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ISSN 1180-4386

**Legislative Assembly  
of Ontario**

First Session, 38<sup>th</sup> Parliament

**Assemblée législative  
de l'Ontario**

Première session, 38<sup>e</sup> législature

**Official Report  
of Debates  
(Hansard)**

**Wednesday 11 February 2004**

**Journal  
des débats  
(Hansard)**

**Mercredi 11 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

Président : Pat Hoy  
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Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
3330 Édifice Whitney ; 99, rue Wellesley ouest  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

## STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

## COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Wednesday 11 February 2004

Mercredi 11 février 2004

*The committee met at 0900 in room 228.*

### PRE-BUDGET CONSULTATIONS

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

### ANNE JOHNSTON HEALTH STATION

#### SPRINT

**The Chair:** I would call on the Anne Johnston Health Station to come forward, please. 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 state your names for the purposes of Hansard. You may begin.

**Ms Brenda McNeill:** Good morning. This is a joint presentation by the Anne Johnston Health Station and SPRINT. My name is Brenda McNeill. I am the executive director of the Anne Johnston Health Station, a community health centre located in north Toronto. Co-presenting with me is Jane Moore, the executive director of SPRINT, a community support service agency providing services to help seniors continue to live at home, also located in north Toronto.

Jane and I are very pleased to have this opportunity to make this deputation to you and to be part of the budget planning process for the province of Ontario. Our joint presentation is intended to accomplish the following: first, to strengthen the government's awareness of the positive outcomes of community-based health and social services; second, to illustrate the innovative and measurable ways the quality of life of Ontario citizens is being enhanced by client-centred and cost-effective models for program and service delivery; third, to demonstrate the synergies of the Anne Johnston Health Station/SPRINT quiet win-win partnership; and fourth, to tug at the heart-strings and purse strings of the government of Ontario when it comes to investing in sectors that are making proven contributions to health treatment, prevention and promotion, to innovation and community capacity, to independence and choice, and to the equality and diversity of need for all Ontarians.

Our presentation takes the following format: Jane Moore will provide you with an overview of SPRINT and the effectiveness of the SPRINT community-based

services model. I will provide you with an overview of the model of community health centres, using the Anne Johnston Health Station as a reference point. We will also demonstrate the value and effectiveness of our partnership. Finally, we will highlight the challenges that we face and the opportunities that the government of Ontario has to reach out and meet the extraordinary needs of ordinary Ontarians, to use resources wisely and to create innovative and cost-effective solutions in the heart of our communities.

I would now like to introduce Jane Moore, executive director of SPRINT.

**Ms Jane Moore:** Good morning. I am Jane Moore, the executive director of SPRINT, Senior Peoples' Resources In North Toronto. SPRINT is a not-for-profit, neighbourhood-based community support service agency under the direction of a volunteer board drawn from our community.

SPRINT is a member agency of the Ontario Community Support Association, which has about 360 members and represents 25,000 staff and 100,000 volunteers across Ontario. The cost to the Ontario Ministry of Health to fund these agencies is \$300 million, and that is 1% of your health care budget. Last year, our agencies provided services to over 750,000 seniors in Ontario, using both paid and volunteer staff, and volunteers donated 2.5 million hours of service.

Community support services like SPRINT are mandated to provide a wide range of services for the purpose of helping seniors continue to live at home. Continuing to live at home is the heartfelt desire of every senior in this province, and the mandate of community support service agencies is to help this come about.

The service continuum that SPRINT provides includes Meals on Wheels, friendly visiting, transportation, community dining, social work, respite care, homemaking, in-home palliative care, supported education groups for families dealing with dementia etc. We also provide an adult day program for people with dementia in a very special partnership between SPRINT and my partner here, the Anne Johnston Health Station.

As SPRINT provides services to help seniors continue to live at home, so we also support and provide a safety net for stressed family members caring for their aging family members. In the past year, SPRINT served 4,000 clients plus their families.

SPRINT makes a strong, positive contribution to the health and well-being of our community, but our ability

to continue to do so is in serious jeopardy. We receive some funding from the city, from the United Way and from fees and private donations, but it's the provincial Ministry of Health that is our most important funder. We have received total increases to our base budget in 11 years of 3%. Clearly, that cannot continue. So we were so glad that Dalton McGuinty recognized this in the election campaign. He wrote us a letter, and I'll read from the letter: "We agree that a good start would be to use the first budget to resolve the underfunding of community support services by increasing the base funding by 25%." Now, we know that many things happened in the interval.

Mr Chairman, we are sitting on the edge of disaster. The Toronto District Health Council, in a recent report, described the community support sector, my sector, as "the final frontier of health care." When hospitals reduce services, the CCACs and community support service agencies may be able to fill in some of the gaps. But if the community support sector reduces services, there is no further safety net and families and individuals are left to fend for themselves. Community support service agencies are in dire financial straits and are facing deficits that will result in client service reductions, and I believe there will be agency closures in 2004-05.

The community support service agencies have a real possibility of being a vital part of the solution to this province's health care dilemma. Better funded, we can keep even more people out of emergency rooms. We can help even more people be discharged faster from hospitals. We can delay even more expensive premature placement in institutions. We can help even more families shoulder the burden of care so they can carry on without quitting their jobs or suffering from costly stress-related illness.

With stable and appropriate funding, the community support service sector can continue to deliver services in unique and creative ways that maximize this government's funding dollars. Currently for every \$1 spent by your government, Ontarians receive about \$1.40 worth of services, due to the contribution of our many volunteers. The community support service sector performs miracles, receiving only 1% of the province's health care budget. Imagine what we might do with 2%. The community support service sector is able to be a foundational part of a low-cost, people-friendly solution to the health care crisis in Ontario.

Now I will pass it again to Brenda McNeill, who will tell you about community health centres in Ontario and in particular about the Anne Johnston Health Station.

**0910**

**Ms McNeill:** Primary health care is the first level of contact that an individual, family and community have with the health care system. Primary health care includes health promotion and disease prevention, diagnosis and treatment, and supportive and rehabilitative care.

Traditionally, the first point of contact with the health care system has been with a family physician in a solo practice. However, as pointed out by Michael Decter, the chair of the new federal health care council, primary care

renewal is aimed at the creation of large practices with physicians, nurse practitioners and other health care providers. This is a good fit with primary care renewal. The community health centre model meets these goals. Michael Decter's suggested model is the community health centre model: multi-disciplinary, cost-effective, and client-centred.

Throughout Ontario there are 55 community health centres, typically located in areas of high primary health care need. There are 22 CHCs in the city of Toronto. Community health centres work hand in hand with their communities, providing primary care services reflective of the community's needs, particularly for those with barriers to access. Community health centres are not-for-profit, are governed by a volunteer board, have a multi-disciplinary team of professionals, operate on extended hours and are primarily funded by the Ministry of Health and Long-Term Care.

Mr Chairman, 55 community health centres across the province providing programs and services to thousands of Ontarians rely on less than 1% of the health care budget.

Each community health centre draws its clients from defined catchment areas and, in some circumstances, may also draw unique client populations from a broader area.

The community health centre model is a proven model. Our multi-disciplinary team of professionals—nurse practitioners, physicians, counsellors, health promoters, clinicians, and others—work together to meet the client's needs. The model is cost-effective. Salary controls are in place. Growth and service expansion is predicated on creative and innovative solutions. Advances in technology are bringing increased levels of accountability. The well-being of the province's most vulnerable populations is being enhanced.

At the Anne Johnston Health Station, reproductive health services, health promotion and counselling are provided for youth. Barrier-free clinical and community programs and services are offered to our clients with cerebral palsy, spina bifida, multiple sclerosis, quadriplegia and paraplegia, and other physical disabilities. Primary care services are available for seniors. We also bring well and frail homebound seniors to the health station to participate in social programs. The Anne Johnston Health Station is working for its communities.

Community health centres need to be recognized as mainstream providers of primary care in the province of Ontario. Community health centres have not seen a significant increase in operating dollars in the past decade. Community health centres are positioned to reduce the number of costly encounters with the hospital sector. Community health centres are an example of the smart use of resources. Community health centres have been in operation for more than 30 years, and more than 100 Ontario communities want a CHC. Community health centres are the solution to increasing health care demand within an environment of scarce resources.

The partnership that we have with SPRINT is a very important relationship, illustrated nicely with the following story.

**Ms Moore:** This is a story about John Smith—obviously not his real name. He is an 83-year-old immigrant who has been in Canada for many years. Most of his working life was on the railway. He is a large man and a former world-class boxer. His family life has been troubled. His adult children are currently all alienated both from each other and from him. He particularly misses contact with one grandchild, whom he has been cut off from for several years.

Physically he has lots of problems. He has heart and vascular disease and diabetes, and is blind due to complications from the diabetes. He is medically complex. His income is about \$20,000 a year. He is a gentle, gregarious and outgoing man.

At the time that he came to the attention of SPRINT in 1999, he had had major surgery in Barrie, where he had lived for a long time and was socially well connected. Post-surgery he could not live on his own and agreed to move to Toronto to live with his daughter. He soon felt isolated, unsure about his financial situation and very beholden to his daughter. Through the CCAC he was referred to SPRINT to help untangle his finances, help improve the family dynamics and provide opportunities for socializing.

The SPRINT social worker noted that John was not happy with the new physician that he'd obtained in Toronto. So social workers suggested a physician at the Anne Johnston Health Station, and that connected John to the services available from the Anne Johnston multidisciplinary seniors' home health team, which includes SPRINT social work.

To give you just a bit of a sense of John's dilemmas, here are a few of the crises that occurred:

After four years of living with difficult family dynamics, the daughter he was living with decided she wanted him out. There he was: without help, blind, and he had to find affordable housing suitable to his disabilities. Poor management of his diabetes resulted in medical crises. Finally, it was believed he was robbed, and the police were involved. Throughout these crises, the Anne Johnston multidisciplinary team closely monitored John.

The Anne Johnston medical team and the SPRINT social work team did joint home visits. They worked with John to develop the best plan of action, and we want to note that the plan of action was developed with John. This philosophical approach is vital, because it builds both client confidence and competence in dealing with life situations. It achieves a lifelong goal that we all in this room share: independence and choice.

John is a very sociable man and is prone to depression if he has no social outlets. So both SPRINT and the Anne Johnston have encouraged John to participate in what we call peer support groups. John is a happy participant. Indeed, he is a star player in these groups. He adds fun to the groups with his good humour and ready jokes. His positive, supportive attitude and considerable insight and wisdom lift and encourage the spirit of the other members of the groups.

So to wrap up the story, here are some of the positive outcomes for John:

SPRINT and the Anne Johnston staff and volunteers have been successful in not only solving, but averting, a number of potentially devastating social and medical crises. John's independence, self-esteem and ability to make decisions have improved. Access to service and continuity of care were significantly improved by the partnership of our two agencies. Social isolation has been prevented, and John's positive contributions are enriching the lives of others. John is highly satisfied with the care and the services he has received. These positive outcomes and low-cost interventions prevented costly revolving-door hospitalizations and/or institutionalization.

Over to Brenda again.

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

**Ms McNeill:** In the interest of time, I'll wrap up quickly. You have a hard copy in front of you. You can follow along on the notes.

In conclusion, we really ask for two commitments from the government of Ontario: resources and recognition. We urge you to increase your investment of resources in the community health centre and community support services sectors. We also urge you to recognize the value of the community health centre and community support services to ensure the well-being of the province of Ontario residents.

We congratulate the new government as it is poised to introduce new thinking and new models for health care based on a foundation of cost-effective, community-based primary care. Resources and recognition are worth the serious consideration of your committee as you undertake the very important task of establishing a provincial budget and, more importantly, planning the future of this province.

In the remaining time we'd be happy to take any questions.

**The Chair:** We only have time for a question from one party, just a little short of two minutes, and this will go to the official opposition.

**Mr John O'Toole (Durham):** Thank you for your presentation. I'm familiar with the CHCs. They are a very respected model in Ontario for providing collaborative health support. I imagine, just reading the clips this morning, that the minister said yesterday that there'd be an emphasis on public health to prevent illness, focusing on home care rather than hospital care, and increasing the role of pharmacists, therapists, nurses and nurse practitioners in dealing with patients. So you've made an impression. The only thing I'd ask you for is a copy of the letter that you referred to in your presentation from the Premier, promising more money.

**0920**

I don't really have any questions. I'm fairly familiar with the model. I've actually been on panels with Lyn McLeod and Shelley Martel, trying to defend why we didn't put more money into health.

**Ms McNeill:** In health centres?

**Mr O'Toole:** In fact, we did through access to care centres. They were really the new part.

I guess if I had a question in a structural sense—how could we all pull together, not just SPRINT and the Anne Johnston centre? I find there is still, at the community level, a fair amount of fragmentation, not to be critical. The community care access centres, and community care in each of the regional levels of government as well as respite, hospice, attendant care—there are about six or seven providers, as well as Extendicare, where you have a few days away from the home because you've had an operation or a fall. There needs to be better collaboration among the providers at the community level, outside of the hospital environment—that's a whole different deal, the acute care thing.

**Ms McNeill:** I'd just add that we are in total agreement with that. We recognize the gaps in service and the fragmentation across the system. In a quiet kind of way, the community health centres right across the province are working to close those gaps in service delivery. In particular in the city of Toronto, the 22 CHCs are now talking about shared boundaries and closing in what we call white space, which are areas of the city that are not covered by community health. So we're in total agreement with that.

**The Chair:** Thank you for your presentation this morning.

#### CANADIAN VEHICLE MANUFACTURERS' ASSOCIATION

**The Chair:** I call on the Canadian Vehicle Manufacturers' Association. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questions if you wish. I would ask you to identify yourself for the purposes of Hansard.

**Mr David Adams:** Good morning. My name is David Adams. I'm the vice-president of policy with the Canadian Vehicle Manufacturers' Association. I'd like to thank you for the opportunity to appear before the committee today to present our recommendations for your consideration as you conduct your pre-budget consultations.

The Canadian Vehicle Manufacturers' Association is the national association for Canada's leading manufacturers of light and heavy-duty trucks. As you are aware, the automotive industry is the economic engine of the province, providing approximately one out of every six jobs, directly or indirectly, and contributing about 20% of Ontario's manufacturing GDP.

In 2003, our member companies produced roughly 1.9 million, or 76%, of the over 2.5 million light duty vehicles that were built in Canada. We sold approximately 925,000, or 58%, of the 1.58 million light duty vehicles sold in Canada. Over the past decade, our members have invested over \$20 billion in new technology and facilities into Ontario.

At 1.9 million sales last year, they were down about 6.4% from 2002. Sales for 2004 are forecast to be in the 1.56-million to 1.57-million range, or down another 3% to 5% from this past year.

As some of you are aware, January sales in our industry were dreadful, down 11.5% on a same-period-last-year basis. That's the worst January we've seen since 1998, when on an annual basis only 1.38 million vehicles were sold, again, as opposed to the 1.7 million that were sold in 2002.

We also export about 85% of what we produce to the United States, so there is some concern about waning consumer confidence there that's been identified in some of the recent polls that have been taken.

We were, however, pleased to see that the auto sector was identified by the current government as a priority sector for action and policies to renew investment and retain investment in this province. Strategic policies such as the Auto Pact and free trade have played a crucial role both in developing this large and productive automotive industry and in terms of creating auto assembly and auto parts jobs in Canada. However, there have been significant changes to domestic and international policy throughout the 1990s that have undermined the effectiveness of these policies and their ability to draw investment into Ontario.

Our recommendations:

**Health care:** Health care in the province has been touted as a significant competitive advantage for companies, both to sustain current investment and to attract new investment into the province. Our CVMA companies have over 300 years of collective history contributing to Ontario. This long history has created many associated costs of doing business today, not the least of which are health care and pension costs. Currently our members have an employee-retiree ratio of roughly one to one. Over time, changes to government policy affecting health care have resulted in the delisting of many medical services. In most cases, the costs for these delisted services are being picked up by private insurance, which is provided by employers. The impact is far more significant for companies that have a long history and a large unionized workforce. As a result, health care costs have become one of the largest annual cost increases. I think everyone around the table is aware of how health care costs are increasing at an exceedingly high rate. Our members now face an average annual growth rate in health care costs between 7% and 10%.

The CVMA therefore recommends that the government establish a review committee to study health care costs and the impacts for the private sector of potential further cost shifting.

**Fiscal and investment policy:** Multiple factors drive investment decisions by corporations. Within NAFTA, the United States has the advantage of market size to encourage investment, while Mexico has labour cost advantages. One clear area for Canada to become a more attractive location for investment is creating a hemispheric competitive tax policy that improves after-tax return on investment.

By leveraging the corporate tax system to encourage capital investment, Ontario can maintain and create a large volume of highly skilled, high-wage and high-tax-

stream jobs. Such policies will cultivate a corporate tax base that will assist in providing revenues for other priority areas such as health care, education, infrastructure and the environment. We believe that the areas of focus for an automotive investment tax policy must include the following:

**Capital taxation:** We recommend that there be a commitment to phase out capital taxes. This could be a scheduled phase-out of all capital taxes beginning in the next fiscal year. This would match commitments already made federally and remove a barrier to investment as well as strengthen the competitive position of the automotive industry in the province and would also support the intention Minister Cordiano announced yesterday to bring a new automotive strategy to the province.

**Corporate taxation:** The CVMA, as well as the government of Ontario and other forums, specifically CAPC, the Canadian Automotive Partnership Council, has been encouraging the overall reduction of corporate tax rates to create a competitive tax advantage for manufacturing within NAFTA. We were disappointed that the reductions to corporate tax rates were cancelled at the end of last year. The CVMA strongly encourages the province to reconsider corporate tax rates, with a view to reducing them in future years.

**Investment tax credits:** The CVMA would also recommend that the provincial government implement an investment tax credit or provide a tax incentive in the form of incremental deductions or superdeductions to make it more attractive for auto manufacturers to invest in new machinery and equipment in their Ontario facilities.

**Personal income taxes:** Vehicle affordability remains a concern. While we did have record sales in 2002, those came at the expense of significantly high incentives on vehicles. Currently in the United States—and it would not be too dissimilar in Canada—the incentive on vehicles sold is about \$2,700. In Canada, the average vehicle transaction price remains at about 140% of personal disposable income, as opposed to 101% of personal disposable income in the United States. While we recognize that planned reductions were not implemented at the beginning of 2004, we recommend that the government revisit the possibility of personal income tax reductions in the future.

#### 0930

**Trade and infrastructure:** As a highly integrated industry across North America, the automotive industry relies on seamless transportation between Canada and the United States to ensure that our facilities operate efficiently. Our sector accounts for roughly 25% of the two-way trade between Canada and the United States. The vast majority of that travel takes place in south-western Ontario and in particular over three bridges, in Windsor, Sarnia and Fort Erie.

As a result of this high level of integration, we have been actively engaging the governments of both Canada and the United States to implement changes in customs regulations to streamline the processing of shipments across the border. We have worked with both govern-

ments to implement the 30-point action plan that Governor Ridge and former Deputy Prime Minister Manley developed, and our members have been the first to implement new programs such as FAST, the Free and Secure Trade program. However, programs aimed at expediting border crossings do very little if the physical infrastructure that carries goods and people to the border is outdated and inadequate to handle current volumes.

The CVMA recommends that the province, partnering with the federal government, increase funding for physical transportation infrastructure that will sustain current and future trading demands; partner with the federal government on the creation of a new border crossing into the US through the critical southern Ontario region; and create an uninterrupted access from Highway 401 through to the US interstate system.

**Alternative fuel vehicle rebate:** Traditional gasoline internal combustion engines have evolved significantly over the last number of decades and have made significant advances in both fuel economy improvement and emissions reductions. Internal combustion engines are expected to dominate the Canadian fleet for the foreseeable future. However, vehicle manufacturers have concurrently spent billions of dollars developing and bringing to market traditional alternative fuel vehicles—those would be propane and natural gas, for instance—and advanced technology vehicles, such as hybrid electric and fuel cell vehicles. The alternative fuel vehicles—propane and gas—have not been significantly adopted by the Canadian marketplace to date. This is primarily because consumers are familiar with internal combustion engines, which are very efficient and continue to serve them well.

**Fuel conservation tax:** This has been a long-standing issue on the CVMA's agenda. Our concern is that it really addresses the wrong segment of the vehicle population. The tax for fuel conservation applies only to new vehicles, which represent only about 8% of the vehicles on the road, and these new vehicles are also the cleanest and safest vehicles on the road. By comparison, the oldest 20% of vehicles on the road are responsible for more than 80% of vehicular pollution. It strikes us that perhaps this is taxing the wrong segment of the vehicle marketplace.

The government of Ontario should acknowledge that the tax for fuel conservation is not supporting environmental policies and should be eliminated as soon as the fiscal position of the province improves.

Mr Chairman, we're open for questions.

**The Chair:** We have just over two minutes per party. We'll begin with the NDP.

**Mr Michael Prue (Beaches-East York):** My apologies to all for being a little late this morning. I'm sorry I didn't hear the whole thing, but what really grabbed me is that you're the first group—and we've been doing this for 15 days—that wants us to lower personal income taxes. We have homeless in the streets, waiting lists of 14 years for public housing, schools in disrepair, a hospital system that doesn't work, and you want us to reduce

taxes. Can you tell me, in the face of everything else—other than selling cars—why that's a good idea?

**Mr Adams:** I think we recognize that the province is dealing with a number of challenges, all of which you've outlined. I guess some consideration needs to be given to looking at what the consumer can effectively do in the marketplace. Presumably if taxes are somewhat lower, consumers will spend more, generating more tax revenue. That's one line of thinking, in any event.

**Mr Prue:** That was the line from the previous Conservative government, which not one reputable economist in the world buys into. Do you buy into that?

**Mr Adams:** As I said, I think we recognize that the government has a number of competing priorities, and that might not be at the top of the priority list.

**The Chair:** To the government.

**Mr Tim Peterson (Mississauga South):** We had a presenter yesterday who said that the advent of the free trade agreement and the demise of the Auto Pact substantially reduced high-paying manufacturing jobs in Canada. Over the last five years there has been a major decrease. Do you have any comment on that?

**Mr Adams:** In terms of the free trade agreement actually reducing high-paying jobs?

**Mr Peterson:** Yes, in the manufacturing sector.

**Mr Adams:** I think there was some adjustment, if you look at the implementation of the free trade agreement. There was definitely some adjustment when the free trade agreement, followed by NAFTA, came into play in terms of parts firms, for instance, locating in different jurisdictions. The free trade agreement and NAFTA have created an environment where it is almost indifferent where you put your investment. There are certain factors, as I mentioned at the outset of our presentation: The US has market size; Mexico has cheaper labour. The challenge we face in Ontario and Canada is what factors we can bring to bear that will ensure we get some of this investment and reinvestment in our economy.

**Mr Peterson:** Do you think the four- to five-mile-long lineups of trucks at the borders right now is a non-tariff trade barrier with the United States?

**Mr Adams:** I don't think it is. If you look in any of the literature out there, it has been made abundantly clear by the US that their priority is security, as opposed to trade. I can see how one could draw that conclusion, though, because it does seem that no matter what we try to do on this side of the border, it's often difficult to ensure that we can get the traffic across the border. It is an issue, though, that is at the top of our priority list, and we need to work on it aggressively.

**Mr Peterson:** You say in your submission that the PDI, the personal disposable income, of Canadians is 140% of vehicle cost. Could you send us the details of that calculation. I've never seen that before. It's an interesting calculation.

**Mr Adams:** Sure.

**Mr Peterson:** If you could make that available to the committee, that would be great.

Are you as an industry aware of the new hydrogen technology that injects hydrogen into combustion engines

and reduces pollution? Is this of interest? Are you doing R&D on less-polluting engines?

**Mr Adams:** I know that is being undertaken right now. I believe it is Stuart Energy, if I'm not mistaken, that's working with at least Ford, that I'm aware of, and is looking at ways of using hydrogen in an internal combustion engine. That may be one potential application of moving away from gasoline dependence into hydrogen without moving into a fuel cell application or something like that.

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

**Mr O'Toole:** It's good to see you made it, Dave. It must have been a tough drive this morning. I have a great deal of respect for the auto industry. I have a couple of points on the hydrogen alternative fuels. I think Mr Peterson was referring to a new technology. GlobalTech is using hydrogen as a catalyst in the traditional combustion engine. It's quite different from hydrogen, which is basically an electric car.

I just want to briefly make a statement and then run it by you to see if you can respond without being tied too tightly to the politics of it all. Mr Prue basically started off by saying that every presentation we've had asked for more money. Basically the total requests now are about \$9 billion in additional spending. Many of them are very hard to argue with—almost impossible, because it tugs on the heart. It's an emotional, compassionate issue, as if those who don't spend the money aren't compassionate. There is a lot of pressure on them to make one fatal decision: increase taxes.

My point is this: Tax policy in a globally competitive economy is absolutely critical, however micro, whether it's the capital tax question, corporate tax, fuel tax or other non-value-added-type taxes—payroll etc. I simply believe there is a point where, by increasing taxes beyond that point, you actually reduce revenue. That's what I believe is the case. Whether it's health taxes, employer health tax or just tax on benefits or pension law and all these things that create the employer liability issue, they are extremely important in the current global context.

**0940**

Most of the technology could be done in Taiwan and just sent by satellite here. I don't think a lot of people really understand that that policy has to be absolutely micromanaged so you're competitive.

Jack Mintz from the Rotman school of business gave an extremely good presentation about the whole bundle of tax burdens on industry, and here's the point: Which came first, the standard of living or the economy?

*Laughter.*

**Mr O'Toole:** Mr Colle, if you're trivializing, it shows your pure misunderstanding of all of the policies we're talking about. We can disagree, but it isn't trivial. You may find yourself alone on this issue.

My point is this: Which came first, the standard of living or the economy?

**Mr David Penney:** I don't think there's any doubt that the economy comes first. Productivity from the econ-

omy is what's going to generate your revenue, what generates the jobs, and the jobs are held by people who pay taxes. So there's clearly a balance that has to be found, and I think, in part, what we're saying here is that Ontario is probably one of the most robust economies in North America, if not the globe, and you have to pay attention to the amount of tax you take from the system and balance that with the expenditure priorities that you have. I would say that what you would like to do is—obviously there would be an insatiable appetite for tax revenue. There are all kinds of things you could do, but I think you do have to pay attention to your competitors, in particular the US, which has much lower personal tax rates. Really, that's the point we're making: There's a ceiling, and you have to operate within that.

**The Chair:** Thank you for your presentation this morning.

Before you move away, there was a request for some information. If you would provide that information to the clerk, it will be shared with all members of the committee.

#### TORONTO PARENT NETWORK

**The Chair:** I call on the Toronto Parent Network. You have 20 minutes for your presentation. You may leave time within that 20 minutes for questioning if you so desire, and I would ask you to identify yourself for the purposes of Hansard.

**Ms Cathy Dandy:** My name is Cathy Dandy. I'm with the Toronto Parent Network. On my left is Cassie Bell, also on the steering committee. Further to my left is Janet de Ruiters. I have also brought my children: Daniel Malcomson, Rebecca Malcomson and Tabitha Malcomson. I'll speak about why they're here in a minute.

The Toronto Parent Network would like to begin by thanking the standing committee on finance and economic affairs for having us in to present today. Over the past five years, the Toronto Parent Network has played a vital role in informing and connecting parents in the city of Toronto, helping them to understand the changes that occur in education and their school board and providing opportunities for them to voice their concerns and their vision.

We want to start by telling you a story. The previous government's policies had a profound impact on education in Ontario that has been documented extensively, most of it critical. I refer you to the reports from People for Education, the education equality task force, the Ontario Institute for Studies in Education and our own reports, to name just a few. But we want to tell you a story of the Toronto board.

Inevitably, the takeover of the Toronto District School Board by the former Conservative government was a politically charged event. Different sides describe things differently. For the Conservative government and the newly appointed supervisors in Ottawa, Hamilton and Toronto, the takeover was justified by the perceived dysfunctional behaviour of trustees who couldn't balance

their budgets. But for the majority of the trustees here in Toronto, for example, their refusal—not their inability—to pass a provincial compliance budget was a politically principled protest and a responsible representation of the interests of their voting constituencies and the students in Toronto's public schools.

This was a long and difficult fight that the trustees, who refused to pass damaging budgets in the first place, won. There was no dysfunction on the part of trustees; merely the time-consuming, messy, difficult process of democracy in action. I'm sure everyone here can relate to that.

It is interesting that the Conservative government's own expert task force, headed by Dr Mordechai Rozanski, clearly vindicated the stance taken by the majority of the TDSB trustees when it showed that public education was being woefully underfunded across the province.

In a media release dated December 20, 2002, the then Ontario Liberal Leader, Dalton McGuinty, said, "Students in three cities have been harmed by the Eves-ordered takeover of school boards. Cuts have been made, and decisions on future cuts made, that are not in the interest of students." McGuinty called on the Eves government to fire the school board supervisors. He stated that the Rozanski report proved the Eves government, not the boards, was wrong and its deliberate underfunding was the crucial reason for problems balancing budgets. "Eves declared martial law against our schools when he took over the boards," McGuinty said. "Martial law has to end so we can restore services for kids."

The verdict of people in Ontario in the defeat of the Conservatives was that the irresponsible ones were not the trustees but the provincial government and its appointed supervisor, Paul Christie, in Toronto. The people of Ontario and the newly elected government agreed that the budgetary crisis and the subsequent takeover of the board was the fault of the previous government, and not the people who resisted bad planning and damaging cuts.

Moreover, here in Toronto, the original position of the trustees that about \$100 million in additional cuts would do unacceptable damage to an already underfunded system has been completely vindicated by the fact that Paul Christie, whose prime directive was to make those cuts, could not do it. It turns out the majority of the trustees were right, not only on general principles but also on the budget specifics.

We are not telling this story to rub salt in anybody's wounds. The point is a positive one: namely, that this conflict is now settled. But it is important we acknowledge that a verdict has been rendered in this dispute—delivered by the voters of Ontario and confirmed by the new government—and it favours the elected trustees who refused to balance the budget. Toronto was not burdened with a dysfunctional or irresponsible board of trustees. The true burden originated in bad provincial government and inadequate budgets.

People in Ontario felt hopeful that the problem was solved by the election of the new Liberal government.

But in Toronto, the problem hasn't been solved. Supervision is not over. The co-management team that replaced the supervisor remains. Supervision by another name is still supervision. What does that mean for our trustees and, by extension, for our students? It means that, despite the story just told, despite your leader's statement, the trustees are still being asked to cut money in order to be granted their full trustee powers.

Tomorrow night, they will vote whether to cut an additional \$6 million from the Toronto District School Board budget in order to get rid of supervision. We could argue that that's a small amount. We could say that staff did not report properly and that trustees have not taken charge. We could even say that some Liberals want the board to prove they can make tough choices. But what we as parents say is that in a board that has cut over \$300 million on an annualized basis, in a board that is owed \$250 million according to Rozanski, even cutting five cents will continue the erosion of resources that students so desperately need. I'll say it again: The takeover of our board was political and was in no way linked to bad budgeting.

If one penny of savings could be found within the Toronto District School Board, that money should go back to students. That our trustees are refused their power, are denied the opportunity to democratically represent us until they cut money, is wrong. This government owes the students of Toronto a minimum of \$250 million. In fact, the figure continues to climb because of inflation.

In an e-mail dated February 19, 2003, then Liberal education critic Gerard Kennedy stated, "Enough is enough." He went on to list the myriad of programs and services that had been cut. He went on, "It is unconscionable for the provincial government to insist on further cuts at the TDSB when Dr Mordechai Rozanski proved the board is short \$290 million." Kennedy said that the Eves government should immediately restore the education money it cut that year.

#### 0950

Almost all the student services selected for cuts by supervisors were areas that Dr Rozanski recommended for increases: computers, special education, local programs such as outdoor education, small schools. Mr Kennedy asked, "Will the government let these programs be cut, only to restore them next year? How can cuts proceed when it is clear the dollars are owed to these students?"

I say those are good questions, Mr. Kennedy. Yet our board is poised to debate more cuts tomorrow.

This problem is not a Toronto problem; it is an Ontario crisis. The Liberal government promised to reinvest in public education. They promised to increase education funding by the \$1.6 billion recommended by Rozanski. They promised to review the funding formula. We read the appointment of Mr Kennedy as education minister as extremely significant—surely Premier McGuinty was aware of the signal he was sending by putting the educa-

tion critic in the job. We do not have to wait for Mr Kennedy to understand the issue.

It has been an exciting time for us since the Liberals were elected and Mr Kennedy was appointed the minister. Parents, like most citizens, were full of hope that the promised change would be real. Toronto Parent Network met with Mr Kennedy in late November and we began our first real dialogue with the provincial government. We all considered it an enormous step forward. But now we hear that the Liberals may cut as deeply as the previous government. They tell us this will be a bad year.

I think the most depressing moment in the past 100 days came when we were told by a senior government representative that we would have to come and justify education spending to this committee; that we, who have spent thousands of volunteer hours writing, speaking, gathering data, pleading, helping parents with children who can't get help, watching children—our own as well as the thousands that are not ours—struggle to cope with the erosion of resources, the crushing, narrow standard of the curriculum, the crumbling, unsafe, unhealthy conditions of our schools, that we should have to tell you why we should spend money on children.

We are being told to temper our expectations. The media questions the groups that ask for promises to be kept. Yet why is Premier McGuinty's request to temper our demands a reasonable one? Why is it reasonable to ask Ontario's children to wait after being shortchanged for eight years or more? Why is it reasonable to ask children to continue to wait while they fall behind and fail? I have always said it is fine to create standards for children, but the adults who create the standards have to provide the resources for the children to achieve those standards.

We will acknowledge that you have posted a \$5.6-billion deficit but that your structural deficit is really just under \$3 billion. The debate about the deficit cannot happen without looking at revenue and expenditure. To date, the debate has been restricted by the government's insistence that it would not raise taxes.

Public services in Ontario are in desperate need of rebuilding. More cuts are simply not possible. The people of Ontario understand this. The people of Ontario know they may have to pay higher taxes, taxes that will support better public services. In the case of education, I ask you: Which comes first, well-trained young people or the economy?

Our demand for adequate funding for public education will require an increase in revenue. There are choices. To say that there are no choices and cuts must be made, assets should be sold and promises must be broken is just not true. To say that we must cut to balance the budget is to say that you are only half a government. You will cancel the previous government's promises, but you do not have the courage to undo their poor fiscal decisions—a point of view that is increasingly shared by many fiscal conservatives—decisions that you voted against when in opposition; that is, the Liberals.

But even if you argued that there is no money right now, items like public education should not be funded

based on whether the market is up or down and business is good or bad. Adequate funding for excellent public education must be provided in good times and in bad. It is the foundation of our children's success and our success as a society.

I want to talk about why my children are here. I brought them on a little field trip. I don't normally bring my children along, because I'm loath to be perceived as using them as props. They are far from that. They are what keeps me going; they are what provides the energy when I feel most low after eight years of doing this, and I have been doing this for eight years. I brought them on a field trip to show them that when I talk about "the government," it isn't some monolithic institution; there are people, men and women, who make decisions about their schools.

If you could just indulge me, are there any Conservative MPPs sitting here?

*Interjection.*

**Ms Dandy:** Excellent. That gentleman is with the Conservative party. New Democratic? Liberals? The Liberals are the ones who have the power right now.

**Mr Mike Colle (Eglinton-Lawrence):** We do?

**Ms Dandy:** Yes, you have a lot of power.

I'm going to explain to you what the government is saying. They're saying they don't have any money. It's like when I say we don't have any money because I don't have a job and I'm looking for a job. And I decided not to have a job a long time ago because I wanted to raise you. But now, I need to find money. Otherwise, we have to cut hockey, drama, skiing, snowboarding, piano. But because I made a decision a long time ago not to get a job, I can't change my mind, so we're going to have to cut all those things. You guys can't have those things any more.

But that's not true, is it? I do have a choice. I can go out and find money and keep paying for you. That is the responsible thing to do and that is what we are asking the Liberals to do: Go out and find money to pay for the things our children most desperately need.

In this case, what they need are the absolute basics in their schools. My children are watching a government that has continued for eight years to refuse, and indeed continue to erode their system. Daniel was this size when it started eroding. Is he going to have a beard when we get to the point where he finally gets to see the system rebuilt? I don't think so.

It isn't just my children. My children represent the children who have been denied ESL instruction. You can go through the list there: We've lost 60% of our ESL teachers in the board; 20% of the schools that have ESL students have no ESL teacher; 11% of schools have no music teacher; 13% of schools have no teacher-librarian, despite conclusive evidence that says teacher-librarians are the most direct link between children and literacy; 36% of children have no phys ed teacher—and in the paper today, again an article on the obesity crisis.

Class sizes of 30 or more are climbing. Youth counsellors who deal with suicidal youth—in Daniel's school, the principal said he regularly deals with kids who slash

themselves. They have no help any more. Guidance: 80% lost. Filthy, crumbling schools—I draw your attention to the health and safety report. Asbestos, vermin, fire hazards, tripping hazards. I could go on and on and on, and I shouldn't have to.

My children represent all the children who are touched by these things. You have to look at them and decide whether it is up to them to live in this kind of system or whether indeed they should be valued.

Should we temper our requests? Parents will not, because it would betray the promise of our children. It would be wrong not to demand that the government fulfill its promise to the students in Ontario; it would be irresponsible not to insist on an investment in children that would pay enormous dividends for Ontario, economically and socially; and it would be tragic to allow the potential of these youngsters to remain untapped and their dreams unrealized.

Premier McGuinty is quoted as wanting to be the education premier. I went on the Liberal Web site to look at your platform that's still there, the education platform, and it talks about character education. Character education and good character is about honesty, keeping your promises, helping those less fortunate, valuing democracy, being fair and having courage.

That means Premier McGuinty and the Liberals will have to be honest with children and tell them that real change costs money. Premier McGuinty and the Liberals will have to keep their promise to children and not ask them to wait for the help they need now. Premier McGuinty will have to value democracy and end supervision immediately, with no more cuts to our school system. Premier McGuinty and the Liberals will have to be fair and assume the full cost of education in Ontario: over \$1 billion of Rozanski, the government's underfunding of salaries and utilities. That means the government's not paying its bills. Premier McGuinty and the Liberals will have to have the courage to stand up for children by finding the necessary money immediately—all of it. Premier McGuinty, by modelling character education for our children, would become the education Premier.

We're going to just quickly read through some comments that parents have provided to us about the state of their schools.

I would also like to direct you to our tracking report, which is what we undertake to do on an annual basis. It will give you a very good idea of exactly what has been lost in the Toronto system during the last year. This is a year-to-year survey that's done.

**1000**

The other thing that we've undertaken to do, all on our own, is a health and safety report. The pictures are graphic. We actually chose to have them printed in colour, and some of them are fairly shocking, because this is what—not in every school—our children live in day by day. Just to let you know, there is a \$400-million-plus outstanding capital maintenance bill owing at the Toronto District School Board.

**Ms Dandy:** We will be producing another one of these this year.

**Ms Cassie Bell:** The other information sheet we included for you is actually a TDSB budget sheet from a January 28 board meeting. I'd like to point out to you that it shows \$256 million in cuts have been actualized so far, and I find it fascinating that Rozanski is showing that we are owed anywhere from to \$250 million to \$290 million. The answer is pretty clear.

These are real comments from real parents. I thought you might be interested in some of these. They've been gathered previous to the election, but within the last year:

"The overall cleanliness of the building has gone way down. The lack of additional adults (ed assistants and caretakers) in the building means that schools are not the safe and secure places we have come to know and love in Toronto."

"Last year, my child was in a hallway in his school and an intruder made his way into the school after approaching the school twice in previous weeks and being chased away by parents. He made his way in without any problem at all. He approached my child in a hallway on his own and he asked him if he'd like some candy. My son had the presence of mind, at six years of age, to run away and run back to his teacher. This was during the time they were looking for Holly Jones's murderer. Had that man grabbed my child, he could have exited the school unseen. May I suggest that video cameras are not the answer, but if we had had our seven caretakers, our secretary, who knows each and every one of our children, and ed assistants who could actually take care of the attendance file, then my child would not have been alone in a hallway. I take this very personally."

**The Chair:** I'd like to remind you that you have about a minute left for your presentation.

**Ms Dandy:** I think I will read two more:

"Why are the children who are most at risk put in the greatest jeopardy? Parents can't stand by and let programs and people vaporize while the kids lose weeks and months that can't ever be made up. We are letting our most needy students down and setting a horrid example for the remaining student body to behold."

Finally, "We have tried to do our best to support our students, staff and community as a parent council." Parent councils do take these things very seriously. "At times, we have felt overwhelmed by the negative and somewhat disheartening attitude of today's government," referring to the Conservatives. "We want our children to have the best possible education that our tax dollars can buy. We fully believe that today's youth are tomorrow's future. We hope that any form of inspiration, enrichment and encouragement provided to our students will always be maintained, supported and demanded by all parents, teachers and governments in the future." That would be the Liberals.

**The Chair:** Thank you very much for your presentation this morning.

#### CHIEFS OF ONTARIO

**The Chair:** I call on the Chiefs of Ontario. 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 yourselves for the purposes of Hansard.

**Chief Donald Maracle:** I am Chief Don Maracle of the Mohawks of the Bay of Quinte.

**Ms Tracy Antone:** Tracy Antone, health coordinator for Ontario.

**Chief Maracle:** Good morning. Bonjour. Aloha. Ahneen. Sekon sewahkwekon. On behalf of the Chiefs of Ontario, I'm Chief R. Donald Maracle, representing the Ontario Political Confederacy and the chair of the chiefs committee on health for the Chiefs of Ontario. I would like to begin by thanking all of you for the opportunity to speak to you on behalf of the First Nations and to participate in the deficit hearings.

In Ontario we have 134 First Nations communities, geographically situated from the far north to the most southern point in Ontario. Each First Nation is geographically, economically and socially faced with some very unique situations and challenges. The commonality that each First Nation government faces is the health of our people. Ensuring that our children, elders and families can access a high-quality, publicly funded health care system that is appropriate for our needs and accessible to all is a major concern.

Our primary message: The deficit issue cannot and must not be used as an excuse or justification for allowing a private, second-tier health system to develop. First Nations can concur with the government that there must be a balance between deficit reduction and the provision of strong public services. Of particular concern to us is the health care system.

Our communities still experience some of the highest rates of poverty and poor health in Ontario. We already face barriers in accessing services. A fee-for-service-based health care system would further erode access and, more seriously, could result in significant loss of life for our people. When health care becomes a commodity to be purchased rather than a right for all, then those with the least means and in the poorest health are pushed to the end of every waiting list. Today's message from the First Nations is important because it directly impacts on the government's agenda.

Our reality: First Nations people in Ontario live with the paradox of having higher levels of chronic disease while having less access to physicians and general practitioners. MacMillan and others reported on comparative figures between the National Population Health Survey and the Ontario First Nations regional health survey in the Canadian Journal of Public Health in May-June 2003: "Figures for chronic health problems are substantially higher than those from the Ontario portion of the NPHS," yet "only 65% ... had contact with a general practitioner or family physician while the rate was 81% for Ontario respondents to the NPHS."

What we need you to know is that we want to focus our efforts on health, healing and wellness, not just responding to illness. In Gathering Strength, the third volume of the Royal Commission on Aboriginal Peoples,

good health/wellness was described as “the outcome of living actively, productively and safely, with reasonable control over the forces affecting everyday life, with the means to nourish body and soul, in harmony with one’s neighbour and one’s self, and with hope for the future of one’s children and one’s land. In short, good health is the outcome of living well.”

The overall good health of most people in Canada is reflective of the wealth of the country. Most of that wealth has been generated from resources extracted from above, on and under the lands of First Nations peoples, which we used for many centuries before contact. It is well documented that Aboriginal peoples greeted newcomers from Europe with kindness, sharing knowledge about living in a climate harsher than most had been accustomed to and treating them with traditional remedies when they were sick. Our treaties were intended to formalize the sharing we were already offering and practising. Yet several centuries later our communities are struggling with high rates of poverty and illness, and many still lack basic infrastructure that others in Ontario take for granted for the protection of individuals and communities: safe water, proper solid waste and sewage treatment and safe housing. Our treaties remain unfulfilled and largely dismissed and ignored by governments.

Most people in Ontario would be shocked to know that in the 21st century, less than 60% of the housing stock on reserves is considered adequate. In fact, many houses remain overcrowded and even unsafe.

Overall, we are very troubled that the decisions taken by governments fail to consider a holistic view. This is a disservice to everyone in Ontario, not just First Nations people. An example is the constant focus on hospital and medical service components of health care, with very little discussion about the population health approach, which considers determinants such as income, educational attainment, safe and secure housing, access to health services and the like.

#### 1010

If we invest appropriately in society, there are dividends down the road which produce ongoing returns in a stronger, healthier and more productive community. However, under the guise of deficit management, over the past 10 years huge cuts to needed investments in social, health and education programs were made. How much of the current demand on health services results from the decisions made to cut services, taxes and also the incomes of the poorest in our communities?

We need greater capacity to achieve our vision of a strong, healthy, viable community. We also seek recognition that appropriate resourcing, both human and financial, is necessary to reflect the higher level of need.

Unilateral decision-making—examples include the current federal “consent” form and the 1998 provincial reversal of a commitment to provide much-needed funding for long-term-care services on reserve—has tested our capacity, and we are forced into a reaction mode when we really want to proactively build our health and community infrastructures. We need to be deciding

together. We want to build capacity, yet are overloaded with administrative and reporting requirements. These burdens placed on First Nations must be streamlined.

Capacity must include the ability to adequately plan based on sound knowledge and evidence and the right resources in the right place at the right time, doing the right work. Further, capacity must mean meeting current and emerging needs.

We want a voice at all tables where decisions affecting our communities are made. The Royal Commission on Aboriginal Peoples and the Romanow report affirm that the time for federal and provincial government levels arbitrarily making decisions around Aboriginal health is over.

Romanow’s two recommendations on Aboriginal health actually reflect some of RCAP’s resolutions, yet the 2003 First Ministers’ Accord on Health Care Renewal notably varies from the Romanow recommendations by emphasizing the roles of government rather than Aboriginal peoples and by speaking of consultation rather than shared decision-making. We are very concerned about decisions being taken to address the deficit which may further erode opportunity for and entitlement to health services.

Recommendations to the Minister of Finance and Premier McGuinty:

(1) Work with us to implement the measures that will improve our living conditions, opportunities, health and lives so that First Nations people can be strong contributors to the fabric of Ontario society.

(2) Require that the health care system is high-quality, inclusive, universally accessible and accountable for all public funding.

(3) Require that all designated federal funds, especially the Canada health and social transfer, be spent on improving quality, accessibility and affordability of the intended service. Further, it is time for us to have fair access to those resources to develop the health care systems and services that will bring improved health outcomes to the people in our communities. This will require First Nations leaders to know how many dollars are being transferred to First Nations within the social transfer payment.

(4) Commit sufficient funds to renew and enhance the Aboriginal healing and wellness strategy.

(5) Reduce unnecessary bureaucracy and administrative burdens wherever possible.

We want to thank the committee for the opportunity to appear and to review the recommendations from a First Nations perspective.

**The Chair:** We have about three minutes per party for questioning, and we’ll begin this rotation with the government.

**Mr Peterson:** Could you send us a map of the 134 locations of your various groups, just for my information?

I think you must be a little bit enthused with Mr Bartleman, as our Lieutenant Governor, and Mr Martin, as our Prime Minister, who have both announced their

assistance to the Aboriginal peoples. Mr Martin has said that it will be one of the key components of his mandate, and Mr Bartleman has set a fabulous example for all of us, and in his recent book, *Out of Muskoka*, which I'm currently reading, has given me a very graphic description of both the poverty and the mental health problems created through systemic discrimination against the Aboriginal peoples. I must say it's extremely revealing and helpful for me in understanding this.

In terms of going forward, can you be more specific for us also in telling us which of these administrative burdens you can help us get rid of, or we can help you get rid of? The day of us managing you is just the wrong concept. I think it should be self-management and that should be corrected as quickly as possible. But could you give me your views on that?

**Chief Maracle:** Tracy will respond to that question.

**Ms Tracy Antone:** I think the administrative burdens by both the federal and provincial governments remain with the communities when they have little bits of money that they have to report on extensively, when we know that the transfers from the federal to the provincial government don't carry the same requirements. We have work plans or quarterly reports. Every time bits of money are released, the First Nations governments, which have very little administrative help, have to fill out these reports, and we face many times where resources that are designated for First Nations come at a very late time in the year and you are expected to spend a lot of money in a short period of time. We don't believe that's the best use of resources. We have the ability to spend our money, but it needs to be flexible and responsive to our community needs.

**Mr Peterson:** If you could send us specifics on that, ways we can streamline that for you, I think it would be very helpful. Thank you for your presentation.

**The Chair:** Mr Wilkinson, you have a little less than a minute.

**Mr John Wilkinson (Perth-Middlesex):** Thank you, Chief. As someone who grew up in Trenton, I'm always glad to see people from the Bay of Quinte.

I was unaware of the 1998 provincial reversal of a commitment to provide much-needed funding for long-term care. Could you just expand on that?

**Chief Maracle:** In 1996, Jim Wilson was the Minister of Health. There was \$290 million reinvested to address long-term care in the province of Ontario. There was an Aboriginal strategy to provide \$21 million at that time; \$11.5 was targeted for First Nations communities on First Nations reserves. However, the government put out a call for proposals and funded about \$5 million of those projects. Other communities, such as the Mohawks of the Bay of Quinte, had a proposal in at that time, and the government then decided, "Well, we're not going to do any more until Canada brings some money to the table." As a result, the balance of the money, the \$6.5 million, was simply never spent. There has been very little, despite three meetings with the ministers—there was a meeting with Elizabeth Witmer and Dan Newman with

the grand chief from the Ontario Chiefs Committee on Health, Stan Beardy, and there was never a proper response.

So in terms of the long-term planning and what Ontario's constitutional responsibilities are, there have never been First Nations people involved in that process. There have been arbitrary decisions from government. Our people have a lot of pressing needs, and I believe that, constitutionally, Ontario must plan to provide services that are in the constitutional framework of this country and must be inclusive of Aboriginal people. So far, since 1867, governments have successively not provided many services. There have been many gaps in services because Ontario and Canada can't yet figure out who is responsible to do what.

**The Chair:** We move to the official opposition.

**Mr Toby Barrett (Haldimand-Norfolk-Brant):** Thank you, Chief, for the presentation on behalf of the Chiefs of Ontario.

You mention the high levels of chronic disease and less access to physicians and general practitioners. I know what you're talking about. I represent New Credit and Six Nations.

What you indicate is perhaps a problem with priorities. You refer to the constant focus on hospital and medical services. The previous government did increase health funding—this is provincial dollars—from \$17.4 billion to \$28 billion.

I have several questions. That trend, I'm assuming, will probably continue, the focus on physician services and hospitals. Funding of that has been an issue in a number of the hearings before this committee. Do you feel that this province has a revenue problem? Do you feel that taxes should be increased for those people who pay taxes?

**Chief Maracle:** That really is a matter for the government to decide. You have much more information about the internal workings of government than I do. But I believe the health care system is important to people in every province in this country. It is something we cannot take for granted. Governments must make proper investments to ensure the health of communities.

1020

**Mr Barrett:** As far as the funding—and it's always been my understanding that Aboriginal health care is a federal issue—

**Chief Maracle:** A responsibility.

**Mr Barrett:** We had an example. We travelled to Sioux Lookout. There's a new hospital being built in Sioux Lookout to replace two older hospitals. I'm not sure to what extent the federal government is stepping up to the plate. Do you have any comments on the federal role in health care? The general assumption is they look after health care on native reserves.

**Chief Maracle:** The federal government in Canada provides something called non-insured health benefits services, which really is access to medications and specialists on a referral basis. However, the OHIP system pays for much of the cost for hospital care, and the

province has made it very clear to us that long-term care is strictly a provincial responsibility.

**Mr Barrett:** One of your last points, on page 7, is the call to “Reduce unnecessary bureaucracy and administrative burdens” as they relate not only to health care but other government services. Maybe can you give us some advice about where a lot of this waste—whether it’s federal or provincial—could be eliminated?

**Chief Maracle:** First of all, in First Nations communities there is really not a lot of waste, because there’s not a lot of money transferred.

To give you an example, the Aboriginal healing and wellness strategy was funded 10 years ago. It’s in its third stage of being renewed. There was never any money to—there were constantly budgets that did not provide increases to pay staff any additional wages. Most of the people who work in those programs, in comparison to the provincial and public sectors, are seriously underpaid. It’s difficult to retain staff. As a result, to keep staff the council had to find some way to at least give them a token 2% increase during the last 10 years. The council had to provide endless reports to the government of Ontario on how that deficit was going to be recovered.

Finally, the community decided to have bake sales and sell tickets on quilts and all this kind of stuff. This is the kind of reporting that the First Nations community had to do to the province of Ontario.

**The Chair:** We’ll move to the NDP.

**Mr Prue:** You are saying such great truths here. In terms of housing, I have travelled some parts of northern Ontario into some of the reserves and native communities and seen people living in tents in the wintertime. I have seen housing that is literally falling apart and communities that have almost no resources. You can go to communities like Peawanuck, Attawapiskat or Fort Severn and there’s no road except in the winter. What you’re saying about health is absolutely true, but what should this government be doing for those far northern communities in terms of housing and access and schools and roads? That’s what I would like to hear today.

**Chief Maracle:** My understanding of the far north is that there are very few jobs for people. While the province licenses all types of industry to do logging and mining, the result is that there are very few jobs that are created for First Nations people.

I really think the government of Ontario needs to look at that and ensure that there is a job creation component for the Aboriginal community. It’s our traditional lands that are being used to harvest those resources to generate economic activity in the province and wealth for individuals in the province, and it must be inclusive of the need for employment for Aboriginal people.

In terms of housing, there’s a direct impact on health. I’m told by Grand Chief Stan Beardy that in many communities people have to sleep in shifts in the beds. There’s severe overcrowding, and a lot of social, sexual and physical abuse occurs because of the severe degree of overcrowding that exists in those homes.

Most First Nations communities lack safe drinking water. Many of them have mould conditions, which also create health problems and it spills over into treatment later on in the hospitals, which creates an expense for the province of Ontario.

There should be measures taken to avoid illness through safe housing, and I think, in the end, that investment will save money in the health care system.

**Mr Prue:** If you go to the other side of Hudson’s Bay, on the Quebec side, you don’t see many of those same things. I don’t say it’s perfect, but I think the housing’s better, there are roads, there are schools. The children don’t have to travel out to distant cities to go to high school. Would you like to see Ontario follow the Quebec lead?

**Chief Maracle:** I don’t know enough about the Quebec system, but I think we need to improve the conditions that are there. I heard the previous speaker, before I came to the table, talk about how there were a number of children who didn’t have a music teacher in their schools. We have never had a music teacher in any of our schools. We’ve never had a phys ed teacher. We’ve never had an economics teacher or a shop teacher. As a matter of fact, we are lucky to have enough classroom space to educate our children, to deal with overcrowding in our schools.

So there is a paradox here. The government of Ontario has a responsibility to address it. There are section 91 powers and section 92 powers, and they mean something. Things that are listed under section 92 must be inclusive of Aboriginal people. Ontario has a responsibility, and it’s time to get on with the work that needs to be done.

**The Chair:** Thank you for your presentation this morning.

#### CANADIAN FEDERATION OF INDEPENDENT BUSINESS

**The Chair:** I call on the Canadian Federation of Independent Business. You have 20 minutes for your presentation. You may allow time for questions, if you desire, within that 20 minutes. I would ask you to identify yourselves for the purposes of Hansard.

**Ms Judith Andrew:** Good morning. I’m Judith Andrew, vice president, Ontario, with the Canadian Federation of Independent Business. I’m joined by my colleague Satinder Chera, who is CFIB’s Ontario director.

**Mr Satinder Chera:** At this time we’d like to take the committee members through the kits that are currently being handed out, just to acquaint you with the materials that are in there, after which my colleague will take you through our recommendations.

On the right-hand side of the kits you will find a copy of our pre-budget submission. The submission is divided into six different sections, beginning with an executive summary; there’s an introduction; a background to the small business community in the province; an outlook that small businesses have for 2004, their priorities; and then appendices which go into detail on specific small

business concerns and issues; concluding with the summary of our recommendations. For the members' convenience, we have also included a loose-leaf of the recommendations, which is immediately behind the actual submission.

On the left-hand side of the kits we have at the beginning a checklist of the pre-election commitments that we received from each of the three party leaders prior to the last election. Behind that are the results of the quarterly business barometer for Ontario, which is CFIB's survey that we do with our membership to gauge the expectations that they have for their firms for the coming 12-month period. I should point out there is growing confidence within the small and medium-sized business sector. This is a barometer that is carried worldwide by Bloomberg Financial at over 300,000 kiosks globally.

Behind that we have our latest study, which looked at a comparison of public sector and private sector wages, that shows and continues to show the wage premiums that public sector employees earn vis-à-vis their private sector counterparts.

As well we have included CFIB's recent updated study on the municipal taxation practices in 66 communities around the province, which continues to show the imbalance within the property tax system at the local level, where small and medium-sized firms continue to shoulder an unfair and disproportionate share of that property tax burden vis-à-vis the residential class. As well, last year was obviously a very difficult year on many, many fronts. What we started to do was to gauge our members' experiences with different shocks to the system, if you will, beginning with SARS, the post-SARS recovery—I should mention that this survey was conducted immediately following the first outbreak of SARS—then we've concluded with the results on the impact of the August 14 power failure. With that, I'll hand it back to Judith to take you through our presentation.

#### 1030

**Ms Andrew:** One of our members recently wrote to us on the status of his business. He said, "I do feel very much that the government is charging too much income tax, property tax and PST as well as GST. Last month, for example, our company has paid \$12,000-plus for all the taxes, including WSIB. We are a small business and our company cannot afford all of this. The government is taking the initiative out of owning a business. They get the lion's share of the cash flow.... It is time we say something before they escalate more taxes that we cannot afford. When does it all stop?" This is an owner of a small manufacturing firm with six employees here in Ontario.

Another of our members echoed the same refrain. He said, "Taxes as a whole are way too high when you take all the various forms into consideration, ie, income tax, corporate tax, employment insurance, Canada pension plan, WSIB, employer health tax, property taxes, gas taxes, PST, GST etc etc." That's from a plumbing and heating equipment wholesaler with 20 employees.

On behalf of these two businesses and CFIB's over 42,000 Ontario small and medium-sized members, we appreciate the opportunity to make our 2004 pre-budget submission to the standing committee of the Legislative Assembly of Ontario.

Small and medium-sized firms employ more than half of working Ontarians, create most of the net new jobs in the economy and are a reliable barometer for the province's economy. On the right-hand margin of the executive summary, you'll see some charts illustrating those points. Given the critical role they play, the views and concerns of independent business owners must surely be given careful consideration in the preparation of the upcoming budget.

According to the finance minister's recent quarterly update, government spending on programs and capital will have increased by almost \$10 billion in the two-year period ending March 31. In the same period, revenue increased by much less, just over \$3 billion. Despite this huge two-year increase in spending, this committee is currently receiving pre-budget recommendations for additional spending totalling in the billions, if not tens of billions.

When spending increases of the magnitude we've seen in Ontario are failing to satisfy the demands of the funded sectors, it is clearly time for a fundamental downward adjustment in expectations about what government delivers. We trust that the galloping expectations of how much government should spend—clearly evident in these consultations—will cause the government to face up to this politically difficult task. I should note that as recently as 1994-95, the province managed to scrimp by on something in the order of \$56 billion rather than the much larger figure we're talking about today.

Turning to the opposite side of the ledger, small and medium-sized firms continue to be relatively optimistic about 2004. You have the Ontario business barometer in your kit. It's also briefly summarized on pages 5 to 7 of the brief. With a decent business environment, our members can continue to boost the economy, as they have done historically.

Satinder pointed out that 2003 was a challenging year, and I think that's an understatement. Our members faced SARS; the electricity blackout, which cost about \$2 billion for the economy; the gyrating Canadian dollar, the appreciation of it; insurance hikes; and BSE. Those last two are still with us and will continue to be for some time to come.

It's clear that small business is in no position to absorb further external shocks. Already, we know that electricity rates will be increasing, come April 1, and probably more challenges remain in that area. Of course, the minimum wage has changed as well and is scheduled to increase further as the years go on.

CFIB urges the Ontario government to stick with the strong capacity of the small and medium-sized business sector with targeted measures to further build on their resilience.

Just to summarize our recommendations, it's very important for the Ontario government to build confidence

in the small business sector. Part of doing this is to hold the line on taxes, as was committed to by Premier McGuinty on a pre-election basis to our members. A key element in this is to maintain the important differential tax treatment of small firms in the area of corporate income tax—we appreciate the relief that came in Bill 2 in December—and as well, the employer health tax.

Specifically with regard to the employer health tax, it's critical to maintain the \$400,000 employer health tax exemption for small business. We're already receiving many communications from our members about how vital that particular item is in helping them to continue to employ people, to grow their businesses, to add jobs and contribute to their local economy.

On the spending side, our members would argue that the government needs to focus the spending priorities on areas that support growth and competitiveness in the economy.

In terms of the deficit and debt, it is important to maintain the current provisions of the Taxpayer Protection Act and balance the budget by looking for cost savings within the government. We will be doing more analysis on the government's three scenarios that they've put forth for the current consultations. Suffice it to say that our members are very concerned about deficits and debts and have actually recently given us direction that it is important to establish a fresh long-term plan for addressing the debt. There is no support at all for increasing that debt.

CFIB is also arguing for low-cost initiatives in the Ontario budget which fulfill the government's pre-election commitments and include such things as a review of business access to property and casualty insurance. There has been a lot of attention on the auto side, but business insurance in some cases is unavailable or only available at astronomical rates. That needs to be reviewed. It's a matter of split jurisdiction, but it's important that Premier McGuinty's commitment to do that is fulfilled.

Our members also appreciate the commitment to conduct a value-for-money audit of the Workplace Safety and Insurance Board by the Provincial Auditor. We look forward to that taking place, as that produces an important payroll tax and, as well, that system needs to serve injured workers and employers in the province.

Our members support a red tape and regulation compliance tool. That was also a commitment. As well, we would encourage the government, in the area of retail sales tax administration, to adopt a fresh audit approach, which we're calling a compliance audit approach. Compliance would help turn on the taps for proper reporting while at the same time not penalizing inadvertent mistakes.

Finally, our members support a new incentive for small business financing. In that area of financing, we believe the government should review the current incentives and redirect appropriate support to the one that we're proposing on capital gains.

I should say a word or two about property tax load. That is a very key, important issue. Our members want

the Bill 140 hard cap to be supported and in fact extended. That is only beginning to rebalance the huge unfair tax load on small business. Another strategy for doing that would be to adopt a small business threshold on property tax.

If anyone is looking for evidence that businesses are shouldering an unfair burden of taxes, please have a look at figure 12 on page 9. It will be important to address that aspect of property tax in the context of a new deal for cities.

I will conclude my remarks here and would be happy to attempt to answer your questions. Thank you.

**The Chair:** We have about two minutes per party. We begin this rotation with the official opposition.

**1040**

**Mr O'Toole:** Thank you very much, Judith and Satinder, for the background. It's extremely important. In your executive summary, you say that Premier McGuinty said, "Innovation ... and small business drives our economy." We all know that. This backgrounder is extremely important. In fact, I will probably be using it all year in the House, referring to it and giving you full credit. Thank you for the research.

It's amazing; I recall the ad, during the election, the one that said, "I won't raise your taxes, but I won't lower them either." It's the first thing in here. He said he won't raise the taxes. Every request we've had is to raise taxes.

I have a question that I'll ask the researcher at the end of this presentation, but I thought the clippings this morning were quite good too, and yesterday they were very good. This one is in the clippings today. It says, "What Dalton's really asking is how you'd prefer to give him more." It's quite an interesting subheading. It talks about 80% of the spending being certainly education and health care, and no one would say that's not important.

It says:

"The Liberals are finding out—finally—they must get health spending under control. After eight years of screaming about Tory cuts, the cold, hard facts ... increased 8% over the last four years to a whopping \$29 billion" for health care and the same for education.

"You think the Tories cut back on education? Are you kidding? Spending by school boards on post-secondary education increased by 5% to \$14.3 billion."

In fact, you said it too. If you look in their book these are the facts: from 1994 to 2004, revenue went from \$46 billion to \$69 billion. That's a \$23-billion increase in revenue. If you look at program expenditures, just program spending alone went from \$44 billion to \$62 billion, an \$18-billion increase.

My point here is that they're in shock and awe.

*Interjections.*

**Mr O'Toole:** Can I get this time back? They keep interfering, Chair.

I put a question to you. Do you believe they should follow through on their election promises, just one of them: "I won't raise taxes"?

**Ms Andrew:** CFIB members believe that governments should fulfil their election promises. That's clear. That's why they earn your vote.

**Mr O'Toole:** All 230 of them.

**The Chair:** We'll move to the NDP.

**Mr Prue:** I've only got two minutes, so let's see how many I can get in here. On the \$400,000 exemption, yesterday we had a group from the Retail Council of Canada—I think that's who they were—telling us that it is fraught with difficulties, that it is being abused and that it needs to be reformed. Do you also agree that this needs to be reformed, that it may be a good thing for your members in terms of them getting money, but it is being abused?

**Ms Andrew:** That's not our information. We find that the structure of this eliminates any notch problems. The first \$400,000 exemption on the employer health tax applies equally to General Motors and to Joe's Auto Body. You just deduct the \$400,000 from your payroll and calculate your payroll tax. It is very important that fledgling businesses just trying to get off the ground hire that new employee. The \$400,000 in payroll isn't a big amount, but it makes a big difference to entrepreneurship in the province. If anyone wants to stifle entrepreneurship, the best way to do it is to load on the property taxes and the payroll taxes, and then you won't get anyone starting businesses or creating jobs.

**Mr Prue:** So you see no abuse at all?

**Ms Andrew:** We know that the tax revenue division in Oshawa is busy auditing. I guess there are probably some issues about related companies, but that's something they sort out in their audits and deal with.

**The Chair:** Thank you.

**Mr Prue:** My goodness, that was a fast two minutes.

**The Chair:** We'll move to the government.

**Mr Mario G. Racco (Thornhill):** You said we should spend money on economic growth. My question to you is, do you believe public education, public health and public transportation will stimulate the economy by having more money invested in those public needs?

**Ms Andrew:** Businesses, which are the job creators—they represent more than half of the employment in the province and nearly that much of the economy—tell us the number one issue for them is total tax burden. If those taxes come in the form of profit-insensitive taxes, then they can't grow their businesses, they can't finance their businesses from retained earnings. These are the people who are investing and growing, and if that's what they say, then they're not telling us that there needs to be huge investments in other things.

We don't disagree that in areas of public infrastructure—municipalities have had a full-court press on this—there probably is a point. If you read the appendices of our brief, you will see that our members support allocating a share of the gasoline tax to support necessary public infrastructure projects. Our members are sensitive to the financial concerns of municipalities, but at the same time they are already shouldering a huge load of property taxes, and that needs to be addressed as well.

**Mr Racco:** But if people are not well educated, how can the economy grow? We have people who are going to make more money, which means they pay more taxes.

They work for small businesses. In fact, quite often they are the small businesses.

**Ms Andrew:** I think one of the challenges is to look at how the spending is done. In the case municipalities have made, everyone seems to overlook the notion that they need to justify more money. If you look at city of Toronto policies, they have union-only contracting arrangements where our members can't have a chance at that business. There's an excess of pay offered in terms of wages and benefits to public sector employees generally. Some of the public authorities need to look in their own backyards for savings rather than just arguing that they need more tax money.

**The Chair:** Thank you for your presentation this morning.

**Mr O'Toole:** On a point of order, Mr Chair: I'd like to ask a question of research, if I may. Could all members of the committee be supplied with what the revenue would be if personal income tax was increased by 1%?

**Mr Prue:** Hugh Mackenzie already told you.

**Mr O'Toole:** Hugh Mackenzie has. That's a very good point.

Also, part two is, what are the revenue implications of Bill 2, which cancelled taxes on medium- and small-sized business—the commercial-industrial tax was changed, as well as the retroactivity. What are the revenue implications of Bill 2? I believe it's \$400 million.

**The Chair:** We will ask research to see if they can find the answers to those questions. I remind members, as I did some days ago, that research is almost overburdened with questions. I asked you to keep them succinct and minimal. They must have a report in draft by March 8, I believe. I stand to be corrected on that. Research has said they have a huge volume of questions, so be thoughtful about your requests. We will request those.

**Mr Peterson:** On a point of order, Mr Chair: This is a fabulous organization that has access to a lot of research. It came up that the Red Tape Commission is involved in the small business—

**The Chair:** You can talk to them afterwards.

**Mr Peterson:** I want this submitted to this committee. They have information on how we could reduce red tape in Ontario to help small business. If they would submit that to the committee, I would appreciate it, rather than using our researchers.

The second thing is that one of the things affecting small business is the lack of funds available at banks—easy funding for small businesses. If they have some research on that and how we could help them facilitate small business funding as the workhorse of our economy, it would be terrific.

**Ms Andrew:** Both positions are summarized in the appendices, but we can provide more information.

**Mr Barrett:** On a point of order, Mr Chair: I heard the Liberal member refer to the CFIB as a fabulous organization. It was read into the record that the Liberal economic plan makes reference to the fact that small business drives our economy. Further to that, I would ask

for the unanimous consent of the finance committee to indicate their support for this presentation by CFIB.

**Mr O'Toole:** The recommendations, the summary.

**The Chair:** Do we have unanimous consent? I heard a no.

To the presenters: If you could provide the information to the clerk, he will ensure that information goes to every member.

**Ms Andrew:** We will indeed. Thank you.

1050

#### CANADIAN FEDERATION OF STUDENTS

**The Chair:** I call on the Canadian Federation of Students. You have 20 minutes for your presentation. You may allow time for questions within that 20 minutes, and I would ask you to identify yourself for the purposes of Hansard.

**Mr Joel Duff:** My name is Joel Duff. I'm the Ontario chairperson of the Canadian Federation of Students. I'd just like to start by saying that we really do welcome the opportunity to present in this pre-budget consultation of the standing committee on finance and economic affairs.

The Canadian Federation of Students is Canada's largest provincial and national student organization, and we represent over 235,000 college and university students here in Ontario alone. We wish to congratulate, of course, the new government on its election and to state at the outset that students overwhelmingly support this government's commitment to the Canadian Federation of Students to fully fund a tuition fee freeze, a commitment that in and of itself will require an investment of approximately \$190 million. However, the federation does note some disappointment with this government's apparent decision to exclude international students from the general tuition fee freeze.

Regrettably, the delay in the government's formal announcement concerning the fully funded tuition fee freeze here in Ontario has created an opening for opponents of the policy to disseminate misinformation both about the government's intentions and about the relationship between tuition fee increases and the quality of post-secondary education. This opposition is primarily relegated to a minority of people, most notably the presidents of the University of Toronto and the University of Western Ontario, the principal of Queen's University, and of course the editorial board of the *Globe and Mail* and a handful of lingering ideologues. One of them left the room. What a relief.

At the core of this argument is the misnomer that tuition fee increases do not translate into greater financial resources for post-secondary institutions. This is because, in all cases, government cuts outstrip university revenue generated by tuition fee hikes. The reality is that rising tuition fees are a symptom of government underfunding and not a measure of quality. There can be no doubt that the strategy of fearmongering is a public relations exercise by opponents of the tuition fee freeze with the intention of eroding support for this extremely popular public policy.

Problems with OSAP: Emerging trends show that for those students fortunate enough to acquire a post-secondary education, the job and income prospects may not be as lucrative as some have suggested. Statistics Canada has noted that the number of graduates looking for employment has increased over the decade. At the same time, another Statistics Canada study suggests that the wage premium for educated workers has been diminished as the percentage of educated workers entering the workforce increases. Finally, students completing a minimum four-year program are graduating with debt load averages of about \$25,000, a figure that is set to increase if the federal government proceeds on its ill-conceived intention of raising loan limits.

In November 2002, internal government documents demonstrated that the Ontario student assistance program had experienced a 40% decline in the number of students accessing the program. Government figures show that the number of students receiving Ontario student loans dropped from 212,189 in 1995-96 to 130,687 in the 2002-03 academic year. This sharp drop, by the government's own admission, is a result of more restrictive eligibility criteria that discriminate against low- and middle-income students who experience financial need.

Expanding student financial aid: It is critical that steps toward increased eligibility for student financial assistance be undertaken immediately. The federation has a number of significant recommendations in this regard.

(1) Restore eligibility for part-time students. Disqualifying part-time students from OSAP diminishes accessibility for a variety of students, including those with parental responsibilities and other family obligations. Moreover, this policy has a secondary impact on full-time students who have not qualified for OSAP but who, owing to a death in the family or an illness or another financial crisis, are forced to withdraw from full-time studies. Under the present system, those students are ineligible for student aid and are expected to return the monies that were initially loaned to them. This policy places a huge burden on students who are already physically, financially and emotionally exhausted.

(2) Change the definition of "independent students." Previously in Ontario, and currently in keeping with the Canada student loans program, a student could apply for student loans without accounting for parental income if they lived away from home for four or more years. The Progressive Conservative government changed this criterion to five years away from home, and government documents show that this single change pushed 7% of students who were previously eligible out of the system. The federation strongly recommends immediately harmonizing the Ontario policy with the federal policy to allow students to apply for student assistance, independent of their parents, after four years.

(3) Update parental contribution tables. Currently, the parental contribution tables that determine the government's expectations of the amount that families can contribute to their children's education are unrealistically high. Recent trends demonstrate that larger numbers of

students from middle-income families are finding themselves ineligible for OSAP because their parents "make too much."

(4) Restore eligibility for those on social assistance. One of the most mean-spirited measures implemented by the previous government was to disqualify social assistance recipients from being able to borrow additional money through OSAP to fund their education. Those on social assistance with the drive and ability to improve their employment prospects through higher education should be given as much support as possible to achieve their educational goals. The federation recommends that for those on social assistance, loans should not be considered income, as is the case with any other individual or corporation.

(5) Restore child care bursaries. The previous Progressive Conservative budget virtually dismantled child care subsidies and bursaries, making post-secondary education more burdensome for students with parental responsibilities. The federation recommends restoring child care bursaries and developing a province-wide child care strategy.

(6) Expand eligibility for protected persons and recent immigrants. Recently, the federal government extended Canada student loan eligibility to convention refugees. This is a critical step in ensuring that protected persons have access to education and training that will allow them to rebuild a productive life in Canada. The federation strongly urges the government to implement this relatively low-cost measure with respect to student assistance. In addition, the federation recommends dropping the residency requirement for recent immigrants to ensure access to OSAP.

Addressing unmet need: There's a growing problem faced by students whose expenses exceed their OSAP allocation. In the first instance, this problem can be attributed to dramatic increases in tuition fees over the past 10 years, especially for those in programs where the previous government's policy of deregulation paved the way for tuition fee increases of between 150% and 800%. The federation wishes to acknowledge the Ontario government's policy of freezing tuition fees, including deregulated programs, as a critical step in the right direction. In the future, additional steps will need to be taken to reduce tuition fees and further reduce the amount of unmet need experienced by student loan recipients.

Secondly, this government has pledged to reduce tuition fees by 50% for the 10% most needy students. The federation supports this policy and looks forward to the government fulfilling this promise.

Thirdly, the Ontario government must restore upfront needs-based grants for students. This program was eliminated in the early 1990s, which has been a significant contributor to the high debt loads with which students are graduating.

Taken together, the above three recommendations will contribute greatly to addressing the issue of unmet need and reducing the amount of student debt with which students graduate.

The federation must reiterate its strong opposition to raising loan limits as a means of addressing unmet need. This short-sighted and damaging policy can only prove detrimental in the long run, as students will undoubtedly amass even higher levels of student debt. Historically, when student loan limits have increased, local institutions have seen this measure as a green light simply to charge more money for mandatory and ancillary fees. In other words, money ostensibly allocated to assist students will simply go directly into university and college coffers, rather than providing any meaningful relief to unmet student need.

Restoring quality: We recognize the changes faced by the new government in inheriting a post-secondary system in crisis. The devastating cuts imposed by the previous government have resulted in a cumulative withdrawal of over \$3 billion of core operating funding. Despite the previous government's public relations exercise, post-secondary education funding has simply not been restored to 1996 levels.

#### 1100

Dwindling faculty numbers and crumbling infrastructure are just two symptoms of the quality crisis in colleges and universities. What limited funds have been made available for infrastructure have come with such conditions that they have not gone toward solving old problems and instead have created many new ones associated with an increasingly market-driven orientation of post-secondary education.

Stemming the tide of privatization: The Canadian Federation of Students was heartened when the Ontario Liberal Party pledged, during the Ontario election, to stop the expansion of for-profit private universities. To date, no for-profit private universities have had contracts signed with the province. The fact that no contracts have been signed yet means that by acting now, the new government can implement its promise at virtually no cost. The federation strongly urges the Ontario government to move quickly on this cost-free promise.

Restoring our system to health: The federation recognizes the price tag associated with rectifying the current crisis. The question inevitably posed is, where will the money come from? To answer that question, the Canadian Federation of Students would like to highlight the recommendations of the Ontario Alternative Budget. The Ontario Alternative Budget was a collaborative effort between a variety of stakeholder groups advocating in the public interest. The alternative budget recommends a modest increase in personal tax rates for all taxpayers in Ontario and recommends increasing the number of tax brackets for those earning above \$100,000 per year.

During the provincial election campaign, the Ontario Liberal party made a tough political decision not to proceed with the second phase of the Progressive Conservative tax cuts. Dalton McGuinty had the courage to look Ontarians in the eye and explain that Ontario's social fabric could simply not be sustained were these tax cuts to proceed, and he was supported by the majority of voters. If used to fund public services, the federation

believes that the vast majority of Ontarians will support a call for a measure of revenue recovery through modest tax increases.

In conclusion, the Canadian Federation of Students looks forward to working cooperatively with the new government in the months ahead to develop long-term strategies to adequately fund and restore the quality of post-secondary education while also reducing tuition fees and other financial barriers to higher education. Unavoidably, realizing these goals in the long term will require a substantial reinvestment of public funding in Ontario's colleges and universities. However, doing so would constitute a considerable social and economic investment in the future of this province, and we think Ontario deserves it.

**The Chair:** We have about two minutes for questions from each party. We'll begin this rotation with the NDP.

**Mr Prue:** Thank you very much for an excellent report. I think I agree with all of it, but I do have two questions—maybe you can elucidate why you're taking these positions.

One is that “the Federation does note its disappointment with this government's apparent decision to exclude international students from the general tuition fee freeze.” The reason I ask that is that I have been part of a group that went to China, Hong Kong and Singapore eliciting very wealthy students to come to this country to go to university. I know that the same thing is done in Mexico, Central America, South America and Europe, and that the overwhelming majority of students from around the world are much better off than Canadian students who are studying here. Why would you want to freeze their rates? I do understand it for some of the Third World ones—I do understand that—but why would you want to freeze the rates of the very wealthy who have come to this country?

**Mr Duff:** I'm a bit surprised to hear that question from you—

**Mr Prue:** It's a good question.

**Mr Duff:** —but frankly I think I would have to ask you: Do we only want rich Chinese immigrants or rich international students to come and study in Canada?

**Mr Prue:** No, that's not the question.

**Mr Duff:** I think we should remember that a large number of students who actually come as international students decide to come and make Canada their permanent home. So we have a choice, facing stagnation in population growth: Do we want to bring in immigrants and have them drive cabs or mop the floors at Ryerson University, or do we want them to go to Ryerson University and get an education? International students add to the diversity of our campuses, and I think we benefit from having a diversity of students come and contribute to that and make this their permanent home.

**Mr Prue:** Nobody is denying that. I think you've twisted this around. The question is that these people come with the expectation that they will pay the full rate and are capable of paying the full rate. Why are you saying the Ontario government should subsidize this?

**Mr Duff:** Essentially what's happening now—for example, at York University, in the face of the tuition fee freeze announced by the province, they decided to jack international tuition fees by 30%—is that international students are actually being used, admittedly, as cash cows to subsidize domestic students. How is that fair?

**The Chair:** We move to the government.

**Mr Peterson:** We have a shortage of money, and we can't do everything for everybody. Freezing tuition does not increase the number of spots for students, nor does it increase the quality of the education, at a time when there is a shortage of spots due to the double cohort. Would you not rather see us spend money on increasing the number of spots?

**Mr Duff:** Tuition fees have risen a minimum of 150% and as much as 700%. We are at a breaking point. At this point the question is not whether there are enough spaces for students but actually who gets to fill those spaces. There is no question that we have a problem both in terms of the need for more space and the need for accessibility. But higher tuition fees have never translated into better quality or more spaces, because it's always been a method of paving the way for government cuts.

**Mr Peterson:** The University of Toronto disagrees with you. They say that any student they want, with the bursary programs and subsidies they've got—actually, tuition fees for the students they want are dropping, because of the excess of fundraising they're doing.

**Mr Duff:** That's actually not true.

**Mr Peterson:** We've got pretty good empirical evidence. You can disagree with them, and that's interesting.

**Mr Duff:** When you look at it, if you use student financial assistance as a means of subsidizing those students who are caught at the bottom when tuition fees increase, you're always artificially inflating the need of those students by increasing tuition fees. You can never generate enough revenue for student financial aid to actually mitigate the damage of tuition fee increases across the board.

The fact is that one of the biggest constituencies being left behind is middle-income students, who are absolutely ineligible for student financial assistance, who are, frankly, voters, who have been left behind for a long time now and who, I think, deserve a break. There are many people from the middle-income bracket whose parents do not have the disposable income to pay for the education costs of all their children, yet they are completely ineligible for student financial assistance. Those students are being hit hard by tuition fee increases.

**Mr Peterson:** If I were a supply-side economist, I would say increase the supply.

**The Chair:** Your time has expired. We move to the official opposition.

**Mr Barrett:** Thanks to the Canadian Federation of Students. You indicate that you're contributing close to half of, as you say, the operating funds of colleges and universities and the taxpayer pays the rest. I think the taxpayer pays close to 60% of your tuition costs or that

share of the operating funds, not the capital, of these institutions.

You indicate that without this education you are destined for—I forget the term—something to the effect of “not a decent standard of living.” Many young people—I assume people your age—do not go to college and university. Many of them do have jobs. Oftentimes they don’t have the declining union jobs that you refer to. Do you speak for that age group as well? Many of these people perhaps do not have the education you have. Many I talk to are unable to even think of coming before a committee like this. You argue their case. Those are the people, your age, many of them are working, who are subsidizing 60% of your bill.

**Mr Duff:** First of all, the amount that students contribute, between 40% and 50%, has increased from about 20% in 1991, precisely because your government cut 25% of operating budgets.

**Mr Barrett:** I read that here. Is this my question?

**Mr Duff:** The fact is that 75% of jobs today require a college diploma or university undergraduate degree just to become a middle-income earner. It’s not a luxury to get an education; it’s a necessity. Those people you’re talking about who don’t currently have access to the system are, by and large, low-income people. We need to be increasing their opportunities to get an education as well.

Finally, I would take issue with the fact that it’s merely a personal investment. This is a social and economic investment. Everybody in our society benefits from an educated workforce. It makes the economy competitive. It attracts business. That’s exactly why Ireland decided to eliminate tuition fees in order to try to turn their economy around.

**Mr Barrett:** Just very briefly, I didn’t say this. You’re speaking on your own personal investment.

**Mr Duff:** No, I’m speaking on behalf of 235,000 students.

**Mr Barrett:** Does the Canadian Federation of Students deal with any other issues, or is it just tuition fees?

**Mr Duff:** We deal with student issues and education-related issues. You’re going to hear us on the streets decrying your government’s decision to bring in rent decontrol, you’re going to hear us complaining about your government’s lack of responsibility in funding public transit and all the other things that contribute to student debt.

**The Chair:** Thank you very much for your presentation this morning.

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#### ONTARIO RESTAURANT HOTEL AND MOTEL ASSOCIATION

**The Chair:** I call on the Ontario Restaurant Hotel and Motel Association. You have 20 minutes for your presentation. You may leave time within those 20 minutes for questions if you so desire. I would ask you to identify yourselves for the purposes of Hansard.

**Mr Terry Mundell:** My name is Terry Mundell, and I’m the president and CEO of the Ontario Restaurant Hotel and Motel Association. With me today is Ryan Parks, our government relations manager.

The ORHMA is a non-profit industry association that represents the foodservice and accommodation industries in Ontario, and is dedicated to the growth of a thriving and competitive hospitality industry. As such, I’m pleased to be involved in these consultations today.

A little bit of background on the industry: Ontario’s hospitality industry makes a significant contribution to the provincial economy. It’s an \$18-billion industry with over 22,000 foodservice establishments and nearly 3,000 accommodation properties. About 60% of the foodservice establishments across Ontario are independently owned and operated, and nearly half of the accommodation properties have 30 or fewer rooms. So when we speak about the hospitality industry, in many cases we’re talking about the financial health and well-being of small businesses operated by individual Ontarians and their families.

Our industry is extremely sensitive to external economic events, and is the first in and the last out of any economic slowdown. Over 400,000 Ontarians are employed in the hospitality industry, and we are the largest employer of youth in Ontario, employing about 17.4% of Ontario’s youth. Typically, hospitality operators provide all levels of government with approximately \$2 billion in tax revenue annually. In fact, the average full-service restaurant pays \$173,000 in taxes to all levels of government.

When describing the difficulties for the provincial finances over the course of 2003, Minister of Finance Greg Sorbara says: “Real gross domestic product fell by 0.6% for the July to September quarter, on top of the 0.2% decline in the second quarter. This is due almost entirely to an extraordinary set of circumstances, including SARS, border problems relating to the war in Iraq, the impact of mad cow disease and the blackout in August.”

The province is not the only one that has experienced this extraordinary set of circumstances. With total provincial GDP in 2003 of \$460 billion, Ontario’s economy is roughly 26 times the size of Ontario’s hospitality industry. However, Ontario’s much discussed \$5.6-billion shortfall is only roughly 5.6 times the size of the 2003 tourism spending losses in Ontario’s hospitality industry.

With all due respect to the government, we, Ontario’s hospitality operators, have our own financial problems with which to contend. It is therefore alarming when one considers the options that the government is considering in order to retire its deficit. A surprising number of these proposals place a significant financial burden directly on the embattled hospitality industry.

The year 2003 left a devastating economic impact and brought one of the largest, most dynamic industries to its knees. Ontario’s tourism industry was hit extremely hard. Many restaurants at the epicentre of the outbreak ex-

perienced an 80% to 90% reduction in business. Over 800 bus and coach tours to Ontario were cancelled—a \$6-million loss. Major Canadian, US and international corporations began implementing staff travel bans to Ontario.

These events and others began a cascade effect that lasted throughout 2003. In the first nine months of last year, international border crossings were down 13.8% over 2002, which was down 11% over 2001. In fourth quarter numbers alone, Ontario's hotels were projected to have lost \$14.3 billion in room revenue due to cancelled business. By the close of 2003, tourism losses in Ontario as a result of that extraordinary set of circumstances had exceeded \$1 billion.

To place this in context, each additional \$1 million in sales in the foodservice industry creates 34.5 jobs. So it's clear that 2003 was an unimaginably difficult year. The industry's ability to attract customers, maintain business and employ workers was severely strained. Yet within the first 100 days, the government has made a number of decisions that have significantly increased the average hospitality's cost of doing business. Given the fragile state of our industry, each cumulative expense risks causing widespread bankruptcies. Despite being the hardest-hit industry in Ontario, the hospitality industry appears to have also been shouldering a disproportionate amount of fallout out of the government's bleak fiscal circumstances. Frankly, operators have their own financial problems with which to contend. They are stretched to the limit when it comes to keeping their doors open.

Let's just take a look at the first 100 days on an average restaurant, just to give an example: an increase to the capped hydro rate, \$4,250; an increase to the minimum wage, \$3,744; a repeal of the scheduled corporate and small business tax cuts, over \$9,000; introduction of the new packaging levy tax, over \$1,000. The average restaurant in the first 100 days of this government is now picking up an extra \$18,000 tab per year. That's a significant amount of money for us.

It is vital that the government understand the cumulative impact that these decisions will have for our industry. It is within this context that our members across the province are extremely concerned with some of the proposals that the government is publicly considering: imposing the EHT on small business; an additional percentage to the RST; eliminating the tax deductibility for business meals; eliminating the \$4 RST exemption threshold on restaurant meals; increasing beverage alcohol floor prices, fees and taxes; a province-wide smoking ban; the lifting of the commercial property tax caps; and uncertainty around full long-term funding of the Ontario Tourism Marketing Partnership Corp and the SARS recovery investment.

The government must understand that the impact of any of these proposals would cost our hospitality operators tens of millions of additional dollars in either reduced sales or increased expenses or both. It's the wrong time to continue to increase the burden on this industry. Our operators are in a very fragile state; our industry is in

a very fragile state. World events have put some significant burden on us, and we need the government to help support us.

The Employer Health Tax is a highly profit-insensitive tax which has a disproportionate impact on labour-intensive workplaces such as our industry. Eliminating the \$400,000 EHT threshold exemption would be a job killer for both our industry and the provincial economy. When the exemption was introduced in 1996, it created 93,000 new jobs. This is not the time to reintroduce this tax on our labour-intensive hospitality industry. When Ontarians went to the polls last fall, the message from the Liberal government was clear: "We're not going to raise your taxes." Our members need to know and be confident that the government intends to keep that no-tax-increase promise.

As speculated in the media, the government appears to be considering its options with respect to the LCBO. While many of the objectives that the hospitality industry would like accomplished would not require privatization, many of them would flow naturally from private sector competition. Under the current system of levies, fees and taxes, Ontario's wholesale price for alcohol actually exceeds the retail price. Our operators pay more money for alcohol than you do when you go into the store. It's one clear example of why Ontario's antiquated beverage alcohol pricing system needs to be overhauled. We challenge the government, though, to expand its examination of this issue beyond the scope of privatization simply for revenue-generating purposes. Ontario's beverage alcohol sales, pricing and distribution system requires a complete and thorough review, top to bottom. The government has a unique opportunity to undertake sweeping reforms of Ontario's beverage alcohol system to increase efficiencies, improve customer service and maximize the fairness of its pricing regime, all to the line of looking for a better bottom dollar for all of us in this industry.

The ORHMA would like to see issues addressed such as the elimination of the gallonage fee, the introduction of a true wholesale pricing regime for licensees, private warehousing and distribution options, the elimination of delivery charges for wholesale customers, off-premise licensee sales, streamlining regulations and ensuring liquor inspection consistency and accountability.

The government must strongly encourage the LCBO to modernize its wholesale business. Currently, the licensee client base, which represents over \$480 million, or a dollar out of every \$6 in annual sales, is being taken for granted. Any modernization of the LCBO must focus on the modernization of its wholesale component.

In past years, the association has encouraged the government to reinstate business meal deductions to the previous level of 100%. Prior to 1988, business meals were fully deductible. Since then, provincial tax deductibility has slipped to 50%. We believe the government should restore business meal deductibility to its previous level of 100%. It's a fact that the restaurants are the boardrooms of small business, and at a time when both discretionary business spending and consumer confi-

dence is low, such an initiative will assist the hospitality industry and the wider small business community. This measure allows the government to encourage spending while assisting the foodservice sector to weather these difficult economic times. For some operators, even a small increase in business traffic in these difficult times can mean the difference between keeping the doors open or closed.

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The Liberal government of David Peterson introduced the \$4 RST exemption in 1987, in part as a tax break for working lower-income families. Undoubtedly this threshold is important for Ontario's foodservice sector as well. It's not uncommon to see mom-and-pop establishments offer breakfast, lunch and children's specials at \$3.99. It's not uncommon to see school cafeterias offer specials at \$3.99 as well. Despite rising input costs over the last 17 years, the \$4 threshold has never been increased. It is therefore severely eroded by inflationary pressures. The threshold on restaurant meals should increase to the level of \$6 to reflect inflation and socio-economic changes. I can tell you the restaurant industry has been aggressive in forming the types of packages that meet the consumer need for under \$4.

Property taxes already make up a significant expense, at 17% of an establishment's net income before tax. Ontario's accommodation properties already pay 80% more than the national average of \$201,000.

ORHMA believes in and supports the principles outlined in Bill 140, the Continued Protection for Property Taxpayers Act. The bill correctly acknowledges that employers are not a limitless source of commercial tax revenue intended to subsidize residential municipal services. In Ottawa, commercial property taxes are two to three times the average residential property tax. In North Bay, they are more than three times the residential tax rates.

Bill 140 was also necessary to level the commercial tax playing field across Ontario's municipalities. In Toronto alone, commercial property tax levels are three times the provincial average. Unfortunately, many municipalities have yet to move their property tax levels to within the prescribed range of fairness. With so little activity from the municipal sector on this front, we believe the government should legislate that all municipalities adjust their property tax rates to within the range of fairness by 2006. As for municipalities that may seek an exemption from the caps imposed by Bill 140, the government should not remove those caps.

Consumers and business owners are struggling with skyrocketing insurance costs. Government attention has focused on auto insurance, but crippling increases in business insurance rates have yet to be addressed. Even operators who have had no claims in recent years are still facing rate increases anywhere from 25% or higher. One operator has seen his insurance premiums go from \$45,000 to \$125,000 in a single year. Average premiums across our sector are going up by 25%. These increases are so excessive that some owners are being forced to

operate without liability insurance, thereby risking the long-term security of their business and in some cases their personal assets, including savings and family homes. The government must act immediately to re-introduce stability into the system.

The ORHMA recommends an immediate freeze on all business liability insurance rates in the short term. The province should strike a joint government-industry working group to solve this issue, with a longer-term goal of reducing insurance premiums and ensuring adequate competition to allow hospitality operators the ability to insure their establishments.

Finally, Ontario is clearly a safe and exciting world-class destination, with a tremendous diversity of activities and attractions. The challenge in the wake of 2003, much as it was prior to last year, is to convey this message to as wide an audience as possible. While Ontario has much to offer, historically it has run a promotional deficit relative to competing jurisdictions. Prior to SARS, Ontario invested just \$30 million per year on tourism marketing. By comparison, Montreal invested \$22 million, Chicago \$80 million and Boston \$30 million. From 1998 to 2002, Toronto lost 8.2 million visitors to competing destinations, which translates into approximately \$411 million in forgone government tax revenue. Every dollar invested in tourism marketing generates about \$20 in economic recovery.

We want to say today that we want to thank the minister and the government for today's announcement by Minister Bradley which injected another \$30 million into the Ontario Tourism Marketing Partnership and made a partial commitment to second-year funding for the tourism investment recovery program. It's a very positive sign and a significant step by the government, and we very much appreciate that lead and the minister's efforts on our behalf to help our industry grow. We would like to see the government commit to the full \$128-million marketing plan, which was a two-year program. So there is a small amount of money which still needs to come forward in 2004-05 and 2005-06. But again, today's announcement is a significant step, a good-news story for us and one we greatly appreciate.

We'd also like to see the government make a full-term commitment to the industry-led Ontario Tourism Marketing Partnership. There has been a review of that program going on for some time now. There has been a brief extension to their mandate. We support it. It's an industry-led program, and we want to see that venue continue. The sooner the government makes a full-time commitment to that, the better off we are.

We'd also like to take this opportunity, in conclusion, to remind everybody that our industry has been devastated by external shocks in 2003. Our industry lost over \$1 billion in tourism revenue, and as our revenues flow, the government revenues flow. Clearly, the industry can't afford any tax increases in any form. The government must ensure that hospitality operators are not driven out of business by skyrocketing costs of doing business. However, we remain confident that the strategic invest-

ment in long-term tourism marketing—today’s announcement specifically—provides initiatives that the provincial government will enable the hospitality industry to make a faster economic recovery and generate both revenues for our industry and revenues for the government so you can fund those important programs, which are important to all Ontarians.

We look forward to working with the government over the next term. Thank you very much for your time.

**The Vice-Chair (Mr John Wilkinson):** We don’t have time for a full round of questions. Under this rotation, we will have two minutes for Mr Prue, of the NDP.

**Mr Prue:** I just want to check some of the figures. On page 5, you have said that the increase in the minimum wage costs the average restaurant \$3,744. Would that be per year?

**Mr Mundell:** Yes.

**Mr Prue:** So that would work out to about 30 employees, 30 cents an hour—

**Mr O’Toole:** That’s one employee.

**Mr Prue:** No, that’s not one employee; that’s the whole restaurant. That would be about 30 employees in the restaurant, 40 hours a week on average, times 30 cents.

**Mr Ryan Parks:** When the calculations were being done, we excluded higher-skilled staff, such as chefs and managers, who might work as well. So we reduced the number of employees that that would be applicable to.

**Mr Prue:** OK, but does the average restaurant have 30 full-time employees?

**Mr Parks:** Enough hours for over 30 employees. They’re not all scheduled at the same time.

**Mr Mundell:** It’s the cumulative hours of the part-timers and full-timers.

**Mr Prue:** OK. That’s my first question. The second one is, although I’ve heard you, I think it would be a bit of a difficult political sell—and I just want you to comment on it—that the government increase the current 50% tax deductibility on restaurant meals to the pre-1989 level of 100%. When that was instituted, to the best of my memory, many people thought that was a freebee for business people. They could go and have a great lunch and have it all deducted and ordinary people in the factory would sit there with their bologna sandwich. I remember it was the argument that it’s about time they paid their fair share. Do you think the people of Ontario would again see this as some kind of freebee to business? I know it would help you, but do you think that’s the way it would be seen?

**Mr Mundell:** I don’t think we look at it as a freebee to business at all. This is an opportunity for us to try and build our business, to build more revenues for Ontario so that the government can invest in those important programs which all Ontarians need. We need to generate wealth. We need to generate revenue. We think it’s an opportunity to help generate some of that revenue.

**The Vice-Chair:** Thank you very much.

#### DURHAM MENTAL HEALTH ALLIANCE

**The Vice-Chair:** I would now call on the Durham Mental Health Alliance, please. Good morning. The committee welcomes you. I want to let you know that you have 20 minutes for your presentation. That can include questions from the committee. We would ask that you begin by stating your name for the Hansard record.

**Mr Robert Adams:** My name is Robert Adams. I’m the executive director of Colborne Community Services. Colborne Community Services is in Whitby, and we’re a community mental health agency.

I’m here on behalf of the Durham Mental Health Alliance. The alliance is a group of senior executives from the mental health service agencies in Durham that have come together since the year 2000. The purpose of the alliance is to implement and participate in the establishment of a consumer-focused mental health service delivery system in Durham and to promote and facilitate the development of an effective support system for mental health.

Membership on the alliance includes nine organizations that provide a wide range of in-patient and community-based services and peer support services. The member organizations are the Alzheimer Society of Durham; the Canadian Mental Health Association of Durham; Colborne Community Services; Durham Region Community Care; Lakeridge Health, Oshawa; Rouge Valley Health System, Ajax; United Survivors Support Centre; Victorian Order of Nurses; and Whitby Mental Health Centre.

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Then we came together, and our objectives have really stayed the same. It’s really to identify the service system issues in Durham region. As most of you are aware, Durham region is a fast-growing area and a vast geographic area. We’re identifying priorities for reinvestment, identifying strengths in the mental health system, and we work toward assisting and supporting the mandate of the Central East (Whitby) Mental Health Implementation Task Force.

There are many systems-impacting issues that we have to deal with in mental health in Durham region. The main one is funding. Durham region receives only half the provincial average per capita funding for community mental health and mental health program services.

Just to give you an example, in community mental health, there hasn’t been an increase to the base budget of community mental health agencies since 1994. There was a 2% increase three years ago that was announced that never came through. But for 10 years, agencies in this area have been operating without base increases. Granted, there have been expansion dollars in terms of capital dollars for buildings, but there have never been staffing and support dollars. So community agencies such as mine, which are unionized, have been trying to deal with increases for 10 years, and we have been at the point for the last three years of cutting service. That’s the way we’re paying our bills: by reducing service.

Yesterday, we were at a central east mental health forum with the Ministry of Health and Long-Term Care, and we were told the same message: "Make do with what you have; there's no money for you this coming budget year." It's very hard to live with that, because we're going to be cutting service. All the agencies will be cutting service. The impact on the community when we cut service is huge.

**Population growth:** Between 1996 and 2001, the growth in Durham was 10.5% while the provincial average was 6%. As I've mentioned, Durham region is a huge geographic area. There are literally no mental health services above Highway 7 in Durham region. Really, all the services are on the 401 corridor. So for a community mental health agency to provide service, say, in Beaverton, there's a huge cost to send two staff to Beaverton for the day. There's very little service in the north.

**Community supports:** There's an identified lack of intensive and specialized mental health services that put additional pressure on community-based services. As you're well aware, there are three hospitals in this area: the Whitby Mental Health Centre, which is the psychiatric hospital; Lakeridge Health Oshawa; and the Rouge Valley-Ajax site. When the two community hospitals, or schedule 1 facilities, that have mental health programs have clients come to their emergency rooms whom they have to admit, there is huge pressure on the community to have a transition back to the community beds.

In Durham there are only four crisis beds in the whole region. It's amazing to think that a region that size, with three hospitals, has only four beds that someone who lives in the community can access before they have to go to the hospital. As you're aware, the per diem to keep someone in a crisis bed in the community is roughly \$120. The rate is in the high hundreds or probably thousands to admit someone into a hospital bed.

With the lack of funding, there's a huge human resources issue, and the reason is that because the community mental health agencies are so poorly funded. The hospitals may say they're poorly funded also, but community mental health staff are paid two thirds the rate of those in the hospital sector. So it's very difficult for the community agencies to retain their staff.

The other problem is that whenever the Ministry of Health and Long-Term Care brings in new funding programs to address pressures in the community, they're funding those programs at a higher rate than the community-based programs. So again, community-based programs lose their staff.

There's a critical shortage of accessible and affordable housing in Durham. I would say that in Ajax and Pickering, and somewhat in Whitby, it is difficult to find anything under \$600 or \$700. A lot of the individuals living in the community who are on ODSP probably get only \$700 or \$800 a month to live on. As some of you are aware, there are a lot of shelters in Oshawa; there are a lot of illegal boarding homes. There's a lot of very poor housing in Oshawa.

Transportation is a huge issue in the region because of the large rural area. It's very difficult for clients, as well as community agencies, to transport individuals.

There's very little consumer-survivor initiative funding in this area. I've included, just for your reading pleasure, the breakdown of per capita funding by provincial standards and per capita funding for Durham region.

Finally, the key message is that we know there are issues for the provincial government around budget. We've been asked for 10 years to continue to cut our budgets and make due with what we had. It is very difficult.

In terms of mental health, it's not a glamorous thing. People don't want to use mental health services until they really have to. To give an example, we opened a program in Ajax last year. It was funded—capital dollars from the government—and we used our existing dollars to provide it. We had a huge problem, with the neighbours and the town, opening a mental health program. A week after we finally had it open, of the first six referrals, the first three were from family members who gave us the most grief.

There's a huge need for community mental health programs. It saves the taxpayer dollars in the end when you don't have to access emergency services like emergency rooms and psychiatric beds in schedule 1 hospitals.

I want to thank you for giving me the opportunity to discuss these issues with you.

**The Chair:** We have about three minutes per party, and we begin with the government.

**Mr Colle:** Thank you very much, Mr Adams. You paint a very pointed and compelling picture of the needs in Durham. It seems that there's really been no investment, certainly in the area of community mental health, in the last 10 years, to say the least.

I guess the question I have for you is, where do we start? It seems that we're so far behind. Where would we possibly direct our limited dollars to have an effect that would help deliver these obviously essential services that are in dire need out there?

**Mr Adams:** Good question. There have been dollars put into this region in terms of capital, and there have been dollars put into the region in terms of new programs. When the CTO bill came in, there were dollars put into the community—

**Mr Colle:** CTO?

**Mr Adams:** —community treatment order bill—there were dollars that came in. The problem is that when new dollars come in, it causes an imbalance to the existing services.

You're right: there are problems. But there was a mental health task force that looked at the area that has excellent recommendations, which the new government has just released; it wasn't released by the prior government. There are recommendations in there for change, and there needs to be change. You need to look at that task force report, because they have very solid recommendations.

**Mr Colle:** What's it called?

**Mr O'Toole:** Implementation.

**Mr Adams:** The implementation task force, central east region. When I finish, I'll give it to you.

**Mr Colle:** Please do that. When was that report completed?

**Mr Adams:** Last year.

**Mr Colle:** It's just been released now by the new government?

**Mr Adams:** Yes.

**Mr Colle:** OK. That would be a good starting point for us.

**Mr Adams:** It would be a very good starting point.

**Mr Colle:** OK. I appreciate your clearly putting this before us. This is the kind of very down-to-earth advice and direction we need.

**The Chair:** I would suggest, if you have some information, that you would give it to the clerk. We'll make copies for all members of the committee.

**Mr Adams:** Sure.

**The Chair:** We go to the official opposition.

**Mr O'Toole:** Thank you very much, Robert. I know the work you do is important and often not appreciated, as you've described very aptly. I suspect I'd start where Mr Colle left off.

I'm very familiar with the central east implementation task force. I know Jean Achmatowicz-McLeod personally. I've been supportive in the House on the record of the slow and political divestment of the Whitby mental health centres. It's an untangled mess, technically, and since I was PA to health I was privy to the report. It wasn't implemented, because there was no money to fund the divestment. It was that simple.

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The divestment, some of which you described, was an issue of salary and wages, because the people in the centre today would get an exit wrap-up and a salary raise the very next day—you know, a new employer, and doing the same job the next day. It's a lot of money. It's more bureaucratic than anything, but it doesn't really help the community. Part of that was to provide community services, so it wasn't all institution-based services.

You've done a great job of pointing out the traditional underfunding, specifically of Durham, with high growth and young families and the stresses that go with it. You show central east as \$157 per capita based on a provincial average of \$208. Even within central east, we're one of the lowest ones, except for Northumberland.

The point I'm trying to make is that we've got a growing population and we have a traditional structural problem, and if they go with the base funding increase, we're never going to catch up, because we're starting at a lower plateau. What advice could you give the government if they re-examine fair per capita and community-based mental health programming? Do they have to look at the base starting point? That's my question to you, to give advice to the government.

**Mr Adams:** The reason I didn't bring up the Whitby Mental Health Centre divestment is because it's a whole different issue.

**Mr O'Toole:** That's right.

**Mr Adams:** I didn't want to raise that. It's a huge issue. I think if there was a start, just looking at the base budgets of the infrastructures of the agencies that are there, you could spend millions and millions of dollars trying to bring people up. I don't know. I didn't want to come here and ask for that, because I don't think that's realistic at this point.

I think you've got to hold on to the infrastructures of the base agencies that provide the core programs, being housing, housing support, crisis services and case management. If you can't even provide the core services, that's where it's going to have the biggest impact on the community.

The 2% isn't going to provide the core services and keep them there, but it's going to be something. As we negotiate our union contracts, it allows us to stop eliminating our staff. It's not a lot of money, in the big scheme of things, for smaller agencies. For us, 2% is \$40,000 a year. That allows us to keep two full-time staff of our 40 and a caseload of 100 people. That's 100 people who would not have service. That's a start.

There is a lot more that we have to do. The task force talks about that in terms of centralizing and probably amalgamating some of the smaller agencies.

**Mr O'Toole:** That's really what I wanted to get to. You listed the nine partners. They need to coordinate. They need to restructure.

**The Chair:** Thank you. We'll move the NDP.

**Mr Prue:** You've made a very compelling case. I don't think anyone can doubt the need that you have in Durham and that the need is probably greater per capita than in other places across the province. But the dilemma this government has is that there is a finite amount of money. They can get you the money in one of two ways: They can get you the money by raising more money and giving it to you to level it up, or they can take money from other agencies, from other groups, from other, richer areas, and share it around more evenly.

I know what's happening. We heard from the north. I live here in Toronto. We know what the mental health problems are here in Toronto and the amount of money they have. What are you suggesting they do? They're looking for a solution. They know your problem now. What's their solution?

**Mr Adams:** I don't want to suggest whom we take the money away from to give it to us, but one of the suggestions is that if the Ministry of Health of Long-Term Care is going to fund new programs, they have consultations with the agencies before they fund programs that they're funding, because there is pressure on them from the community. They need to understand that core programming is what keeps people out of crisis. There are other programs, but you've got to have shelter and housing before you have anything else. They've got to listen to that and understand that.

The other thing with the Whitby Mental Health Centre, is that there are dollars there that should have been moved out to the community. A lot of the clients at

the Whitby Mental Health Centre have been moving out to the community. The promise was that when they moved out, the programming support dollars would come with them, and it has never happened. In places like hospitals and the Whitby Mental Health Centre, if they're going to shut down programs and move people into the community, they've got to move the dollars with them to the community agencies.

I'm not sure that helps you.

**Mr Prue:** I think it does. What you're saying, then, is that there are monies available in the system, and monies that you foresee coming to you will primarily come from the closure of the Whitby Mental Health Centre.

**Mr Adams:** No. There is no plan to close; it's to divest it from a government hospital to a private hospital. It's part of the provincial hospital—

**Mr Prue:** But that's where you see the money coming from this government?

**Mr Adams:** There has been, in the past—with any divestment out of the hospital, when programs come out of the hospital, the support dollars need to come with them. Clients just can't come without the support dollars.

**Mr Prue:** I know that. Do I have more time?

**The Chair:** You have one minute.

**Mr Prue:** Then in that same vein, you are asking the government to redirect the health care dollars, specifically around mental health coordination; you are asking them to redivest it and spend it more wisely in the community in general, and in specific in your community. That's what you're asking?

**Mr Adams:** Yes.

**Mr Prue:** OK. That's pretty simple.

Now, first of all, the exponential growth in—I've got so many questions, and I've only got 40 seconds. The mandated programs are the same throughout all of Ontario, I would take it?

**Mr Adams:** The same types of programs exist all through Ontario. They are not mandated, but the same type of programming does exist throughout Ontario at different mental health agencies.

**Mr Prue:** So the things that are done in Durham are not dissimilar to what is done in the north or in Toronto or in southwestern Ontario?

**Mr Adams:** Right.

**Mr Prue:** So the funding, therefore, should be pretty much the same?

**Mr Adams:** Yes.

**The Chair:** Thank you for your presentation this morning.

#### TORONTO HEALTH COALITION

**The Chair:** I call on the Toronto Health Coalition to please come forward. You have 20 minutes for your presentation, and you may leave time within that 20 minutes for questions if you so desire. I'd ask you to state your names for the purposes of Hansard. You may begin.

**Ms Pat Futterer:** My name is Pat Futterer. I'm with the Toronto Health Coalition.

**Ms Christine Mounsteven:** My name is Christine Mounsteven, and I am with the Toronto Health Coalition.

**Ms Armine Yalnizyan:** My name is Armine Yalnizyan. I'm a consulting economist, and I'm advising the Toronto Health Coalition.

**Ms Futterer:** Thank you for inviting us here today. As members of the Toronto Health Coalition, a watchdog agency committed to the preservation and strengthening of public universal medicare, we welcome this opportunity to be heard.

The first duty of governments is to protect their citizens. Public trust is at least partly predicated on taxpayers' faith that their government is advocating on their behalf, getting the best deal possible to ensure residents universal access to quality care. This is not strictly following the Zellers slogan. The lowest price is the law, but it does require that the government document value for money. Our auditors general would say that it makes no sense to be paying more in the long run for an inferior quality of health care.

In the next few minutes, we want to share with you not only our concerns about the future of public, universal health care, but also our suggestions as to how you might tackle your fiscal headache. We appreciate that you are in a financial bind. We also believe that you are sincerely committed to maintaining the integrity of a health care system that our Minister of Health described recently as "the very best expression of Canadian values."

Despite the fact that Ontario taxpayers are paying \$10 billion more for health care every year than when the Tories came to power, public health care is in very bad shape. Programs have been cut, services delisted, hospitals closed, home care budgets decimated, jobs lost. We have been led to believe, however, that your government does not want to continue with this legacy of crippling cuts and creeping privatization. After all, in the Liberal health care platform you assured us that you would make "a legal, binding commitment to public medicare and ensure that [we] have the information to hold any government accountable for delivering quality health care."

#### 1150

Notwithstanding the current fragility of our health care system, we believe that it can be revitalized and strengthened. We are not naive, however. The reality is that you have inherited a \$5.6-billion deficit and you are calling on the people of Ontario for help. Although we have concerns about many other health care issues, we are going to focus on the P3 hospitals.

Prior to the election, the Liberal Party campaigned against P3 hospitals. In the Ottawa Citizen on May 28, Mr McGuinty said, "What I take issue with is the mechanism. We believe in public ownership and public financing [of health care]. I will take these hospitals and bring them inside the public sector." We support your position wholeheartedly. Let's get them back in the public sector.

Obviously, you want to be fiscally prudent. We want to suggest ways that you can revert to public finance and

control over our hospitals and avoid going the P3 route, which we see as the road to disaster.

**Ms Mounsteven:** Aside from the William Osler Health Centre in Brampton and the Royal Ottawa in Ottawa, the P3 option is being considered for other hospitals in Ontario. There is no question that these facilities are needed. Residents and politicians of Ottawa and Brampton, for example, are very aware of the need for expanded acute care services in their communities. There is also no question as to who's paying for these new facilities: We are. After all, there's no such thing as free money. The question is, are we paying too much, or perhaps not enough, for the services we say we want?

According to information about P3 hospitals in Britain, for example, PFIs, or public financial initiatives, can drive costs up higher than necessary.

Evidence in other jurisdictions also points to the fact that not only is the P3 model usually more costly, but because of the need to make a profit—and this has to be the bottom line in privatized health care—costs have to be cut. Health care is about care, and care about people. When costs are cut in order to make a profit, both quality and the extent of service are in jeopardy.

The fact is that health care turns on labour costs. Let me elaborate. Whether you're building a new for-profit hospital or a new not-for-profit hospital, there is no magic labour-saving technology. In such a labour-intensive industry, the temptation is to cut labour costs. In light of the current nursing shortage crisis in Ontario, this could be disastrous. Operating costs might be lower, but these reductions rarely make up for the profits taken, so the taxpayers are no better off as far as dollars and cents are concerned. In fact, they are far worse off, with lower levels of patient care than might otherwise have been the case. The issue is labour, not capital, and for-profit schemes can't solve the supply of labour problem. They can only offer up more expensive capital and reallocate the existing supply of labour.

As well as our concern around cost and getting value for our money, there is the whole issue of accountability. In November 2003, the Liberals announced that they were proceeding with plans for redeveloping both the Brampton and Ottawa hospitals as P3s. Here's where the lack of transparency comes in. We did not see the contracts before they were amended—if they were amended. We have not seen a summary of the revisions. We have not seen the current existing contract. All we really know for sure is that an arrangement was made between the government and the private companies involved in the building and operating of the hospitals. We also learned that we are now mortgage holders, not renters. What does this really mean? How is the new arrangement any different from the deal struck by the previous government? It is unacceptable that taxpayers are being told to have faith that this is the best deal possible, or even an improved deal.

Prior to the election, we were assured that accountability was one of the top priorities of the Liberals. In fact, if you visit the Liberal Web site, you will read this

promise: "We will make accountability to the public a central principle of medicare in Ontario."

If you want us to help you solve your fiscal difficulties, we need more information. The public has no idea what other financing options were considered by the government as far as the Brampton and Ottawa hospitals are concerned. Was there any analysis of the costs of public financing, including and excluding the costs associated with cancelling the contracts versus the costs of the P3 deals? If alternatives were considered, why are these documents not public? If alternatives were not considered, why not?

Apparently, the cost of cancelling the P3 contracts was considered prohibitive. What does that mean? Why haven't we been told how much of a cancellation penalty the Ontario taxpayers would have to pay? Given that we have had little information, are these contracts even a done deal? Again, if you want us to help you solve your fiscal difficulty, we need more information.

**Ms Yalnizyan:** In the interest of brevity, I'm going to depart from the presentation that we are submitting to you. I'm going to say that, as an economist, I want to make a case for you about what I think is the most fiscally responsible and sensible financing option you have in front of you to be able to build these hospitals that the electorate has said are needed. I'm going to lay out how you can protect and expand public health care as the key goal that you have claimed for your mandate and a key goal of the electorate of Ontario, and I'm going to show you why P3s will not provide you with more for less. But there are mechanisms that are only available to you as a government that will provide, for the Ontario taxpayer, more for less.

The Tories used to say that P3s are faster, better and cheaper. They can't be faster just because they're P3s. The speed at which a hospital or anything else is built is a function of the contract that you negotiate. That's the same for a for-profit as it is for a not-for-profit, an investor-built versus a publicly financed hospital. Are they any better? To date we don't have any evidence that is uncontested that investor-owned facilities provide higher quality care. I won't go into the details of where the evidence is on that, but it's in the submission.

Are they cheaper? Even the advocates for P3s now no longer say that P3 financing is cheaper than public borrowing, because it's not. They give the reason for going P3 as to get your borrowing off the public books. They also give the reason that going P3 permits you to bundle other services, but they'll never tell you that borrowing from the private sector is cheaper than the public sector, because it's simply not.

Here are the three reasons why it's not. First of all, the government has economies of scale. As an economist and a woman, I'll tell you, size matters. Let's just go through how this works. You know that an individual will pay more to borrow money than a business. A business will pay more to borrow money than a developer. A developer will pay more than a municipality to borrow money. The Ontario government pays less than those developers.

The federal government has the lowest rate of borrowing of anybody. Why? Size matters. We're talking about economies of scale here. Government is big enough and can buy on a large enough scale to achieve better value of money for public dollars, if we buy strategically. Think of it as bulk buying, but in a capital market instead of at the grocery store. The bigger the volume purchased, the less expensive the unit price. The bigger the purchase, the lower the risks and costs associated with moving product, right? It's a very simple principle.

Bulk buying is something that we have not used effectively with our governments through procurement features, and we're certainly ignoring the lowest interest rates in 40 to 45 years—historically low interest rates. This is the time to buy capital for the capital needs we have, yet we've got this ethic that says, "No more public borrowing." This is wasting the public dollar and let me show you exactly how.

Looking at the Royal Ottawa Hospital, the estimate is that it's about a \$1-billion deal. We have, as my colleagues at the Toronto Health Coalition have pointed out, several other hospital expansions and rebuilds or new builds that are necessary across this province. The Ontario Hospital Association probably made a presentation to you indicating that there's between \$7 billion and \$9 billion in current capital needs in the hospital sector alone of the health care system. Remember, as my colleague said, we are spending \$10 billion a year more today than we were when the Tories came into power and we're still struggling with what we're doing with our money. One of the things we should not be doing with our money is wasting it on how we're building anything.

#### 1200

Let me show you how P3s will waste money. I'm going to put you through a very short scenario—you will see the table on page 6 of what's been presented to you. Currently, the 21-year bond rate in Ontario is 5.56%. That's the longest-term bond. You can get a 30-year bond, but it's harder to sell, because there are very few investors out there who want to gamble on a 30-year deal, given that interest rates are at 40- to 45-year lows. At the federal level it's 5.2%.

I am giving the developers the benefit of the doubt, and I'm giving the government the benefit of the doubt, that the P3 deals you negotiated are only giving them a quarter of a percentage point over prime that the government can borrow at. So we're assuming that if you can borrow by floating a bond at 5.56% currently, they are going to get something on the order of 5.75% in the deal you are offering.

But that is not the end of the story, because when public purses borrow, they borrow all the money they need. A private developer always has to put down some equity. Think of it as the down payment on a mortgage. Whether it's a business or a home, you have to put some pool of capital up front to be able to borrow money. That equity capital has a different rate of return. Again, being very generous, I'm going to say that the developers, because of the hard-nosed deal that is being driven by

this government, are only going to get a 10% rate of return on the 10% they put down. You know that mortgages are usually between 15% and 20%. You also know that in today's business climate everybody is going to a much more high-risk environment, so I'm assuming they are only going to put down 10% on the new build.

All my assumptions all the way down the line are extremely conservative in terms of the type of deals you're going to get through P3s. In fact, there are not many developers who will even bite on these types of deals, OK? But let's assume that this is the very modest type of deal you're getting so that you don't have to put more debt on your public books. This is not about smart finances; this is about smart politics, the optics of small debt. Let's assume that's your goal. So, how much are you asking Ontario taxpayers to pay?

If you take a look at the chart on page 6, you will see that for just one deal like the Royal Ottawa, you're going to ask Ontario taxpayers to spend \$7 million more a year for the privilege of having these numbers off book. If we decide to do all our capital needs, we as Ontario taxpayers are going to be spending between \$7 billion and \$9 billion for the same privilege of simply letting developers raise the money instead of you guys floating the bonds. We're going to be spending somewhere between \$47 million and \$61 million a year under these most extraordinarily prudent assumptions of what these deals look like, which are highly unlikely.

These are not one-year deals; these are 30-year deals. So what are we asking the Ontario taxpayer to do? We're asking them to spend no less than \$200 million over the lifetime of a deal, for one deal, for one hospital, and if we decide to move all our public capital needs in health care to a P3 modality, we are looking at up to \$1.8 billion. This is money for nothing. This is money to make the books look good. This is not prudent, and the Auditor General showed us yesterday that the public expectation of your managing our money well is at an all-time high, and when you spend \$10 billion a year more on health care than you did when the Tories came in, you'd better prove to us that you're spending our money prudently; it's as simple as that.

I want to finish very quickly by asking, what could you do if you didn't use the P3 route? What could you do with that opportunity cost, that \$7 million a year for the Royal Ottawa Hospital, or any of these other things? For \$7 million a year, you could hire 117 new nurses. Your government right now subsidizes or supports the cost to universities of training nurses to the tune of about \$35,000 over the life cycle of a nursing degree; this is just the post-secondary cost. For \$7 million a year—this is one hospital, one financing deal—you could be training 800 new nurses. We've got a labour shortage. We've got a demographic crisis in our nursing business. You could be training 800 new nurses in this province over the course of the next four years. So it's not like you don't have options, things you could do more reasonably with our taxpayers' money.

I'm going to wrap up there. I'd be more than happy to discuss any of my numbers and assumptions with any of

you. I'll leave my business card also, if you want to pursue this.

I just want to wrap up by saying P3s are wasting taxpayers' money, and they waste the public trust, just because governments don't want to call a spade a spade. There is no free money out there. The electorate of Ontario voted for change. They want basic services supported and even improved. They do not want continued erosion of services. To maintain and expand services, you have to spend more. There is just no way you can do it any other way, and the only way you can do it is by spending more through raised revenues. There's not some way of shuffling money within the existing envelope you've got.

We've got a historic opportunity here with low interest rates. If we don't start borrowing publicly, you are basically saying to us that public trust is not merited here, that we invested in the wrong government for the wrong purposes. I'm sincerely hoping that the flirtation with P3s that this government has indicated does not become another unnecessary chapter in the book of lessons learned about government waste, a chapter we're going to read about from our own Provincial Auditor next year.

**The Chair:** Thank you for your presentation. We only have time for one question, about a minute and a half, and in this rotation it goes to the government.

**Mr Wilkinson:** Thank you so much for your presentation. By training, I'm a certified financial planner. Just a quick question, though: I take exactly what you're saying, but if the government were to embark on a massive borrowing through public bonds of, say, \$9 billion in the health care sector alone, would you be concerned that the credit rating of the province would be reduced if we went to the market for a huge amount of money just for hospitals? We've gone from \$50 billion to \$90 billion to \$114 billion, with another \$20 billion of stranded debt, and we're paying \$10 billion a year in interest. Your presentation is excellent, but there always is the other side of the coin that we have to face. As an economist, I'd be interested in your comment.

**Ms Yalnizyan:** I'm actually fascinated that you're a financial planner, because nobody's saying you have to undertake all of this right now, at this second. This is about prudent planning. If those needs are there and must be met immediately, and the scale at which that capital starts rolling in is something you can stagger, you don't need that \$9 billion up front, notwithstanding what the Ontario Hospital Association had said.

With respect to the crowding out effect and raising the credit rating—

**Mr Wilkinson:** Lowering it and then raising interest rates.

**Ms Yalnizyan:** You're furious that we would raise the credit rating and therefore the cost of capital if you start squeezing out the capital market. You go into the capital market for, say, \$7 billion to \$9 billion for hospitals alone. You need X amount for infrastructure elsewhere—water and sewage; I don't know where you're going. But let's assume there's a large-scale increase.

First of all, the federal government should be borrowing money on our behalf for projects of national interest. In the post-war period in 1948, the federal government did most of the financing of hospital builds in this country because the provinces said, "This is crazy. Why are we borrowing money? You can borrow it cheaper for us." In an era of renewed co-operation with the federal government, governments of like mind, maybe there are ways of moving forward in your health negotiations and talking about how we share not just capital costs for medical equipment but also capital costs for infrastructure builds. You've got a \$3-billion infrastructure build on the horizon. How do we maximize the public punch? How do we get all levels of government working for us so we're not paying money we don't need to pay?

**The Chair:** Your time has expired. Thank you for your presentation.

**Mr O'Toole:** On a point of order, Mr Chair: I just want to ask the economist: Do I understand bonds aren't the same kind of—

**The Chair:** We don't have time for that. You can ask her at the end of the meeting. It's not a point of order.

*Interjection.*

**The Chair:** Your time has expired. I'm sorry. Each group would like to go longer. Unfortunately, the agreement is 20 minutes.

This meeting is recessed.

*The committee recessed from 1212 to 1300.*

**The Chair:** The standing committee on finance and economic affairs will please come to order.

#### ONTARIO COMMUNITY SUPPORT ASSOCIATION

**The Chair:** I call on the Ontario Community Support Association. Good afternoon. You have 20 minutes for your presentation. You may leave time for questions if you desire within that 20 minutes. I would you to state your name for the purposes of Hansard.

**Ms Valerie Bishop-de Young:** My name is Valerie Bishop-de Young. I'm the president of the Ontario Community Support Association. I want to thank you for the opportunity to be here today. I've travelled from Ottawa to join you here today and I'll return home today as well. But that's the value we place on these kinds of consultations, so we appreciate the opportunity.

OCSA, the Ontario Community Support Association, represents 360 not-for-profit community agencies, 25,000 staff members and 100,000 volunteers across the province. We provide service to 750,000 people per year, and our volunteers donate about 2.5 million hours of service per year.

Community support agencies receive about 60% of their funding from the Ministry of Health and Long-Term Care and, in total, between fundraising, community donations and client copayments, which are necessities of our current reality, we represent about 1% of Ontario's health care budget. Our services include attendant care, which is very high-level personal care for people with progressive

disease conditions or with disabilities, palliative care, personal support, caregiver support, Meals on Wheels, Alzheimer day programs, transportation to doctors' appointments and client intervention: the things people need in order to stay at home and stay healthy. Twenty-seven of our agencies are also contracted with community care access centres, so they provide that nursing, therapy and personal support service as well. The CCAC system represents about 4.2% of the total health care budget.

What we need is a health care system that is positioned for the 21st century. We believe we have to reposition Ontario's health care system so it is sustainable in order to meet the new and emerging needs of a growing, aging population demographic. Our health care system was designed to be preventive and proactive, not remedial and reactive, and that's where it is today.

From primary care up to quaternary care—our hospitals representing tertiary level acute care—we are at the grassroots level. We're ground zero. We're in people's homes, in their apartments, we're on the street and we're in the shelters where people need the service. A seamless continuum of care takes people from home up through the system as they need it. But care has to start in the home. Hospitals are at the tertiary care level, and primary care is where people choose to live. People live in communities, at home, not in hospitals.

Our funding needs to reflect the focus on prevention. We need to go back to first principles in health care. We need to look at prevention and proactivity. So we need to look at where the dollars can give you the best bang for the buck, and that's in community support. We meet people where they live. Funding needs to be siloed there and needs to be put into the system proportionate to the value that is placed on the service and the role we are expected to play in the system. The current health care system operates in silos. An ideal system would offer incentives and encouragement for local health care initiatives at the grassroots level to allow people to stay at home where they want to be. Real change has to come from the local level, from the bottom up.

A comprehensive home and community care system includes support for persons of all ages with chronic conditions and disabilities, so they can stay where they want to be. It includes adequate home care for post-acute patients, it includes palliative care and respite for palliative patient clients and their families and it includes case management for clients with mental illness. A comprehensive system needs to provide the right service at the right time in the right place to help them age in place successfully for as long as possible.

What are the early opportunities for change? We feel that Ontario is positioned perfectly right now for change. We need to make more efficient use of our hospitals. A recent study this past week was announced, emerging from the Ottawa Hospital with Dr Forster, and I was pleased to be able to sit on the panel with Dr Forster to support the findings of the Ottawa Hospital. They found that one in four patients gets sick again after leaving

hospital, mostly because of lack of follow-up in the community. Home care, community care, isn't available, and this creates the revolving door. That's a reactive system. That was cited in the Canadian Medical Association Journal.

We need support for greater coordination of care for frail elderly persons and for people who live with chronic disabilities and progressive disease conditions. The Marcus Hollander studies—there are several of them—refer to the proven evidence that home and community care is cost-effective alternative to hospitals, nursing homes and emergency rooms.

Support for community mental health programs: Evidence-based research shows that when community mental health is adequately funded, hospital visits by mental health patients are reduced by 80%.

Our hospitals are limping, and community-based health care is basically in critical condition. Funding has not reflected the values that we place on our health care system. Our funding has been a knee-jerk response to photo opportunities, quite bluntly. It has produced bricks and mortar, and very few service improvements, rather than reflecting the intended design of the health care system and the values of Ontarians. You are positioned to help to change that.

Community supports can provide care for as little as \$5 a day, depending on the service that's needed. And some people just need something as simple as a meal delivered each day to maintain their independence and to stay at home. I'm sure we all recall the horror stories of the past year or two, where service cuts happened because of lack of funding in the home care system. I know in Ottawa there were two patients found passed away in their apartments because they didn't have a meal delivered. Services were cut back that much without funding.

We have examples of people with progressive diseases, such as, in London, Ontario, a lady with multiple sclerosis. It's a progressive degenerative disease. She has worked all her life. She's in her early 40es and is unable to carry on. She can, at best, access 30 minutes of care three times a week. This woman needs help with the basics of personal care; 30 minutes every second day doesn't do it. There are wait-lists existing, there are new wait-lists emerging all the time.

Community supports have received a total of a 2.5% increase over the last 11 years. The cost of living has risen over 40%. Many agencies have had to ration the amount of services they provide. Wait-lists grow; needs are unmet. Deficits force client service reductions and agency closures. Wait-lists put Ontarians at risk.

#### 1310

Funding needs to be stable. Unstable funding means there are service cutbacks. People don't get their care plans met. They don't get the kind of care they need, where they need it. That in turn results in a negative cost spiral in which home care funding is reduced and hospital funding is increased. It leads to greater demands on the acute care system and residential care services, because

people simply can't cope at home. The increased demand is then used to justify further increases to institutional budgets, and that results in further decreases to home care. It's just a spiral and an ongoing circle. It creates further rounds of increased demands on hospitals and long-term-care facilities, and the saga continues.

Our recommendations for immediate action would include an immediate injection of \$50 million, as opposed to the \$450 million I know some of the other silos are asking for. Premier McGuinty committed to this in his first budget. The former government committed to it in their first budget as well. When I met in Ottawa last year with a minister of the former government and addressed the issue with him, his response was, "Well, we need more time," and my response to that was, "You've had eight years. How much more time will it take?"

**Mr O'Toole:** You're running out of time.

**Ms Bishop-de Young:** Let's not let this government run out of time.

**Mr Prue:** I second that.

**Ms Bishop-de Young:** We believe you need to undertake a review of the community services infrastructure. We need to correct the chronic underfunding of community support service agencies. We need to examine the types and availability of services that should be supported across Ontario, because there are inconsistencies, and provide financial incentives for the best local practices.

Undertake a review of the community care access system: We know there are system savings that can be found. We're not asking necessarily for new money; we're asking for a system review. We're looking at at least a \$70-million case management overlap that exists in the CCAC system, and that can be moved into direct services to clients, who have had their services cut by 30% over the past few years. It is documented that 115,000 people have lost service in the last 18 months.

Countries with the best outcomes and the lowest expenditures of gross domestic product have strong primary health care systems, and that includes home and community care. They focus on the preventive model of health care. If people aren't healthy, they can't learn, they can't achieve and they can't work. This is a reduced quality-of-life issue.

The Ontario Community Support Association's members continue to work with clients and caregivers to ensure they are engaged in discussions and decisions about their health care services. We promote system change with our partners in the health care system. Now is the time. Ontario is well positioned to introduce new thinking and models for health care based on a foundation of cost-effective, community-based primary care for people, rather than a hospital-centric model. We look forward to continuing to work with the government to ensure that Ontarians get the most appropriate and cost-effective health care.

Attached to the presentation is an excerpt from Premier McGuinty, a letter of promise from him; contact

information where you can reach me or the CEO for the association; and a bit of background on home and community care in Ontario. Thank you.

**The Chair:** We have about two minutes per party for questioning, and we begin the rotation with the official opposition.

**Mr O'Toole:** Thank you very much for your presentation. I would say that it's clear to me that you have the ear of government. As I read my clippings this morning, I'm just quoting Minister Smitherman, where he spoke yesterday to the University Health Network and said, "Not all progress that is required in our health care system need come with a big, fat cheque attached."

"His comment came a day after Premier Dalton McGuinty revealed the government plans to transform health care by emphasizing"—much what you said—"public health to prevent illness, focusing on home care rather than on hospital care, and increasing the role of pharmacists, therapists, nurses and nurse practitioners in dealing with patients."

That primary care initiative has been a long-standing reform, but no one has the courage to take on the hospitals and the doctors. That's the deal. Yesterday the hospitals were here asking not for \$400 million; \$1.45 billion was the real number. Our researcher has that number. It's probably bigger than that, but that's just to get them where they need to be, not going forward.

The other part is, I would say you've correctly outlined that the government did take some money out of hospitals' operating budgets. There's no question. It was a formula calculation, with quicker discharge into the community, and that's what primary care is. There's about \$1.5 billion in that envelope today, as you know, I'm sure, in the community care access centres.

My approach to you is, I do work and will continue to work, because I do support what you say. It's going to take some awful courage because, as you know, the OMA is going to bury us with tests, and the negotiations are ongoing. They run it. They're not giving the nurse practitioners one billing code—not one. That's the issue in primary care.

My question to you is, can we better coordinate the other services you've outlined on page 2: attendant care, respite services, palliative care, hospice services? The CCACs should be the one window. They should be the intake case managers from birth to death, in my view. You can't have—do you agree with better coordination at the community level?

**Ms Bishop-de Young:** I agree with better coordination, absolutely. I'm not sure the CCACs are in a position to do it.

**Mr O'Toole:** Whatever.

**Mr Prue:** Absolutely.

**The Chair:** We'll move to the NDP.

**Mr Prue:** Good answer. I have to tell you, everything in here makes sense. We have heard this from a number of groups. In fact, I think all members of the committee understand that what you are proposing will in the end save money, and if it doesn't save money, at least it will be less expensive than the hospital alternative.

**Ms Bishop-de Young:** Absolutely.

**Mr Prue:** I did notice over the last number of years in Toronto a significant downturn in the amount of care that was given to people. I think one of the saddest cases I encountered—and I'd just like you to comment on whether this is happening in Ottawa—was a World War II veteran who had some form of dementia and his wife was trying to keep him at home. She had community care come in to help her a couple of hours a week. She got three one-hour tours that allowed her, first of all, to give him a bath, because he was a very large man; the second time would be to allow her to go and do the shopping; and the third time would be her one hour off a week. They reduced that to one hour, or less than one hour actually, which did not even allow for shopping. She was told that if she didn't get back in time, they would leave him unattended. Is that the kind of thing that has happened in Ottawa as well? Quite frankly, it was appalling to me that we would do that to a veteran.

**Ms Bishop-de Young:** Sadly, it's happening across the province, not just in Ottawa. Veterans Affairs will support some home care services, yes, but it is a question of eligibility. If they go through a community care access centre, then they go through the public system, the former OHIP system per se. So it's a funded system.

Getting back to your comment, it's happening across the province. I guess the gentleman in question is fortunate that he actually had his one hour maintained. So many people had things cut right out from under them, with nothing. They literally have fallen through the cracks. There is no way to track what has happened to those people. The system doesn't fund or support that kind of tracking. I don't know if it's because we don't want to know what happens, but we should be knowing and we shouldn't let it happen in the first place.

**The Chair:** We'll move to the government.

**Mr Colle:** Thank you very much for your presentation. Just to let you know, the first presenter this morning was, I think, one of the model community care centres in Ontario, and that's SPRINT.

**Ms Bishop-de Young:** SPRINT is a member of OCSA, a member organization of my association.

**Mr Colle:** They did a joint presentation with the Anne Johnston Health Station. They do a lot of coordinated work together, which I think is an excellent model.

I guess the critical thing here is that what you've given us basically is a way of delivering health care cheaper, quicker, more efficiently, without silos, without bricks and mortar, without all the fancy trappings. As a committee, those are the types of things we're looking for. I for one will say that one of the suggestions we will take to the Minister of Finance, I hope, in consultation with the rest of the committee members, is that we start getting out of the old silo system and look at the new health care imperatives. This is, I think, the way to go, and I encourage you to keep doing it.

1320

I'd like to get more information on the CCACs and how we can get rid of those middlemen so we can get the

services directly to the people. If you've got a bit more information on that, I'd like to get that, please.

**Ms Bishop-de Young:** I will do that. I will make sure it gets to you.

**The Chair:** If you provide the information to the clerk, then all members will be able to share in that.

Thank you for your presentation.

**Mr Prue:** On a point of order, Mr Chair: I intend to move a motion in this regard relating to page 11 of this today at 4 o'clock.

**Mr O'Toole:** In the same vein, Chair, I would just give notice that I have a number of motions to move today and will not tie up presenters' time until after the hearings. You may have to delay the bus.

**The Chair:** Thank you.

#### ONTARIO SCHOOL BUS ASSOCIATION

**The Chair:** I call on the Ontario School Bus 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.

**Mr Kirk Flach:** Kirk Flach.

**Mr Michael Murphy:** Michael Murphy.

**Mr Richard Donaldson:** Richard Donaldson.

**Mr Flach:** Mr Chair and members of the standing committee on finance and economic affairs, thank you for the opportunity to present to you today. My name is Kirk Flach, and I am president of the Ontario School Bus Association. I am joined by Mike Murphy, co-chair of our viability committee, and Rick Donaldson, our executive director.

The OSBA represents 230 school bus companies operating over 12,500 school-purpose vehicles across the communities of Ontario. One very interesting figure you should be very well aware of is that 63% of our members operate 20 buses or less. We are very much family-owned and operated businesses which every day transport over 800,000 students, representing 43% of the daily student enrolment.

Last week you would have heard from Ron Malette in Timmins and Gene Trottier in Thunder Bay. These two operators described the many challenges facing our industry in rural, northern and remote communities. Today, we want to reinforce their presentations and provide the committee with our recommendations and solutions to the long-standing issue of a fair and equitable student transportation model recognizing the needs of students and the real costs of school boards and school bus operators.

I'll now ask Mike Murphy to continue the presentation.

**Mr Murphy:** I'm encouraged, Mr Chair. I know that you've taken some of our issues to the Legislature two or three times and are not perhaps done with that. I also want John to be easy on me since I'm a constituent of Perth-Middlesex.

**Mr Wilkinson:** That is my children's school.

**Mr Murphy:** We will be as quick as we can and hopefully allow time for some questions.

I come to you as a bus operator from southwestern Ontario. I've been on the funding review committee for the province since its inception in 1998. I chair a couple of operators' associations in southwestern Ontario, in the Huron-Perth area and the Thames Valley area of London. My family has been in the business since 1946, so I've spent virtually all my life in this business and I'm trying to figure out where the line is between being stubborn and being strong-willed. I'm still working on it. I'll get back to that later.

I need to tell you that the operators in our area and, really, in all of the province have a tremendous record of cooperation with the boards and the government and, most importantly, in caring for the kids who ride with us on a daily basis.

In terms of costs, we've run out of options, given what insurance has done to us over the last two years, when it has doubled. I have issues, like you do, with fuel, the cost of vehicles and parts. We've tracked that over the last 10 years, and those numbers are up about 60 points.

We need to talk about our drivers, because they are really the backbone of the system and many of them are now working longer for the same pay they were getting three years ago. The fact is that I have to buy tires, I have to replace the windshield, I have to repair and safety-check the bus, so what's left at the end of the scale sometimes, unfortunately, is that our drivers don't get recognized or increased as much as they should. But they are my kind of people, and they are really the soldiers of the industry. They're only as good as we are. If we don't have a good driver behind the wheel, all the other tools are lost.

I've compared some of the funding for student transportation in other parts of Canada. I can tell you that I've checked BC, New Brunswick and Quebec, to name a few, and on a per student basis we are behind.

School board directors tell me that they must have a viable transportation industry in order for them to deliver programs. We have to get the kids to where the schools are located and to where the skilled staff are waiting for them.

We've been a partner and we will continue to be a key partner in the system of the province. We're here to ask you to address what I think is a doable thing and to continue what Mr Rozanski studied and reported on a couple of years ago.

It's hard to believe that in 1992, the Ontario government estimated that there would be \$700 million spent on home-to-school transportation for the kids of Ontario. Last year, that figure was at \$651 million. I can't think of anywhere else in education or in any operation that an account is 7.5% less 11 years later.

You're now scratching your head and wondering how we did that. Well, we're running the fleet harder and we're running it longer. In other words, we're now doing double runs and triple runs. The buses are better buses than they were 12 years ago, so we're able to get a couple

of more years out of them. And our people are working longer hours and harder in order to make the system work.

Can we find anything else? The answer is no. I'm not saying the funding needs to be doubled, but we have to finish what the committee has studied, what Rozanski has recommended and what the previous government committed to, and get on with it. We need to get the correct funds into the correct hands and focus on funding transportation where it's needed.

We call the current system rough justice. It's mirroring a distribution of funds that was in place in 1994-95. As time has gone on, school boards' needs have changed: schools have been closed, they've been built, populations have shifted. In some areas the money is not where it should be, and in other areas there is too much where it shouldn't be.

I can tell Mr Wilkinson that the Avon Maitland board is \$900,000 overspent on their transportation file. The Thames Valley board is in a like position. They just haven't been able to fund it through the transportation file.

We've studied the thing for six years through the funding review committee. Rozanski identified that, as of two years ago, it should be \$691 million, so there are some adjustments from that.

The ministry does have a model. We do have a study. We've identified the issues. There is a solution that's attainable, and I need you people to help us take the opportunity and finish this thing.

Can we help? Yes, and we're prepared to continue to. We have been and are still at the table. We know that we can co-operate. I've been pretty proud of the fact that, for one of the first times in our industry, we had school boards, bus people and government people at the same table for the period of the last five or six years working on this project. We are able to assure you that you will get value for the dollars spent.

There is a fair and a better system for setting operator rates available. We filed a couple of copies here today. It began with the old Perth board, Mr Wilkinson, and was fostered through the Avon Maitland District School Board. It has been studied by the province and is recognized as one of the models that's already on the table.

**1330**

We need a government system that will monitor, identify and react to our costs and issues. We need that badly, and perhaps a directorate of student transportation is the answer to continue to monitor us and keep us honest, if you will, and keep everybody in the industry honest.

We need a continual working committee with government, with school boards and with operators that will assure us that your resources are being used wisely and also safely. We need representative boards; we need representatives of the Legislature and operators to do that.

You need to remind your people—your cabinet, your Management Board etc.—that we're your backup; we're

your relief valve. We are the last chance you've got when a building fails. I've had it happen: The fire marshal closed a building, we were called and moved the kids to another building. When there's an overflow and there's no portable available or whatever, we're the ones who get the kids to where there are seats. We're often a better buy than more bricks and mortar. I need to remind you that we're your first representative every morning and your last ambassador every afternoon when we drop them off at the gate.

Nearly half the kids in Ontario who go to school ride with us. Riding that school bus is a big part of their day. It's an important part of their day. If they're not ready to learn when they get to school, all that other expenditure really is somehow partially wasted.

We all need to think about the special-needs kids. They really are, I guess, the kids who are most dependent on us. They don't have a lot of options, yet their funding for transportation comes out of the same pool as any other kid in a regular stream class. There is no special transportation funding for special-needs or special-ed kids. There's no policy that can protect a board from that expenditure. If a child is identified or is in a wheelchair, we have to transport. There's no policy that says, "No, they don't get a ride." Often, that expenditure takes away from regular home-to-school transportation and puts that much more pressure on everybody.

Sometimes declining enrolment has really created an extra cost in transportation. If a school is closed, it usually means more kids getting a ride to where there's a school available, or that classes have to be shifted to get to fewer teachers who have the expertise to teach those kids. So when we reduce the boards' per student allowance because of a declining enrolment, transportation sometimes has gone down as well, although in fact the transportation requirement went up, not down, with the reduced enrolment.

I think we have an opportunity to move forward, and I'm not coming to you today with an impossible task. We're the only area that has not got a model in education. We've looked at it for six years. We have a study. We need your leadership. The teachers need our leadership. They can't teach students who don't get to their class in a safe, secure, on-time, ready-to-learn environment.

Education is now over \$15 billion. I probably don't have to remind you of that. What we need is to put in the final \$40 million of what Rozanski recommended two years ago, plus whatever adjustments since August 2002. It's a small portion of the education expenditure, but it's important enough that if we don't do it, the model will fail. It will fail because we'll have too many losers. There are so many boards right now that don't have the funding in the right place. If we don't put their last piece in, you'll have too many boards that will be upset with you, with me and with the committee.

We've worked hard together. I think we've identified that there isn't a lot of fat in our industry or in the transportation file with the school boards or with government.

We have been at the same table and we do have a vision. Is it perfect? No. Are we done with our study? No. But it's time for government to step up to the plate and not leave us on third with two outs.

Again, I'm told there's a fine line between stubborn and strong-willed, and on this one I'm asking you to be strong-willed. I haven't got my own figured out yet, but I want you to be strong-willed.

**Mr Flach:** In summary, Mr Chair and members, the Ontario School Bus Association urges this committee to recommend to the government that, first of all, the new transportation funding model, outlined by the Ministry of Education in June 2003, be implemented as planned for September 2004; and second, that the funding for student transportation for September 2004 includes Dr Rozanski's recommendation of \$691 million plus adjustments to the benchmark costs from August 2002 to August 2004.

The government's plan for education, called Excellence for All, says that school boards in rural and northern regions need funding that reflects the transportation and other costs of far-flung regions. We understand that schools in urban, rural, suburban and northern areas have different needs. The funding they receive should reflect the needs of those communities.

We submit this as an affordable promise to keep this year. Thank you.

**The Chair:** Thank you. We have about two minutes for each party, and we begin with the NDP.

**Mr Prue:** You have said much today that we have heard from other presenters. I'd just like to zero-in. I think the most compelling one we heard was in Timmins, from northern Ontario, about the difficulty of sometimes keeping the buses running when it's 35 below, because if you turn them off, they may not start again; about the waiting times for children, waiting in 35 below temperatures, and things we don't often see in southern Ontario.

What can we do other than money? I'm sure they're going to give you all the money you need. What can we do to better serve the students and ensure the health and safety of children, sometimes in lonely and isolated spots, being picked up in rural places, or the cold and extreme temperatures that one might find in Canada, generally, and in the north in particular? What can we do to have a better pickup system? Would that require—the second part—additional funding? I know you're doing the best job you can possibly do, but from what I heard from them, I'd like to do it just a little bit better.

**Mr Murphy:** The committee has identified that there are costs in northern Ontario that are over and above the costs that there would be in the Toronto area, or even southwestern or eastern Ontario: inside storage for buses so they've got a good, clean start first thing in the morning; assuring the proper fuel mix, which is virtually stove oil at that point in time in that area; and allowing the boards enough flexibility in their timetabling and scheduling so that they perhaps don't feel the pressure to operate when there are those severe conditions. I'm an advocate of year-round. I'm probably not going to be

supported by a lot of people at this table, but I think if you had year-round schooling in some areas, it would allow the people who are there the flexibility to operate when it is more advantageous and safer.

**The Chair:** We'll move to the government.

**Mr Wilkinson:** Thanks, Mike, for bringing the people. I have just a couple of comments. We have a system that has no funding model, which is, from a business point of view, stupid. We have a system we've been underfunding, and as a result the industry has done a wonderful job. I know that in my home riding, both co-terminous boards work together. The Ministry of Education insisted that the boards spend \$250,000 for a fancy piece of software to help bring efficiencies. They spent that money, and the software said you couldn't run it any leaner or more efficiently than they do in the Avon Maitland and the Huron-Perth boards.

As someone who went to school on a school bus, and whose kids go on a school bus, I think the thing we have to remember is the human aspect. As a parent, I want the school bus operator to be someone who's in that career because they love kids. They don't do it for the money; they don't. They do it because they love kids. We have a situation where it's almost impossible for the school bus people to hire good people because it's not anywhere near competitive. As a parent, it is important that we listen to Dr Rozanski, who was hired by the previous government, who clearly said that we have to put in the money necessary to make sure that our kids are safe, that they get to school safe and get home safe, driven by someone who cares about them when they are picked up. I applaud your efforts, and we'll just try to be as strong-willed as we can, Michael.

1340

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

**Mr O'Toole:** I think he has pretty well eaten all the apple pie. Anyway, I do agree, having been a trustee for a couple of terms, and know how difficult it has been, even between boards. I'm very familiar with the issue, and I know there has always been this annual top-up funding which never became part of base funding; I think it was about \$30 million that they would come out with every year to get you out of debt. I'm familiar with the Trapeze program and GPS and how they're trying to logistically organize this thing. I commend your courage, because if you talk about anything outside the current paradigm, like year-round schooling, "Oh, that"; also 9 to 4, anything outside that paradigm, "Bad."

When you look at better utilization of capital in this whole equation, it means the boards have to look at co-operating on the start and stop times. That means the union contract becomes a big issue: who starts at 7:30 and who starts at 9:30, because you need bigger windows for picking up and double-running. Most of the people here, I'm certain, don't have a clue. I was on it for four years. I knew most of the operators in my area, and still do, still meet with them. It needs to be thought of differently to make better use of capital, integrated with whatever transit systems are around to make better use of

your investment, whether it's for seniors or public transit issues. My question to you is—part of the solution that they've recommended here is of course additional funding, and we need to be safe, we need to have committed personnel operating and maintaining these vehicles—why don't they just flow the money directly to the bus operators? What's this middle group? They're the problem-causers; the school boards are the problems. A former superintendent ends up running schools and doesn't know how to spell "bus."

**Mr Murphy:** The problem is that the school boards have to be held accountable for whether they put in a teacher or whether they decide it's better to bus the kids to where the teacher already is. You need to know that in June the ministry did issue a B memo that has to do with best practices and talks about boards having to co-operate. We've studied the bell times and a lot of things that have saved, and can save, bucks: double-running, "one bus, one road," all of those issues. We are on that.

**The Chair:** Thank you for your presentation this afternoon.

#### UNITED STEELWORKERS OF AMERICA, DISTRICT 6

**The Chair:** I call on the United Steelworkers of America, district 6. Please 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 yourselves for the purposes of Hansard.

**Mr Wayne Fraser:** First let me take the opportunity to thank the committee for allowing us to give you our views about what needs to be done in the upcoming budget. My name is Wayne Fraser, and I'm the director for the United Steelworkers of America in district 6, representing 80,000 steelworkers in the province of Ontario and the Atlantic provinces. With me today are Sheila Block, a researcher for the steelworkers, and Marg Carter, who's president of local 4120, representing the employees at the University of Guelph.

Our union represents men and women in almost every sector of the economy: in mining, the steel industry, universities, health care, security, transportation, hospitality, call centres and many others. If you have read the newspapers lately—I'm sure you have—or watched the news over the last few weeks, you know that our members in the steel industry are facing a major crisis. While it is not my specific purpose today to talk about the steel industry, I want to put two points on the record.

The first point is that our union believes that the provincial government has a crucial role to play in resolving the current crisis, and we as a union will ensure that responsibility is not evaded. The second point is that our union will play a full, vocal and responsible role in the future of this industry, which is paramount to the economy of this province. But I am not here today, as I said, to talk to you about the steel industry. There are other places for those discussions, and I'm sure we will

have them. I am here to talk to you today on behalf of all of our members in Ontario in their role as citizens and as an elected leader of a union with several thousand members in the public sector.

I am also here to speak to the Liberal members of this committee as someone who shares the responsibility of elected leadership. I'm sure there are powerful lobby groups and interests that are telling you the only campaign promise that matters is the one you made to the Canadian Taxpayers Federation. But you must remember that you were elected on a promise of change, on a promise to rebuild public services in Ontario, on a promise to return to a government that values public services and public service workers, a government that values what we share together as citizens of this great province.

During the Harris and Eves years, we found out the hard way how important funding of public services is to all of us. Some of those lessons are ones we all know about: overcrowded classrooms in crumbling schools, overcrowded hospital waiting rooms, shortages of health care workers. Others are lessons that we will never forget, like the tragedy of Walkerton, like Kimberly Rogers's death in my hometown of Sudbury, Ontario.

The erosion of public services is wider spread than the news that makes headlines. Because of that, the problem cannot be solved by transferring money from one budget line to another or, with due respect to Mr McGuinty, by results-based budgeting, a consultation process or superficial input from public sector workers. However valuable each of these may be, the problem is simply way too large.

To give you an example of how widespread the problems are, I want to talk to you about the university sector. It's a sector in which service cutbacks don't make headlines very often, and it is a sector where our union is proud to represent workers at the University of Toronto, Victoria University, St Michael's College and the University of Guelph. Our university members do a wide variety of critically important jobs as administrative and technical staff. They include highly trained technicians, departmental secretaries, veterinary nursing staff, senior researchers, business officers, anaesthesia specialists and much more. They ensure the daily functioning of the universities. Without them, your kids could not get their education, and important research would not take place.

The Tory cutbacks in the university sector were deep, and Tory policies encouraging P3s and deregulating tuition fees resulted in a major shift in university funding during their term. Taking inflation and enrolment into account, provincial grants to universities for 2002-03 were more than half a billion dollars below 1995-96. Ontario funding for universities was 10th out of 10 provinces on a per student basis in 2001-02. It has been 10th on a per capita basis since 1993-94. In 1995-96, tuition fees made up just 29% of operating revenues. Five years later, this had increased to 41%.

What do all these figures mean for the quality of education and research in our universities?

The university sector has been the canary in the mine for P3s, or public-private partnerships. They have been used for infrastructure and research programs. A recent study from the Canadian Centre for Policy Alternatives shows what these programs mean for students and universities. A large share of this funding goes to a minority of programs of interest to business. For example, while 40% of students were enrolled in humanities and social sciences, those programs received only 3% of the SuperBuild infrastructure funding in 1999-2000. These programs are reinforcing massive inequities between universities, between departments and between students enrolled in different programs.

#### 1350

The impact of high tuition fees and the high debt levels that result means that university education is becoming a luxury that only the children of the rich can afford. A StatsCan study found in the mid-1990s an increasing gap in university attendance between kids in low-income families and those in families with higher incomes. This study was done before much of the tuition fee increases had taken effect. My guess is that the situation has only gotten worse.

University education is more expensive and is less accessible, and those students who are paying more are getting a lower quality of education. They are in overcrowded facilities and classes. They are at institutions that are understaffed.

Our membership in this sector has been trying to do more with less for a decade. Some of our members have been laid off or are facing layoffs. The ones who are still there are trying to deliver good-quality education with too few co-workers and too few resources.

The impact of these cutbacks is felt in a number of ways: too little time for technical staff to set up and take down laboratory and other classroom equipment; too little time for preventive maintenance for specialized laboratory, audio-visual and other equipment; inadequate budgets to replace that same equipment when it breaks down; inadequate budgets for specialized training to keep our members up to date on the latest innovations in their field; and no resources to schedule extra classes or labs to maintain the quality of education in big classes.

Finally, and most important, there is too little time to spend with students. Our members who are front-line staff in libraries, in registrars' offices, in academic departments and in residences just don't have enough time to spare. That time is part of the staff-student interaction that supports their academic life, and because of overcrowding that time is even more crucial to a student's success.

We know what the solutions are to the problems in this sector: We need to freeze and then reduce tuition fees to make sure that we have equity for all people to attend universities in this province; we need to reduce student debt loads; we need to increase funding to offset losses in tuition, to increase staff and faculty and to renew crumbling infrastructure throughout the university sector.

I want you to understand this isn't a special plea for increased funding for this sector at the expense of others. You will find similar problems in just about every other part of the public sector. The financial problems that your government is facing are not complicated. They aren't the result of changing demographics, inefficiency or complex governance issues. The arithmetic is simple: Because of the Tory tax cuts, Ontario no longer raises enough money to pay for our public services.

The Ontario alternative budget has documented that:

The loss in revenue from those cuts is forecast to reach \$17.5 billion in 2005 and 2006;

The Tory years saw program spending drop from just over 15% of gross domestic product to under 12%, that is, spending on our schools, hospitals, roads and cultural institutions;

If we wanted to maintain program spending at the level it was before the Tories came to power, taking into account inflation and population growth, we would need another \$8.3 billion in 2003 and 2004.

The arithmetic is simple. And the solution, while it might be unwelcome to some, is also simple. The people of Ontario understand this. The people of Ontario understand that to rebuild public services we will have to pay for them.

The Ontario Alternative Budget has put forward a modest plan to raise an additional \$3.5 billion a year. It would tighten up tax loopholes and enforcement to make sure that everyone pays their fair share, and it would recover a portion of the revenue we lost through the Harris-Eves tax cuts. It would require only a 2% increase in tax rates. That is much fairer than the increases in fees and private expenses that we saw throughout the last eight years. It would mean that access to those services we would be rebuilding wouldn't be based on how much money you have but on how much you need them.

If everyone pays a modest increase, if everyone pays his or her fair share, we can start to rebuild this great province.

**The Chair:** Thank you. We have about two minutes per party, and we begin with the government.

**Mr Wilkinson:** I appreciate your presentation. We've heard over and over again: "Keep 230, cancel the one." Many times you've said, "This is what people want." Is that based on polling you've done? The poll I saw going into this was about a third, a third, a third. I guess like true Ontario people, a third of the people said, "Yes, you should raise taxes," a third of the people said, "No, cut the deficit," and a third of the people said, "There's another alternative."

**Mr Fraser:** We do internal polling. If you ask the right questions about—

**Mr Wilkinson:** This was from a third party. I think it was from Environics. It wasn't something the government did.

**Mr Fraser:** Ours is a little bit higher than 30%. Listen, it's about what kind of Ontario we want, what kind of services we expect as citizens and, at the end of the day, how we pay for those services. I think the ex-

planation about that, in its entirety, would bring significant support for that premise.

**Mr Wilkinson:** We're not a government that said we want to engage in partisan advertising. Do you think, if that were to be the case, that you would support that publicly?

**Mr Fraser:** Absolutely.

**Mr Wilkinson:** That's what I needed to know. Thank you.

**The Chair:** The official opposition.

**Mr Barrett:** Thank you for your presentation on behalf of the Steelworkers. In your opening remarks you alluded to this; we know that Stelco is restructuring. We know the impact of some of the buyouts and restructuring south of the border on pensions, and now non-existent pensions. [*Inaudible*] south of Hamilton.

You have indicated in your remarks that the provincial government has a crucial role to play. The government has played a role in the past in Algoma. Mr Oraziotti, or Tony Martin as the former MPP, would know this. I wonder if you could just be more specific. We know the big issue. Certainly for the people I'm speaking with, the big issue is pensions. There is a structure, through the Ministry of Finance actually, to provide a cushion there. What else specifically should government be doing during this crisis?

**Mr Fraser:** Let's straighten out the facts about what happened in the States.

*Interjection.*

**Mr Barrett:** Go ahead. You said you wanted to straighten out the facts?

**Mr Fraser:** Yes. In the United States, the pensions that disappeared got wrapped up in the pension guaranteed fund down there, and that's because the companies were in bankruptcy. They weren't in CCAA protection.

In Ontario, we have Slater Steel, Ivaco and Stelco that have all applied for CCAA and have been granted it. The hit to the pensions guaranteed fund in the province of Ontario, if in fact they liquidated, would be well over \$800 million or \$900 million. Our understanding is that the fund has a level of about \$200 million or \$250 million in it.

We don't accept the premise that the pensions are the problems with respect to the steel industry in Canada. We don't accept the premise that it's collective bargaining agreements that are the difficulties with Stelco and with the Ivacos and the Slaters of the world. We've put it on record that the Stelcos of the world have not reformatted to the new world economies and haven't adjusted their business to meet the new standards.

With respect to what the government is going to need to do, it's sort of early to say what the restructuring plan is going to look like. Be it known from us that we're not going to ask our pensioners—some make 300 bucks, some make 400 bucks, some make 500 bucks, some make \$2,000—to take a hit. We're not going to ask our membership to take a hit with respect to opening up the collective bargaining agreements, because it's not the solution to a solid, viable steel industry in Canada.

We have to look at some of the taxation problems that are in existence for these industries. We've been pushing both levels of government for about two and a half years now, trying to get them to understand that the steel industry was in a crisis before they went into CCAA.

**The Chair:** Thank you. We need to move on with the rotation. Mr Prue.

1400

**Mr Prue:** I know you really wanted to tell him off, but I'm going to ask you something different.

**Mr Fraser:** I didn't want to tell him off. I just wanted him to hear that.

**Mr Prue:** I'm going to ask you something different. I want to go back to the statement you made, "But you must remember that you were elected on a promise of change, on a promise to rebuild public services in Ontario, on a promise to return to a government that values public services and public sector workers, a government that values what we share together as citizens...."

In this morning's scrum, and I was not there, it has been widely reported that the Premier is musing about freezing the salaries of the public service and further cutting them back in numbers. Would you comment on what kind of road you think this would be for this government to take, for these members, when they go back to caucus to tell the Premier?

**Mr Fraser:** They ought to know it's not going to happen; it shouldn't happen. It shouldn't be taken out on the backs of the people in the public sector. You made commitments to those folks before the election; you made commitments about a newer government, a newer approach.

When I heard that this morning on the radio, I was somewhat taken aback. As I said to you, we've seen eight or nine years of tremendous turmoil in the public sector, whether it be education or health care. The difficulties the government is facing clearly rest with the significant tax cuts the previous government put in place that really took care of the rich in this province. There needs to be a balancing between taxation and what the general population needs in this province. So it's not about taking it out on the people who are working for the province, directly or indirectly; it's about levelling the playing field and having a fairer taxation system in this province. You don't need to attack workers when you do that.

**The Chair:** Thank you for your presentation this afternoon.

#### CANADA'S ASSOCIATION FOR THE FIFTY-PLUS

**The Chair:** I call on Canada's Association for the Fifty-Plus. 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 Bill Gleberzon:** My name is Bill Gleberzon. I'm the associate executive director of CARP, Canada's Association for the Fifty-Plus, as well as co-director of

advocacy. I want to thank you very much for this opportunity this afternoon.

To just very briefly tell you about CARP, although the name stands for Canadian Association for Retired Persons, we retired the word "retired," since a lot of our members are not retired and are still working. We've got 400,000 members across the country, over 250,000 members in Ontario, and our magazine is read by 650,000 Ontarians, with almost a million people reading it nationally. Our Web site has over 250,000 unique hits a month.

To get into the issues, the first that we'd like you to turn your attention to is eradication of the deficit. Of course, we all know that this is being held under the shadow of the province's \$5.6-billion deficit. We urge the government to eradicate this deficit over the four years of its term in office rather than over the first one or even two years of its term. A more gradual timetable will allow it to undertake many of the initiatives promised during the election, which the majority of Ontarians endorsed with their votes.

The second issue is the means test for seniors regarding prescription drugs. While we support the eradication of the deficit, it should not and must not be undertaken on the backs of seniors. In recent months there has been a great deal of rumination by Queen's Park about the possibility of eliminating "rich seniors" from prescription drug coverage. This public musing, I can tell you, has caused a tremendous amount of fear and panic among seniors. In any event, the proposed policy is ill-conceived, counterproductive and ineffective.

CARP has asked Queen's Park for its definition of a rich senior, and we've received no answer to that question. As we understand it, when an initiative like this was considered by the previous Tory government, they rejected it, as did the Liberal Party, then in opposition. According to Liberal policy health advisers we have consulted on this issue, the Liberal Party found that in order to realize meaningful savings, a rich senior would have to be identified as someone with an annual income starting at \$28,000 a year. The government of the day and the Liberal Party—then the official opposition—rejected it because it was unconscionably unrealistic and low in terms of the threshold. The proposal was quickly and quietly buried at the time, and we believe it should be allowed to rest in peace.

For your information, Ontario currently has a two-tier payment system for prescription drugs for seniors: Low-income seniors who receive the guaranteed income supplement pay \$2 per prescription, and the rest pay a \$100 copayment, plus up to \$6.10 per prescription. This means that the province, by our rough calculations, currently realizes potentially over \$100 million back on this program.

In other provinces where these kinds of differential payments have been experimented with, such as Quebec and British Columbia, I can tell you, representing a national organization, the experiments have failed every single time. Seniors find they have to choose between

buying drugs, which as I'm sure you all know can be very expensive, or purchasing food, paying the rent, property taxes etc. That's not a sob song; that's reality, unfortunately, for a lot of people. Obviously, if such a policy is accepted, it defeats the purpose of maintaining good public health, particularly around preventive medicine, with positive public savings. In fact, it might prove more costly to administer than any potential income that might be realized. For that reason, we believe the policy represents a long-term and dangerous solution to the short-term problem of retiring the deficit.

Funding for home care: In order for the government of Ontario to maintain the best cost-effective health care system, Ontarians who are frail, chronically ill or in the post-acute phase of an illness should be able to remain in their homes as long as they safely can, and outside of more costly hospitals—I think you alluded to the announcement made this morning by the Premier about the cost of hospitals and doctors. However, this objective cannot be accomplished unless the province makes proper home care available to the public. That home care is more cost-effective than hospitals has been demonstrated by study after study, most recently by Dr Marcus Hollander, a study that CARP and other groups commissioned. You can read that study in appendix 1.

During the recent election campaign, the Liberal Party promised an infusion of \$300 million to bolster the home care system in recognition that home care in Ontario was in serious decline. Therefore, CARP urges the government to honour this pledge immediately by announcing in the 2004 budget the first of four equal annual payments—the \$300 million—over its current term in office, followed by adequate funding thereafter. The Ontario home care system continues, as we speak, to experience severe cutbacks in service provision. To delay any longer in providing the necessary funding will worsen a deteriorating situation to the point that it may be impossible to save. Again, that's not just dramatic rhetoric.

CARP realizes that perhaps by this fall Ontario will receive over \$600 million from the federal government for health care, including three types of home care—post-acute, acute mental health and palliative end-of-life care—but it does not receive any money for chronic care in-home care, which makes up the bulk of home care services. Therefore, CARP advises the government to guarantee that any money freed up in the home care budget as a result of this new infusion of federal funds will be invested in chronic care home care. Moreover, we believe that the flow of provincial funds into home care should begin at once and not wait for the new federal funding, which may or may not come some time this fall.

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I'll move on to the review of Ontario's guaranteed annual income system, GAINS. The GAINS program requires major upgrading. The GAINS program tops up the income of poor seniors who subsist on old age security and guaranteed income supplement. The total annual income of these people from all these sources is currently \$13,141 for a single senior and \$21,622 for a

couple. By the way, most of the single people are women. The amount for single seniors is \$1 above Ontario's guaranteed minimum annual income for seniors. This amount needs serious upward revision. It must also be noted that, unfortunately, this total income for those singles and couples who are on the GAINS program is well below the national low income cut-off line of around \$16,000 for singles and around \$24,000 for couples.

GAINS currently provides an annual maximum of \$1,095 per single and \$903.48 per couple. As we all know, two can live on love much more cheaply than one, right? That translates into \$91.25 per month for singles and \$75.27 per month for couples. Minimum increases over the past number of years have been under \$3 per month. Between 2001 and 2003, increases have ranged from a minimum of about 50 cents to a maximum of \$8.25 per month.

GAINS is in dire need of a meaningful increase that takes into account the hikes in rents, property taxes, energy, food, transportation, health care, and I can go on. People now have to pay for home care, they have to pay for medications not covered by OHIP or that have been delisted, and for delisted services like audiology and physiotherapy etc. Moreover, the current average rent in Ontario is calculated by the government at around \$850, which translates into 78% of the monthly income of a single senior on GAINS. That leaves them with something like \$245 per month for all the other necessities of life that I'm sure we in this room take for granted. As a result, larger numbers of seniors are being forced to turn to food banks.

Another issue is protection of pension funds. We heard the last speaker talking about pension funds. Well, there's another number of pension funds that I have to bring to your attention. In Ontario, the Participating Cooperatives of Ontario Trusteed Pension Plan, PCOTPP, has declared bankruptcy. We have a pension fund which has declared bankruptcy. The pensioners who depend on this fund have had their pensions severely reduced. Survivors of original pensioners—the widows and orphans—have been cut by as much as 75%. CARP has discussed this situation with the Financial Services Commission of Ontario, FSCO, which stated that due to the non-union nature of this fund, it is not protected under the Ontario pension protection fund or guarantee fund. They have no protection at all.

Representatives of these pensioners met with the former Minister of Finance to present a number of practical recommendations for provincial intervention to shore up the plan, and you can see what they have suggested in appendix 2. Nothing was done. CARP endorses the group's proposals that, based on precedents, the government pass special legislation to contribute funds to that fund, the PCOTPP, in order to stabilize the plan and allow time for regeneration, and secondly, that it reform the Ontario pension protection or guarantee fund to ensure that no pensioner and no pension fund suffers like this again.

Another issue we'd like to bring to your attention is the protection of RRSPs and RRIFs from creditors. In Ontario, creditors can lay claim against RRSPs and RRIFs unless they are issued by an insurance company. This should not be permitted under any circumstances because of the long-term impact on debtors and, indeed, on programs like GAINS that will have to supplement the income of those people who have lost their pensions to creditors. Currently, Prince Edward Island, Quebec and Saskatchewan have exempted these retirement income vehicles from creditors. CARP urges Ontario to join their number. This can be done quite easily by a short amendment to Ontario's Execution Act that will exempt RRSPs and RRIFs from seizure by creditors.

On another issue, affordable rental housing, CARP supports Queen's Park's decision to finally begin to match the funds provided by Ottawa for the construction of 20,000 new affordable rental units. However, we believe it is imperative that truly affordable rents be instituted for these rental units. Currently, as I mentioned earlier, the average rent in Ontario is around \$850, which most low- and modest-income seniors can afford. I'm sorry, there's a typo. That should be "cannot afford." I'd blame my secretary, but I am my secretary, so who can I blame?

Moreover, CARP urges the ministry to begin to collaborate with Ottawa and its counterparts across the provinces and territories and within Ontario with the appropriate ministries to plan for the next round of building affordable housing after the current program is completed, because 20,000 new units will not go far enough.

An issue that we've received a lot of mail on at CARP is the newly exercised property taxes on mobile homes. Municipalities have been given this authority retroactive to January 1, 2003, and it has caused great consternation among thousands of mobile home owners, a great number of whom are seniors. They had not budgeted for these taxes and therefore are finding it extremely difficult to pay them.

In the interests of time, because there are a few other things, the basic argument we're making is that mobile homes are not bricks-and-mortar homes. They depreciate like any vehicle. When people buy mobile homes, they pay GST and PST, as you would on any vehicle. We don't directly pay those taxes on a home in recognition that it's a different kind of entity. Therefore, assessing taxes simply imposes double taxation. Mobile homes, moreover, like any vehicle, depreciate in value. Also, the way in which the law is being applied is very mixed across the province. Some municipalities have collected the tax, others have assessed contents and the home and still others have delayed imposing it. So what we recommend is that the Ministry of Finance review this taxation power and hold public consultations with municipalities, campground owners and renters, and that a moratorium on the collection of additional property taxes should be imposed until the review is concluded, with those taxes that have already been paid held in escrow until the outcome.

Another issue that we'd like to bring to your attention is the reform of locked-in or life income funds, LIFs, which is of great concern to a great many people who have been downsized or who have had to retire early and have taken their pension fund and put it in their RRSP, but of course they cannot touch the capital. This means that we would like to see access to the capital in LIFs be liberalized even more than it has been under the previous government, where people could access LIFs only if they could demonstrate to a board life-threatening economic or medical circumstances. Many retirees find that while they may have quite a large capital being accumulated in their LIFs, they cannot access it and therefore they are finding it extremely difficult to pay their increasing taxes, to maintain their homes etc, or to pay rents, for that matter. We recommend that Ontario turn to New Brunswick and Saskatchewan for examples of more modern and realistic policies in this matter.

Finally, on the issue of public transportation, which is of great concern to seniors in particular, we urge the committee to advise the government to include increased funding for public transportation in the 2004 budget. Public transportation is a healthy and environmentally friendly alternative to vehicular gridlock and pollution, and it is the economic lifeblood of the urban and rural parts of our province, particularly the rural parts of the province, which are very poorly served by public transportation. Yet, taking Toronto as an example, Canada's largest city and its economic engine, it's the only major city in North America in which the public transportation system is not financially supported by the provincial or, in the United States, state, government.

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For many seniors, public transportation is the only viable means of independence and escape from isolation. It is an entry into quality of life, emotionally, mentally, psychologically, physically and socially. But seniors can use public transportation only if it is available, accessible and within their economic means.

CARP has presented what we believe to be a doable and practical program for necessary financial policies and reforms that Queen's Park can undertake to enhance the well-being of its 50-plus and seniors population—all of us, at one stage of our lives or another. Our association would be very pleased to work with the government in any way we can to help implement our recommendations. Thank you very much.

**The Chair:** We have only a minute and a half left for a brief question. It will go to the official opposition in this rotation.

**Mr O'Toole:** Thank you very much for your presentation. You do make a striking case, I believe. In the brief time that I have, I'll try to form a question. You've mentioned the mobile homes and the retroactive tax, and that it's important to realize that they not only implemented it but squeezed a little further for revenue by going back another year.

You didn't comment on an important policy change, a retroactive change as well. The seniors property tax

credit, which we had, was to address the very issue you're talking about. It did include renters as well, by the way, because a portion of your rent is property tax. That entitlement would have kept homes or apartments more affordable directly.

My question is this: 80% of all government spending is wages and benefits. At the municipal sector, it's probably as bad or worse. These are public sector things that are going to go up every single year by 3.5%. You're a bit of an economist. At three and a half, it doubles in 10 years. So if your taxes are \$2,000 on your house today—I'm over 60; I'm the oldest one in the room—they're going to be \$4,000 in less than a decade. They've figured it out. They're going to take the only thing that individuals like you and I own—your home—away from you. That's the public sector plan, through taxation. What do you think of that, going down the road?

**Mr Gleberzon:** Well, I have to tell you the truth. We opposed that policy as an association. We did that because we believe that seniors had their education paid by the seniors of the day.

**Mr O'Toole:** No, it wasn't education.

**The Chair:** Order, please.

**Mr Gleberzon:** It's my understanding that it was on the education portion of the property tax. That being the case, we opposed it for the reason that we believe in intergenerational equity. That was our position.

**The Chair:** Thank you for your presentation this afternoon. The time has expired.

#### ASTRAZENECA CANADA INC

**The Chair:** I call on AstraZeneca Canada Inc. You have 10 minutes for your presentation. You may allow time for questions within that 10 minutes if you so desire. I would ask you to identify yourself for the purposes of Hansard.

**Mr Mike Cloutier:** My name is Mike Cloutier. I'm the president and CEO of AstraZeneca Canada. We are one of the country's largest research-based pharmaceutical companies, employing just over 1,500 health care professionals at our head office in Mississauga, across Canada and in our basic research centre in Montreal. Joining me today is Ms Sheila Frame, who is our vice-president of public affairs.

It's a pleasure to be with you here today. I want to make some brief comments regarding two documents that I will table with the committee.

The first is a paper we developed to share with public policy decision-makers. In this extensive document, we outline five key changes that are required to ensure that the biopharmaceutical industry can compete internationally and prosper in Canada. Importantly, for this to happen, the federal government and the government of Ontario must work together. I will speak to that in a few moments.

The second is a very compelling piece of public opinion research that we sponsored and conducted with Pollara, again for public policy decision-makers. Within

the research and the findings of the research, it should be noted that 93% of Canadians support government and industry working together in partnership to drive economic growth while maintaining world-class health care. As you would expect, this research confirms that health care remains the number one issue on voters' minds, but it also reveals some very interesting views regarding the concept of health care as a generator of wealth for Canadians and for Ontarians.

We'll also table, and you have a copy of, the speech that's been provided.

What I'd like to do today is divert from the speech for a minute and cover some of the key issues that are covered there, and hopefully allow a little more time for questions and answers.

There are really four key things that we've made available to you in the information provided in the speech. First of all, the Liberal government, in their platform running up to the election and during the election, made it very clear that it is their intent that we look at Ontario and see Ontario as a premier destination for innovation. We feel it is vital that the research-based pharmaceutical industry and AstraZeneca Canada be an important part of that group. We are here to represent being there as part of the solution and partnering in that regard.

Second, we had worked very carefully and closely with the previous administration on a proposal that clearly demonstrated our ability to be vibrant and viable partners in health care solutions, and we were so very close to working on this proposal's success in order to ensure the viability and prosperity of the health care system and the viability and prosperity of innovation as part of the health care solutions. Now is the time for industry and the new administration to get together to work on this proposal, a proposal that would ensure over \$2 billion of investment over the next 10 years, which would provide increased quality of health care to the citizens of Ontario. We would suggest that now is the time for Ministers Smitherman and Cordiano, working closely with Minister Sorbara, to meet with us and work toward the solutions we put forth in that proposal.

Third, the auto industry has established a model through CAPC that has been very important to the industry and to Ontarians. We need to celebrate the value that our industry brings in health care, and that can drive further economic prosperity for Ontarians. That model can serve as an excellent model as well for us, working together as industry and government.

What we represent is great health care and our partnership with other stakeholders in providing great health care. What we can represent for tomorrow is economic stability and viability as well as a great health care system. There are many proponents of industry and government working together to provide health care solutions. One of the most well-known Canadians in that regard is Dr Henry Friesen, who is certainly well represented throughout all of Canada in his views in that regard, and that is covered in the text.

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Finally, and most importantly, we in Ontario are falling behind. On a global basis, on a world-scale basis, we are falling behind the people against whom I, as the leader of the Canadian organization, must compete—my counterparts in other world areas—in order to bring the resources necessary to ensure the innovation that is so critically important for Ontarians and to ensure the viability of our health care system.

The current market conditions impact on our ability to bring this innovation. We compete on a global scale and it is important for all of us in Ontario—for me, for my parents, for my children, who all reside here in Ontario—that we have an opportunity to compete globally, that we have an opportunity to bring the resources necessary, the investment necessary, to ensure not only the best world-class health care but also that we look at the provision of health care and the value that we can bring as an industry to be an economic growth driver at the same time.

On June 1, the first ministers will be meeting, and I believe there is a huge opportunity for Ontario to be a leader in the discussion of how we bring the partnership between the federal government, the Ontario government and industry to work toward providing the best health care for Canadians, the best health care for Ontarians, as well as good economic prosperity for all of us.

With that, I'm leaving behind the document for your perusal, and I'd really appreciate the opportunity to answer any questions you might have at this point.

**The Chair:** We have about two minutes for questioning, and in this rotation it would go to the NDP.

**Mr Prue:** It was an interesting presentation, but I still have some difficulty trying to figure out what exactly you're asking us to do in this particular budget process. This is a budget meeting. What are you recommending that we tell the Minister of Finance to do, budget-wise, that will assist you and your organization? I haven't heard that.

**Mr Cloutier:** In response to the honourable member's question, we're asking for decisions to be made relative to the budget that allow us to create a market for the innovative research-based pharmaceutical products that allow us to demonstrate that the viability of this marketplace ensures we can provide our solutions within the health care continuum and that in this marketplace we are able to invest accordingly to bring that value to the citizens of Ontario.

**Mr Prue:** Does that mean you're asking for a tax cut for your industry? I'm still not understanding this. Maybe I'm dense.

*Interjection.*

**Mr Prue:** You don't know either? OK. I'm not the only one. Nobody knows.

**The Chair:** Please let the presenter respond.

**Mr Cloutier:** What we're asking for is to allow Ontarians to have access to the best quality of care. We are asking to ensure that we have a marketplace that respects the value that we create with pharmaceutical solutions in consideration of enhancing health care and

that we look at the value we create through the pharmaceutical innovations, the biopharmaceutical industry and the products we bring forward, not just in terms of the cost but in the value we create across the entire system. All too often our products are only looked at from the perspective of cost instead of the value they create.

We're asking for a greater consideration in the budget. We're asking to ensure that there is money in the budget to support the availability and access to these products first and foremost, and secondly, that there is an interest and a clear demonstration by the government that we can invest in partnerships to bring research and development into the province.

**The Chair:** Thank you for your presentation this afternoon.

#### REGISTERED NURSES ASSOCIATION OF ONTARIO

**The Chair:** I call on the Registered Nurses Association of Ontario. 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 names for the purposes of Hansard.

**Ms Doris Grinspun:** I'm Doris Grinspun, executive director of the Registered Nurses Association of Ontario. With me today is Kim Jarvi, senior economist at the RNAO. We are pleased to present RNAO's recommendations for the upcoming provincial budget to the standing committee on finance and economic affairs.

Last year, we came to the pre-budget hearings with a sense of hope that stemmed from the consensus identified by the Romanow commission and the pending health accord. In his final report, Commissioner Romanow offered an invaluable blueprint not only to save but also to strengthen medicare. Nurses expected the commission's recommendations to be fully implemented. While the new government has taken some steps in the right direction, our hopes and expectations remain largely unrealized. Now, granted, you are still new.

Today, we are here to urge the new government to seize this awesome opportunity they have to fulfill the electorate's mandate to rebuild social infrastructure and reduce the gaping social deficit that emerged during the past nine years. Ontarians still have hope. Please don't let us down.

RNAO's mandate is to speak out for health and for nursing. Registered nurses know that people's health depends on their social circumstances as well as access to high-quality health care services. We are here to impress upon the government the importance of rebuilding social infrastructure and ensuring the health care system is on a sound footing.

Our presentation today will focus on three dimensions of sustainability: fiscal responsibility, health care and nursing.

First, fiscal responsibility: Prudence dictates fiscal responsibility. That means knowing how you will pay for something and living within your means. It also requires

sound investments. If you refuse to fix a crumbling building foundation simply because it costs money, you are foolish and irresponsible. Yet, this simple logic seems to escape those who would downsize government just for the sake of downsizing it.

Governments supply a range of absolutely essential services—health care, education, environmental protection and other vital social services—that otherwise would not be provided, would not reach everyone or would cost much more. The question is: How much can we afford to spend and how much can we afford not to do so? An examination of the data suggests that we can afford a great deal more than we have been spending of late. It also suggests that we can ill afford to spend as little as we are now spending.

Ontario is the second richest province, after Alberta. Its GDP per capita exceeds the rest of Canada's by 11.4%, yet Ontario's program spending is the lowest in the country, at 23.3% less than its counterparts. This is in part thanks to a precipitous drop in Ontario program spending, which shrank from 18.2% of GDP to 13% in the last 10 years. In contrast, other provinces spend 19% of GDP on programs. It is difficult to imagine how a province could adequately provide social programs, including health and education, and all the other services using only 13% of GDP, particularly when other provinces are spending 19% on average.

To put this in perspective, Ontario could spend \$29 billion more per year on programs and still not catch up to the other provinces in terms of the share of GDP used for program spending. Yet concern about a \$5.6-billion deficit threatens to derail the most modest of investments promised by this new government to start rebuilding government services.

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The cost to the treasury of tax cuts since 1996 is forecast to reach \$13.3 billion for the fiscal year. A political decision was made to reduce government revenue below the level necessary to sustain government services. Reversing that irresponsible decision would not only wipe out the current deficit; it would more than cover the government's spending promises and start to make up the service gap that has emerged since 1995.

The government must decide if its promises to all electors are outweighed by perceived commitments to special interest groups whose goal is to reduce taxes and further hamstring the ability of government to act. The government does have choices, and we expect the new Premier to make the right choices.

On behalf of Ontario's registered nurses, I offer four of our key fiscal recommendations:

(1) Deliver on the promised \$5.9 billion to rebuild public services and endeavour to meet the actual service gap that has evolved since 1995 by finding the resources to cover the entire gap.

(2) Roll back irresponsible tax cuts to create revenue for reinvestments.

(3) Pursue all efforts to shift taxes on to harmful activities, thus correcting for significant market failures. In particular, raise taxes on gasoline and fuel to reflect

the costs that their use imposes on others and on the environment. We need to protect the environment for future generations.

(4) Commit to a ban on further P3s and investigate whether maintaining existing P3s is in the best interests of Ontarians. We don't believe that. Subject all existing P3s to thorough value-for-money audits and make them public and transparent.

Let me move to health care recommendations. The health care system must evolve to address needs in various sectors. Shifting from acute care to an increased focus on chronic care and health promotion is a must. While this is a moving target, and while we have been speaking rhetorically about this a lot, we do know the direction we need to move in, but we need to put the money where we say we need to move.

Increasingly, people are better served in the community rather than in institutions. When institutional care is necessary, however, it is essential that space be available in the appropriate institutions. There is a double advantage to this shift: not only is the care better and the person happier, but it is often more efficient and cheaper. Thus, shifting to more appropriate care makes for better health care that saves money for society as a whole. The Romanow commission understood this very clearly and made very sensible recommendations to expand medicare—recommendations that RNAO fully supported.

There are specific underdeveloped areas of the health care system to which we wish to draw your attention.

First, there is a need to develop a strategy to assist seniors to age in place. This is what seniors want, what they have been calling for and what the government indicated in its election platform. This is what we need to do.

Second is the need to strengthen the public health system—by that, I mean the public health sector—which was shown to be dangerously under-resourced during last year's SARS crisis and which again will be terrible if we have another crisis. In fact, Ontario's nurses lived through that crisis. They know that threats continue and fear those threats. We are not well prepared yet for another crisis.

Third, accountability must be a real piece of the health care equation. Taxpayers demand it, and the system can only benefit from the collection and analysis of data so that we know what we are doing right and what needs to be improved. The federal government must be accountable—what a day to say it—for its transfers to the provinces. The provinces must be accountable for their spending and the services delivered. Health care organizations must be accountable to their services, and yes, the public must be accountable for proper service utilization.

Accordingly, we are calling on the government to follow through on its laudable first steps to endorse the Health Council of Canada and to set up its own health quality council.

We offer three key health recommendations from our submission, and we will draw your attention to the submission for the others:

(1) Act on the election promise to develop a seniors' framework, including a seniors' health strategy within it.

(2) Work with the federal government to strengthen public health, as recommended by the Naylor report, and ensure that each public health unit has an RN in a senior administrative position to provide the nursing leadership necessary in good times and in bad times. We have only 10 senior nursing positions in the 37 public health units. That's shameful for this province.

On a broader level, we ask the government to develop a framework to evaluate current health programs in relation to population health.

(3) Continue to strongly support the new Health Council of Canada and move to implement the Ontario Health Quality Council, ensuring it is adequately resourced and independent of government and its agencies. In addition, we ask that an independent community health advisory be created to work with the government to support decision-making and strengthen health policy in the community health sector. Yes, we do need strong hospitals, but we also need to rebalance the power bases and have a strong community sector.

Finally, nursing recommendations: Registered nurses have suffered through declining circumstances for far too long. Unfortunately, this problem is not restricted to Ontario, but it has been particularly bad here. Excessive workloads are making it very difficult for an aging workforce that has not been rejuvenated by an influx of new RNs. It should come as no surprise, therefore, that RNs are one of the most injured and sickest groups in the workforce.

As a consequence, RNs retire far before age 65—in fact, on average, in their late 50s. Ontario has the highest share of part-time and casual employment. Currently we have 43.2% of all RNs working part-time or casual. We have had it worse—we have had 50%—but that's no reason for resting.

This casualization of nursing has negative implications for continuity of care of the people of Ontario—in hospital, home care or long-term care—and is a deterrent for new graduates who need full-time employment to integrate what I would call book knowledge into practice knowledge. The incentives to leave Ontario are dangerously high, given the fact that the US provides 71.6% full-time employment to registered nurses there. They already have 71.6% full-time employment. Yes, we do have many graduates—and we have said this to the minister—who are leaving as we speak.

Nursing employment in Ontario has lagged population growth for many years. Ontario has the worst RN-to-population ratio in the country: 65 per 10,000 compared to 78.6 for the rest of the country. We need about 14,000 more RNs to get back to the 1986 RN-to-population ratio. Do we dream we will have them? No. But at least we are asking: Let's retain the ones we have and, for God's sake, let's retain the new grads who are leaving every day.

Ontario is poised to lose 6,000 RNs to retirement and death in 2004—6,000—and up to 23,000 by 2006. It is a

matter of urgency to attract sufficient numbers of students to the profession, and it's even more urgent to retain new grads, every single one of them, in this province. If we fail to do so, nursing will go beyond a crisis to a complete disaster, and so will the health care system in this province. The window of opportunity is very small. New graduates are accepting positions outside the province simply for want of full-time work; not for the bonus, not for the money, but simply because they are offered full-time work and here they are not. Once they leave, it is very difficult to bring them back. I have spoken about this repeatedly with the minister in the last couple of months, and I have conveyed this to the Premier's office, and yet an announcement is still not happening.

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Accordingly, we offer here the following selected recommendations from our submission:

(1) Immediately act on the campaign promise to move to 8,000 more nursing positions, including 250 new nurse practitioner positions, for 2004, to relieve nurses from dangerously and unsustainably heavy workloads. We are paying the money anyway. We are paying it in overtime, we are paying it in sick time, we are paying it in agency time. Bring more new nurses to the system. We will have less of what I call wasted money and sick money.

(2) Implement the campaign promise to ensure that 70% of registered nurses work full-time. RNs are the ones who are leaving the country; RNs are the ones whom every day the US is calling or sending e-mails. As a first step, immediately create a transitional fund to bridge 2,000 graduating RNs to full-time employment. RNAO recommends an immediate investment of \$50 million, and don't wait until the consultations are over, because those people will be gone by then.

(3) Adjust all relevant funding formulas to support clinical placement of nursing students and improve infrastructure for incoming students.

(4) Allocate annual funds to support an additional 10 nursing faculty in each of the coming four years to attain doctoral education. It is a must; 90% of the faculty that are teaching your nurses in this province today are 45 or older. If we don't start to educate many more now, we will not have the educators to produce a workforce in Ontario.

Members of the standing committee, when all other Canadian jurisdictions have been cutting program spending furiously and your own spending is \$29 billion lower, you are winning the wrong race. The consequences hit you in the face: rampant homelessness, a crumbling education system, unacceptable waiting times for many health services, and a crisis—yes, for the first time I am calling it a crisis—in nursing. In sum, it is a situation in which people are losing confidence in government and turning away from it.

We are on a boat going rapidly in the wrong direction. It is time to turn that boat around. The government has the mandate to do so now. You were elected on that mandate, and you received an overwhelming response to

your platform. It can go back for more consultations, but we don't need more consultations. You just went through elections; you've got the mandate. But if the government refuses to put the revenue question on the table, and at this point the government has refused to put the revenue question on the table—ie, should we increase tax or not?—then it is simply inviting the public onto the Titanic to advise on arranging the deck chairs. If people see that the boat has a new crew but the same basic direction, they may refuse that invitation. I hope it will be different.

We'll answer your questions.

**The Chair:** Thank you. We only have time for one question, approximately two minutes, from the government.

**Mr Racco:** Since Doris Grinspun lives in my area, let me welcome her here. I was at their meeting a few weeks ago, so I was pleased to hear the same comments that you're making today. Basically what you're really saying is that we should move on our promise and that you want 70% of the nurses to be full-time. I don't think anybody has a problem on this side. We know that during the crisis the agencies made much more money than nurses. I think that's a reasonable way to go.

You made a reference that we should invest in infrastructure. Can you clarify what you mean on that point?

**Ms Grinspun:** Absolutely, but let me answer your first question, because not only don't you have a problem with the 70% on that side but I actually know that on that side my colleagues John O'Toole and Michael Prue and all the rest don't have a problem. But we have a problem with the timing. If we don't make an announcement now, so new graduates know they will have full-time work when they graduate, they will be gone. So I said to the minister, and I'm going to say it here for the record, it's OK if the money comes in April. The announcement of the \$50-million transition fund to bridge the new grads to full-time employment needs to come now, because now is when they are signing contracts. It is an urgent issue of timing, and we need you to help everybody understand that.

On the issue of infrastructure, we are lacking supportive housing. We have a terrible situation of supportive housing in this country. We are lacking in infrastructure for education. We are lacking in infrastructure for our hospitals, and no, we do not believe that P3s will cost taxpayers less than for the government to borrow money and build hospitals. And my friend here is writing to me about social infrastructure in general, which puts it under the entire umbrella.

There are very clear specifics. Look at what's happening with homelessness in this province in the last eight, nine, even 10 years. It's disgraceful. I came to this country with my family 15 years ago. At that time I was director of medicine at Mount Sinai Hospital. I hardly saw homeless people when I came out of work, and I came out of work very late, so I should have seen them. You see them all the time now.

**The Chair:** Thank you for your submission this afternoon.

## GEORGE MILBRANDT

**The Chair:** I call on George Milbrandt to come forward, please. You have 10 minutes for your presentation. You may leave time within that 10 minutes for questions if you so desire. Please identify yourself for the purposes of Hansard.

**Mr George Milbrandt:** My name is George Milbrandt. I'm a senior from the north Toronto area. I've come here to present a couple of recommendations—actually six. Three of them are in overall terms for the province and three are relative to the city of Toronto. I'll give you the summary of the recommendations and then I'll spend just a little bit of time clarifying. There are more details in the brief, and if you need more details than are present here, I'm certainly willing to supply them.

Borrow sufficient funds to finance the 2003 provincial budget deficit. Just do it. Enough stalling. Do it.

Raise personal income tax and/or surtax rates to adequately deal with the cash flow—which I guess is what you mean by structural deficit—of the 2004 provincial budget and implement the Liberal election plan. Implement your promises. Do it. Start.

Raise additional funds through borrowing to finance necessary provincial infrastructure improvements with respect to the 2004 budget, those aspects of the budget that require infrastructure improvement. Use borrowing to do that.

The last three relate to the city of Toronto.

Levy the same provincial education tax rate on commercial and industrial properties and large apartment buildings across all of Ontario. Right now the rate in Toronto is higher than it is in the other parts of the province.

Amend or eliminate Bill 140 so that larger municipalities in Ontario can increase property taxes on all classes of property: commercial, industrial and large apartment buildings, as well as residential properties. Right now that's impossible because of Bill 140. If you had the same commercial, industrial and large apartment rate across the province, that would open a window for the large municipalities, specifically in this case Toronto—I think it would also apply to Ottawa—so they could raise taxes across the board and help with some of the problems they have dealing with the downloading of the previous government.

### 1500

Provide a local property tax assessment option to the city of Toronto, either at the community or the city-wide level, from an approved menu of assessment systems that includes unit value, acquisition price and current market value. Right now it's current market value. It's very destructive, very volatile to the city of Toronto. Allow them an option from a menu that would be approved. There are a variety of alternate assessment systems, and that would also help to stabilize the financial situation within the city.

There are some points along the way. I would suggest that the so-called Taxpayer Protection Act that the

previous government implemented is absurd, putting it kindly. It should be repealed. Governments require the flexibility to both raise and lower taxes as well as borrow funds when necessary. You were elected; you were given a mandate. Follow through on it.

Until such time as the province is able to fully implement the recommendations of the Rozanski report, as well as examine and improve the basic funding formula, which is a very flawed formula, immediate action to increase the operations grant would benefit students and communities across the province. A modest increase to the capital improvement budget for maintaining and upgrading older school facilities would be a great help to communities with aging schools—again, cities like Toronto, Hamilton, Windsor, Ottawa and so forth. Both measures are modest cost items, and this would be in addition to what Rozanski recommended.

The October 2, 2003, provincial election was a mandate for the current government to get on with the job of restoring programs and governing structures that have been neglected or discarded for far too long. I included a quote from Rick Salutin's December 19 column: "Balanced budgets are not the sole independent variable." That's all we've heard for the last eight-plus years about balanced budgets. There is more to governing than balanced budgets. There are different ways to itemize costs. When you invest in infrastructure, that's an investment. Surely it costs money, but it's an investment. Taxes go up as well as down and are a means of redistributing wealth in accord with justice and mutual social responsibilities.

In the previous election, much was said about education and hospitals—health care is the broader term. They have been neglected for far too long. You should move ahead with implementing your election promises in that regard.

Finally, a couple of points with respect to the assessment system and the education tax. Allow the city some tax room by equalizing commercial, industrial and large apartment tax rates across the province. That would help when it needs to finance its ongoing commitments that were downloaded by the previous government. What you need there is to give them some room to raise taxes across the board so tax increases are not just on property taxes.

Finally, the present market value assessment system—and there are a couple of pages at the end on this item—is very regressive. It's a location tax. It penalizes areas where house prices are high and people who want to improve their houses. Allow municipalities the option—and I'm saying specifically Toronto, but it might apply to other municipalities in the province—of other assessment systems. There are a number of other systems that would work just as well, only they are much more stable and a lot less volatile. They would allow the cities to focus more on delivering programs and not deal year in and year out with the fact that assessments are shifting tax increases from one area within a city to another. A lot of time is wasted dealing with that, where they should focus

on delivering programs. That's what city and provincial governments are for.

In any case, you have a summary of my recommendations and some details on the rationale. I would be pleased to answer any questions you may have.

**The Chair:** Your time was very good. I was about to tell you that you had two minutes left in your presentations, so we'll use the two minutes for questions. It will go to the official opposition.

**Mr O'Toole:** Thank you very much. I hope I don't appear rude, but we have limited time. What's your background?

**Mr Milbrandt:** I've been active in community groups for the last 30-plus years.

**Mr O'Toole:** OK. That's good. I just wanted to know if you had—some of the stuff you say here—

**Mr Milbrandt:** I also spent 11 years on the assessment reform working group in the city of Toronto, so I'm fairly familiar with that.

**Mr O'Toole:** Assessment reform is where I think you are actually wrong. If you are saying they are equal systems, then why for the last 15 years has assessment reform been the topic of every single party? All, including Bob Rae, backed away from it. You brought up the issue of unit value.

*Interjection.*

**Mr O'Toole:** Yes, you did. You backed away from the legislation on current value assessment. My point is this: Unit value is not a progressive tax system. It says you pay for a bundle of services and that you can be living in a multi-million dollar mansion and pay the same tax as someone living in a one-bedroom apartment. The only place that has it is Israel.

**Mr Milbrandt:** Respectfully, I disagree with you.

**Mr O'Toole:** You and I could probably disagree—

**Mr Milbrandt:** Would you let me answer the question?

**The Chair:** Mr. O'Toole.

**Mr O'Toole:** I just have one more question.

**The Chair:** He would like to answer the first one.

**Mr O'Toole:** It is important to correct the record.

**The Chair:** Your own?

**Mr O'Toole:** We had a presentation today—you can get a copy of it—where the assessment system within this area of the greater Toronto area on a commercial building in Toronto for a single-bedroom rented unit is six times—it's \$7,000 in taxes. That same apartment up at the airport in Mississauga is \$1,200 for the same owner, the same size. You have six times the commercial rate in Toronto—

**The Chair:** Thank you.

**Mr O'Toole:** It's pie in the sky.

**Mr Milbrandt:** Can I be allowed to answer those two questions?

**The Chair:** I'll allow you to answer since he interrupted you.

**Mr Milbrandt:** First of all, respectfully, the assessment system, the unit system, is a lot more progressive than the market value system for a couple of reasons:

(1) The unit assessment system is based on the square footage or square metres of a building, lot size etc. The more expensive homes tend to have larger lots and larger buildings than the smaller homes. You can build into a unit assessment system a lower rate for the first, say, 1,400 or 1,500 square feet, which is a modest home, whatever that turns out to be in square metres. A number of studies have been done that show that market value is not a progressive system; it's a regressive system. I'll just leave it there. I don't have the studies at hand.

(2) The commercial rates—

**The Chair:** Thank you. I'm going to have to leave this now.

**Mr Milbrandt:** I just want to point out in the commercial rates, because the previous government charged roughly four times the educational rate—

*Interjection.*

**The Chair:** Mr O'Toole, will you quit interrupting the presenters.

*Interjection.*

**The Chair:** Stop.

**Mr Milbrandt:** Can I answer the question, please?

**The Chair:** Yes. He's interrupting you constantly.

**Mr Milbrandt:** Because the previous government had a rate of approximately four times that on the commercial properties in the city than Parry Sound, for example, the rate in Toronto continued to be much higher than on other municipalities. The commercial rate on the education tax was roughly twice that in Mississauga. By equalizing the education rates on commercial, industrial and apartments across the province, that would lower the rates considerably in Toronto, allowing some window for the city to raise taxes there. Likewise, it would also lower the rate in places like Mississauga. To me, that's the thing to do.

Finally, the city is a big person, a grown-up, 150-plus years old. They can manage their own affairs. They don't have to have the provincial government telling them where they can raise taxes, where they can't raise taxes and what they can do. Besides being downloaded, social programs—contrary to David Crombie's recommendations to your government, you downloaded a lot of social programs which have created financial problems within the city.

**The Chair:** Thank you for your presentation this afternoon.

1510

#### TAX EXECUTIVES INSTITUTE

**The Chair:** I'll call on the Tax Executives Institute. 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 yourselves for the purposes of Hansard.

**Mr Vince Alicandri:** Good afternoon. My name is Vince Alicandri. I am the director of corporate tax for Hydro One. With me today is Bob Westlake, corporate

tax consultant with GE Capital Canada. We are here to testify today on behalf of the Tax Executives Institute.

TEI is the pre-eminent association of business tax professionals. Our 5,400 members work for 2,800 of the largest companies in Canada, the United States and Europe, with representatives from a broad cross-section of the business community. Our Canadian members contend daily with the complex provisions of the income, excise and sales tax acts and, with chapters in Montreal, Toronto, Calgary and Vancouver, make up approximately 10% of TEI's membership.

Although our comments today reflect the views of the institute as a whole, the views are guided and informed by TEI's Canadian members. TEI commends the Ontario standing committee on finance and economic affairs for holding pre-budget consultations again this year. The hearings provide an important avenue for the committee to gather input from Ontario taxpayers, and TEI is pleased to have the opportunity to participate.

TEI has several recommendations in respect to taxation measures to promote a business environment favourable to investments in Ontario that will foster economic growth and job creation. Our recommendations will also reduce compliance and administrative costs and spur economic efficiency and prosperity for Ontario by improving its competitiveness with other provinces and neighbouring US states.

TEI urges the standing committee to make the two following recommendations to the Ontario government: (1) phase out and repeal the Ontario Capital Tax; and (2) announce in the first budget message the government's intent to reduce the Ontario corporate income tax rate to 8% as budgetary constraints permit.

Mr Westlake will now speak to our recommendation.

**Mr Bob Westlake:** In respect to our first recommendation, TEI has consistently advocated the elimination of capital taxes at the federal and provincial levels. At federal pre-budget hearings in November 2002, TEI urged the repeal of the large corporations tax.

The federal government's 2003 budget message announced legislation to implement the phased reduction and elimination of the LCT. TEI endorsed the federal government's move, because capital taxes, including the LCT, are a significant impediment to investment in Canada. Indeed, because the tax is counterproductive, we encouraged the federal government during the 2003 pre-budget discussions to consider accelerating the reduction and repeal of the LCT. Accelerating the LCT's repeal will hasten investment in Canada by Canadian and foreign firms and thereby spur job growth.

Similarly, TEI wrote to the Honourable Greg Sorbara, Minister of Finance for Ontario, in November 2003 urging the Ontario government to eliminate the Ontario capital tax during the same period that the federal government will eliminate the LCT. The elimination of the Ontario capital tax should be accelerated, we said, in order to ameliorate the negative effect on the economy. Specifically, we recommended that the Ontario government consider reducing the Ontario capital tax rate for all

corporations for 2004 to 0.2% and to completely eliminate it effective 2005.

In his response to TEI, Minister Sorbara said: "With respect to your comments about Ontario's capital tax ... we will be working closely with Premier McGuinty and consulting with the people of Ontario to develop a plan that will restore balance to Ontario's finances.... Be assured that your comments about Ontario's corporate income taxes and the capital tax will be taken under advisement."

We urge this committee to recommend the phase-out and elimination of the capital tax. This tax discourages investments in capital assets such as buildings, machinery, equipment and computers that constitute the essential infrastructure for business activity and employment in Ontario. By eliminating the capital tax, Ontario would encourage business investments and promote economic and job growth for Canada generally and Ontarians specifically.

**Mr Alicandri:** Our second recommendation is to urge the standing committee to recommend that the government announce in its first budget an intent to reduce the Ontario corporate tax rate as budgetary constraints permit.

Regrettably, on November 24 of last year, the Ontario government introduced legislation effective January 1 that cancels the previously legislated corporate income tax rate reductions, increases the general corporate tax rate to 14%, and increases the manufacturing and processing rate to 12%. This action has engendered significant adverse consequences for Ontario businesses.

First, under the accounting rules, all corporations doing business in Ontario are compelled to revalue assets and liabilities, and most companies will likely record a reduction in earnings. The sudden reversal of the rate reductions undermines investor confidence in businesses in Ontario, because it calls into question the stability of Ontario's fiscal regime.

Second, the competitiveness of Ontario businesses has been eroded compared with businesses in other provinces, including Alberta, where the tax rate is scheduled to decline this year from 12.5% to 11.5% and the province has announced its intent to reduce the corporate tax rate to 8% when it is appropriate to do so. The key is that they have made that announcement. In addition, the combined federal and Ontario rate, including the Ontario capital tax and withholding tax on dividends, generally exceeds the combined US tax rate.

Third, the increased effective tax rates reduce companies' annual returns on capital employed, reducing share price performance and access to capital. The cumulative effect of these changes will lead to a reduction in business investment in Ontario, which will lead in turn to a reduction of gross domestic product and jobs.

Finally, in addition to the corporate income tax rates, investors in Ontario businesses generally consider the effect of Canadian withholding tax burdens on dividends. As noted in our written statement, when withholding taxes are added to the combined federal and Ontario

income tax rates and capital taxes, the current Ontario tax rate exceeds that of US competitors located in neighbouring states as shown in the Ontario 2002 budget. Indeed, is it coincidental that one of Canada's principal trading partners, the United Kingdom, is now advertising on Ontario radio stations that the UK's corporate tax rate is 30% and that Canadian-based companies have recently expanded their operations in the UK? I think not. The advertisement encourages Canadian companies to establish operations in the UK.

To forestall further erosion of job-producing investments in Ontario, we urge this committee to recommend that the Ontario government announce in its 2004 budget its intent to reduce the corporate income tax rate to 8% as the fiscal situation improves. Such an announcement would mitigate the damage to the business environment from the November announcement and would send a positive signal to Ontario businesses and others considering expanding to Ontario.

On behalf of TEI, thank you for the opportunity to participate in the committee's hearings on the pre-budget discussions. Mr Westlake and I would be pleased to respond to questions that you may have.

**The Chair:** We have about three minutes per party, and we begin with the NDP.

**Mr Prue:** You've asked for both of these, and maybe they're laudable goals and maybe they're not. How much is this going to cost the budget of Ontario?

**Mr Alicandri:** I don't know how much it's going to cost the budget of Ontario, but how much is it going to cost the budget of Ontario not to do so? I hope it doesn't sound like a doom-and-gloom type of presentation, because it wasn't meant to be. The presentation really focuses around the competitiveness of Ontario, and the tax system is an important component of that. If our tax system is 40% or 50%, and that of the US and the UK and other provinces is much lower, where do you think businesses will expand?

**Mr Prue:** I don't know. I've watched for the last eight years as homelessness has grown. I've watched schools crumble. I have watched—

**Mr John R. Baird (Nepean-Carleton):** Some 1.2 million jobs.

**Mr Prue:** No, I haven't watched that.

I have watched a whole bunch of things and so has the public of Ontario, and that has all been rejected. What people are looking for is the building of those. So how is your solution going to build back the schools, get rid of the homeless, fill our hospitals full of nurses, have our cities vibrant again, put buses back on the street? That's what I want to hear. How is it going to do that?

**1520**

**Mr Alicandri:** By creating jobs and investment in Ontario. Absent the Ontario investment, absent the Ontario jobs, you're not going to have the money to do all those things that I'm sure everyone in Ontario does want.

Take a look at your own personal situation. If you shop around for a car and dealer A is willing to charge you \$30,000 and dealer B is willing to charge you

\$20,000 for the same car, where are you going to shop? It's that simple. Businesses have economic decisions to make and, especially in today's environment, businesses are very mobile. Not to look at a competitive tax system, I think, would be foolish. Whether that competitive tax system is 40%, 30% or 20%, it has to be competitive in relation to your competitors.

**Mr Prue:** Do I still have more time, Mr Chair?

**The Chair:** You have a minute.

**Mr Prue:** I sat throughout Ontario for the last eight years and listened to arguments similar to yours and saw the whole thing fall apart. Everybody fell apart except you guys. I think you did OK. What I'm hearing you suggest to me is that you want to continue to do OK because you're doing all right. What do I tell the rest of the 95% of the population?

**Mr Alicandri:** I don't want to debate with you whether we have done OK.

**Mr Prue:** I'm sure you have.

**Mr Alicandri:** Some companies have done OK; other companies have not done OK. But I think you do have to recognize the logic to the argument that if you want a prosperous Ontario, you have to create a good business community, a good place to do business. Absent that environment, and you're just not going to have the funds to do all the good things you want to do.

The key to our recommendation is, don't do it now but at least announce your intent, your recognition of that fact: "Hey, as the situation does improve, we will reduce business taxes."

**The Chair:** We move to the government.

**Mr Racco:** Mr Alicandri, I did understand what you said when we came, so I support that. If it were up to me, 6% would be better than 8%, and maybe one day we will be able to afford it. At the end of the day, I would buy the car for \$20,000, but if I don't have a job I can't buy the car.

**Mr Alicandri:** Absolutely.

**Mr Racco:** And if I am sick and the hospital isn't there—I won't be able to be on the street. So the balance at the end of the day is—not only that, we did promise that we were not going to decrease or increase the taxes.

Surely, you as a business person want the politicians to try to honour the promises that they made. Our promise was clear: no increase in taxes, no decrease in taxes. Would you disagree with that?

**Mr Alicandri:** Yes. First of all, if you just compare it to the tax rate that was in effect before it was revoked, it was 11.5%. If you compare it to where the legislated tax rate was going to be by 2008, it was 8%. Where is the rate today? It's 14%. My math tells me that's a tax increase.

**Mr Racco:** With the highest respect, the tax was not increased. The tax was left where it was on that date, on October 2. There was a potential to lower the tax; it did not take place. So at the end of the day, no change took place. Without debating, I appreciate your comments. I certainly would love to support it, but I think we should all have a conscience—which I am sure you do have on a

personal level; I don't question that at all. All of us do have it. We just miss the point sometimes that unless we have the basic social services, we can't live, we can't have a community.

By the way, is it your belief that if an employee cannot work properly because he or she is sick or doesn't have accommodation, that employee can produce for the corporation the same amount of production?

**Mr Alicandri:** Of course not. When I refer to competitiveness, taxes are an important component of that, but so are a lot of other things you've mentioned that you want to work on. But the reality is that you're not competing against a Third World country; you're competing against the US, you're competing against the UK, you're competing against other Canadian provinces. That is the reality.

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

**Mr Baird:** We're not the government yet. We've got a little bit of work before we get there.

I was listening with great interest to my friend Mario Racco from Thornhill, and he said, "No, we just kept taxes to the level they were on October 2." What was the level of corporate taxes on October 2?

**Mr Alicandri:** It was 11.5%; it was rolled back to 2001 tax rates.

**Mr Baird:** So it was 11.5% on October 2, and what is it today?

**Mr Alicandri:** It's 14%.

**Mr Baird:** I call that a tax increase. I don't know what kind of math he's looking at or what he's smoking over there, but I'll tell you, I see that as a tax increase.

*Interjections.*

**Mr Baird:** I look here at your presentation. That was my next question, I say to the member from Perth. Looking on page 5 of your presentation, the third bullet, you talk about the combined federal and Ontario rate, including the Ontario capital tax and withholding tax on dividends, and it generally exceeds the combined US tax rate. That can't be true. Dalton McGuinty and Greg Sorbara told me in the House, as they told all members, that our tax rates were 25% or 30% lower than other jurisdictions. Who is right?

**Mr Alicandri:** What Mr Sorbara may have been referring to was the corporate tax rate, so that when we refer to 14%, he may be referring to that rate. What these rates also talk about are really the competitiveness of the tax system itself. For instance, in comparison to the US, our capital cost allowance system leaves a lot to be desired. The tax depreciation available in the US is now much better than it is in Canada. Their ability to write off inventory earlier and faster is much better than in Canada. I'm sure that Mr Sorbara's rates probably did not include the effect of the capital tax, which adds about 3.3%, and also would not have included the effect of the withholding tax, which in an economy such as ours is a real tax.

**Mr Baird:** The taxman cometh and puts his hand in one pocket and takes out money; I also count the other

hand going in the other pocket taking out money too. Obviously we want to make it as competitive as possible. So we know, and this will be of great interest to my friend Mr Racco, that taxes are higher today than they were—

*Interjections.*

**Mr Baird:** I watched Dalton McGuinty on TV, and he didn't say corporate taxes or small business taxes or personal income taxes.

*Interjections.*

**The Chair:** Please.

**Mr Baird:** Now we know for sure. We've had a good presentation that has dispelled that, from someone out in the real world. I completely agree with your presentation.

Mr Prue was interested in talking about the decline in public services, like Mike Harris cutting health care from \$17 billion to \$28 billion. They think we're spending too much money with that \$17-billion or \$18-billion increase, some of them. I think it's a tremendous concern. I don't think this is the week for Liberals to be talking about financial scandals, with great respect, I say to my friend.

**The Chair:** Do you have a question, Mr Baird?

**Mr Baird:** I just wanted to thank you for the presentation. Your comments on capital taxes are bang on. That's got to be the goal of the Ontario government. Your comments on the corporate taxes are bang on as well. I certainly plan to try to include both of those in our recommendations to the minister. I want to thank you for your presentation. It was very thoughtful, very clear and specific.

**The Chair:** Thank you for your presentation this afternoon.

The people coming in at 3:20 have cancelled.

We have a notice of motion from Mr Prue.

**Mr Prue:** Yes. It's a very simple motion.

I move:

"That the standing committee on finance and economic affairs ask the Minister of Finance to include the Premier's commitment to assist seniors by using 'the first budget to resolve the underfunding of community support agencies by increasing the base funding by 25% for the Ministry of Health and Long-Term Care'; and

"That this funding be included in the 2004-05 budget in order that the government can live up to the commitment in the first budget as promised."

**The Chair:** You have two minutes for comment, if you wish.

**Mr Prue:** The presenter came here today and quoted a very articulate and wonderful letter from Dalton McGuinty dated September 17, 2003, when those exact statements were made, in order to allow services to be delivered again, primarily to the poor, the old, the sick and the infirm in their own homes. I think it's self-evident that this is a policy that should be followed, and I would like to support Mr McGuinty in making sure that this makes its way into the first budget, as promised.

**The Chair:** This will be dealt with at the report-writing stage.

We've had notice from Mr O'Toole.

**Mr Barrett:** Mr O'Toole is absent right now. I don't know whether you can accommodate that. We've traditionally had the expectation that these motions were held at the end of the session.

**The Chair:** The mover not being present—

**Mr Baird:** I think he's calling the member in.

**Mr Colle:** Mr Chair, I'd like to move adjournment.

**The Chair:** All those in favour of the motion to adjourn? All those opposed? We're adjourned.

*The committee adjourned at 1532.*





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