something about the rates, and you got caught in the timing of the market closing.

I guess what I'm trying to get to here is, this is going to be new revenue for you, as well as Hydro One, the municipalities and the province, technically.

Mr Krawchenko: Correct.

Mr O'Toole: The profit companies will also enjoy the profit.

Mr Krawchenko: That's correct, the two small private companies will.

Mr O'Toole: Actually, it's an interesting issue. What I felt in that whole thing, even when we were government, is that the return on investment, the 9%, I wish I could get that. Whoever got that 9% in that original legislation, it was an error. I wish I could get 9%; I'm lucky to get 2.5%. Is 9% where you're heading back, a 9% return on investment?

Mr Krawchenko: It's actually 9.88%.

Mr O'Toole: Oh, it's higher—9.88%. It's even worse than I thought. So this is going to be a one-time 3% increase in my bill at home. What date does it take place? This is critical.

Mr Krawchenko: That will actually happen in May 2005.

Mr O'Toole: That's about the same time as the other rate, the 4.3% to 4.7%, right?

Mr Krawchenko: That's correct.

Mr O'Toole: So there's a double whammy coming for the consumers of Ontario. That's the message here for Ian Urquhart and Robert Benzie and the rest of the media. There is a double whammy coming on your electricity bill. They've done it in such a way with Bill 4 that the consumer won't be able to figure out whether it's an LDC charge or it's going to be an actual charge on the consumption of energy. Are some of the charges you're increasing going to be part of the calculation which is based on consumption? The rate, so much per kilowatt hour, is not just applied to the kilowatts you use; some of the other charges on the bill are also going to be affected. Is that not right?

Mr Krawchenko: When I'm talking about an increase in the distribution rate, I'm talking about a per-kilowatt-hour portion of the—

Mr O'Toole: So it goes up with the amount you use. It's going to affect small business.

I understand the industry is very important. I certainly do want to work with you in the future, as the critic, and make sure that at the end of the day we have reliable, sustainable, affordable power. Anything you want to add, it's your time.

Mr Krawchenko: It was a very tough choice, obviously, to raise rates for customers. I think the way the electricity system in its entirety was being operated was unsustainable. On the generation side, the price of electricity was not reflective of the actual cost of power. Something had to change. Similarly, there were unus-

tainable financial pressures building up on the distribution side. Something had to change there.

Mr O'Toole: Certainly—

The Chair: Your time has expired, Mr O'Toole. Thank you for your presentation this afternoon.

Mr O'Toole, you are giving notice of motion?

Mr O'Toole: I'd like to do it now. It's fairly important that I do it right now.

The Chair: Can we deal with it at the end of the day?

Mr O'Toole: With your indulgence, I'd like to do it now. It won't take me but a second. I move that:

The committee on finance and economic affairs recognize that virtually all presenters that have made submissions to this committee have called upon the Liberal government to uphold one or more of its campaign promises;

And that the committee recognize that knowledge of the costs of the Liberal promises is integral for all members of the Legislature to make informed opinions and recommendations with respect to how these promises may or may not be implemented;

And that the committee recognize that a freedom of information submission requesting that "any estimates of the cost of implementation of the fall 2003 Liberal Party election platform initiatives as produced by the Ontario Ministry of Finance staff" be provided was denied in whole by the government as it was deemed to be a cabinet record;

And that the committee recognize that the freedom of information office at the Ministry of Finance has not been able to provide a date on which such a document was actually presented to the executive council;

And that the committee recognize that the Premier has indicated that he has "never seen that document," and as such, it could not have been presented at a meeting of the executive council;

And as such, the committee ask the Minister of Finance to immediately provide the 60-page document described by the Ministry of Finance as the "estimated cost of initiatives" to all MPPs and members of this committee, to allow for appropriate deliberation and analysis of all requests from presenters that reflect promises made by the Liberal government during the 2003 general election.

It's my understanding what we're saying here, with your indulgence, Chair, in the couple of seconds I have—

The Chair: It is a rather substantive motion. I would like to have copies for all members of the committee. So we'll recess for five minutes.

The committee recessed from 1546 to 1557.

The Chair: Committee members, I have had a chance to review the motion, and the motion is out—

Mr Baird: Point of order.

The Chair: I'm addressing your motion.

Mr Baird: On a point of order: All I want to know is whether you take any arguments, Mr Chair. Would you allow members of Parliament the opportunity to be able to speak to the question before you decide the point of order? I accept your role as the judge; I don't challenge

your role in any way; but normally the judge will hear submissions from both sides about whether something is in order. We're talking about a fundamental issue which is an egregious violation of parliamentary liberties of members of Parliament. The government can't hide this information from the taxpayers. I would like the opportunity to speak to this issue before you make a ruling.

The Chair: But you haven't heard my ruling.

Mr Baird: I can't challenge your ruling. I can only speak to it before. The minute you make a ruling, I can't challenge it.

The Chair: Correct.

Mr Baird: And you will not take submissions from members of Parliament before you make a ruling? The judge always listens to both sides before he makes a ruling. This is unprecedented, Mr Chair, that the Chair would say that he will not hear a point of order before he makes a ruling. I'd like to see the information. I think you should release the information.

The Chair: I will hear a brief comment from the member, Mr Baird.

Mr Baird: Thank you very much, Mr Chair. I appreciate your consideration of that issue; I genuinely do.

The motion that was passed in Windsor on January 28 clearly lays out that notice be provided of any proposed motions that would refer to issues that would "normally be included in the committee's report-writing stage."

I'd like to give exhibit A to you, Mr Chair: the official record of debates from Thursday, April 26, 2001, the standing committee on finance and economic affairs, the pre-budget consultations. This details the report-writing stages that the Legislative Assembly committee on finance considered. Requests for information are information that we would need as members of the committee to know what we might use to reflect on to prepare the report.

Legislative research is here. They're going to take a period of time after we finish hearings to reflect on what they've heard. They need the information from the presenters and perhaps from committee members to reflect on it, as we all do, before we can go into the report-writing stage. So a motion of this nature would not normally be made, as this motion says, and the author of this motion clearly said "normally" be considered report writing, because the request for information at that point is too late. My colleague Mr O'Toole does this by way of motion for the simple reason that a request normally is sufficient to procure information.

I would refer you to the book by Derek Lee about procuring parliamentary papers. We are a constituted committee of the Legislature that can, by right, request and procure papers from the executive branch of government. Being in the legislative branch of government, we can procure such papers, and I would like to see that information procured.

All we're asking for is that a document which exists at the Ministry of Finance, prepared by public servants—public servants paid for by all of our taxes—be available to all members of the committee. The excuse was used

that this document was confidential advice to cabinet. The Premier very clearly said yesterday that he has not seen the document. This document is several months old and has not been brought before the executive council. That's why I think it's incredibly important that this motion is in order, because a motion of this type would not normally be made in the committee report-writing stage. For that reason, I think it's in order and would seek the opportunity to debate it if your ruling is favourable.

The Chair: Comments?

Mr Prue: Just very briefly, the concept of privilege goes back a long time in parliamentary democracy; it goes back thousands of years. It says that all members of a committee, all members of a House, all members who are in government or out of government have equal access to information that is available. I don't know whether the members opposite here have ever seen it or whether you have seen it, but it's clear that it exists, and it's clear that someone on the committee wants to see it.

I think a member of government who attempts to conceal that is not being open, honest and transparent. I would not like to think that is the case of our Premier. I would not like to think that is the case of our finance minister. I clearly understand executive privilege if this has gone to cabinet. I clearly understand that that is outside the realm, but if it has not gone to cabinet, this request is not untoward. This is simply asking for information that exists, information which would surely help all of us understand the very difficult role we have on March 10. All of us, every single one, is going to have to weigh options and costs, and if it's already prepared, if we know what some of those options and costs are going to be, we will be able to do a much better job as a committee recommending to the Minister of Finance which programs he should proceed with and which ones he should not; which ones are cost-effective, which ones are not; which ones can be delayed due to the inordinate costs involved. I think what is being requested here is very reasonable. I, for one, hope that you rule that this motion is in order and that this committee has an opportunity to see documentation prepared by the public service of this province.

The Chair: Comments?

Mr Colle: Mr Chairman, this is again an attempt by the opposition to obstruct the opportunity of this committee to hear from the delegates. They've done this repeatedly. This committee has been charged to listen to delegations. We have one waiting again. We've had this happen repeatedly. The due process of this committee is that we receive information, we ask for information—

Mr Baird: That's what I'm doing—asking.

Mr Colle: During the report-writing stage, the information comes forward, the motions come forward, as has been done for the last 100 years, and then the committee deliberates over all the reports and information. That's the process.

This is again an attempt to pre-empt the committee from its work, to try to interfere with our listening to the deputants. These are public hearings for the citizens of

Ontario; they're not public hearings for the opposition to try to embarrass the government. We're here to listen to the deputants and bring all the information forward. We've asked for reports, there are motions tabled that all come at the proper time—the report-writing stage—and then we vote on the motions, we consider the presentations and that's the time to do it. We've got days to do that in March. That's the way it has always been done. The opposition hardly ever had these public hearings.

Mr Baird: Every year we had them.

Mr Colle: They hardly ever went anywhere, and they never had motions like this. Again, this is an attempt to obstruct the work of this committee. We should be hearing from the deputant who is here. They've done this repeatedly. It essentially doesn't allow the deputants to give their view on the economic matters, the financial matters of this province to this committee, which we can weigh in due time. This is just another stunt by the Conservatives—to do things they never did, because they never listened to people. Here we go again; they're refusing to listen to a deputant who has been waiting here. In Niagara Falls, they kept a deputant waiting for an hour and a half because they were doing the same kind of stunts.

Mr Baird: I bet you—

The Chair: Order.

Mr Colle: I say, let's move on and listen to the citizen of Ontario who is here representing the Toronto and York Region Labour Council and move this to the appropriate place, which, if it's in order, is the report-writing stage, where it has always gone for the last 100 years.

The Chair: Comments?

Mr O'Toole: If I may, I think it's unfair to characterize this as a usual request. What we're trying to do is find out what Hugh Mackenzie already knows: that it's \$5.6 billion in promises—\$5.9 billion is what Hugh Mackenzie says. We think that perhaps this committee needs to know the accuracy of those 230 promises. What are the costs? If you promised without doing the costing, that's irresponsible. If you have done the costing, then where are the numbers? It appears to me they have been analyzed. There's a 60-page report. That is all we're asking for. If you're trying to cover it up—I don't accuse you, Mr Colle, because I'm sure you haven't seen it anyway.

Mr Colle: Mr Chairman, what is he talking about?

The Chair: Order.

Mr O'Toole: I think all this motion is about is trying to get to the truth. What are you hiding? That is the truth.

Mr Colle: Let's hear from the people.

The Chair: Order.

Mr O'Toole: The people need to hear this, because they heard your promises for 28 days, and they didn't know how you were going to pay for them, nor do any of you. That is the challenge to you. If you didn't know, you should have known; and if you promised without knowing, it's irresponsible.

Interjections.

Mr O'Toole: It's about difficult decisions.

The Chair: Order, please. Through the Chair. Comments?

Mr O'Toole: I think Mr Prue did the best job, really.

The Chair: I find that the motion is out of order except for the last paragraph, which begins with, "And as such, the committee ask the Minister of Finance to immediately provide the 60-page document" etc.

Comments?

1610

Mr Baird: Thank you for your ruling, Mr Chair. It's appreciated.

Speaking to the motion, which is the current discussion and debate, I think as members of Parliament, as members of the legislative branch, we have a responsibility to ask the difficult questions. The public service, not at the request of the government, the Premier told us yesterday, costed out the Liberal campaign promises. There is a document available. The Ministry of Finance has told us that it's confidential advice to cabinet. The Premier clearly said yesterday he has never seen the document, and nothing in my eight years of being in government gets to cabinet without the Premier seeing it.

There's a 60-page document that is essential—many of the campaign promises that Dalton McGuinty made, I support, I think are worthwhile and valid and I would like to see implemented. I'm very serious about that. Many of the initiatives contained are ones that are of a non-partisan nature, whether it's services to those most vulnerable or to children or with respect to health care. But this committee will have to undertake a deliberation in a period of time, and that report shouldn't be secret; it should be open to members of Parliament. We have a right to see it. We're the minority. All we have is the right to make our case.

We have a right to this information. All members of the government caucus sit on cabinet committees; we don't. We would like to know the value of the campaign commitments. We were told repeatedly that MPPs would be free to vote however they want on issues. This is a procedural matter; it's not a question of confidence in the government.

Something stinks here. There's something in this report that they don't want in the light of the public. A new era of openness was promised. If there's nothing in this report, make it public. Let people see it. I feel incredibly strongly about this. If this committee can't even request a document from the Ministry of Finance, what the heck are we doing here? I've seen deputant after deputant after deputant come forward and talk about various commitments that any party or any government has made. If we don't know how much those cost, how can we possibly decide that the promise made on long-term care is eminently reasonable and achievable but the promise on class size is not?

If we can't have access to this, I think it would be an egregious violation of the parliamentary process. As individual members, surely information should not be something that should have to be fought for; it should just be provided. Clearly the motion simply says that the

60-page document procured by the public service, referring to no cabinet submission—it just talks about the commitments made in the election campaign. I think we would all want to see it and reflect on it as we prepared our motions. If not, why are we here as members of Parliament? This information should be made public. It's the right thing to do.

From my time in various levels of government, the fight over this issue won't go away. It is best to be dealt with now. Whatever is in this report can't be nearly as bad as the secretive, manipulative approach that's being taken to cover up the document. I'd like to see it. I know all members will want to read it and reflect on it. It should be made available to parliamentarians on both sides of the aisle.

Mr Prue: I would basically ask, if we can, that this be dealt with today. I don't know whether that's possible within the rules, but certainly the motion itself suggests that the committee ask "immediately," not on March 10. I think that's too late and that would negate the actual value of this motion. So I would ask my friends opposite to seriously consider allowing this to come to a vote today. Whether you vote for it or against it is your own decision, but the decision should be made on whether or not this committee will go forward and ask the Minister of Finance for a document that will help this committee to rationalize the decisions that we are going to make on March 10 and the recommendations that we are going to make.

People have been coming to me across this province, the deputants, and asking, "What is the purpose of this committee?" They've been saying, "Are we going to be listened to by the members of the committee? Is what we are saying of any importance to the committee? Will our views be reflected by the committee?" I have tried to assuage their fears as best I can. I have told them that we are part of the process, that I know the Premier is going to run his own committees and he has already started to do that, I know the Minister of Finance will consult with the bureaucrats and I'm sure he's already doing that too, and that there may be other processes in play that I am not aware of, and they will all take place as well. But this is the public committee. This is the opportunity for every single one of those people who are making deputations to us to make a deputation and to believe that we are going to listen to it, to heed it, and to make recommendations on it. If we are not going to do that, if we are not going to have all of the information from them and all of the information that is extant at this time, then I don't know what the committee is really here for.

I have to be very blunt. I listened to Minister Gerretsen when he made a faux pas in the House, and I know it was inadvertent when he said we were going out to do "real and meaningless" consultation. I know he meant to say "real and meaningful" consultation, but if the committee sees otherwise and if the committee says we're not going to see the documents that I think we need to see, then perhaps Minister Gerretsen was right the first time. I hope not.

Having said that, I don't see anything wrong with getting this information. I would take hundreds or thousands of pages from any source if I thought it was relevant to my making a better decision, and I cannot see how this one is going to hinder that decision in any way. I would ask the members, let's get on with it; let's see what it is. If it's embarrassing, it's embarrassing. If it helps your case, it helps your case. I have no way of knowing what's in it, but I do know that I want to see it and I do know, on behalf of our little rump, which is not an official party, that this is virtually the only chance we are going to have to find out that kind of information. We do not have the resources that the official opposition does. We do not have anywhere near the resources that the government has. But I will tell you that each and every one of us is committed to doing the best job we can for our constituents and for the people who support us at election time. One of the ways we're going to do that job is by having all of the information, and this one is key.

So I'm asking you today to please do the right thing, to allow this to come to a vote and to vote with your conscience, and if you agree we should see it, then I think the public of Ontario will be better for that.

The Chair: I want to remind committee members that we have a presentation that was scheduled for 3:40. He is patiently waiting.

The committee should know that we can write to the minister and ask for this information. Do you want the committee to do that?

Mr O'Toole: To expedite this process a bit, I would like to call a vote to see if we have a genuine commitment to do the very best we can to acquire this report for all members. That would show a willingness, and we could then get on with hearing the deputation. So as I put it to you now, if you fail to vote for it, what you're trying to do is hold up the process, because we can talk about this for a long, long time, and it would then be your decision to shut out the public from being heard here today. So all I'm putting to you, Chair, is that you can call the question if you feel that's important, and we could vote for it and move on. It means they support wanting this information as well. If it doesn't come, then we can go to Greg Sorbara and the Premier and find out why it's being withheld.

I think Mr Prue has said it most politely, and reflective of democratic process in a non-partisan way. I have a great deal of respect for the way he phrased it, totally.

Mr Colle: Again, I find it just absurd that again the former government members are refusing to allow a deputation to come forward, as they have done in other cities across this province, and are putting forward their motions when they know that there is a process in place where motions like this and information from research goes forward to the report-writing stage. By essentially usurping the process as accepted by committees for decades, you are in essence saying that anybody can make up the rules on how this committee operates any time they want. We've seen it over and over again. We've seen the declared leaders of the Conservative

Party—Mr Flaherty, Mr Klees—show up in Peterborough, show up in London. They put motions on the table. Then we're supposed to stop listening to deputations to listen to the MPPs from the Conservative Party make these grandiose speeches about democracy.

1620

I was here for eight years, when—remember Bill 26? Remember your bill about electricity, where you didn't allow freedom-of-information access to OPG files? Don't you preach to us about democracy and the right to information. We're here to listen to deputations. We're here to follow due process, which means that requests like this go at the report-writing stage, where all the information, all the deputations from Ontario citizens are weighed into the process. That's what is primary here, not your attempts to embarrass the government and have these stunts to disrupt the work of the committee in hearing from citizens and their representative organizations.

You do it again and again. Mr Chair, if they get away with this here, it means basically that the deputations aren't the key part of this committee process; it's just a stage for the opposition party to embarrass whomever they choose for their own purposes. By changing the process of this committee that has been followed, as I said, because there's a direction from the Legislature on how we work, you're basically saying that the rules and processes don't count, that they can make them up as they go along. There is a process where we can ask for this information and weigh it along with everything else we've heard across this province in the proper context, not here and when it fits the opposition because they've gathered the press here for this stunt. That's not the way this committee should work.

The Chair: Comment?

Mr Baird: I'm going to be very brief so we can get on with the committee's work. The Chair of the committee, an honourable man, has ruled that this motion is in order, the last paragraph specifically, because it's not normal that this would be dealt with at the report-writing stage. Otherwise, this motion would not be in order. It is in order. Such a request would not normally be considered in the report-writing stage or in fact we couldn't be debating it here today.

Mr Colle: Why couldn't we be?

Mr Baird: You said, with great respect—I think this is a fair point for disagreement and that's why I wanted to respond—that it could definitely be considered. But the normal practice of a request to procure papers would not normally happen in the report-writing stage. In the report-writing stage—

Mr Colle: It all goes there.

Mr Baird: But we're going to want to reflect on what we've heard and on information—

Mr Colle: Oh, sure you do—now.

Mr Baird: All I'm saying is that the Chair has ruled that this is not normally done at the report-writing stage, or we couldn't even debate it. So if you want to have it between Mike Colle and John Baird—the Chair has made a conclusion, and I accept his conclusion.

Interjection.

Mr Baird: I do. I'm not arguing with it at all. I think he's made the right call. So all we want to do is to see this information—we're not suggesting that this is embarrassing, so I don't know why people would infer that it's embarrassing. You've seen it, I suppose. You're at the Ministry of Finance. You're a senior political person in that ministry. I've held that position in the past. All we're saying is that as members of Parliament we want the information.

The Chair has ruled that this is the time to request it. I'm not on the cabinet committees. I'm not in cabinet. All I want to do is see this measure.

Mr Colle: What happened to Bill 26?

Mr Baird: The parliamentary assistant has spoken about Bill 26 and other various actions. When that happened, the official opposition went nuts, and properly so. They properly went nuts and they did their job.

The Chair: Return to the motion, please.

Mr Baird: That's the exact job we're trying to do. We want to see this information and we want, you know, the new era of openness and transparency, and to be able to hold the government accountable. That is the job of all of us, isn't it? We're members of the legislative branch, and some members are members of the executive branch. Our job on this committee is to hold the executive branch accountable. That's very difficult for government members to do. I've been there. The Minister of Finance may say, "No, I'm not giving you this." All we're doing is asking, could he give it to us? He can say no. I say to the members of the Liberal Party, you can vote for this, because if the Minister of Finance doesn't want to give it to us, he doesn't have to. It'll be his decision and he'll be accountable for it, not this committee.

Again I ask the committee—I did this before on a very small issue with respect to the retroactivity of the taxation measures contained in Bill 2. If members of Parliament can't even ask for information—that shouldn't be a partisan issue. I think we need it to do our job. With that, I'll conclude my remarks.

The Chair: Any comment?

Mr Racco: Briefly, I think we should go to the vote. I think we should take a vote since the arguments have been made on both sides. One thing is clear, though: There is only one deputation on the list, and I thought it would be proper that we hear the deputation and then, if there was a motion, that's when the motion should be put on the agenda. I believe that the opposition may have other reasons to do what they are doing.

The Chair: Are you asking that the question be put?

Mr Racco: I'm not asking a question. I'm making a statement.

The Chair: But I'm trying to understand: Are you asking that the question now be put?

Mr Racco: Yes, I said that we should take vote, and before we take a vote I was making my comments. I think it's unfortunate that the last deputant has to wait so long to make his deputation. We could have debated this issue after all the deputations were made, if the objective

was honourable, but I suspect that that's not the case. Therefore, I ask that we take a vote, please.

The Chair: The question has been asked to put the motion in a recorded vote on putting the question. All those in favour?

Mr Colle: What's the vote on?

The Chair: I'm asking for a vote on putting the question. Recorded vote.

Ayes

Colle, Marsales, Oraziotti, O'Toole, Peterson, Prue, Racco, Wilkinson.

The Chair: Carried.

All in favour of the motion? We're voting on the motion.

Interjection.

The Chair: Just the last paragraph.

Ayes

Barrett, O'Toole, Prue.

Nays

Colle, Marsales, Oraziotti, Peterson, Racco, Wilkinson.

The Chair: The motion is defeated.

TORONTO AND YORK REGION LABOUR COUNCIL

The Chair: Is the Toronto and York Region Labour Council here? Please come forward. I want to thank you for your indulgence this afternoon as the committee was doing its work. I apologize on behalf of the committee for the time you've had to spend here. I sincerely appreciate your being with us for all this time. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questions, if you so desire. I would ask you to state your name for the purposes of Hansard.

Mr John Cartwright: My name is John Cartwright. I'm the president of the Toronto and York Region Labour Council. I'm just trying to figure out whom to send the parking ticket to.

It's actually a tremendous pleasure to be here today, in spite of the delay. I was counting up the number of times I've been thrown out of the galleries in this building in the last eight years, bringing the concerns of people on everything from the rights of working folks to have a union, to their rights to have a decent education for their kids, to health care, to the rights of the citizens of Toronto to maintain their civic structure that they voted democratically on. It's quite nice to be able to come down and have a sense that you can actually talk to

people in this committee and they'll pay attention, other than Mr O'Toole, who of course has to leave now.

Interjections.

Mr Cartwright: It's all right. His media await him, I'm sure.

Let me talk about the task of the government at hand. From the perspective of the labour council, which represents 190,000 men and women in every sector of the economy in Toronto and York region, we've looked at the last eight years as basically being a terrible time where in one area after another people's rights have been taken away through this Legislature, where economically many people, especially those of moderate and lower income, have suffered, and where almost every institution in the capital city of this province and in this province has been torn apart, its functions have been denigrated and its resources made negligible to the point where those institutions can hardly work.

1630

What we're going to ask the government of the day is to look at the spirit that people went to the ballot box with on October 2, where they did in fact choose change. The spirit, I would hazard to say, was one of, "We want to restore this province to what it once was. We want the institutions that were very much a part of the social fabric and the political and economic fabric to be restored." I guess we can go through every sector and every piece of the key elements that are going to be in front of this committee as it thinks about its budget, but that really is it overall. When the citizens of Toronto went to the ballot box on October 2, by the time the ballots were counted, there was not a Conservative MPP left in this city, because the people of Toronto felt strongly. In York region the overwhelming majority of electors also decided they wanted the Common Sense Revolution to end.

For us it's very important that it does in fact end. We understand that the deficit of billions of dollars that was hidden has come out and is now part of the public discourse. There was a very sarcastic cartoon put in one of the media back in October, talking about the deficit allowing the previous Premiers and finance ministers to effectively rule from the grave by having set the stage where the incoming government doesn't feel it can invest in what is so important to invest in. The previous government had essentially squandered tens of billions of dollars of public assets, not just the fire sales like the 407 and others, but actually squandered in terms of the revenue that was there to be used for public services.

I asked somebody if the quote had been used yet today—the Oliver Wendell Holmes quote, "I pay my taxes because it buys me civilization." That, in fact, is what it's all about. The people of Toronto and central Ontario have clearly said that that's what they'd rather do. They'd rather pay their taxes and have strong services and a strong support network for the things that are important to working families than see anybody stuck with an inferior and incompetent level of income revenue that was put in place by the previous government.

Essentially we're saying to the new government that you should not be restrained by the regressive tax policies of the Conservatives and you should move forward to ensure that the income is there for the following areas:

First is education. You've had a presentation here today, I see, by the Toronto District School Board and by an individual school trustee talking about the needs of public education. We made a presentation to Mr Rozanski when he was doing his report. We are quite happy with most of the report, except for the element of the maintenance budget and funding for maintenance, which was essentially flawed when it was put in place by the previous government and was not addressed significantly enough by Rozanski. We're saying to you that you need to implement all of the elements of Rozanski immediately and not wait for a phase-in. If you don't implement Rozanski, you're putting publicly funded education back in a crisis mode, whether it be the current impasse at the Toronto District School Board; whether or not it be forcing more strikes as we've seen that were either created or, in one case, specifically implemented by the previous government.

That's not what the parents of Ontario want to see. Likewise, they don't want to see the case where, because school committee advisers and attendance counsellors are gone, those young immigrant kids, those kids who are not sure what they're going to do with their lives, are pushed out of schools and end up in crime and in a situation where they can't respect themselves. That's been the result of those cuts that have been imposed by Paul Christie and by the previous government. We're asking the government of the day to immediately put that money in place for publicly funded education. That goes for the boards in Toronto and York region—in fact, for all boards across the province.

Health care: I think you've heard a great deal about that, the crisis that has existed since nurses were compared with Hula Hoop workers. That needs to be funded, and adequately funded. Our one comment would be that the experience across the world in entering into public-private partnerships, where suddenly all the commercial documents become secretive and as far away from the public gaze as we've seen, is not a place you can go with taxpayers' money. You've just experienced what's happening with the 407. You will experience exactly that same situation with the public-private partnership hospitals in Ottawa and Brampton if you're not careful. We have another hospital, CAMH in Toronto, that has talked about PPP because the Ministry of Health, in the old days under the previous regime, was telling them that's the only way they could expand. That's not acceptable. That is a terrible misuse of public money, because it's a black hole that you will be pouring money into and there's no accountability.

You've had presentations in front of you on housing. Of course, as a construction worker, when I read the first announcements that the previous government was cancelling all social housing projects in the city of Toronto, when we still had 40% unemployment in the industry and

when there were thousands of families that needed housing over their heads—that was an obscenity. You need to go back into the housing business, working with the federal government and actually delivering the money to the people who can deliver affordable housing, which are the non-profit and co-operative agencies.

On the environment: You need to reinvest in the environment so that protection can be there. You've started to do that, putting inspectors back in place. But the environment is more than just about protection. It's also about understanding how, when you invest in things like energy retrofits, demand-side management programs and electricity and water conservation areas, those things have a tremendous payback. They are also the key, when you look at environmental technologies, to the next generation of jobs. So I would urge the government to ensure that you're not only supporting environmental investment directly in government services and in government protection but also in those industries and research and development aspects that will show us how we can start taking advantage of the kinds of things, as we see with wind turbines, where Denmark has put thousands of people to work building alternative energy sources or the Ballard fuel cell.

On hydro: I believe that the individual before me was talking about some of the elements. Our position is very clear, that the whole deregulation fiasco that was engaged in by the previous government was bound to fail; it has failed. We don't want you to try to live with that half-pregnant situation. You need to go back to public power, at cost, for the people, the industries and the jobs of Ontario.

The economic development of this province is also a part of the concerns of this committee. You've had a presentation by Mr Hargrove of the Canadian Auto Workers talking about the need for central Ontario's aerospace industry to have strong support from the provincial government, at least to match the support that exists in Quebec, which has attracted a significant number of aerospace industry jobs. In Ontario, we're now in danger of losing the critical mass for an aerospace industry. Toronto's largest manufacturing plant is Bombardier-de Havilland, but there are many other related industries in this area. In fact, we estimate there are four jobs to one in parts and R&D in aerospace. That has to be invested in. The policies have to be undertaken that will stimulate aerospace and protect that as a key high-wage, high-knowledge industry in Ontario.

Those are the investments we wanted to talk to you about.

The question of downloading on to our municipalities is a very difficult issue. When the previous government downloaded especially the social service costs on to municipalities, it had a particular impact. But we all understand that the economy works in cycles and that at some point in time in these next four years, there will be a slowdown in the economy, whether or not it's inherited from south of the border or it happens through natural causes. The impact on municipalities of trying to pay the

social services costs is going to be tremendous. The province needs to be able to look at that and say that the property tax base was never designed to cover the full weight of social services costs and that there needs to be a new deal, in fact the old deal on the issue of social services and an uploading of those costs. Because primarily, income tax and corporate tax are the only progressive rates of taxation; property tax is regressive and user fees are regressive.

1640

I'm going to touch on labour law for a second. Although you might say, "What does that have to do with the economy?", it has everything to do with the economy. Experience has shown that working people are only able to move into a better quality of life and standard of living when they have the collective strength to bargain with their employers to create standards of living, to create standards of income, benefit plans, pensions and so on that then in fact provide the basis for what we used to call the middle class.

It's quite interesting that when the United Way of Greater Toronto did their study about a year ago and they reviewed the tremendous drop in income since the free trade agreement came in in what they call a "decade in decline," they found that the average income of a two-income family in Toronto had declined 14% in that decade because of the loss of manufacturing jobs due to free trade and because of the decimation of many decent-paying public service jobs by the Conservative government and some of the agencies and commissions that had got rid of decent-paying jobs.

The ability of working people to organize when they want to organize, to exercise what's supposed to be a right under law, was in fact stripped by the previous government. When we cite things like the Drycore 10, when electricians were fired because they tried to organize into a union and exercise their right and it took them months and months and months to get in front of a labour board, or other cases where the votes were imposed, where working people are intimidated time and time again and are unable to exercise that right for collective bargaining, it means that working people do not have a tool to increase their standard of living.

Having a decent standard of living and being able to pay taxes on that living is a vital piece of our economy. In fact, the underground economy, which many employers have moved to, using the shield of the vicious anti-labour laws that the previous government had put in place and some of the financial incentives to move into the underground economy, has specifically hurt the tax revenues of this government and its compensation, WSIB incomes.

The last piece I'm going to touch on is transit, near and dear. The city of Toronto has the Toronto Transit Commission, which for decades won awards year after year as being the finest transit system in North America. Their ability to win those awards stopped when the provincial government downloaded the cost of transit on to the municipality and said that the property taxpayers,

and then only the residential property taxpayers, had to share that cost with the fare payers. So we're at the point now where the TTC, short of a couple of grants that have come recently, is the only major city of any of the G7 nations that is not supported by senior levels of government in a standard, reliable income stream.

We are calling on the provincial government, not to talk about a new deal—there's been a lot of talk in the last few years about a new deal for cities and a new deal for transit. We don't really care about the new deal; we'd like the old deal back, the old deal that was in place with Bill Davis and David Peterson and Bob Rae, where the province said, yes, public transit is a crucial piece to resolving concerns about gridlock and sprawl, it's a crucial piece to resolving issues of smog and to moving millions of people every day.

We are calling on the provincial government to restore the traditional levels of funding of 75% of capital and 25% of operating until such time as there may be a final deal arranged with the federal government of what they want to do, and that it should be done directly to the Toronto Transit Commission and the other transit commissions across this province, now, not waiting for a year from now, after which time the fares will have to increase by up to 25 cents for users in Toronto, which is unaffordable for those on modest income. The Metropass will be bumped over that critical amount of \$100, which starts to scare people away.

We don't want the money put through a Greater Toronto Transportation Authority that will then divert some of that money to other areas that don't provide the proper service. Right now, the TTC provides 90% of all transit rides in the greater Toronto area. It has to be maintained in that way. We don't want the money diverted to a public-private partnership as we see in York region, which, if anybody looks at the actual fine print, the consortium is laughing all the way to a bank. There's a black hole for public money in that particular deal, and we don't want money diverted there. We want the money immediately put in place so that public transit can work, so that the current commissioners of the Toronto Transit Commission can make it work, and that the fares can stay—they're still too high for many people. It's amazing.

I had never believed this, but in the last period of time, we've heard from working families where a mother has a choice of either paying for the TTC for their kids to go out or for themselves to go and pay to look for a job. Parents are actually walking miles and miles for job interviews because they cannot afford to have their kids and themselves get on the transit at the same time. It's just stunning. I would never have believed that this is real life. The previous government of course never believed that all those kinds of things ever happen in this province, that they are there. The new government needs to invest so that those things aren't the kind of shameful reality for too many working families.

The Chair: I want to remind you, you have a little less than two minutes left in your presentation.

Mr Cartwright: So I guess to sum up, the people of Ontario did choose change. They don't want the Common Sense Revolution continued. They do not want the Premier to stand up and say, "You know what? I have made a promise to the taxpayers' federation," or whichever group that is, "and therefore, I'm going to have to break every other promise in education, in health care, in housing and hydro, on post-secondary, on the environment, on hydro, on economic development and on social infrastructure because we just can't afford it."

The fact is, the people of Ontario have said very loudly that they want to afford and they want to invest in a great society. They felt a sense of optimism on that morning of October 3 when we woke up and said, "My goodness, we can make a difference here." We wish that the NDP had a few more seats in that election so they could be an official party, and we won't really be satisfied until that is restored, but the sense of optimism was there; it should not be dashed by the government.

You should not listen to our friends here who used to enjoy the eight years of government telling the rest of us that we were nothing but special-interest groups, that those people who were walking miles and miles to try and look for a job were insignificant, and that those working people who were putting their lives on the line during the SARS crisis and hydroelectricity blackout were insignificant. You've got people of Ontario telling you to do the right thing and keep the faith. We don't want you breaking the faith by living up to a situation where the previous government has put you in shackles and you're not going to listen to what the people need.

Thank you very much.

The Chair: Thank you for your presentation. Again, I apologize for the delay in hearing you today.

Mr Prue: On a point of order, Mr Chair: It's not a frivolous one. This gentleman waited more than an hour. His meter may have run out. I think that if we need to pay his expenses, we should. I think we have that obligation.

Mr Colle: That's mighty nice of you.

The Chair: Are we agreed? Carried.

Mr Baird: On a point of order, Mr Chair: I just wanted to thank you for your ruling and apologize if I was too harsh. Passions run high.

The Chair: We had a notice of motion by Mr O'Toole on education. We'll hear that now.

1650

Mr O'Toole: Thank you, Chair. I'll just read it. I move that:

The committee on finance and economic affairs recognize that the Liberal government made 50 different promises with respect to education during the recent election and that teachers, school boards, parents and students have all come before this committee asking for these promises to be kept;

And that the committee recognize that the plea delivered by the Premier for the government's partners in education to temper their requests for more directly contradicts many of the promises that were made;

And that the committee recognize that education providers in Ontario need definitive answers with respect to programs and funding in order to effectively plan how to educate our children;

And that the committee recommend that the Minister of Finance and the Premier immediately inform all stakeholders in the education community which of the promises made during the election will be kept and which ones will be broken in the upcoming budget.

I respectfully submit this, with your indulgence.

The Chair: Comments? You have two minutes.

Mr O'Toole: I'll be brief. We heard today and during the last couple of weeks from students, parents, trustees and supervisory officers from across this province. All of them were holding out hope. We heard today from the Toronto District School Board—something like another couple of billion dollars.

I support public education; I'm a big supporter of it. All of my children have graduated from university, actually, but I think public education served them well back then.

I was a bit disappointed with the Toronto District School Board, because when I was a trustee and chaired four budgets, we were receiving about \$4,000 per student in Durham and Toronto was getting \$8,500. That's simply not fair in a public education system. It's like, in health care, somebody in Timmins getting half what they would in Toronto for their broken arm. This is a public service. They should in Sault Ste Marie—I hope David Oraziotti supports this motion.

Mr Baird: And the people of Mississauga.

Mr O'Toole: And the people of Mississauga.

I would say the government should have the courage to fulfill their promises instead of a litany of broken promises.

The Chair: Mr Prue. Two minutes.

Mr Prue: I don't know whether amendments are in order at this process; I would imagine not.

The Chair: We'll deal with the motion at report-writing time.

Mr Prue: OK. I'm going to respect the process.

I'm going to speak to what amendments I would make to this to make it palatable to me, because I think there are some good things here. I believe the committee should recommend to the Minister of Finance and the Premier to inform the province about which promises made during the election will be kept, full stop. I don't think it's incumbent upon the Premier or the Minister of Finance to talk about which promises they intend to break.

In terms of the education component of our society, I think those people who have made some very passionate deputations today—the school boards, the colleges and the universities—need to know whether the money is going to be forthcoming, whether they are a priority for this year or whether they need to come next year. By the time this budget is presented in April, the whole of the last fiscal year will be done for all those groups, and it's going to be done before they even get their money in

many cases. They need to be on a very sound footing as early as possible as to which parts of the education platform, if any, are going to be met, full stop. If they're not going to be met, I think they are wise enough to surmise that they're not in this budget process and can act accordingly.

If you leave them without that information, then I think you do a disservice to all of them. If they cannot properly plan, if they're counting on money that is not going to be there, then they in turn are going to go into deficit. They in turn are going to have to seek redress from students and families. They're going to have to do hot dog and cookie sales and all the other things that I don't think many of them are counting on doing at this time. So I would—

The Chair: Thank you. This motion will be dealt with at report-writing time on March 10.

Mr Prue has a motion on the federal child tax benefit.

Mr Prue: Everyone is about to get it; it's a very simple motion:

Moved that this committee, in its final report, strongly recommend that the government eliminate the cruel and regressive provincial clawback of the federal child tax benefit as part of its 2004-05 budget.

The Chair: Comment?

Mr Prue: I don't think I can say it better than the member from Toronto Centre-Rosedale, now the Minister of Health. In the House on December 12, 2000, he said, in asking a question of the Premier, "If you really want to do something to help those 100,000 kids living on social assistance in the province of Ontario today, will you stand before us today and tell us that your government will end today its awful clawback of dollars that the federal government has directed toward the poorest kids in our province and allow 100,000 children living on social assistance in Ontario to have the full benefit of federal government dollars in their pockets to deal with the poverty that they face every single day?", to which he did not get a very good reply.

We heard from deputants today. We heard from one who said that if we are going to do one thing to improve welfare across Ontario, that is the one thing to do: put money in the hands of children, the most vulnerable; not those who are actually on welfare but the children of those who are on welfare. I think that if we, as a society, are going to make any welfare reforms at all, this one needs to be front and centre.

I know it's going to cost some money, but I think this committee has heard from enough deputants today to know that this has to be a priority in the upcoming budget. It's certainly something the Liberals said in opposition, it's something they made commitments to during the election, it's something they had questionnaires about in the newspaper and it's something that I believe should be upheld.

The Chair: This motion will be dealt with at report-writing on March 10.

Mr Prue has a second motion.

Mr Prue: The second motion:

Moved that this committee, in its final report, strongly recommend that the government fully implement the recommendations of the Rozanski report on education financing as part of its 2004-05 budget.

The Chair: Comment?

Mr Prue: I don't think I could say it any more eloquently than Annie Kidder did during her debate here today, and some of the other deputants. The education community is counting on the Rozanski report being implemented. It will be too late if this is stretched out over two, three or four years. I recognize fully, and the committee knows I recognize fully, the straitjacket you're in, but this is just too important. I think the committee needs to remind the executive branch that monies need to start flowing, and they need to start flowing in their entirety, if Rozanski is to be followed. It is simply not good enough to put this off. We have a whole generation of children—already eight or nine years—who have lived with cutbacks and substandard conditions, and we cannot wait another four years for those same children or for the new ones coming into the process.

The Chair: This motion will be dealt with at report-writing on March 10.

I want to seek some advice from the committee. Last week the committee requested copies of the 1989 Transitions report of the Social Assistance Review Committee, as well as the response to it of the government of the day. The report is 604 pages long. The executive summary, including its recommendations, is 110 pages. Would the committee settle for the executive summary?

Mr Prue: Is it possible to put it on CD? I don't want to waste the trees. If it can, that would be satisfactory to me.

The Chair: Failing that, would the committee accept the executive summary and all its recommendations—110 pages? The whole committee would get it.

Mr Colle: One or two copies are fine.

Mr Prue: One per caucus is fine by me.

The Chair: One per caucus of the 110-page report? Agreed? Agreed.

We are adjourned.

The committee adjourned at 1659.

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