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ISSN 1180-4386

**Legislative Assembly  
of Ontario**  
Second Session, 38<sup>th</sup> Parliament

**Assemblée législative  
de l'Ontario**  
Deuxième session, 38<sup>e</sup> législature

**Official Report  
of Debates  
(Hansard)**

**Thursday 15 December 2005**

**Journal  
des débats  
(Hansard)**

**Jeudi 15 décembre 2005**

**Standing committee on  
finance and economic affairs**

Pre-budget consultations

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

Consultations prébudgétaires

Chair: Pat Hoy  
Clerk: Trevor Day

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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  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
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**

Thursday 15 December 2005

Jeudi 15 décembre 2005

*The committee met at 0905 in room 151.*

**PRE-BUDGET CONSULTATIONS**

**MINISTRY OF FINANCE**

**The Chair (Mr. Pat Hoy):** The standing committee on finance and economic affairs will please come to order. We're pleased that the Minister of Finance has taken up our invitation to appear before the committee this morning. Minister, you have up to 20 minutes, if you wish, for your presentation, followed by up to 10 minutes of questioning per caucus. If any of the other gentlemen were to speak, we would ask them to identify themselves for the purposes of Hansard.

**Hon. Dwight Duncan (Minister of Finance, Chair of the Management Board of Cabinet):** Good morning and thank you. I'm pleased to have the opportunity to address the committee as it begins the important job of conducting pre-budget consultations. You will know, Mr. Chair, as will other committee members, that I have also been talking recently to Ontarians across the province about what they'd like to see in our upcoming budget. I'll talk more about that process in a few minutes and about how I see your work and ours coming together.

First, though, I'd like to introduce the officials who have joined me here today. Immediately beside me is Colin Andersen, Deputy Minister of Finance. Also with me are Phil Howell, associate deputy minister of finance; Pat Deutscher, assistant deputy minister and Ontario's chief economist; and John Whitehead, assistant deputy minister of fiscal and financial policy and program management and estimates.

Our government is now just slightly past the midpoint of its first term in office. That makes this an opportune time to share with you where we are and what's ahead.

First of all, I would be remiss in my introductory remarks if I did not thank members of this committee and all my colleagues in the Legislature for the thoughtful debate they brought to our two budget bills. Bill 197 received third reading November 22 and received royal assent this past Monday. I'm happy to report that the Legislature approved our most recent budget measures bill, Bill 18, just yesterday. Both of these bills implement measures that support the government's commitment to building a strong economy in the province.

When Mr. Sorbara sat in this chair a year ago, he talked about a new generation of economic growth. Today I'm very proud to say that the groundwork our government laid in its first two years continues to yield results. We're on track to eliminate the deficit, while continuing to make essential investments in education, health and a strong economy.

Ontario's economic performance has been better than expected this year and this growth is expected to continue. Our four-year plan for prosperity is working, but make no mistake, there are risks on the horizon, including the appreciation of the Canadian dollar, energy prices and the strength of the US economy. Now, more than ever, we need to continue being prudent, focused and disciplined in our approach to managing the province's finances.

That said, let me get straight to the specifics.

Since we came to office, we have seen more than 215,000 net new jobs created in the province, and this job growth is expected to continue in the years to come. Our unemployment rate for this year is expected to be 6.7% and is expected to decline further. By contrast, this compares quite favourably with 2002-03 when the unemployment rate was 7.1% and 7% respectively.

We recognize, however, the challenges faced by Ontario's manufacturing sector, particularly in the forest industry. We also appreciate how difficult it has been for employees and their families who are facing job loss or uncertainty. We've also seen a recent restructuring announcement by General Motors that affected many people in Oshawa.

What I can tell all of these people is that we are working hard as a government to do what we can to ensure continued economic growth in this province. For example, we were able to partner with the federal government in order to secure \$5.7 billion in auto sector investment in Ontario, securing thousands of high-paying, high-skills jobs. Just last week, in fact, the Premier was in my hometown of Windsor. He was there with officials of DaimlerChrysler at a special ceremony marking the company's investment of \$768 million in Ontario, an investment decision that resulted directly from our government's strategy to support the automotive sector.

**0910**

Overall, employment is up; unemployment is down. In fact, a number of areas have done, and continue to do, quite well. For example, the construction sector is ex-

perencing robust growth of 7.6% on an annual basis. That's almost 28,000 new jobs this year alone.

Overall, Ontario added 1,400 new jobs in November, up for the fourth consecutive month. So far this year, Ontario employment is up by 83,200 jobs or 1.3% compared to the same period in 2004.

Here are some additional highlights we've seen this year: The education sector leads all industries in job creation with 35,200 new jobs. Finance, insurance, real estate and leasing combined have added 22,500 new jobs. The retail and wholesale trade industry group has created 28,200 jobs so far in 2005. Information and culture has created 11,000 new jobs. Professional, scientific and technical services, and management and administrative support are up by 4,100 jobs.

Four out of every five new jobs that have been created are full-time, and although our manufacturing sector is facing substantial challenges, it is working hard to improve productivity. Manufacturers were able to increase their real shipments by a solid 2.3% in the third quarter of this year, a clear, positive sign for this sector. At the same time, Ontario's centres of excellence are helping small and medium-sized manufacturers adopt new technology and solve technology problems.

Our government is also putting in place the right building blocks to ensure continued prosperity.

We have invested heavily in our greatest asset, our people, with a \$6.2-billion commitment to post-secondary education and training. As I'm sure you know, we have established a new Ministry of Research and Innovation, headed by the Premier, whose mandate is to ensure that Ontario has a focused approach to competing and winning in the marketplace of ideas.

Overall, our 2005 budget plan was based on a cautious economic projection, with 2005 real GDP growth 0.3 percentage point below the private sector average at that time. The 2005 Economic Outlook and Fiscal Review released last month maintained this prudence margin on 2005 real GDP growth.

There continues to be a wide variety of opinions as to how fast the Ontario economy will grow, but all forecasters call for continued growth. Generally, economic forecasters expect that Ontario real GDP will grow on average by 2.5% in 2005 and 2.5% in 2006, and Canadian real GDP by 2.9% in 2005 and 3% in 2006.

If we are to meet even these cautious targets, we must also recognize that we will need to continue taking a balanced, disciplined approach to all our budgetary decisions.

Some of the caution we're seeing in private sector forecasts is related to unpredictable factors in our economy—in this case, the risks from high oil costs and a high Canadian dollar. We continue to watch the Canadian dollar carefully. This week the Canadian dollar traded at more than 87 cents US. That's the highest it's been in 14 years.

There is no doubt that a high dollar exacts a certain cost, especially from manufacturers and those who rely on cross-border trade. The bottom line, though, is this: Despite the high value of the Canadian dollar, Ontario

industry remains competitive in the global marketplace and our economy continues to grow.

Let me highlight for you some recent figures: Ontario consumers are benefiting from continued low interest rates, a good job market and rising incomes. Retail sales are 5% ahead of last year, and Ontario new vehicle sales are 2.8% ahead of last year's pace. Ontario's home resales rose 4% in October from a year ago, up for the third consecutive month. Growth in the US economy, Ontario's largest trading partner, has continued at a strong pace this year, with broad-based gains in consumer spending, the housing market and business investment. For 2005 as a whole, forecasters expect US real growth of 3.6% following a gain of 4.2% in 2004. They also believe the prospects of the US economy are bright for 2006 and expect growth of 3.4%.

I would like to turn the committee's attention now, if I may, to our fiscal plan.

I informed the Legislature in my Economic Outlook and Fiscal Review in November that we are now projecting a deficit of \$2.4 billion for the current year. That's a \$427-million improvement from our 2005 budget projection. If the reserve is not required, the deficit is projected to be \$1.4 billion. And, we remain on track to meet the commitment from our 2005 budget that the deficit will be eliminated no later than 2008-09, or a year earlier if the reserve is not required.

Our plan is disciplined and we are making progress, but there is more to be done. The government is in the third year of a multi-year planning strategy that began with the 2004-05 launch of Budgeting for Results. Central agency reporting requirements have changed from previous years so that ministries can focus on implementation, delivery and modernization of programs and services. We have moved forward on our commitment to modernize government, as more than half of the \$750-million program review savings target set for 2007-08 has been identified. I'll have more to say about this matter in the weeks and months to come. However, we continue to work toward ensuring that all of our programs are being delivered in a cost-effective and efficient manner.

I'd also like to mention the progress we've made with Ottawa on addressing the gap between what Ontarians pay to the federal government and what Ottawa returns in spending and services to the province. Recently, we signed a Canada-Ontario labour market development agreement and a Canada-Ontario labour market partnership agreement. These agreements will ensure that Ontario workers have access to effective employment programs and services, and that Ontario employers will have the skilled workers required to sustain and enhance economic growth and prosperity for Ontarians. However, I must emphasize one important point: These agreements, while welcome in Ontario, do not materially affect the province's bottom line. Whether our fiscal gap will be higher or lower in the future depends on how the federal government decides to allocate its spending going forward. That said, the labour market development agree-

ment will transfer \$2.5 billion of federal funding to the province, while the labour market productivity agreement will be worth approximately an additional \$1.4 billion to Ontario over the next six years.

Our government has negotiated a comprehensive immigration agreement with the federal government, which will help more newcomers by increasing funding for services to help them settle, integrate and access language training. The agreement is worth an additional \$920 million over the next five years to Ontario.

We will now focus on achieving fairness in the Canada health transfer and the Canada social transfer, recognition of Ontario's contribution to achieving Canada's Kyoto targets, and infrastructure partnership opportunities.

The next few weeks promise to be a busy time for all of us. Even after the House adjourns for the holidays, our work is not done. These hearings that you're kicking off today will provide valuable advice as we move forward. It will be added to what we've heard during our own sessions. I must admit to being quite impressed with the very thoughtful and realistic tone of our pre-budget sessions. There were many highly articulate and well-reasoned views presented. They ran the gamut from health care and education to infrastructure and social services. But, if I may interpret them broadly, they all wanted essentially the same thing: that the government spend their money wisely, with a plan to meet and invest in priorities. In particular, I would commend the participants for their willingness to accept the notion that not all needs can be met, at least not all at once. What flows from that, I believe, is some degree of support for our view that, as you'll see in the questions I'll outline for you in a moment, there are always trade-offs in this process.

I appreciate as well that although municipalities have benefited from the gas tax and other recent measures, they continue to feel the effects of downloading from the previous government.

Our consistent view, from a broad range of groups, including business, municipalities and others, is the need for economic infrastructure. We began to move the bar forward last year with our five-year, \$30-billion plan. We'll consider all the advice we've heard as we begin developing the 2006 budget in earnest.

I'd like to put on the record for you, if I may, the questions that have framed our pre-budget consultations, since I believe they could be helpful in your work as well. First, what else can the Ontario government do to create a new generation of economic growth? Second, what more can the Ontario government do to anticipate or address external challenges and risks? Third, if spending should increase in some areas, what areas should be cut in order to offset the additional spending? Fourth, what other measures could be implemented to eliminate duplication and waste, streamline regulation and enforcement and improve services to the public? And last, but by no means least, how can fiscal transparency and accountability be further improved? I'm proud of our commit-

ment to the principles reflected in these questions. We have enshrined them in legislation and made them our watchword, but once again, we believe there is always room to grow, to find better and more effective ways of delivering our business and services.

**0920**

Premier McGuinty has often said that to govern is to choose. We're moving forward with our plan, which is creating prosperity throughout the province and ensuring Ontario's economic advantage in the future. We've laid out a plan to restore integrity to Ontario's finances; we've invested in health; we've invested in our human capital. We must ensure that our infrastructure plan meets the province's needs, but we need your help. As your committee conducts its hearings over the coming weeks, I'm sure you'll elicit many bright, creative ideas, as we have heard. You will certainly have some of your own, as is your prerogative as legislators. I encourage you to bring forward these ideas so that we can truly build a budget that continues to reflect Ontarians' priorities and to meet their needs.

I would like to take a moment just before I close to wish you, your families and your communities a very happy, healthy, safe and enjoyable holiday. While it is time to reflect on the year past, it is also an opportunity to look forward with optimism and hope to the year ahead. I look forward to hearing the outcome of your deliberations. Thank you for inviting me here today.

**The Chair:** Do you have any further comments? There is some time remaining.

**Hon. Mr. Duncan:** No.

**The Chair:** Very good. Each caucus will have up to 10 minutes for questions or comments. We'll begin with the official opposition, Mr. Hudak.

**Mr. Tim Hudak (Erie-Lincoln):** Thank you very much, Minister, Deputy and Ministry of Finance staff, for appearing before the committee today.

I'm just going to have some opening comments about the point of view of the official opposition. I think my colleague Mr. Barrett has a couple of questions, as hopefully I'll have time to do as well.

What we worry about greatly in the official opposition is Ontario's fading competitiveness. Increasingly, when you look at how Ontario compares to our peer provinces and peer states, we are falling further and further behind. I think each of us grew up in an Ontario that was the leader in economic growth, innovation and job creation in Canada, the envy of the other nine provinces, the place where folks would move from other provinces and come here to live and work and raise a family. Sadly, in Dalton McGuinty's Ontario, we're seeing those trends reverse, with people moving out of our province to other provinces, particularly to the west. We're finding in so many economic indicators that Ontario is falling to the middle of the pack in Canada instead of being the leading light. I feel that the economic policies brought forward by the minister today, and those by the Premier, are going to harden those trends and see Ontario continue to slip in its competitiveness and its attractiveness for investment.

That hurts Ontario families today, who have less money in their own pockets to spend in the economy, to invest in the future. Most importantly, it hurts Ontario families down the road, because fewer jobs will be created as a result, and less investment and expansions in new businesses or in machinery to ensure that Ontario stays productive and strong. And I worry about the impact on future generations, who will make less money and have less money to spend than the current generation may if these trends continue.

If you look at the recent report from the Task Force on Competitiveness, Productivity and Economic Progress, for example, Roger Martin's report compares us to a number of peer jurisdictions—states that have similar populations and economic size, as well as Quebec—and we have now fallen to 15th out of the 16 jurisdictions that are our comparators. We're falling behind the 14 peer states. We're less successful in Ontario, in Dalton McGuinty's regime, in adding value to our human capital, our physical capital and our natural resources.

Last year, in the last report, that gap was \$6,000. That means that our gross domestic product per capita was 12.6% lower than the median GDP of the peer jurisdictions. They said we ranked 15th out of the 16 states or provinces. It's all well and good for the minister to talk about how Ontario is doing and saying that the numbers are positive in a number of economic indicators; the challenge is that when you compare how Ontario is doing with these other states and provinces, we're falling toward the middle of the pack, or against the states, 15th out of 16.

My other major comment is that I find it incredible that Ontario continues to run a deficit. I've challenged the minister in the House, that in fact he's projecting the deficit to go up this year compared to last year's final numbers for the deficit. Spending has actually increased for this fiscal year from the 2002-03 year by almost \$15 billion; \$14.7 billion in spending, and we still run a deficit in the province of Ontario. Quite frankly, this government has a major problem in controlling spending.

The Canadian Taxpayers Federation, for example, put out a report that showed Ontario's spending per capita under Dalton McGuinty has increased at a greater rate than even under David Peterson or Bob Rae, the so-called poster boys for big spending. Dalton McGuinty's giant spending increases would make them blush.

Let me give an example to the committee. If the government had stuck to its original plan in the 2004 budget, projected spending for this fiscal year would be \$80.5 billion. That was last year's budget. Projected spending for this year would be \$80.5 billion. The economic statement this year projected revenue for this fiscal year to be \$82.1 billion. So they said spending would be \$80.5 billion; they said revenue would be \$82.1 billion. If you had stuck to the plan, you would have had a surplus of \$1.6 billion. But instead, the McGuinty government continues to increase spending some \$3 billion more than you projected just last year.

I think we need to take a bit of caution with the numbers that are brought forward. When it came to the 2004-05 fiscal year, there were four dramatically different projections of what the deficit was going to be. In May 2004, the budget papers projected \$2.2 billion; on March 19, 2005, it became \$6 billion; on May 11, 2005, it was \$3 billion; and then it was finally reported at \$1.6 billion. So we had in the space of just a year four radically different projections. Unfortunately, by the campaign platform we find that what's written on paper often turns out not to be true when you look at the facts.

I also want to make a point about the taxation on business. The higher the marginal tax rate on business and on investment in business, the less likely they are to invest or to expand in Ontario. The marginal tax rate now is among the highest, if not the highest. Roger Martin's report, for example, says that at these high marginal rates, there is no incentive to invest for the future, but rather the need to consume every last tax dollar.

I also look forward to the presentations on energy. I find the current energy policy to be, frankly, whacky—the notion of closing down 20% to 25% of our supply. The minister, in his previous role, basically reconstructed the old Ontario Hydro all over again, with long-term guaranteed contracts with significant risk to ratepayers on the energy side. We have seen a number of factories closing down and others saying they're not going to invest in the province, because of the lack of faith in the energy policy and the high rates of energy prices today. I hope that we'll hear some good advice and that the minister will take that advice, to get more private supply into the energy system and to get us out of this reconstruction of the bad old Ontario Hydro all over again.

As I've said, the underlying economic indicators are worrisome when you compare us to the other provinces. A recent report by the Royal Bank, for example, shows us that in employment growth, home sales, manufacturing, shipment, retail sales, wholesale trade and housing starts, we have fallen behind the Canadian average. Ontario is no longer a leader, but average, at best, or falling behind in many of those areas. So we're looking forward to advice from the opposition caucus on how to get Ontario back to its traditional position of leading in growth.

The last concern I want to put on the table, and we'll hopefully hear some good advice on that, is the fact that hard-working families now have some \$2,000 less in their pockets in Dalton McGuinty's Ontario than they did before. Higher taxes, higher user fees, higher energy costs, higher gas prices etc. are taking a substantial bite out of the pockets of working families. I think that's why we're seeing some out-migration and the disappointing figures in the consumer sector.

#### 0930

I know my colleague wants to ask questions. I'll leave it on the table for now, for the overarching concern about the underlying numbers that aren't really touched on in the minister's report.

**The Chair:** Mr. Barrett, you have about two minutes.

**Mr. Toby Barrett (Haldimand–Norfolk–Brant):** Thank you, Chair, and I thank the minister for presenting before the committee.

In your presentation you indicated a partnership with the federal government securing \$5.7 billion for the auto sector. It does raise a question for this committee to keep in the back of their minds as we travel the province, and the question is—and I might ask legislative research to perhaps bird-dog this a bit: What would be the comparable federal-provincial investment in the agriculture and agribusiness sector? I don't need an answer right now. We know that very recently the federal government announced \$755 million for cash crop, and Ontario's agriculture minister was disappointed in that offering.

As you indicated, the manufacturing sector is facing substantial challenges—and we're certainly aware of this and are on record as the opposition—and you indicate that manufacturing is working hard to improve productivity. I put forward the position that agriculture and agribusiness have made some tremendous gains in productivity, but they are managing in an environment of extremes. You go from your best year to your worst year. This was reflected yesterday—I attended one rally on the 401. There were 200 tractors and 100 farm trucks out there. I think that tells us something.

There is a dark side to agriculture and agribusiness. Eighty per cent of their expenditures, one way or another, are linked to energy, whether it's the price of natural gas, electricity or oil. The US farm bill continues to loom over this province, and that will be renegotiated in 2007. The high cost of steel does not bode well for agribusiness, and of course the projected increase—much of this from American data—in interest rates and of course the cost of insurance. Their customers, many of them—it's primary industry, much of it, but much of it is obviously very dependent on retail. What is looming in agribusiness and, I would suggest, the Ontario economy overall is the high rate of credit card debt and the fact, as I understand it, that delinquency rates are increasing.

I wanted to present that from the perspective of agribusiness.

**The Chair:** We'll move to the NDP and Mr. Prue. You have up to 10 minutes.

**Mr. Michael Prue (Beaches–East York):** I'm going to take a different tack: I'm going to ask you questions.

When I was a first-time candidate, way back 26 years ago this month in a federal election, the big issue was the gas tax, but the second-biggest issue was that the unemployment rate had nudged above 6% and was considered to be disastrous. Here we are, 26 years later, and it's sort of the norm. You're forecasting, according to your numbers, 6.7% this year, 6.5% next year and 6.3% in the last year of your mandate. I'm hoping you're right. But it's so much higher than what the Americans accept or what you're likely to find in most other places in the world. Why are we accepting this permanent underclass of people who don't have a job?

**Hon. Mr. Duncan:** First of all, there are a number of components to unemployment. There's structural

unemployment and seasonal unemployment. There are a number of components, so there's not a permanent underclass. For instance, in the calculation of unemployment, someone who's facing a two-week retooling shutdown at Ford Motor Co. would be counted as unemployed even though they will collect 90% of their wages and benefits. That would be the first observation.

Second of all, your recollections of the late 1970s and early 1980s are factually wrong. After the oil spike in the 1970s, we had something called "stagflation," and unemployment routinely went up above 8%. That's not to downplay the challenge of unemployment. We're pleased that Ontario's unemployment rate has continued to decrease under this government and employment has gone up.

The other fact that's positive, in my view, is that there has been growth in real disposable income, which means that not only are jobs being created but income—that is, the amount of pay for these jobs; these are significant jobs.

So unemployment has continued to be a major challenge for governments of all political stripes in every jurisdiction. American unemployment rates routinely ran at around 4% to 5% in the 1990s. Today, they're running a bit above 5% on average. The gap between Canada and the US has in fact closed a little bit. The state of Michigan: I believe last month they were up above 7%—another jurisdiction that's highly dependent on the automotive sector.

So I acknowledge that one does not like to see any unemployment. One wishes we had full employment. Economists differ on what the definition of full employment is, by the way.

**Mr. Prue:** It used to be 3%.

**Hon. Mr. Duncan:** Well, no, actually it used to be about 4%. That's based on a number of factors that go into the calculation not only of unemployment but employment and indeed of the labour force. The labour force has grown as well. We've made progress in growth in the labour force.

When you look at all of these things—and it's interesting. The definition of structural unemployment: How do supplementary unemployment benefits alter that? Buzz Hargrove and the CAW have done enormous work in advancing supplementary unemployment benefits across the province.

I'm also pleased, by the way, that this year Ontario became the largest automotive manufacturer in North America. We surpassed Michigan for the first time.

I remember that election: I believe it was an 18-cent gas tax. I believe unemployment in the late 1970s was running—Pat, do you have the numbers there, by any chance?

**Mr. Pat Deutscher:** My numbers only go back to 1981.

**Hon. Mr. Duncan:** What were they showing then?

**Mr. Deutscher:** In 1981, the unemployment rate was 6% and then it climbed to 10.4% in 1983.

**Hon. Mr. Duncan:** It was 10.4% in 1983, so your number was wrong.

**Mr. Prue:** No, my number wasn't wrong.

**Hon. Mr. Duncan:** It was 6.3% in 1981.

**Mr. Prue:** You don't have your number. My number's not wrong. But go ahead. Anyway, I have more questions. You're taking way too long. I've only got 10 minutes.

**Hon. Mr. Duncan:** I'm trying to respond to the question.

**Mr. Prue:** I've only got 10 minutes.

**Hon. Mr. Duncan:** Let me just finish. To conclude, the number you put on the record was wrong. Unemployment in 1981 was about 6.3%. It's lower than that right now. It went up to the range of 10% by 1983.

Number two: Structural unemployment, the real rate of unemployment, natural unemployment are all factors that go into this. We want to continue to create jobs. We want to reduce unemployment and increase employment, which we've done in the first two years of our government.

**Mr. Prue:** How long did my first question take to get answered?

**The Chair:** About five minutes.

**Mr. Prue:** About five minutes, so that means I get one more if you continue this. I have a number of them. Please, if you can't answer them in a minute, just say you can't and I'll go to the next one.

The next one is, you have not included in your list here manufacturing jobs. You've talked about the education sector, finance, retail. Are manufacturing jobs in fact down 52,000?

**Hon. Mr. Duncan:** Overall, the net new jobs in Ontario increased by 212,700 as of last month. There have been job losses in the manufacturing sector; there's no doubt about that. We are particularly pleased with our investment strategy in the automotive sector, which we believe helped protect almost 18,000 jobs and has led to the creation of another 1,400 at Toyota in the Woodstock area, when that plant comes on. But with respect to the actual numbers—let me see.

This year, we had actual increases in manufacturing jobs in January of 7,000. In February there was a decline of 16,200; an increase in April of 8,300; an increase in June of 3,500; and decreases in November and October. Overall, these figures—you can add them up—plus 7,000, down 16,000, down 6,000, plus 8,000, down 16,000, plus 3,000, down 12,000, down 1,000, down 400, plus 7,000 and then down 5,000. So that will give you the number. These are according to Stats Canada, employment by major industry, goods-producing for the province of Ontario, table 11A.

**Mr. Prue:** The forest industry, as well, has been hugely hit. Abitibi had some closures and announced another closure yesterday in Kenora. The mills keep going down. Do you anticipate that the forest industry will continue to decline in Ontario?

**0940**

**Hon. Mr. Duncan:** The forest industry has been declining throughout North America. There have been more job losses in places like Newfoundland, Quebec and British Columbia than there have been in Ontario. Indeed, there have been job losses in the forest industry in Texas. It is an industry that's facing significant challenges, there's no question. We have provided over \$600 million to help that sector. We are attempting to work with them on a number of fronts. The biggest challenge that is cited by them is the rise in value of the Canadian dollar. Yesterday the dollar punched through 87 cents. We want to ensure that we help—

**Mr. Prue:** It closed unchanged yesterday.

**Hon. Mr. Duncan:** Yes, but it went up over 87 cents yesterday for the first time in 14 years.

**Mr. Prue:** Then it went right back down. It closed unchanged.

**Hon. Mr. Duncan:** It's still up, way up. Are you suggesting the value of the dollar is not up in the last couple of years?

**Mr. Prue:** Of course it is.

**Hon. Mr. Duncan:** Well, good.

**Mr. Prue:** I mean, you talk about the spike, but not where it closed. It closed unchanged. Don't try to say it's closing at 87. It didn't.

**Hon. Mr. Duncan:** It's up week over week, month over month, year over year, for the last three years.

We have invested over \$600 million in that sector. They have problems, no doubt, in a whole range of areas. We're working with the industry to help ensure they remain competitive and viable and operational in Ontario.

**Mr. Prue:** Municipally—I'd like to just change a little bit. I want to talk about provincially mandated programs where you take money directly from homeowners in their property tax. How much are you taking per year for provincially mandated programs, including education, which I think is around \$6 billion? But all the others, how much do you take from the property taxpayers for their property tax?

**Hon. Mr. Duncan:** Are you referring to the business education tax?

**Mr. Prue:** All of them—programs such as social assistance, housing, public health, ambulance, child care.

**Hon. Mr. Duncan:** Are you talking about how much tax we raise?

**Mr. Prue:** Yes. How much tax does the province take from that source, from property taxes?

**Hon. Mr. Duncan:** From property taxes?

**Mr. Prue:** Yes. We know it's more than \$6 billion for education. How much is it for the others?

**Mr. Deutscher:** The property tax actually doesn't flow through the consolidated revenue fund. I realize that's an accounting answer, but it's not one that appears there for you in the revenue statements. It appears in the expenditure side of our accounts as spending.

**Mr. Prue:** If I were to tell you that my research indicates it's another \$3.6 billion for social assistance,

housing, public health, ambulance and child care, would you think that's about right?

**Hon. Mr. Duncan:** Probably not. Your numbers have been wrong throughout this presentation.

**Mr. Prue:** What a disgraceful comment.

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

**Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge):** First, I'd like to take a moment or so to advise and inform the minister that the committee will be travelling throughout Ontario. We've deliberately and collectively made the decision to travel to some sites in Ontario that are likely to be or are being challenged with jobs, everywhere from the prospects in Atikokan to Cornwall to Sarnia. We've done that quite deliberately so that we will be advised and informed as a committee of the challenges that are being faced in Ontario so that we can provide you with what I think would be good advice in the context of budget preparation and financial planning for the province. I thought it was important to advise you. We're not going, for the most part, to places that are doing extremely well. We will be in Toronto and Kitchener–Waterloo. We're going to other locations, different locations.

I just want to make a few comments. I know that some members opposite, particularly the official opposition, may not like these very much in part, but those who forget their past are deemed to repeat it. Thus, when we comment on the \$5.5-billion-plus deficit we were left with, we often hear about the fact that that was then, this is now. We're not about to repeat that past at all, so it's important for us to continue to remember it.

In the dying days of the Common Sense Revolution, the former government blew on the flames, on the embers that were left in an effort to revitalize that flame. They'll tell us they increased spending on education, health and transportation. Unfortunately, they cut taxes and reduced their revenue stream. We know what happens when spending goes up and revenues go down. We were left with that particular legacy.

When we came into office, the deficit was some \$5.5 billion. You've had considerable success, as did your predecessor, in carving into that deficit and digging us out of the hole we inherited. Can you advise the committee further, though, on the prospects for eliminating the deficit and your plans to foster additional economic growth for our continued prosperity in Ontario?

**Hon. Mr. Duncan:** We did inherit a deficit of \$5.5 billion, in spite of the fact that the books for the previous year had reported a balanced budget, which have now been subsequently looked at by the Provincial Auditor and also fully audited. We laid out a plan to balance the budget no later than 2008-09. We set up what we believe to be prudent measures within the budgets, including contingency funds and reserves. If we don't have to use the reserve funds, the budget will be balanced in 2007-08.

One of the most significant achievements of Mr. Sorbara's first budget was the Fiscal Transparency Act, which we passed, which means the Provincial Auditor

will look at our books before the next election and cast his view on the accuracy of them and the fulsomeness of the numbers that are reported, so the people of Ontario will have a good, hard look by the auditor. Before the next election we'll be able to determine the fulsomeness of the figures contained in that document.

**Mr. Arthurs:** As everyone here is well aware, General Motors recently announced a new national restructuring, and you commented briefly on that in your comments. That's going to affect workers across North America and here in Ontario as well. The government has recognized the importance of the auto sector. We've committed some \$500 million in support of that particular sector. Can you take a moment or so to elaborate on what you expect the investment will return to Ontarians in the years ahead?

**Hon. Mr. Duncan:** The government, through its automotive investment fund, invested about \$500 million. One of the members opposite asked what we did for agriculture last year. It was a little over \$600 million, and in terms of the forest industry it was a little over \$600 million.

Until the Daimler/Chrysler announcement last week, the number we were using about the amount of investment leveraged was \$4.5 billion. The Canadian Vehicle Manufacturers' Association in fact, at a pre-budget consultation, used the figure of \$6 billion that they're investing. Our number is about \$5.7 billion. That will do a couple of things. First of all, it will help preserve 18,000 jobs and will also help create new jobs. For instance, we're talking about the \$400 million in operations at Oshawa and St. Catharines on top of the \$2.5-billion Beacon project in Oshawa.

The industry's having some difficult times. The Ford Motor Co., for instance, indicated they're going to have some very difficult announcements in the new year, but we believe that through our foresight, by getting this plan in place before the challenges started to happen, we will be able to protect Ontario's position as the leading automotive jurisdiction in North America.

**Mr. Arthurs:** You mentioned Beacon as one of the initiatives that will be part of the overall GM strategy and its relationship to post-secondary education, which leads me to my third question. A key element of the 2005-06 budget was the Reaching Higher plan. The plan calls for an investment of some \$6.2 billion, I believe, in post-secondary education over a five-year period. It's my belief that the future prosperity of Ontario requires a sound foundation of highly trained and highly skilled workers. Can you inform the committee of the progress being made to date on the Reaching Higher plan and provide assurance that your budgetary commitment to the plan is there for 2006-07 and the subsequent years?

**Hon. Mr. Duncan:** The figure you quote is accurate. The commitment last year was \$6.2 billion, including an additional \$683 million this year, rising to \$1.6 billion in 2009-10. That will represent a 39% increase compared to the 2004-05 budget base. It's a historic multi-year investment in post-secondary education, and it is indeed the largest in 40 years. The province expects that the

investment will yield improvements in a number of areas. It will deliver access through more student financial assistance, increased enrolment in colleges and university undergraduate programs, increased graduate student enrolment, increased enrolment in medical schools, increased apprenticeship positions, more new Canadians who are better able to contribute their skills to Ontario's economy. In terms of quality: more faculty, more time for faculty to spend with students, more innovative research and better resources and improved pathways for students. Finally, on the accountability front: a new Higher Education Quality Council of Ontario is charged with identifying performance targets for post-secondary education, an agreement between the government and post-secondary institutions that ensures that these results are achieved. Funding will be contingent on these results. We believe this is the right course to take. We believe in investment in post-secondary education. It's fundamental to ensuring Ontario's competitive future.

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**Mr. Arthurs:** Mr. Chairman, if there's any time left for our caucus, I know Mr. Wilkinson has a question as well.

**The Chair:** We have a little less than two minutes.

**Mr. John Wilkinson (Perth—Middlesex):** Thank you, Chair, and good morning. Minister, it's good to see you. I just wondered if you could help me out with something here. I know that your critic, the member here from the opposition, the member from Erie—Lincoln—we just seem to be having some problems with his math. I was wondering if you could just help me out with this. What I'm reading here—I'm used to dealing with financial statements—we have the deficit, which has been going down over the last couple of years from the one that we inherited. In-year, we seem to be doing better than the projection in Mr. Sorbara's budget. But I'm just seeing that there must be some kind of a math error here that we're having trouble with with the opposition, because I see that if we count in the reserve, which is prudent, it's going down, and I see that if we don't need the reserve, it's going down. But I distinctly heard it all, and I really don't want to listen to this for weeks on end across Ontario that somehow this number's going up. I was wondering if you could just run that math by me again. That would help me out a great deal, to get that on the record.

**Hon. Mr. Duncan:** The deficit for this year is projected to be lower than last year. We have built in prudence assumptions, because one never knows what's going to happen. If the reserve that we've built into the budget is not needed—it's a billion dollars—the budgetary deficit for this year will be \$1.4 billion. In fact, the variance around numbers, from the beginning of the year to this year, is actually not nearly as much as it had been in, say, the last year of the Tory government's budget, when the numbers were just so out of whack that nothing added up.

The bottom line is that we've seen a continuing decline in the deficit, as laid out in our 2004 budget plan. There are certainly year-end adjustments every year that

normally will run—it's a lot of money. It may be a billion dollars, but that's on an \$80-billion or \$82-billion budget, so they're well within acceptable variances.

**The Chair:** Thank you for your presentation this morning. I would ask if you could take your laptop down in the remaining time. I'd appreciate that very much.

**Mr. Barrett:** On a point of order, Mr. Chair: I just wanted to reiterate my request to research to get a comparable with respect to the testimony on page 3, the \$5.7 billion invested in the auto sector with the federal government. We don't have the time frame here, but my discussions with legislative research—I would request the comparable for the agriculture, agribusiness sector. Secondly, I would request the comparable federal-Ontario government investment in the pulp and paper and forest sector.

**The Chair:** Thank you. It would be good for all committee members who make a request of research to jot your request down in writing, and therefore the researcher will fully understand what it is you want.

**Mr. Prue:** I also want to make a request, and I will put it in writing. But I want to do it on the record.

**The Chair:** Yes, that's fine; both ways.

**Mr. Prue:** OK. I want to make a request that legislative research provide the actual dollars that are obtained by the province of Ontario through property taxes for education, social assistance, housing, public health, ambulance and child care, and secondarily, how much of this has been downloaded to municipalities.

**The Chair:** If you could just jot that down, it would help research.

**Mr. Prue:** I will.

**The Chair:** Mr. Hudak, point of order.

**Mr. Hudak:** Yes, thanks, Chair. The minister, I guess, had to leave. I would just like to put on the record—and I don't know if colleagues will enter into a debate or not—I found the minister's conduct with respect to my colleague from the third party regrettable.

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

**Mr. Hudak:** Well, I didn't raise it as a point of order, Chair; I'm raising it as a point of debate. The minister is here to make his presentation but also to respond to members' questions. I think my colleague did have some legitimate questions. The minister used tactics to do two things: first, to drag out debate to limit the number of questions, and secondly, to insult my colleague, who I think all of us on the committee have a great deal of respect for. I'd like to convey through Hansard that if the minister does return, as his predecessor, Minister Sorbara, always conducted himself as a gentleman, to kindly pay respect to committee members in responding to our questions.

**The Chair:** Mr. Prue, on a point of order.

**Mr. Prue:** If I can just add to that: If I'm on the sub-committee in the future and the minister requests to attend, I will vote "no."

**The Chair:** That is not a point of order, but it is a comment.

Mr. Arthurs, on a point of order.

**Mr. Arthurs:** I understood, from the comments that were made with the couple of minutes that were left—we were making a comment or two—let me just suggest or say that from my view, the minister's responses were fulsome. I'm not going to engage in the discussion around how one received the information, but I thought he provided quite thorough and fulsome answers to questions that were raised with him.

**The Chair:** Thank you for your comment.

#### INSURANCE BUREAU OF CANADA

**The Chair:** Now I would ask, if the Insurance Bureau of Canada is present, if they would come forward.

While they're preparing, I'll just remind the committee that the second round of questioning will begin with the NDP, the next presenter will go to the government, and so on throughout the day, in rotation in that fashion.

**Mr. Arthurs:** On a point of order: What's the timing again, just as a refresher, on the questions and comments?

**The Chair:** I will mention that right now to the presenter.

Good morning. You have up to 10 minutes for your presentation. There may be up to approximately 3 minutes of questioning from each caucus following that. I would ask you to identify yourself for the purposes of our recording Hansard.

**Mr. Mark Yakabuski:** My name is Mark Yakabuski. I'm the vice-president, federal affairs and Ontario, of the Insurance Bureau of Canada. It is my pleasure again to appear before this committee and I would really like to make three points as part of my discussion this morning. I appreciate being able to follow the minister. I'd like to make a couple of comments about the insurance system in Ontario. I'd like to talk about the need for Ontario to prepare itself financially for the possibility of increased severe weather, and I'd like to talk about the importance of integrating injury prevention into our health care system objectives.

First of all, the insurance system in Ontario is sound, and it's substantially sounder than it was a number of months ago. If we look at the auto insurance sector, I'm very pleased today to share with you that the average auto insurance premium in Ontario today is almost 15% lower than it was two years ago. In actual dollars of disposable income, that represents an injection of \$1.2 billion in additional disposable income for the driver of Ontario—a not inconsiderable amount, I think you will agree.

I do, however, want to talk about the impact of legal costs on the insurance system. I note questions on those in the Legislature yesterday, and this is not the first time. The cost of legal expenses in the insurance system is rising. It's the one component of the insurance system that continues to rise in terms of costs, and it does have an impact on things. For example, in the auto insurance system today, we are now spending more on legal costs

than we are on health rehabilitation costs after accidents. That's got to be a worrisome sign.

In other parts of the insurance system, I think every one of you can tell me of some volunteer or community group that has had difficulty getting liability insurance. That is largely a result of a great explosion in the number of legal cases that have arisen. We would like this Legislature to give consideration to measure that have been taken in other jurisdictions to protect community and not-for-profit groups against vexatious lawsuits. It is an avenue for being able to control the costs of liability insurance for these groups. It's something that Australia, for example, has taken very, very seriously. A number of states in the United States have done so as well, and it is certainly something that I believe that you may want to consider as well.

#### 1000

My second point is the need to prepare financially for a major disaster. I don't think there are many people in the province of Ontario today who know that on August 19—that's only a few months ago—a tornado almost took place in the city of Toronto. Early in the morning of August 19, we had all of the forces that would combine to create a tornado. Fortunately, that wind system went out on to Lake Ontario and ended up creating a tornado in the Kitchener-Waterloo area. The reality is that had that tornado hit the city of Toronto, the cost to the government of Ontario would have been horrendous. We got lucky that time; we are not likely to get lucky every time.

What we are asking for at the Insurance Bureau of Canada is that all governments in Canada work together to develop a hazard mitigation fund, so that we put a little bit of money aside each year for the likelihood of major natural disaster that will allow us financially to deal with these issues in a much more sound and secure way. We simply have to do that.

I want to talk about the importance of injury prevention. We certainly applaud the creation of the Ministry of Health Promotion. We have actually launched our own campaign with respect to injury prevention within the insurance industry, but health promotion is not going to be as successful as it ought to be if you do not marry with it the goal of injury prevention. I'll give you a perfect example. Part of the efforts of the Ministry of Health Promotion is to get people to engage in more recreational activities, and that's absolutely laudable. But it's not going to make sense if we send people to the ski hill and forget to tell them to put their helmets on, because actually a lot of recreational activities can incur additional risk. We need to marry the idea of injury prevention with health promotion. We would ask that the ministry be given a clear mandate for injury prevention.

Secondly, quite frankly, in recognition of the fact that injuries actually cost the Ontario economy billions of dollars a year, we would ask that Ontario take a leadership role within Canada in helping to establish an injury prevention program something like the Participaction of the 1970s. It's conservatively estimated that injuries cost the Canadian economy about \$15 billion, at a minimum,

a year. It is regrettable to say that 70% of the youths who die in this province die as a result of avoidable injuries. Therefore, again I say to you and to others, these are investments—very modest investments—that we cannot afford not to make as a province and as a society. Thank you very much.

**The Chair:** Thank you. We will move to the NDP. Mr. Prue, you have about three minutes.

**Mr. Prue:** Yes. I've been trying to listen to you and read this compendium you gave me. I find it very interesting, but I draw your attention to page 9. On page 9, you have Ontario versus a number of American states—all American states—but you don't provide any comparators for what other provinces are doing. How does Ontario rank vis-à-vis Quebec, British Columbia, some of the other large provinces? How much do they charge for the premium tax rate? Are we out of whack there?

**Mr. Yakabuski:** We're not out of whack with respect to the Canadian reality, no. But this is a recognition of the fact that Ontario, frankly, is playing in a bigger league, and that when investors look at Ontario, they are not looking at, "Will I make the investment in Manitoba or will I make it in Ontario?" It's, "Will I make the investment in Ontario or Illinois or Indiana or some Great Lakes state?"

**Mr. Prue:** OK, but can you tell me what Quebec, British Columbia—

**Mr. Yakabuski:** British Columbia's premium tax is in the same order. Depending on the product, it actually might even be a little bit higher.

**Mr. Prue:** And Quebec, which also borders—I'm just trying to think of those where the major border points are. I know about British Columbia, Ontario and Quebec. What about Quebec?

**Mr. Yakabuski:** Quebec is comparable. One of the points we make in our brief is that taxes from the home, car and business insurance industry over the past two years have actually increased by over \$600 million here in the province of Ontario. On one hand, I'm not really complaining about that. We understand that's a reality. If we are doing reasonably well as an industry, we should pay our fair share of taxes. My point is that we are, and that the tax take from the insurance industry is very, very considerable. Therefore, there's a little bit of room today to look at the idea of premium tax relief, which would be consistent with what this Legislature has been trying to do in terms of bringing down auto insurance prices.

**Mr. Prue:** A year or two ago, the insurance companies were all saying they weren't making any money. The last figure I saw, and I can't remember the number, seemed to indicate that they're pretty healthy.

**Mr. Yakabuski:** Pretty healthy, and we're not saying otherwise, but we're in line with other financial industries, for the first time in about 15 years. The reality is that we have a cyclical industry. We always have, we always will. There are ups and downs, and we happen to now be at the higher end of that cycle, and it remains to be seen how long that will actually last.

**Mr. Arthurs:** Mr. Yakabuski, thank you very much for taking the time this morning. Certainly, there won't be too many Ontario drivers who would be unhappy to hear, overall, premiums are down by some 15%, and we see it ourselves.

**Mr. Yakabuski:** Absolutely.

**Mr. Arthurs:** Some \$1.2 billion of disposable income back in the pockets of the people of Ontario is pretty impressive. I don't know the numbers; I'll have to look them up later. I'm not sure what a 1% reduction in the GST might put back in people's pockets, but I suspect this is far better value for money in this particular case.

It's distressing to hear of more money being spent on legal fees than is actually spent on health rehab, that we're over that kind of a cusp. I think the government has to look and see how we can assist in ensuring that we're not into that milieu. Certainly your recommendations around protections against vexatious lawsuits are welcome.

Have you had any dialogue to this point with the health promotion ministry with respect to the matter of injury prevention? I ask that and give a little background. Back in my municipal days, I participated in initiating something called SCOPA, Safe Communities of Pickering and Ajax, which engaged local industry and co-chaired at the boards of trade, the local municipalities, and established things like student passports for safety for students working. The seniors' fall week was an activity they engaged in, and still do, and the whole issue of educating on WSIB rebates and the like. I'm just interested in what level of consultation you may have had to this point.

**Mr. Yakabuski:** We have not engaged with them on any sort of detailed level. We have informed them of the fact that we've launched our own injury prevention campaign, that we certainly want to work with them, and frankly, that we see there being potentially a real role for the ministry in, as I say, not just talking about health promotion, which is totally laudable, but also marrying that with the idea of injury prevention, because the two have to go hand in hand. There is a whole bunch of international literature that I think we can benefit from. If we were simply to take the best practices that are already happening on a community basis and share them with other communities across Ontario, we would be making a tremendous contribution as a Legislature and as a society.

We are not talking about reinventing the wheel, but we are really talking about bringing good ideas together and making sure that others have them at their disposition as well, which is what other countries have taken very seriously. For example, if you look at the road safety records of the United Kingdom and Sweden, they have had a tremendous reduction in the number of road injuries. We have done a good job in Ontario, but when you look at those countries, the record has been absolutely stellar. So we can learn from best practices and disseminate them. That's really what we're talking about here.

**Mr. Barrett:** I'd like to thank the Insurance Bureau of Canada for testifying. You put forward that Ontario must

prepare for a major disaster, and we're all certainly aware of the storms and the hurricanes. I think of the US South, Florida and, of course, Louisiana. I'm not sure to what extent the government of the state of Louisiana was able to handle what happened down there and to what extent they're able to handle it now.

Could you give us an idea of what the impact was? I ask this because, as I understand, business continues to be very concerned about not only their insurance rates but also their ability to get insurance or to get insurance for their tractor-trailers or what have you. I'm thinking more of small business in my area, if we get hit through reinsurance with any of these major events. How many mutual companies have gone under as a result of this kind of stuff? How is it impacting us, and will it impact us through the reinsurance hit?

**1010**

**Mr. Yakabuski:** First of all, the insurance costs of this year's hurricane activity in the United States are currently estimated at approximately \$80 billion. It's a very, very large amount of money. Fortunately, the American insurance industry is healthy enough to pay that bill. We have seen a couple of companies go under as a result of some of the Florida hurricanes. I believe these are smaller companies in the United States. We believe the industry is large enough and solvent enough in the United States to be able to handle this. But there is no doubt that the people in the Gulf states themselves are going to be facing a significant increase in insurance rates, both at the business level and at the homeowners' level.

With respect to the impact of reinsurance rates on Canadian insurance prices as a result of Katrina and Wilma and the others, we do not believe that's going to have a major effect at this time. Why? I talked about sometimes you get lucky and sometimes you don't get lucky. We are lucky in this sense, that there's a lot of competition in the insurance market right now. There has been a lot of new money that was attracted to the insurance industry over the past couple of years as the industry's financial position has improved. As a result, reinsurance prices were actually going down a bit prior to Katrina and Wilma. We believe that that negative sort of downward pressure on reinsurance prices will be a little bit greater than the upward pressure coming from Katrina and Wilma. The net effect, if you can figure all of that out, is that we don't believe at this time that reinsurance rates in Canada are going to be that much affected overall. That isn't to say that we're going to get lucky like that the next time.

**Mr. Barrett:** That's heartening.

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

**Mr. Yakabuski:** My pleasure.

#### ONTARIO HOME BUILDERS' ASSOCIATION

**The Chair:** I call on the Ontario Home Builders' Association to come forward, please. Good morning.

You have up to 10 minutes for your presentation. There may be up to three minutes per caucus for questioning after that. I would ask you to identify yourselves for the purposes of our recording Hansard.

**Mr. Victor Fiume:** Thank you. Mr. Chairman, members of the committee, good morning. My name is Victor Fiume and I am president of the Ontario Home Builders' Association. I have also served as president of the Durham Region Home Builders' Association. I've been involved in the residential construction industry for two decades and I am the general manager of the Durham Group.

Joining me here this morning is Brian Johnston. Brian is first vice-president of the Ontario Home Builders' Association. He is also president of Monarch Corp. He is also a member of the Greater Toronto Home Builders' Association, the Hamilton-Halton Home Builders' Association, the Ottawa-Carleton Home Builders' Association and the Waterloo region, as well as serving on the board of directors at the Taron Warranty Corp. Monarch has built thousands of new homes and condos across the province over the past couple of decades.

We are both volunteer members in this association, and in addition to our business and personal responsibilities we are dedicated to serving our industry.

I'd like to ask Brian to start and tell you a little about the Ontario Home Builders' Association.

**Mr. Brian Johnston:** Thank you, Victor.

Good morning, Mr. Chairman and members of the committee. We appreciate the opportunity to speak with you today to deliver an important message from the residential construction industry. The Ontario Home Builders' Association is the voice of the residential construction industry in the province. Our association includes almost 4,000 member companies involved in all aspects of the industry that are organized into 31 local associations across the province. Our membership is made up of all disciplines involved in the residential construction industry. Together we produce 80% of the province's new housing and renovations and maintain our existing housing stock. Our industry represents over 5% of the provincial GDP and contributes approximately \$34 billion to the province's economy every year. Just as a comparator, this compares to a 4% total Ontario GDP economic impact for the automotive sector. In other words, housing is a bigger part of the economy than the automotive sector.

Over the last several years, Ontario has generated tens of thousands of new jobs. Many of these new jobs were in the residential construction industry. It's estimated that each average housing start generates approximately 2.8 person years of employment. Therefore, with housing starts estimated to reach 80,500 in 2005, Ontario's new housing industry directly provided over 225,000 person years of employment last year. This compares to just over 100,000 person years of employment a decade ago, when the housing industry was suffering in the depths of a recession.

Ontario's housing market in 2005 is active and healthy. Starts this year are expected to dip by just over

5% from last year. The housing industry is the engine that drives the provincial economy. Low mortgage rates, net migration to the province and high consumer confidence all contributed to strong sales in 2005.

OHBA and its members are looking forward to another healthy new housing market again this year. The Canada Mortgage and Housing Corp. is forecasting a very healthy 75,200 housing starts for 2006. Renovation spending is also very strong with an estimated \$15 billion spent in this sector last year. Due to the strength in the resale market, we are once again expecting another very good year in the renovation sector. This certainly bodes well for Ontario's existing housing stock, which benefits from efforts to maintain and upgrade housing standards.

The general consensus among members of our association is that the housing market has peaked and residential construction activity will decline slightly in 2006. In the annual Ontario Home Builders' Association economic forecast survey, builders listed the top five barriers to growth as follows: (1) shortages in the availability of land; (2) rising interest rates; (3) skilled labour shortages; (4) development charges; and (5) the cost of materials. In order to maintain Ontario's healthy residential construction industry, we believe that these barriers need to be addressed.

**Mr. Fiume:** The Ontario Home Builders' Association would appreciate your consideration with respect to the following.

Our members support the principle of a strong role for the Ontario Municipal Board to uphold the provincial interest in the planning and development review process within Ontario. The residential construction industry seeks to work with the provincial government to ensure that the OMB is a fair and impartial third party that will make decisions based on the provincial policy statement, the Planning Act and the merits of the application. Without a strong and independent OMB, provincial policies and objectives outlined in the new provincial policy statement and in various provincial growth plans would be compromised and undermined. The right of appeal of a municipal council decision, or where no decision has been provided to the OMB, is an important counterbalance to the vagaries and oft-times political whims of local council. It is important that the general public have an opportunity to raise legitimate concerns with respect to planning issues through the OMB. OHBA urges the province to consult with the residential construction industry on changes to the OMB and transitional rules in particular now that the province has moved forward on OMB legislation.

Excessive regulation and over-taxation on the home building industry has pushed the price of new homes higher and higher which, in turn, has put home ownership out of the reach of many Ontario families. New housing is in fact the highest-taxed industry in Ontario after tobacco and alcohol. Studies by the Urban Development Institute have found that the total taxes, fees and charges paid by a homebuyer were up to 30% of the cost of a new

home. The development charge represents a substantial portion of these fees.

Not only do these charges contribute significantly to the cost of housing in the province, but there are serious concerns that some municipalities may be manipulating development charge calculations to increase revenues. OHBA seeks to ensure that new homebuyers pay only their fair share of growth. To this end, we are recommending that the province consider the implementation of a third-party, independent peer review process for development charges background studies as well as an independent audit process to ensure development charges are spent properly by municipalities.

**Mr. Johnston:** The Ontario Home Builders' Association recommends that the province significantly increase investment to expand and repair existing infrastructure that benefits all Ontarians. There is currently tremendous pressure to upgrade aging and neglected infrastructure across Ontario to bring it up to current standards and regulations. Our members are concerned that provincial intensification efforts will place additional strain on infrastructure and transportation networks in existing built-up areas. Both public transit and the provincial highway network require cost-effective government investments to enhance, expand and maintain the current system. The province must outline a long-term transportation plan for Ontario that is efficient, effective and financially feasible.

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Our members recommend a balance between roads and public transit to ensure a high quality of life and the efficient movement of goods and services in Ontario.

The shortage of skilled labour is also a major concern for the construction industry in Ontario, and has been a top concern for our members over a number of years. The increasing number of skilled tradespeople retiring is not being offset by the number of young people entering the industry. Informing and educating the public about the opportunities available in the construction industry as well as dispelling some of the negative stereotypes associated with skilled trades are a major challenge for the industry and government.

Our members recommend the development of co-op programs at the high school and college levels that would bring students on to sites and provide hands-on experience in construction and safety practices. We also encourage the government of Ontario to partner with industry stakeholders in developing programs to highlight the advantages of a career in skilled trades. OHBA urges the government to increase school funding for shop facilities in order to run the programs productively.

**Mr. Fiume:** Our members are very concerned that the government has allowed private member's Bill 2, An Act to amend the Building Code Act, 1992 respecting home fire sprinklers, to achieve second reading. The Ontario Home Builders' Association strongly believes that this private member's bill is attempting to circumvent the conventional and well-established multi-stakeholder process to facilitate the regular review of the Ontario building code in a fair and balanced manner. Numerous

studies have indicated that hard-wired smoke detectors are a far more effective method of reducing injury and damage due to smoke and fires. Of course, recently announced legislation that will take effect March 1, 2006, has borne that out to be true. OHBA is concerned that this private member's bill will pass, notwithstanding the fact that it is not stated government policy.

**The Chair:** You have about a minute left for your presentation.

**Mr. Fiume:** Sure; thank you.

Pressure from the underground economy continues to plague our industry, particularly in the renovation sector. On the provincial level, estimates range from \$1.1 billion to \$1.7 billion per year in lost revenue. OHBA recommends that the government work together with industry to seek out ways of encouraging and enticing customers to utilize the skills and services of legitimate, honest renovators and contractors.

**Mr. Johnston:** Mr. Chairman, let me conclude by stating that our industry is a very important contributor to the local, provincial and federal economies. Our industry is strong today; however, with interest rates now on the rise a number of government policies and regulations will start to have a detrimental impact on housing choice and affordability. Our members are very concerned by the prospect of significant changes to the OMB.

The OHBA is in full support of government initiatives to balance the budget. The residential construction industry has a valuable role to play in the elimination of the deficit.

Mr. Chairman, members of the committee, I'd like to thank you for your attention and interest in our presentation, and we look forward to hearing any comments or questions you may have.

**The Chair:** This round of questioning will go to the government.

**Mr. Arthurs:** I was particularly interested in a number of your comments, obviously, and the recommendations being made. I'm glad those are on the record so we will have a chance as government to review those on various pieces of legislative initiatives, particularly around the OMB. I think it's an important matter and it will take some time and consultation to get it right. So I particularly agree with those.

I was interested in your summary document, though, in particular: Approximately half of the \$34 billion spent on residential construction, \$15 billion of that, is in the renovation sector. I didn't realize. I knew it was important; I didn't realize it was that important. When we talk about skilled trades, I wish I could use a compound mitre saw so I could get those crown mouldings and baseboards right when I'm replacing some flooring.

Having potentially peaked in the new home sales area at this point, the new build, how important is the renovation market going to be in this cyclical mode we always find ourselves in on a go-forward basis, and what can we do from the skilled trades side maybe to support and reinforce that particular segment of the marketplace?

**Mr. Fiume:** Obviously, the renovation sector is very, very important to the economy of this province and also to our members. The softening of the housing market—please understand, it will still be at relatively high rates compared to our average. Next year, we're forecasting somewhere around 75,000 starts. The average over the last 10 years has been about 72,000 starts. So it will still be a fairly healthy market.

Certainly, part of what we do at OHBA is revitalize our existing housing stock, which is a very important component of the overall housing market. Unfortunately, not everybody buys a new house, and it's certainly very important to us as an industry to promote the renovation sector and, maybe more important to this government and the federal government as well, to ensure that renovations that are done in homes are done above-board, above table, so that we're all benefiting as a province, as a country, from the revenues that currently are not forthcoming. That includes WSIB premiums, GST payments, PST payments and the like.

We would like to work with the province when it comes to the underground economy. I will say this to your first comment, that we have been working very diligently with many of the issues that may face us—Planning Act reform, OMB reform—with this government and hopefully will continue to do so.

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

**Mr. Hudak:** Gentlemen, thank you very much. It's good to see you again. Thank you for your thorough presentation and submission.

I referenced earlier to the minister our concern as opposition for Ontario falling behind the other provinces, let alone states that we need to compete with for jobs and investment. It seems almost that the minister is celebrating the mediocrity of Ontario's economy in Dalton McGuinty's Ontario.

You talk about housing starts. The Royal Bank's recent analysis of provincial economies said the following: "Ontario ranked fifth among the provinces on job growth during the year"—this is the past year, 2005—"but that's as good as it gets. The province ranked towards the bottom of the pack on virtually everything else."

What you said about housing starts is confirmed by the Royal Bank. Ontario is below the Canadian average on housing starts, just ahead of Newfoundland, Quebec and Saskatchewan with shrinking housing starts. In building permit growth, we're second-worst next to Prince Edward Island. So the concerns you have about the housing market, I think, are well confirmed by economic data.

What I worry about is that if people are not making the choices to buy a new home, to invest in a home, it shows underlying concern about the future of the Ontario economy. Does the housing market usually signal what may be happening in the future?

**Mr. Fiume:** Absolutely. When we talk about some of these macro-level economic policies—you know, Joe Person on the street knows what his paycheque will cover

when it comes to his expenses and how secure he or she feels in their job. In this industry, we're very much grassroots, and we feel it right away in our sales offices when people are somewhat skittish about the economy and rising interest rates, which we really don't have a whole lot of control over. Interest rates have been masking some underlying economies in buying a home. Over the last number of years, we've had a very low interest rate, which had been hiding some of the problems and some of the concerns that we're having: the rising price of homes, the rising cost of land, obviously, and materials.

**Mr. Hudak:** Is it fair to say that the downturn, the concerning statistics on the housing side, reflect a concern among Ontario families about disposable income or the security of their jobs in the province of Ontario?

**Mr. Fiume:** I think more in terms of their affordability. I'm not sure that we sense just yet that they are worried about losing jobs, but I think they know how much they're taking home in pay and what's happening in terms of the rising cost of utilities, gasoline prices and everything else. I think they're voting with their wallet, as opposed to concern over where the money's coming from.

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

1030

**Mr. Prue:** A couple of questions. The first one is about your comment on sprinklers—the private member's bill. I think every member of the Legislature who was there voted for it, including me. We did it because the fire chiefs said that it would save lives and the insurance industry said that it would greatly reduce the cost of insurance; that would be saved in very short order over what it cost to install it. This is a pretty blunt question: Why are you putting your potential profits ahead of the safety and security of the people who are going to live in your buildings?

**Mr. Fiume:** Absolutely, Mr. Prue, we would never put our profits ahead of the health and safety of our homeowners. I guess the question I have for all of us here in this room is, if indeed sprinkler systems will save lives in new homes, will they not do the same in existing housing stock? If the intent of this legislation is truly to save lives, then I would say to you that it is the responsibility of this government, indeed all of us here, to ensure that every home in Ontario has a sprinkler system. The fact of the matter is that people are not even changing the batteries in their smoke detectors, and many homes don't have smoke detectors. I think we need to tackle this issue from a much more grassroots level; get smoke detectors put in. As explained, the government has introduced that legislation and it will be effective as at March 1, 2006. Every home in Ontario will have to have an operating smoke detector or face fines.

We think there are more efficient ways to combat this problem. In summary, 90% of our fire deaths are the result of preventable fires. Where's the public education in all of this? Certainly, I think we are second to none when it comes to some of the innovations in our houses

that have reduced accidents and deaths in homes, and increased the liveability of our homes.

**Mr. Prue:** I looked at your—well, I was trying to look, because everybody always gives much bigger submissions than they're actually speaking about. So I'm trying to read all of this. You show some disturbing trends in homebuilding and population growth, particularly in northern Ontario. I don't know where you got the figures from, but you show North Bay declining in population hugely over the next 20 years. You show the Soo declining even more rapidly. You show Sudbury declining slightly. You show Thunder Bay declining slightly. Then, when you flick over the page, you see the projections for household growth, or the number of homes being built, declining or remaining static only in northern Ontario. Where did you get this information? Do you not hold any hope for growth in northern Ontario?

**Mr. Fiume:** The information is gathered from CMHC and Statistics Canada and is widely used by not only this government, but by the previous government and all governments before in articulating where they envision growth to happen. All of this comes from different Places to Grow legislation that's out there, with statistics that are widely available to the public.

We don't create growth; we respond to it. Yes, we would like to see a lot more homes. We have many, many members in northern Ontario communities, and we would like to see them prosper as well. We'd like to see that those cities and towns prosper in northern Ontario. We can't necessarily make it happen, but certainly we can react to the demand.

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

#### CO-OPERATIVE HOUSING FEDERATION OF CANADA, ONTARIO REGION

**The Chair:** I call on the Co-operative Housing Federation of Canada, Ontario region, to come forward, please. Good morning.

**Mr. Harvey Cooper:** Good morning.

**The Chair:** You have 10 minutes for your presentation, and there may be up to three minutes of questioning from each of the parties. You may begin. Please identify yourself for Hansard.

**Mr. Cooper:** My name's Harvey Cooper. I'm the manager of government relations for CHF Canada, Ontario region. Unfortunately, our president, Lori-Anne McDonald, has come down with the stomach flu this morning, so she can't be with us. We want to thank you for the opportunity to make a presentation to the standing committee on behalf of more than 125,000 members living in 550 non-profit housing co-operatives across this province.

Housing co-ops want to continue to help meet the need for affordable housing of all Ontarians. In our presentation this morning, we'd like to focus on a few critical

housing issues that the Ontario government should consider as it is preparing its 2006 budget, namely:

—The state of housing in Ontario: What's wrong with this picture?

—Solutions needed on both sides of the supply and demand equation.

—Using the affordable housing program to alleviate the current affordable housing crisis.

—Protecting the viability of existing community-based housing.

Certainly, most commentators would agree that housing is a vital platform for individual health and well-being, economic prosperity, an inclusive society and, as research is increasingly confirming, healthy communities. All these areas, I believe, are key priorities for this provincial government. If it's going to deliver on these priorities, affordable housing has to be a fundamental part of that foundation.

There is certainly some impression out there, promoted by some commentators, that with vacancy rates climbing—I should mention the CMHC annual vacancy rates just came out this morning. I haven't had a chance to go through them, but for Ontario they've tightened up for the first time in a couple of years. I think they went, overall, from 4.1% back down to 3.8%.

Overall, while the housing situation is improving, that isn't being translated for those of low and modest means in this province. In our view, there is still much housing-driven poverty in Ontario. This past September, our organization and the Ontario Non-Profit Housing Association published our annual report. I've brought copies here this morning, if any MPPs are interested, of *Where's Home? 2005: A Picture of Housing Needs in Ontario*. As the previous commentator mentioned, we also used Statistics Canada data, as well as data from CMHC, to compile the report.

In the past couple of years, while Ontario's vacancy rates have been increasing, and this is good news, it doesn't seem to be a lot of help to many low-income renters who cannot afford the current existing rents. Overall, it's important to remember that vacancy rates are cyclical. Rates can drop as rapidly as they have risen. As interest rates increase from today's historic lows, as immigration returns to normal levels, as the pool of tenants with down payments dries up and graduation to home ownership slows, we can expect to see vacancy rates drop.

There's been a lot of debate as to whether the growing affordability problem is mainly a poverty problem—the result of people with just, frankly, not enough income—or a housing problem: the shortage of affordable units. Our view is that the reality is that both demand and supply matter.

In the report we did—we've given you some highlights—both sides of the equation are borne out. Rents on approximately 75% of all rental units in the province have been increasing above the rate of inflation the last decade. We're actually losing rental housing: over 16,000 units during that period. In terms of affordability, about

one fifth of renters in this province pay approximately 50% of their income on rent. Overall rental production is down. In the late 1980s and early 1990s, we were seeing 12,000, 13,000, 14,000 rental units per year. Since 1995, the average has been just over 2,000 units.

Clearly the province must work on both sides of the supply and demand equations. New affordable units should be added, and measures should be taken to increase affordability, such as increases to the minimum wage, the shelter component of Ontario Works and the Ontario disability support program, as well as an increase in rent supplements.

Over four years ago, the province and the federal government formally committed to the affordable housing program, but because of serious flaws and a lacking provincial contribution, only a very small fraction of those units have actually been delivered. Under a revised agreement signed in April of this year with the federal government, Ontario has now undertaken to match federal funding. The province is pledging to produce 15,000 affordable units and 5,000 housing allowances under the life of the program, which is extended to 2010.

I should note that these commitments do fall short of the government's campaign pledge. In 2003, they promised 20,000 affordable units and 35,000 housing allowances. The undertakings are also below the documented need for affordable housing. There are over 160,000 households on municipal social housing waiting lists at the moment.

#### 1040

Although the number of new homes and rent subsidies promised are modest compared with the need, these commitments signal the re-entry by the province into the affordable housing business after a decade-long absence. This is a significant and welcome development. The province has now unmistakably hitched its affordable housing agenda to the affordable housing program and, as it plans for its 2006 budget year, it must ensure this vehicle is sturdy enough to make inroads into the housing crisis that has developed.

The co-op housing sector has worked for the last 35 years with governments to design housing programs. I'd like to speak briefly on some recommendations that we think should underpin this program, principally looking at sustainability, affordability and a level playing field for community-based providers.

New supply initiatives by the province should focus on developing permanently affordable non-profit housing. Co-operative and other forms of non-profit housing have proven over time to be the best return on public investment. Many earlier government programs based in the private sector have been unsuccessful. The poorest households have had little access to the housing, the units have not remained affordable over time and there has been little accountability to the taxpayer. Furthermore, long-term savings are realized by creating not-for-profit housing. Over time, the capital costs are paid and long-term public benefit is achieved. A recent study confirmed

other benefits in terms of strengthening local communities.

We feel the most glaring problem of the affordable housing program is that it actually doesn't serve the hundreds of thousands of households on those waiting lists I spoke of. To be affordable, we feel at least half of those 15,000 promised units should be accessible to low-income households, which would pay roughly 30% of their income and receive a subsidy for the balance. As the program is currently designed, it has no significant rent-geared-to-income component. Capital funding is intended to be sufficient to bring rental costs down to below-market rental levels, but the housing will remain out of reach of those most in need.

The recently announced housing allowance program is not tied to the capital program and it's only going to provide shallow subsidies averaging about \$267 per month per unit across the province. Those households in core need requiring deep subsidies will have little access to either the units being produced or the allowances available.

We feel a level playing field for community-based housing should be one of the outcomes of the revised agreement between Queen's Park and the federal government because currently the program remains very much a private rental supply program. Non-profit and co-op proponents struggle with lack of equity and the front-end cash flow required that currently makes the program work. It's very difficult for these small-scale organizations to put together financially viable proposals. They just don't have the financial wherewithal to explore development opportunities, option sites, prepare working drawings, hire building consultants and do all the other necessary advance work to bring a fruitful proposal to the table.

We've made a number of suggestions in terms of increasing their participation in the program. There hopefully should be an increase in the level of upfront proposal development funding. We hope the government will provide land for permanently affordable housing and also make a commitment of resources to rebuild the capacity of many of the community-based groups that previously participated in affordable housing.

I'd like to speak very briefly on protecting the existing viability of community-based housing. As I'm sure many MPPs are aware, there's quite a significant capital shortfall from the housing that was devolved to municipalities a number of years ago. The long-term viability of that stock is currently at risk. There have been a number of studies both at the provincial and municipal levels that have indicated that, and have tried to peg some numbers on what that shortfall is.

One immediate measure that we would propose to the province is considering leveraging the government's preferred interest rate under the Ontario Strategic Infrastructure Financing Authority to allow those housing providers access to capital financing at reduced rates for significant repairs. Right now, they're not eligible.

Lastly, I'd like to speak briefly on reviewing and amending the Social Housing Reform Act. I think our members have spoken with a number of the MPPs and your colleagues in the Legislature. Certainly, our view is that the Social Housing Reform Act has failed to deliver the more businesslike and reliable operating framework promised under that legislation. In fact, the funding arrangement is less secure than previously. Hopefully, these problems can be addressed through a comprehensive review and overhaul of the legislation. It's the number one priority of our members. The act, in a lot of ways, is undermining the community-based housing model that governments turned to over 30 years ago as an alternative to large-scale, government-owned and managed housing. We've met with the Minister of Municipal Affairs and Housing, the Honourable John Gerretsen. We've made detailed recommendations to him and we're hopeful that in the coming year, one of the priorities of that ministry will be a sober second look at that legislation.

In closing, we feel that co-operative housing is a well-documented success story in Ontario. For more than three decades, co-ops have provided good-quality, affordable housing, owned and managed by the community members who live there. We look forward to working with the provincial government to strengthen these communities and develop more co-operative housing to meet the needs of Ontario citizens.

Once again, we want to thank the members of the committee for giving us the opportunity to express our views this morning.

**The Chair:** Thank you. We'll begin this round with the official opposition.

**Mr. Hudak:** Thank you very much for the presentation. Good to see you again. I do want to note for the record that you made some points about the government falling short of its campaign platform commitments for affordable housing units. Sadly, that's no surprise. You know that there have been a lot of broken promises by the Dalton McGuinty government, but I think it was important for you to bring that forward today. In the same sphere, there was a campaign commitment to bring back rent controls within the first year of the McGuinty government, which has also failed to materialize.

You use some colourful language on page 3 which I enjoyed. You said, "The province has now unmistakably hitched its affordable housing agenda to the AHP wagon. As the government plans the 2006 budget year, it must ensure that this vehicle is sturdy enough," and you go on. I don't understand the underlying concern: Are you worried that the wheels are going to come off?

**Mr. Cooper:** Well, it's not so much whether the wheels are going to come off, but will the wagon drive forward. We also mentioned in the presentation that this program goes back about four years. The number of units that have been promised by different administrations has varied, but the number of units delivered at this point—and I believe the province put out the detailed appendices with the recent schedule that was signed with the federal

government. My understanding is that only about 700 or 800 have either been occupied or are under construction under this program.

We're about halfway through the government's mandate. Our concern is, unless the program moves ahead expeditiously—it takes a typical housing project two to three years to get off the ground, and that's assuming there aren't a lot of zoning approvals and other barriers. We feel that there have to be some improvements made to the program, particularly if you're going to get community-based participation. In our organization, our members don't come to the table with deep pockets. There are still some equity requirements in the program. We feel we can be a willing partner with the government if they can make some improvements. We think it's actually now an ambitious agenda to try to complete a lot of those units in the back end, the last couple of years of the program. That's our concern.

**Mr. Hudak:** Are there some incentives that you might recommend to the committee for the private sector to do a better job of producing affordable housing, whether those are direct benefits, tax write-offs or helping tenants shop around a bit better?

**Mr. Cooper:** There's not a one-solution-fits-all here, as you're aware, Mr. Hudak. I think the previous speakers also mentioned that the housing industry is one of the most taxed industries in this province. Property taxes, for example: Those tenants living in multi-residential buildings—I believe there have been a number of reports that went to the Legislature over the years about the discrepancy between the property taxes paid on multi-residential apartment buildings compared to home ownership.

That's just one of the components that figures in when anyone is planning on putting up a rental building. Somebody has to pay those property taxes, and there are certainly other tax improvements that could perhaps entice both the private sector and the non-profit sector, we would hope, back into the affordable housing business.

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

**Mr. Wilkinson:** Good to see you again, Harvey. You have been doing a wonderful job of helping to educate new members like myself and some of the others around this table about this issue.

I quote something that we've all learned. As you've said on page 4, "Co-operative and other forms of non-profit housing have proven over time to provide the best return on the public investment." Part of that is your ability to help us focus on a number of areas. You know that our goal is ambitious despite the fiscal challenges that we were surprised to find ourselves in. We have a Minister of Municipal Affairs who's quite busy with many pieces of legislation, as you know—you've been very helpful with that. I don't know if we have a minister who is providing as many pieces of legislation.

To go to the question of amending and revising the Social Housing Reform Act, could you just outline for us

specifically those types of things that you need us to reinforce with Minister Gerretsen to get this on his agenda to move, because I know in my riding this has been very successful?

**1050**

**Mr. Cooper:** As you've mentioned, we've met with a lot of members on this. We think that maybe part of the difficulty is—we know that Minister Gerretsen has a very full agenda. There's limited legislative time. There are a lot of municipal issues.

That being said, some of the key areas we would like to see revised are some of the punitive aspects for those residents in non-profit co-op housing who are on rent-geared-to-income. I won't go into the details, but I think those are fairly well-known. Another important area is that the legislation affects over a quarter of a million households that were devolved under the act. So the legislation treats every housing provider exactly the same, whether you're a 60-unit co-op in your riding of Stratford or whether you're 58,000 units of the Toronto Community Housing Corp.

A lot of the former level of decision-making and discretion by community boards that took pride in managing the housing at the local level has been undermined by the legislation. Just because of the volume that's involved, you try to have rules that make sense for everybody, and consequently, in a lot of ways, they don't make sense for anybody, particularly those community-based groups who feel, to a great extent, why be involved as volunteers? Their ability to make a difference, to have some level of decision-making, some discretion—they know how things should perhaps work in Stratford, in their particular municipality. That's one of our biggest challenges, and we feel it's lost in the legislation, so if some of those concerns could be addressed.

**The Chair:** Mr. Prue, the other two parties have asked their questions. You have an opportunity, with three minutes.

**Mr. Prue:** With three minutes. I apologize to Mr. Cooper, because I had an important phone call that was prearranged for weeks, and it just happened in the middle of his presentation. But Harvey, I'm quite familiar with what you do and what you stand for.

I just like to ask you: There's been a campaign going on in terms of social housing in Toronto, about the download and the need for the province to ante up \$224 million to get that back. Is there any way that the co-operative housing movement can facilitate, or is there some way that you could get involved or take over some of these, in order to allow people to live in a co-op and fix them? I'm just searching around for anything, because the conditions that I witnessed were absolutely deplorable.

**Mr. Cooper:** Mr. Prue, you're talking about the former public housing stock?

**Mr. Prue:** Yes.

**Mr. Cooper:** We've certainly been active in that over the years. It's very time-consuming. We've offered that as an option if in fact the tenants in that particular build-

ing or group of buildings are interested. As you're probably aware, there's one fairly successful conversion project in Toronto, the Atkinson Housing Co-operative: 410 units. That being said, that conversion went over 10 years, three different governments. It's a very time-consuming process. We continue to offer that as an option.

Anything that the different levels, both municipal and provincial government, can do to support that process—because frankly, a lot of the work came from the co-op sector on that one conversion. The fact that it took 10 years indicates that there wasn't necessarily a willingness of different partners to advance that, even though the tenants voted in two different referendums—overwhelmingly, I believe: 82% and 83%—to actually convert the property to a co-op. So by all means: It's an important issue to us, and we'd be more than willing, where again tenants express an interest in that forum, to have a look at it.

**Mr. Prue:** The reason I ask that question is that the co-ops that exist in my riding and the ones that I have seen, mostly across this city, are in generally some of the finest states of repair of any rental or other type of accommodation. To see the difference between one form and model, like the co-op model versus public housing on the other side, which is starved for funds—I don't blame the people who run it, because they don't have the money. I just see it as a way of providing some of our most desperately needy people with affordable and wonderful housing, as opposed to non-affordable and awful housing. That's why I'm asking that question.

**Mr. Cooper:** We certainly have to be a little bit more high-profile about making that offer, but we'd be more than willing to embrace some of those community projects where they're willing to take a look at that. As you mentioned, Michael, we think one of the benefits co-operative housing does bring is that the residents do take pride. They have collective ownership, not individual ownership, but we feel that does make some difference in the upkeep and the responsibility that they take for making sure that their homes are well looked after.

**Mr. Prue:** I hope this goes to the minister. Make sure he sees it.

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

CANADIAN CANCER SOCIETY,  
ONTARIO DIVISION

**The Chair:** I call on the Canadian Cancer Society, Ontario division, to please come forward. Good morning. You have 10 minutes for your presentation. There will be a round of questioning of approximately three minutes per party following that. I would ask you to identify yourselves for the purposes of Hansard.

**Mr. Peter Goodhand:** I'm Peter Goodhand. I'm the chief executive officer of the Ontario division of the Canadian Cancer Society.

**Ms. Rowena Pinto:** I'm Rowena Pinto, senior manager of public issues for the Canadian Cancer Society, Ontario division.

**Mr. Goodhand:** We have provided a presentation, but I'll walk through most of the key points in that presentation. First of all, I'd like to thank you for the opportunity for being here, particularly as it's the second time this year I've had the opportunity to present. Earlier in the year, we were talking about smoke-free legislation. This time, although we're obviously still addressing from the perspective of cancer, we're addressing the issue by looking at the economic impact as part of preparing for the budget cycle. We also focused on two aspects of cancer that are particularly critical and often don't get attention. The two cancer perspectives we're taking are from the most deadly and the second-most deadly of all cancers, and typically the ones that attract the least attention from public awareness or fundraising. We focused on those two and very much on prevention, as opposed to trying to deal with the disease after it's already devastated people. So we're trying to get ahead of the curve.

The economic impact of cancer on Ontarians: The cancer epidemic in Ontario continues to grow. While cancer treatments have improved and mortality rates have fallen, cancer incidence is poised to increase drastically due to Ontario's aging and growing population. That's a critical factor that we have to get across to you. When we talk about a cancer crisis, the increase in cases, it's not through new risk factors being introduced; it's the aging population and well-known risk factors. In 2005, it's estimated that just a little over 25,000 Ontarians will die from cancer and that over 56,000 Ontarians will be diagnosed with the disease. Due to the aging and growing population, it's estimated that this rate of cancer will increase by two thirds by 2020.

What's not always well-known is that cancer is a major cost-driver in provincial health care budgets and affects the ability of all governments to collect revenue and pay for services. That's because the particularly devastating impact of cancer is that it tends to strike people younger, and often in their productive working years. Ontario currently spends approximately \$2 billion per year on direct cancer care, and the indirect costs associated with lost productivity are calculated to be approaching \$5 billion a year.

Due to the prevalence of cancer and its growing impact on the lives of all Ontarians, we believe simply that all levels and sectors of government must address cancer control. Unless strong measures are taken immediately, cancer will become a serious economic burden, in addition to a major health problem in Canada.

These are national figures: It's estimated that over the next 30 years, 2.3 million Canadian workers will get cancer, and 858,000 workers will die from cancer; economic productivity at risk due to cancer in Canada is \$545 billion, and direct health costs in that time are at \$176 billion; and tax revenues—these are Canadian numbers again—that could be lost due to cancer are projected

at \$250 billion, \$154 billion in federal revenues and \$96.6 billion in provincial tax revenues.

Of this \$250 billion of tax revenue at risk, \$228 billion is associated with morbidity costs, productivity losses prior to death. We therefore project that tax revenues across Canada will be drastically impacted over the next 30 years. To ignore these facts is to ignore the fact that cancer will have an enormous impact on the economy of Canada and Ontario.

Cancer will touch two out of three households in Ontario, and its impact can no longer be ignored. For these reasons, we call on the government to focus on cancer control today so that fewer Canadians and fewer Ontarians will have to suffer its impact in the future.

#### 1100

We are going to emphasize just two aspects. There are probably half a dozen subtopics that we could bring to you, but we're going to bring just two: firstly, tobacco and, secondly, colorectal screening.

I would also like to recognize the leadership that Ontario has shown in the area of tobacco control. The legislation that's being introduced is among the toughest in North America, and it's a real step forward in dealing with this disease.

Tobacco continues to be the leading cause of preventable death in Ontario. Tobacco kills approximately 16,000 Ontarians, with as many as 2,600 deaths attributable to second-hand smoke. Lung cancer remains the leading cause of cancer death for both men and women, with 85% of lung cancers caused by tobacco. Deaths from lung cancer is higher than breast cancer, prostate cancer and colorectal cancer put together, just to put it in perspective.

Despite some increases in tobacco taxes since 2003, for which we thank you, Ontario still continues to have the second-lowest tobacco tax in Canada, second only to Quebec. In fact, Ontario's cigarette taxes are approximately \$17 lower than Manitoba. The government made an election promise in 2003 to raise taxes to the national average, and we're still approximately \$10 away from that goal.

The Canadian Cancer Society, Ontario division, puts forth the following recommendations for cancer prevention to the government of Ontario:

Raise Ontario's tobacco tax by a minimum of \$10 per carton to bring Ontario's taxes in line with the national average. Underpinning that, Ontario has the second-lowest price of cigarettes in Canada, and that's covered in appendix A. Research has demonstrated that a 10% rise in taxes can result in a 4% reduction in tobacco consumption. Most importantly, that impact is greatest in youth smokers. Taxation price is probably the single biggest thing that we can do. It's almost that we've done everything else, and this is the one significant thing that can be added to the legislation. This initiative would also increase government revenues substantially to enable funding for other key health areas. It will honour the 2003 election commitment, and we know that the incre-

mental increases must be significant to produce the health impact.

We also focused on some other areas of tobacco, and one is the loophole that exists for roll-your-own tobacco and tobacco sticks. We're asking that the tax on roll-your-own cigarettes should, at minimum, be doubled. Currently, there's a huge difference between taxes on roll-your-own and a carton of cigarettes. I think it's four times the rate for the same amount of cigarettes. That's shown in appendix B. We're asking you to consider increasing that significantly. This loophole, as it exists today, allows smokers and youth to switch types of tobacco and avoid the tax and the increases that you're putting through. Again, this increase will augment government revenue.

Thirdly, the current regulations surrounding tobacco quotas are poorly enforced. It is essential that the Ontario government properly enforce the existing regulation.

Regulations limit the quantity of tax-exempt tobacco product that may leave a reserve. However, these regulations are currently not being properly enforced. Due to lack of enforcement, there's currently some leakage from reserves, resulting in legal sales either to non-aboriginals purchasing tax-exempt tobacco on a reserve, or in a tax-exempt product being sold off reserve, despite being intended only for reserve sale.

Additionally, the government must ensure that products of all tobacco manufacturers are covered by the quota system, as required pursuant to the regulation. This currently is not the case. Presently, allocation of quota applies only to the three main brand tobacco products. Canadian Native tobacco products, such as Grand River Enterprises brands, which are legal products, are not subject to the quota system. The government must ensure that all tobacco products, including main and native brands, are subject to regulation. Failing to effectively enforce the regulation harms both public health and public revenue objectives of higher tobacco taxes.

Finally in the tobacco area, we recommend that Ontario launch a lawsuit against the tobacco industry to recoup health costs. This lawsuit would allow Ontario to potentially obtain billions of dollars in compensation for health care costs attributed to smoking, which it can then use to strengthen health care in Ontario. Ontario has adopted cost-recovery legislation to facilitate a lawsuit against the tobacco industry, but it is very weak. Ontario must strengthen its legislation prior to engaging in a lawsuit. BC provides a strong model to follow.

We do believe it is time for the province to hold the tobacco industry accountable for its actions. For reference, in the US, medicare cost-recovery lawsuits by state governments have led to out-of-court settlements in 1997 and 1998, resulting in the tobacco industry agreeing to pay US\$245 billion over a 25-year period. That's a familiar topic, one that we've raised with you before, and we appreciate the leadership that you've shown in the past.

The second issue is one that perhaps isn't as well known to you, and its impact is potentially as great, and

that is colorectal cancer. It's the second most deadly. It kills almost as many Ontarians as breast cancer and prostate put together. As we go through this, there are some answers that are simple, cost-effective and can be taken now.

**The Chair:** You have about a minute left in your presentation.

**Mr. Goodhand:** Then I won't read and run out of time. I'll just provide a synopsis of what we're really saying on colorectal cancer. It's one of those cancers that, if caught early, is 90% curable; if caught late, it's 90% deadly. Research last year showed that 22% of people with colorectal cancer discover they have it when they're admitted to an emergency room with bowel obstruction or severe pain. At that point it's far too late in the game to do anything for most people.

There's a simple test, the fecal occult blood test. It's cheap, it's effective, and can be introduced—evidence in other jurisdictions has shown that it can be highly effective as a screening tool, population-wide, to identify colorectal cancer much earlier, at the stage where it can still be cured.

From a finance point of view, it's a \$30,000-per-patient benefit dealing with colorectal cancer early rather than late. So from a purely economic point of view, it makes absolute sense to diagnose early and treat early and, from a survival perspective, it makes all the difference in the world: from 10% survival to 90%.

That's my colorectal synopsis.

**The Chair:** Thank you. We'll begin this round of questioning with the NDP.

**Mr. Prue:** Let's go to that last point first. Is this a new test or is this a different test? When I go to my doctor, the doctor wants to do the traditional thing with the television. Is this something completely different, or is it exactly the same, with another name?

**Mr. Goodhand:** Less invasive; less painful.

**Mr. Prue:** Less invasive. And how much is it?

**Mr. Goodhand:** We're talking a fraction of the cost.

**Mr. Prue:** When you say a fraction, is this \$50, \$100, \$1,000?

**Mr. Goodhand:** The actual test itself is the small element. The cost would come from how broad you make it, how much you promote it. The actual test itself, I think, is less than \$5. If you don't tell everybody about it and you don't make it available and you don't put it into a systematic program, then the participation rate—I think you nailed it on the head when you said that you go to your doctor and discuss it. The issue is that the vast majority of Ontarians who are in the age group that need it are not discussing it with their doctor, and that's particularly relevant for men who don't.

**Mr. Prue:** That's why I wanted to ask this question. I go once a year to see the doctor for the checkup, and he has never discussed this with me.

**Mr. Goodhand:** That's not unusual. We've got two issues: We've got people who either don't have a doctor or see a doctor on a regular basis, and then we've got the people where the GP doesn't discuss it with the patient.

It's age-dependent, and there are family history issues, so there should be an automatic point that, when you reach a certain age, your doctor will discuss these screening tests with you.

**Mr. Prue:** No, he did discuss the invasive one that's not too appealing to me, but the \$5 test you can do simply?

**Mr. Goodhand:** It's simple. It's a stool sample. The issue is that we have now got level one evidence from multiple jurisdictions, where over thousands of patients, if you do a population-based screening—the whole population in the age group—and go after it, we can get a reduction in colorectal mortality rates of 15% to 30%, from the studies that have been done. On an individual basis, your doctor may be right to recommend for you the colonoscopy, but for the population of Ontario at large, the absolute best, proven, cost-effective method is FOBT. I wouldn't discourage you from undergoing a colonoscopy.

**Mr. Prue:** No, I'm not saying that. FOBT—I'm going to talk to him about that.

The second thing is the cigarettes and the loose tobacco. The very first motion I made in this new government in committee was to increase the tax rate on loose tobacco. It was ruled out of order. The finance minister at that point, Mr. Sorbara, told me that he would include it in the next budget, and I thought he had.

1110

**Ms. Pinto:** There has been a slight increase, but it's still about half the amount of a full carton of cigarettes. So there was one slight increase, I believe, but it's still not up to par.

**Mr. Prue:** All right. OK. Thank you.

**Mrs. Carol Mitchell (Huron-Bruce):** Thank you for the presentation and for all the work that you do in our communities. I do thank you for that.

What I'm looking for is if you could quantify or put a dollar figure to tobacco with regard to the lack of regulation from the native brands. Can you give me a dollar figure? I see this as an area that is growing even greater.

**Ms. Pinto:** We actually have had discussions with the department of finance on this issue. It's very hard to give you a dollar figure because it is contraband cigarettes and it's hard to actually measure. What we do know is that this is one of the major issues of why we might not be raising taxes as fast as we would like to, and there is a perception that this is a widespread problem. In fact, perceptions from the department of finance, as well as from ourselves, are that very few people are accessing these cigarettes. It's just that it still remains a kind of barrier toward bigger tax raises here in Ontario. It's just hard to quantify because it is illegal to be selling it to people.

**Mrs. Mitchell:** Sure. I just wondered if you had an approximate number or a forecast.

**Ms. Pinto:** No. We're not sure.

**Mrs. Mitchell:** Just another quick question, too. You have here that Cancer Care Ontario launched a pilot

project to test recruitment methods and that it will be wrapped in 2006. Could you please expand on that for me so that I have a better understanding of what's going on?

**Mr. Goodhand:** Sure. We're trying to make sure that we get our message across that this wasn't a pilot study to determine if FOBT works. That's been proven beyond all doubt in enough jurisdictions over thousands of patients. The issue is the most effective way of recruiting people. Do you use physicians? Do you use public health units? The pilot study was undertaken by CCR—and we went through the channels—talking about how best to implement, as opposed to whether FOBT is a proven test that works. That's the status of that.

**Mrs. Mitchell:** So what you're looking at is how to get it out to the public in the most effective manner.

**Mr. Goodhand:** Yes. The other thing, just to show you the history of this, is that in 1999 there was an expert panel in Ontario that recommended FOBT be introduced on a population basis. Over the next several years, other expert panels, both nationally and in our own jurisdictions, kept saying, "You need to do it, you need to do it." So if we're not careful, we'll keep studying this. The estimate is that about 650 Ontarians will die each year, who, if we had implemented that in 1999, wouldn't be dying of colorectal cancer today.

**Mrs. Mitchell:** What's your sense—

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

**Mr. Barrett:** Thank you, Mr. Goodhand, for the presentation from the Cancer Society.

I thought maybe you would mention this. The Cancer Society has been very successful with respect to Ontario's tobacco-growing industry. Last week, the tobacco farmers, through their Ontario tobacco board, made a decision. They are all going to quit. Were you aware of that? They have made this position known to the Ontario government.

I guess my question would be, the Canadian Cancer Society has worked with the Ontario government considerably in the past, and so will you continue to work with the Ontario government to sit down with the tobacco farmers, the manufacturers, of course, to ensure that every tobacco farmer in Ontario ceases growing tobacco?

They are in an untenable position, anyway. The stability is gone in the industry. In fact, much of the control of this government is now lost; I heard mention of native production. The profitability is gone. The input costs continue to rise. We've gone from 3,200 farmers to zero. I guess the situation is, there's a winner and a loser. They have lost. They admit defeat. They are done. They are now stuck with millions and millions of dollars of obsolete and worthless capital and equipment. These families need assistance. There were 300 tobacco farmers out on Highway 401 yesterday trying to communicate not only to the government but society at large.

So that's where we're at. I wasn't sure if you were aware of that. The tobacco farmers are done. They are out of business and they now request—and there is a positive indication from the Ontario Ministry of Agri-

culture—a forum to also include the Ministry of Health and the Ministry of Finance. I know you have certainly testified before to this finance committee. That's what's on the table right now. One side has won and one side has lost. It's over with.

**Mr. Goodhand:** I guess my first comment would be to say that we have been focused on tobacco for decades, and smoking, but we wouldn't celebrate loss of economic income for any Ontarian—

*Interjection.*

**Mr. Goodhand:** —and the tobacco farmers. To the extent the government, whether it's federal or provincial, can support people in transition from a crop that we were absolutely against—the crop and the way it was used—I would recommend that levels of government compensate people in any way to make a transition to different crops; we would be supportive of that.

**Mr. Barrett:** Certainly, a level of government has responsibility. The manufacturers, I feel, have a responsibility to assist as well.

**Mr. Goodhand:** Yes, although we don't have a lot of positive interaction with the manufacturers, so I wouldn't rely on us to—

**Mr. Barrett:** But you are talking about a lawsuit.

**Mr. Goodhand:** Yes.

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

#### CANADIAN AUTOMOBILE ASSOCIATION

**The Chair:** I would call on the Canadian Automobile Association of Ontario to come forward, please.

**Mr. Kris Barnier:** Good morning.

**The Chair:** You have 10 minutes for your presentation. I think you've been in the room. You will have noted there will be a round of questioning by each party for up to three minutes. I'd ask you to identify yourself for the purposes of Hansard. You may begin.

**Mr. Barnier:** My name is Kris Barnier. I'm the provincial affairs specialist with the Canadian Automobile Association. I represent the three member clubs who make up CAA in Ontario, whose combined membership is about two million members in our province. With an organization as large as ours, we have a number of different concerns that our members care about, and we have some differing views, but one of the issues they seem very clear on is that they care about infrastructure spending, specifically road spending. That's the issue I'd like to focus on today.

To give both the federal government and the provincial government some credit, both levels of government have started to share gas tax revenues with municipalities, and that's a very positive first step. But our concern with these two funding formulas is that the provincial arrangement only helps certain municipalities, and it is only focused on transit. We believe there needs to be some type of provision to help rural communities and smaller communities and, quite frankly, even larger communities that need road spending. The same thing

with the federal government program: We think there need to be some revisions there.

What I'd like to do is talk a little bit about the scope of this problem, how big it is. We'd like to talk to you about some of the impacts that this problem is having on different issues that we in Ontario care about and a little bit about how the current deals work and how we'd like to see those deals change.

In terms of assessing the scope of the problem, it is really a very difficult thing to assess in the sense that there hasn't been a clear reporting mechanism in the past. What we do know is that Toronto is about \$300 million behind in its scheduled road maintenance. That's a real threat to our economy and our safety. The Council of Ministers responsible for Transportation has estimated that in Ontario, our cities—this is just cities, not our rural areas—are going to require an investment of about \$27.5 billion in our roads and bridges through 2013. The problem with that figure is, we believe that's probably a low accounting of how much the province really needs because it doesn't account for rural areas. There are even some provisions in the report that show that this may not be a fully accurate accounting in terms of ongoing maintenance costs. There are a number of problems with this actual figure, and it could be higher than that. The important message is that we need to act on this issue right away; otherwise the costs of dealing with this problem in the long run are going to spiral out of control.

#### 1120

In terms of looking at the environmental impact of congestion, crowded roads and underfunding our roads, we know that a car stuck in bumper-to-bumper traffic emits nine to 10 times the pollution of a car travelling at optimum highway speeds. Certainly investing in transit is a very positive thing. If we can get people on to transit, that's great. The province recently opened a couple of HOV lanes, and we are working with the province to communicate to our members that this is a positive thing, and we will encourage them to carpool. But we need to remember that even though we're having people taking transit, 80% of transit, even in Toronto, operates on roads. Whether you're in a bus, a car or a streetcar, if those roads are congested, then they're not moving. Clearly, there needs to be an investment there to build lane capacity, to invest in technologies that will get our traffic moving again so that we can reduce emissions.

Another thing we have to remember is that auto manufacturers are getting the message. They're hearing from political organizations, politicians and everyday consumers who are saying, "Make your cars better. Make them cleaner." Through recent changes that we saw to Drive Clean, that's a recognition that cars are becoming more environmentally friendly. The government should work hard to encourage manufacturers to go down that road.

We also need to consider the safety impact of underfunding our roads. MTO estimates that collisions cost our economy \$9 billion a year, about \$300 million of that being health-care-related expenses. While we have one of

the best safety records in the world in terms of our highway safety, we still have hundreds of people dying each year on our highways and thousands of people being injured. Yes, speeding is a factor, bad driving is a factor and other factors that are behavioural lead to accidents. There seems to be growing recognition—and we think this is very important—that bad road design and underfunded roads are a factor that contributes to accidents as well. When you can't see the lines on the road because they're unpainted, when there isn't a safe shoulder to pull off on to or there isn't proper lighting, those are safety factors that put Ontarians at risk. That is another example of why we need to fund our roads at the municipal level.

In terms of the impact on our quality of life, we've even heard Minister Caplan acknowledge that, in the next 30 years, we could see an increase in our commute times by about 45% if we don't act to deal with this congestion problem immediately. I've talked to police officers who have made a point of saying that as people are stuck in worse and worse congestion, they get angry and frustrated. It's a real health concern, but it's also a concern as we see growing incidents of road rage—yet another reason why we should be investing in roads.

One of the biggest reasons we need to talk about is the economic impact that underfunding our roads has. There have been surveys where international business people have said that congestion in Ontario hurts your competitiveness and increases the cost of transporting goods. We know that if you're underfunding roads, and while it's great to invest in transit, if you're going to have buses out there that are driving through potholes on bad roads, you're going to be spending more money to fix those buses. You're going to have to replace tires faster, tie rods, ball joints and suspensions. It just makes sense to put that money into roads, so that you can reduce some of those fleet maintenance costs.

We know that Toronto paid about \$110,000 in 2003 for pothole repair claims from lawsuits. We've heard from a number of organizations, the Toronto Board of Trade and others, that congestion is estimated to cost our economy a minimum of \$2 billion a year and, based on that accident figure, about \$9 billion a year—again, all reasons why we need to invest in our roads and help municipalities.

In terms of the massive cost of deferring maintenance, MTO says that asphalt, if properly maintained, should last about 18 years. We've had our own Auditor General come out and say that if you're following a proper road maintenance schedule, you're going to spend about \$1,000 per lane kilometre over a 15-year period to repair that road, but if you're neglectful, if you continue to say, "This year we're going to put roads off because we have other priorities," and you keep on doing that, what happens is, that cost escalates. Eventually you're not just resurfacing; you have to dig up the road and rebuild it. You can go from \$1,000 to \$250,000 per lane kilometre if you're not following road maintenance schedules. For that reason, it is absolutely essential to get on with fixing this now. At some point, we're going to have to fix these

roads, and if we're doing it at \$250,000 per lane kilometre, we're not going to have money for health care, environment, education programs and the other things that Ontarians care about.

What are motorists telling us? We did a survey in 2004 and we found that three out of four Canadians believe that road spending should be Ottawa's number one infrastructure priority. We did a poll of our members out Niagara way, and they say that infrastructure is the number one priority, specifically road spending and resurfacing. We've done other polling. We've found that 96% support using a greater share of gas tax revenues for transportation initiatives; 74% oppose an increase in provincial gas taxes—and I'm going to get to that point very shortly, about how much we pay and how little value we're getting for our money; 73% have opposed the creation of a municipal gas tax. Our understanding is that that's not something under consideration in the City of Toronto Act. In terms of tolling, 80% oppose tolls on existing expressways.

When we talk about how much we're paying in Ontario, it's important to remember that Ontarians are paying about \$4 billion a year to the provincial government in gas taxes and licensing fees. According to the Canadian Taxpayers Federation, the province puts about \$1.5 billion of that back into our roads. When we talk about what the federal government collects, the federal government takes about \$2 billion a year and, notwithstanding their new deal investments, they're putting about 7% of that back into our roads in Ontario. Clearly, motorists just aren't getting a good deal here.

What we need to remember, and there seems to be a growing recognition of this, is that even though all the gas taxes are being paid to the senior levels of government, our municipalities are responsible for about 90% of the roads in this province. We're hearing from them in every region of the province saying, "Look, we need help. We're falling behind. It's absolutely great; yes, we welcome money for transit, we welcome money for sewers and water, but we need money for roads," because 74% of Canadians still drive their car to work every day.

When we take a look at Ottawa's new deal—

**The Chair:** You have about a minute left in your presentation.

**Mr. Barnier:** OK. I'll get right to what we're looking for. Essentially, what we're looking for is for the Ontario government to begin sharing another two cents of the gas tax with municipalities through 2008. That money should be specifically earmarked for roads and should be distributed on a population-based method, which we think is fair. In the long run, what has to happen is, we have to have the three levels of government come together to fully assess how much we need. There needs to be a clear reporting mechanism, and we need to have the three levels of government come together to form one gas tax-sharing program that will fully address all of the transportation needs of Ontarians.

**The Chair:** Thank you, and we'll begin this round of questioning with the government. Mr. McNeely.

**Mr. Phil McNeely (Ottawa–Orléans):** I'm a member of this organization, as I think many in this room are. But I'm a bit concerned with the way they're promoting the automobile with the driver as the only occupant. I don't see anything in here talking about better use of cars, smaller cars, carpooling, all those environmental issues or things we could do to unclog our roads. We've seen that Highway 401 has reached peak. The peak period is not peak morning and peak afternoon like it is in Ottawa; it's peak from 4:30 in the morning till 10:30 at night, so you've got very constant traffic on it. That's what it can handle, and so it goes throughout the whole day. We cannot solve our transportation issues with more cars and more roads. It's true; a lot of our public transit drives on the roads. In my own community, Orléans—I'm getting to the question—we have 30% bus ridership. In the next 20 years, we're going to go up to 40% bus ridership, peak afternoon hour. Even with that, there's a 60% increase in cars, so the whole thing is not sustainable. We cannot build enough roads for that.

**1130**

One of the things you said very well was that we have to protect the infrastructure we have; we have to protect the roads. I see there's one of the former general managers from the city of Ottawa—but he wasn't in transportation—in the room today. The city of Ottawa engineers would say, "You should spend \$25 million a year on asphalt resurfacing." The council would sit there and they would approve \$15 million, so there was a \$10-million shortfall. They got away with that for three or four years, but the potholes are coming. So I agree completely with you. We have to protect our own infrastructure. I think that part of your presentation was great.

I'll just ask you the question: What are you doing about making better use of the infrastructure we have? We can't afford new roads. What are you doing to get more people in the cars, getting people to carpool, getting people to work at home? What are you doing there?

**Mr. Barnier:** Thank you for your question. That is a great question. The HOV lane proposal: We've worked with MTO on that one, and they're preparing materials to share with us so that we can share those with our members. We will put that information on our Web site and in our retail outlets to inform members about how to use these HOV lanes. We're actually meeting with Smart Commute next week to talk to them about how we can start in-house to build a car pool program in our own head office, and to expand that program to our members. Absolutely, there are things that we can do.

We've been very active when gas prices were insane over the course of the summer. We went out and we shared tips with members on how they can reduce their emissions by doing things like properly maintaining their vehicles, by carpooling, by combining trips. We've been out there. We've been talking about this issue, and I assure you that climate change is one of our four national priorities, and there are a number of things we are working on to be active on that front.

As you say, clearly, we need to invest in our roads. As I said, if you have a car that's stuck in bumper-to-bumper traffic, it's emitting nine to 10 times the pollution. If you have a growth strategy that's focused on bringing another million, two million or three million people into urban areas, a lot of those people are going to be driving cars. You're never going to get everybody out of their cars, so you have to have a little bit from column A and a little bit from column B.

**Mr. McNeely:** Mr. Chair, I'd just like to make one point that the \$2.5 billion—

**The Chair:** Thank you. Your time has expired. We're going to move to Mr. Hudak, the official opposition.

**Mr. Hudak:** Mr. Barnier, thank you very much for the presentation. You're absolutely right: Any wise government needs a balanced approach between investing in transit and investing in highways if we want to ensure Ontario's continued economic competitiveness, its ability to create jobs and to move people safely and efficiently. You also need to invest in expanding existing highways and new highways. Unfortunately, we've seen Dalton McGuinty and Minister Takhar fall asleep behind the wheel when it comes to new highways. The mid-peninsula corridor, for one, has become a road to nowhere. The 407 extension, 427, 404 north—all of these projects seem to have gone nowhere.

You make an excellent point about the EPA study that says that cars idling in traffic increase their emissions by a factor of nine, I think it was. What does the CAA see as its major projects for highway investments to relieve congestion and therefore reduce emissions that are coming from the current gridlock situation?

**Mr. Barnier:** Certainly, that mid-pen is a very important one for us and we would like to see that proceed. If we can reduce congestion in that area—fantastic, great. You also mention the 407 extension. That's important for us; we think that should happen. There are going to be a number of other projects around the province. We know there's Highway 26 out there, and that one has been stopped or delayed. Hopefully something will happen and that one will pick up again.

The key thing is we absolutely need to build additional capacity. When we look at places like Toronto that's \$300 million behind in its existing road infrastructure, we need to fix what we have. That's one of the biggest problems, certainly when we look at the Gardiner—about \$90 million worth of work that needs to be done there, or more. We have to look at new capacity, but we also have to fix what we have.

**Mr. Hudak:** You make a strong point too in terms of the level of taxation and fees that Ontario and Canadian drivers are already paying. You express some relief that there won't be a gas tax as part of the city of Toronto legislation. Howard Moscoe, one of the councillors in the city of Toronto, has sort of been rubbing his hands at the notion of increasing a fee or a new tax on registration of vehicles in the city of Toronto. Does the CAA have concerns about other fees and taxes that might be imposed on drivers?

**Mr. Barnier:** Yes, we absolutely do, and we've shared some of those concerns with the government. We don't want to see this. We recognize that it is important for the city of Toronto to have some new powers, but voters are taxed enough. We're way overtaxed and we're not getting value for the money we're paying.

If the City of Toronto Act is going to be about a series of tax increases on drivers, then we have a real problem with that. We think we're paying enough. If something like tolls were put in, we have a real concern that that would be a safety issue, and if you're going to put tolls on highways, it's another tax on motorists. All you're going to do is congest some of the local arterial roads, and that's a danger. You're putting more cars where pedestrians are, and frankly you're putting more smog in areas where people live.

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

**Mr. Prue:** I do like your gas tax facts. I think they say a great deal about what taxpayers pay. It's no wonder there's a bit of a taxpayer revolt, at least around this, if you're paying taxes for roads and infrastructure and you're not getting value.

Would you suggest that these taxes should be dedicated? Governments don't like to dedicate taxes. I do. I think that's the best way to explain it to people: "We're collecting this for roads," and then spend it on roads, or, "We're raising your income tax by 1%, and it's for police," and then spend it on police, so that people will understand. Would you want gas taxes to be dedicated?

**Mr. Barnier:** I think that was the original intent of the gas taxes. We need to head more in that direction. When we look at some of the spending that has been going on, it's a gas tax that goes into everything but roads. We've seen that municipalities are being absolutely burdened with the cost of road repair when motorists are paying to the two senior orders of government.

Certainly, at bare minimum, what we'd like to see is a move in the direction where we see a greater percentage of our gas tax dollars put into the roads we drive on.

**Mr. Prue:** I have another bugaboo on the other side—on this side, I'm probably with you. What about taxing people who own multiple vehicles? I know people who have four and five cars. There are more cars in Ontario than there are people.

**Mr. Barnier:** But when people bought those two cars, they paid the taxes to buy them. They pay the licensing fees for each of those cars, and the gas tax every time they fill up either of those cars. We think they're paying quite enough.

**Mr. Prue:** But the reality is that there are more cars in Ontario than there are people. Everybody has one car or more. That boggles my mind in terms of the pollution and in terms of the costs of repairing roads and bridges and all that. We're a very car-dependent society. Shouldn't we be trying to convince people that one car per person or per family is sufficient, or should we continue to allow people to own multiple vehicles?

**Mr. Barnier:** When we talk about encouraging people to take forms of transit, absolutely, that's something

that's positive. We can encourage people to carpool; that's a positive message. But we need to be realistic in terms of the different needs of families when we have a situation where, let's say, you have a family in Oakville, and you have one spouse who works in Mississauga and another spouse who works in Toronto, but they've chosen to live in Oakville because it's affordable. That's the reality for a lot of families, and you need to be realistic about what families need.

Maybe some families don't need two or three cars; you might have a point there. But certainly, people are taxed enough. What we should be doing, rather than looking at constantly trying to find ways to punish people, is looking at ways to reward people who are carpooling.

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

1140

#### ONTARIO CAMPAIGN 2000

**The Chair:** I would call on Ontario Campaign 2000 to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning divided amongst the three parties. I would ask you to identify yourselves for the purposes of Hansard.

**Ms. Jacquie Maund:** Good morning. My name is Jacquie Maund. I'm the coordinator of Ontario Campaign 2000.

**Mr. Dick Stewart:** My name is Dick Stewart. Sometimes, though, it's Richard Stewart. I'm the president of Community Development Halton. Community Development Halton is a member of Campaign 2000.

**Ms. Maund:** Just a quick word on Campaign 2000. Ontario Campaign 2000 has 50 partners across the province. We're a coalition of organizations committed to supporting and, hopefully, seeing the end of child poverty in Canada. Our name dates from the 1989 resolution to end child poverty in Canada by the year 2000. For example, our members include both provincial organizations, such as the Elementary Teachers' Federation of Ontario, and local groups, some of which are in your ridings. The Durham child poverty action network, the Hamilton social planning council, the child poverty action group in Ottawa and Elgin-St. Thomas Health Unit are some examples of our coalition members.

We will start our presentation with some of the latest numbers on child poverty in Ontario. A written copy of our presentation will be provided to you next week.

**Mr. Stewart:** Let me give you some current, most recent data on child poverty in Ontario, and it's not a pretty picture. Child poverty continues to be at a stubbornly high rate in Ontario, at 16% of all children. That means one in six, or 443,000, children are living in poverty as defined by the post-tax LICO. As I said, this is a stubbornly resistant rate to change. In spite of a robust economy in the last four or five years, it remains at 15% or 16%. What is emerging as a relatively new and grow-

ing trend is that increasing numbers of these children are living in families where at least one, and sometimes both, of the parents are working full-time in the labour force, and yet they remain below the poverty line, living in that circumstance. Clearly, there is growing evidence that economic growth leading to jobs is not a pathway out of poverty. Other strategies and structures have to be put in place to help these families and their children.

Campaign 2000 urges the government of Ontario to consider some significant and critical investments in its budget to begin to ratchet down these numbers. Specifically, we're going to talk about social investments and labour market investments. I'm going to start by speaking about some social investments.

Included in that would be increases to social assistance and ODSP rates, and taking some steps to add the clawback of the national child benefit supplement. I want to remind members of the government that this government has made promises that they would implement cost-of-living adjustments to families on welfare and ODSP—I'll speak to that a little more in a moment—and they also promised, in the last campaign, to stop the clawback of the national child benefit supplement.

Recently, the parliamentary assistant, Deb Matthews, indicated in her reports that inadequate social assistance rates are actually a barrier to people leaving social assistance and moving on to employment. She also recommended that steps be taken now to begin to end this clawback.

We want to acknowledge that the government did increase social assistance and ODSP rates by 3% in 2004. Unfortunately, those have been consumed by the inflationary factors subsequent to that adjustment.

A person who worked in the bowels of Comsoc for years and years, an economist named John Stapleton, has indicated in his work that, in point of fact, social assistance recipients today are working with a 1965 dollar in terms of its purchasing power. In effect, they've had 40 years of virtually no increases because of inflation and other cutbacks.

Specifically, Campaign 2000 is asking this government to consider increases in social assistance and ODSP rates to make them more adequate. One guideline would be that you should look at the CMHC average rents across the province and focus the shelter component of the allowance to more accurately reflect that.

Secondly, we want the government to consider indexing these rates, as the federal government does with seniors' and disability rates.

In a former life, I was the commissioner of social services in the region of Ottawa-Carleton, and latterly, the general manager of people services in the new amalgamated city. I want to say to you, in all sincerity, that there was not a more repugnant public policy that I had to implement than the clawback of the national child benefit supplement from the poorest of poor families. As a professional in this field, it was also the most misguided public policy, I believe.

We're urging the government to take steps now to end this clawback. Acknowledging that the government has not clawed back the two most recent increases, we're asking you to take the next steps now to introduce the end of the clawback and return that \$1,500 per year per child to those families that need it. Other provinces have done this and shown the leadership, and I'm sure Ontario can find a way to do that. It's been estimated by the Daily Bread Food Bank in the GTA that if this happened, 13,500 children would almost immediately not require food bank services. This impact would be instant and profound.

**Ms. Maund:** We've talked a little bit about social investments in terms of the social support system that families need to move out of poverty. I'm going to talk about some other social investments that are part of those pathways out of poverty, because there is no single answer.

I'd like to talk about affordable housing. Many of you will remember that in 2001, the federal-provincial affordable housing agreement was signed with Ontario. There were promises at that time to create 46,332 new homes in Ontario. During the election, the Liberal Party promised to match federal support and create 26,600 new housing units. However, audited statements from the Ministry of Municipal Affairs and Housing indicate that only 63 units have actually been built since 2001. The promise was 46,332; audited statements show that 63 units were actually built. Our understanding is that a key part of the logjam is the Ontario government's reluctance to commit matching funds to the federal dollars. The 2004 budget committed only \$30 million, so at this rate it will take 20 years just to meet the commitments of that 2001 housing agreement. A whole generation of children will have grown up into adulthood while this system was trying to meet the commitments of that agreement.

Affordable housing is an urgent need for low-income families. There are over 150,000 families on the waiting list for social housing alone across Ontario. There's been a net loss of rental housing over the past 10 years in 21 major urban centres across the province. So our fourth recommendation is to both increase the amount of provincial funding around the supply of affordable housing and rental assistance and, secondly, to please speed up the slow government process of turning funding commitments into actual bricks and mortar for the families that are waiting.

I'd also like to speak about child care. Access to quality, affordable early learning and child care is a key pathway out of poverty for families. Campaign 2000 was very pleased to see Ontario's leadership in terms of signing on early to the federal-provincial child care agreement to set up a national system. However, Ontario's Best Start program is geared only at children from birth to age six and will take about 10 years to roll out.

During the election, the Liberal Party promised to commit \$300 million of new provincial dollars for early learning and child care. Our recommendation number five is to keep that election promise to spend \$300

million on child care spaces. This could help address the child care needs of school age children, both before and after school.

We've talked about social investments in the social support system, in housing and in child care. I'd now like to end by talking a little bit about the labour market. As we've heard, 33%—that is, one third—of all low-income children in Ontario are in families where at least one parent works full time, full year. So clearly, getting a job alone is not necessarily a pathway out of poverty.

Campaign 2000 was pleased with the increases to the minimum wage announced by the Liberal government when it took power, but even those minimum wages are not enough to lift a family to the poverty line. Specifically, if you take a family with a single parent and a child living in a major city, if that parent works full time at the current wage, she would earn \$13,600 a year. That amount is 54% of the low-income cut-off line for a major urban centre. So recommendation six is to increase the provincial minimum wage to \$10 an hour and index it to inflation. This would bring a single working person up to the poverty line, and there would be no cost to the treasury.

**The Chair:** You have about a minute left for your presentation.

**Ms. Maund:** Just to conclude, I also want to highlight a recent study done by Canadian Policy Research Networks called *Lifting the Boats: Policies to Make Work Pay*, which also supports a number of these policy recommendations. It looked specifically at the minimum wage; it supported an increase to the minimum wage. It reviewed both international and Canadian experience, and found that if the minimum wage were continued to be increased in stages, the risks of negative employment impact—that is, loss of employment because of the increased minimum wage—are actually few.

So we'll leave it at that, and we welcome your questions.

**1150**

**The Chair:** We'll begin this round of questioning with the official opposition.

**Mr. Hudak:** I thank Campaign 2000 for their presentation. In my opening comments, I talked about some concerns about the underlying state of the economy, the fact that Ontario is falling increasingly behind other provinces in our economic performance. It's a worrisome trend, and we've seen, I think, some 50,000 manufacturing jobs lost in this province.

There seems to be an impact, as well, on the welfare rolls. The Ministry of Community and Social Services shows, I think, that there's been a 10% increase in the number of single employable people who are now on social assistance from the time that the McGuinty government came into office. Are you seeing a similar increase in demand for services in the communities that you come from?

**Mr. Stewart:** Speaking for the community in which I live now, which is Halton region, and being a community activist, yes, the message is that people are streaming to

community support services and food banks, etc. I'm not au courant with the demand for social assistance any more; I've left that business, so to speak, and I'm now a community activist. To your point, Mr. Hudak, yes, there is, and it's not just people on social assistance who are seeking that; it is folks who are working. In fact, that's the increasing crowd. New immigrants and people who are working are the people who are showing up and looking for those emergency services.

**Mr. Hudak:** Another major concern that I brought up and I'm sure the committee will hear a lot about is the increase in energy prices and the upcoming increase in home heating costs, whatever your source of heating supply is. The federal government, I understand, is looking at a program to offer relief to low-income families for their heating bills. Would you suggest some form of assistance, as well, for families, given the spike that we expect to see in energy and home heating costs?

**Mr. Stewart:** Far be it for me to resist new money to the poorest of families under any form, so I would say yes, but it wouldn't be my first preference. I think the first preference would be to look at the rates with respect to accommodation, the shelter component of the allowance, and do something with that and do it permanently.

We're going to see higher energy costs continue. It's not a spike. It's here for some time, if not forever. The cost of accommodation, including heating, is really the bigger issue.

**Mr. Hudak:** Is there any advice, in a general sense, in terms of helping people move from social assistance into the workforce? Sometimes they'll face a high marginal tax rate, or some of the benefits that they receive from social assistance discourage them, I guess, because sometimes they'll have to take a job without benefits. Are there any particular incentives or support mechanisms the government could come forward with to help families make that transition?

**Mr. Stewart:** In fact, I want to compliment the government, that they've taken some of those steps—at least the preliminary steps—by extending benefits to people who need social assistance for at least six months in terms of health benefits, etc.

The critical issue remains the capacity of people to sustain themselves in the labour force, for two reasons: First, they don't have good solid skills that the labour market demands. So they might get an entry-level job or a job that's short-term, but when that job ends, they don't have the capacity to be sustained in the labour force. So we need a much better skill training system in Ontario, and the new labour market agreement, we are hopeful, will produce that, but we have to watch that carefully.

The second issue is the wage. It's not a living wage that a lot of people are living with who are working full-time. The market basket measurement of poverty in this country would indicate that for an urban area like the GTA, a family of four members would have to earn net, after all deductions, between \$15 and \$16 an hour, based on 40 hours a week, 50 weeks a year, of work, to actually fill that market basket. This is not a market basket that's

filled with luxury items; this is basic living: not owning a car, using public transit—to speak to the last presenter—and a variety of other simple things that we all take for granted. Many people working above the minimum wage are a long way from that \$15 to \$16 an hour net. That's the reality in Ontario. That's why people are streaming to emergency support services in a variety of things; that's what gets people down. When they leave welfare and go into a job, it's tough to make those ends meet. The cost of going to work usually gobbles them up.

**The Chair:** Thank you. We'll move now to Mr. Prue of the NDP.

**Mr. Prue:** I've heard your statistics before. I've used them in my speeches so many times in the House. They seem to have fallen on deaf ears so far, but I thank you for your compassionate analysis today. I hope you're listened to more than I am.

A couple of questions. Most poor people rent; very few of them own property. The current legislation that governs tenants, the Tenant Protection Act, allows for above-guideline increases. We're starting to see an awful lot of owners of these buildings applying for above-guideline increases for heating costs; that's no surprise. What should we be doing other than abolishing that act, which the government seems pretty reluctant to do?

**Mr. Stewart:** I'll speak, and then perhaps Jacquie will want to chime in.

In the short term, I think people have to have the capacity to pay those increased rents. That needs to be reflected either in a special program to deal with the energy cost issue, or our preference would be an ongoing increase in the shelter component of the rate.

In the longer term, which I actually spoke to a moment ago, affordable housing is where we need to be in this province. Housing—and I want to repeat this—safe, affordable housing that is stable, is an underpinning, a foundational piece for children to grow up successfully and be taxpayers. It's about our prosperity. Frankly, we need to invest in affordable housing in the long term to deal with what you're raising, Mr. Prue.

**Mr. Prue:** The government, when I've asked the question about the clawback—I think I've asked eight or 10 times in the Legislature in the last two years—seems to think that passing on the 3% increase is something great. That's about \$13 million. How much is the government clawing back—I know it's \$1,500 a person. My estimation is \$200-plus million.

**Mr. Stewart:** Yes. It's \$218 million.

**Ms. Maund:** That's \$218 million that is being used to fund other children's programs. It's being funded by the poorest of the poor.

**Mr. Prue:** To fund middle-class programs, mostly. Would that be fair? I mean, they're good programs.

**Ms. Maund:** And the Ontario benefit—there's a chunk of supplement program in there as well; that's the bulk of it.

**Mr. Prue:** This is taken from people who probably don't pay much income tax. Would that be fair to say?

**Mr. Stewart:** Yes.

**Mr. Prue:** So it's an alternate form of taxation. You can't tax them, so you use something else.

**Mr. Stewart:** Yes, one could use that argument.

**Mr. Prue:** Have you had any discussions—I've asked so many times—with the minister or the minister's staff about this budget? I've suggested that they do it and find \$218 million somewhere else, even if they have to increase the tax to do it.

**Mr. Stewart:** That discussion has happened for a number of years with a succession of ministers. I, personally, haven't had this discussion with the current minister, but Campaign 2000 certainly has. It is about political priority at the end of the day; we recognize that. What we're here to do today is to impress upon this committee the importance of this issue for the children of Ontario. I don't want to get too maudlin about this, but we are depriving the poorest of poor children of something which will dictate their success in future life.

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

**Mr. Arthurs:** I'll just take one minute, and then I'll provide the rest of them to Mr. Wilkinson.

I appreciate your comments earlier on the specificity of some of the issues that have been raised by the other members around the child tax benefit, the clawback and your comments around the repugnancy of that particular public policy. Mr. Prue raises it very consistently in the legislative chamber, and a little bit falls on deaf ears in the context of an acknowledgement or recognition. How that pans out is another story.

I want to take another minute or so, because I've had folks in my office on a fairly regular and recent basis talking about housing. Your final comments about stable and affordable and safe as the underpinning for the success of things in the future: If you would—you have a minute or so—I'd like you to expand on that a bit and the importance of it to the future of the province.

**Mr. Stewart:** One of the best ways I could do that would be to cite the data that's flowing from the national longitudinal study of children and youth, which was done by the federal government. This study is now indicating that children under the age of six who have three or more unsupported moves, and by that I mean they're living in a situation where their parents have been evicted, they've had to leave because they had to go down to a cheaper place to live—and "unsupported": What I mean by that is that the parents are also in turmoil about this and unable to support the children. This is quite frequent in this province, given the legislation that Mr. Prue has cited. Three or more of those make permanent damage to a child's cognitive ability. We're not talking about remedial work making this better. We're talking about permanent damage. It shows up in their capacity to do well in school and to develop relationships. Therefore, these children consume an inordinate amount of the services of school boards around special ed etc. You know the story.

This is not my dreaming. This is not my left-wing social work diatribe. This is empirical evidence from

national longitudinal work. That's probably the best way I can describe what's happening.

**Mr. Arthurs:** Thank you. I wanted that on the record, Mr. Chairman, so thank you very much.

**The Chair:** We have about three and a half minutes before we must go and vote, for those members who choose to do so.

What's the will of the committee: that we recess and come back?

**Mr. Wilkinson:** Or I could be brief.

**The Chair:** If you can be very brief with the question and the answer.

**Mr. Wilkinson:** First of all, thank you so much for coming in and speaking for many people who are voiceless in our community. If there was one recommendation to give to the minister in this budget in regard to how to address the imbalance for those who are the most vulnerable—recognizing that we can't do everything and we can't do everything overnight. If there's one thing that would have the greatest cost-benefit—because you're saying the child clawback, \$218 million, but then we're paying a cost for doing that in all the other social services—which is the thing that you think would have the greatest impact?

**Mr. Stewart:** We strongly believe that if the government's going to do one thing, remove the clawback and do it as fast as possible.

**The Chair:** Thank you. This committee is recessed until 3:50 p.m. this afternoon.

*The committee recessed from 1202 to 1549.*

#### CANADIAN CHEMICAL PRODUCERS' ASSOCIATION

**The Chair:** The standing committee on finance and economic affairs will come to order. We have our first presentation of the afternoon before us. You have 10 minutes for your presentation. There may be up to approximately three minutes of questioning from each party after that. I would ask you to state your names for the purposes of our recording Hansard. You may begin.

**Mr. David Podruzny:** David Podruzny, Canadian Chemical Producers' Association.

**Mr. Norm Huebel:** Norm Huebel of Canadian Chemical Producers' Association.

**Mr. Podruzny:** Thank you for the opportunity to appear before you this afternoon. I'm here representing industrial chemical producers who feed into a larger manufacturing sector that represents about 22% of the Canadian economy. The basic chemical industry in Canada is \$24 billion in shipments. It's part of a larger chemical sector that's over \$47 billion in size. Half of that industry is located here in Ontario.

The contribution doesn't end there. It's a keystone industry. It provides many essential inputs to products ranging from auto parts and textiles to plastics, foods and pharmaceuticals. For example, 25% of a car today is made up of chemicals and chemistry.

What's key is that Canada's chemical producers are engaged in value-added manufacturing. We take natural gas or oil and add anywhere from 10 to 50 times the value of that product, so instead of burning it, we convert it into products that you see around you. Some of them are illustrated on the second page of our presentation. When we talk about using really old vegetation, of course that's the oil and gas that's really old. This activity translates into high-paying jobs. The average salary for industrial chemicals is \$60,000 a year. That's about the second-highest of the manufacturing sector in the province.

A lot of this wealth is based on past investments. As we look out, there aren't any new investments planned in Ontario. What we're hearing more and more is about plant closures. We believe that the province that prides itself on being the manufacturing heartland and driver of the Canadian economy is falling behind. Recent Conference Board figures indicate that business confidence in Ontario has fallen below that of Nova Scotia, Alberta and British Columbia. This shouldn't be happening. We're at the top of the business cycle, and Ontario has a lot of positives going for it. It's our job as industry leaders, it's your job as elected officials, to understand why this is happening and to do the right thing about it.

Some are going to point at the natural forces of globalization. We would argue that the bulk of the natural selection in that direction in manufacturing that needed to take place as a result of globalization has already taken place. The most skilled, labour-intensive jobs have already moved offshore. What remains is high-skilled, capital-intensive manufacturing that takes advantage of Ontario's highly skilled workforce, that takes advantage of access to the US market and positive R&D environment.

Canada's chemical sector has the highest level of university graduates of any manufacturing sector in the economy. However, the base is at risk. It's being eroded and marginalized as key issues, such as access to competitive energy sources, are not being addressed. Fiscal policies are not designed to be competitive with other jurisdictions to attract new investments that encourage innovation and specialization. Our companies can compete and do compete globally, but we can't do it alone. Governments who control all of our inputs need to adapt as well and ensure a favourable business and efficient regulatory environment that will allow us to be the best.

Given the limitation today, I'm just going to emphasize two points: energy and corporate tax. I think these two areas are going to tell a story of neglect in the basic fundamentals that are critical to a productive economy that attracts investment and creates jobs. Ontario's current energy policy appears to be driven by environmental policy. Let me be clear: Environmental performance must continuously improve, and that will be achieved through advances in new technologies and investments in new technologies.

The issues of adequate security of supply, cost and competitiveness haven't been a strong part of our energy policy to date. We have to ask why, given that Ontario's manufacturing base was built largely on access to competitive energy sources. The decision to close the coal-fired plants and encourage higher-cost natural gas-fired plants has delivered really a double blow to the chemical producers. Natural gas is our feedstock. It's what we use to convert into value-added products, whether it's plastic bags or kayaks. Energy costs are up as a result of movement to using more natural gas, and so are the costs of our primary input. Most of the chemical production in Ontario is derived from natural gas and oil. We take ethane liquids out of natural gas and convert it into things you see around you every day. In simple terms, the high demand for natural gas is making it difficult to obtain these liquids for upgrading. Ontario's current energy policy is making a bad situation worse. Investors see this and act accordingly.

Cogeneration: There are a number of things that could be positives. A sustainable development approach would probably not include the burning of valuable natural resources in lieu of upgrading. Cogeneration is an opportunity that's not being maximized, and curiously it's being discouraged in this province. A member recently closed a cogen plant, and we have other members who are also looking at closing. That's ironic, when the power grid is unstable and in need of additional sources of power. There are two parts to that power: There's the reliability of the grid and there's the actual amount of electricity. The fragility of grid reliability was highlighted this summer when it was stretched to the limit.

The second part I want to emphasize is the tax side. A recent C.D. Howe Institute study ranked Canada as second only to China in terms of having the highest marginal effective tax rate, and in Canada, they ranked Ontario the second-highest. The marginal effective tax rate is a useful measure because it looks at the effect of taxes on capital, and taxing capital does not motivate investment. Most jurisdictions have moved away from direct capital tax, and we thought Ontario's decision to eliminate its capital tax was a good one. But it really begs the question, why wait? There's been analysis done that suggests that getting rid of this tax is a net positive for fiscal flow. We would submit that elimination of the capital tax out to 2012 is too long a time frame to impact on investment decisions. We're at the top of the business cycle. We should be making investment decisions for Ontario today.

We believe there are three areas where Ontario needs to focus; the immediate elimination of the capital tax would be one. A second, and perhaps most urgently, would be to take another look at corporate income tax rates. Ontario jobs are moving because of this very visible comparator. We're not competitive; the current rate is simply not competitive. We have been recommending going back to the 8% rate. Then, finally, we would suggest that, in concert with the federal government, there should be some consideration given to

targeted measures such as accelerated capital cost allowance to encourage new machinery and equipment that would improve energy efficiency, provide additional choices like cogeneration and improve productivity.

To use an auto analogy, we would be hitting on all cylinders. You've addressed education and health, you're addressing infrastructure and labour supply, and now is the time to address manufacturing fundamentals.

**The Chair:** Any other comments? Thank you very much. We'll begin this round of questioning with the NDP.

**Mr. Prue:** We've had a number of debates in the Legislature over the last few days, and also with you coming here today, again, with the manufacturing sector being particularly dented. I asked the minister this morning for some facts; he gave them to me, but I wasn't able to write them down. Some months, there have been as many as 16,000 job losses in this province. Approximately how many jobs have been lost in the chemical sector? What we're hearing—I have a whole list—is that it's mostly manufacturing, that it's particularly hard in the forestry industry. That's what we're seeing.

**Mr. Podruzny:** The numbers aren't large. Ours is a very capital-intensive industry, but there have been two closures this year, both in the electrochemical industry. I believe there was a third closure; there was one last year. So combined, we're maybe looking at 100, 150 jobs. What's happened, and it's a bit like the canary in the mine, is that the jobs that closed were the electrochemical plants. Something like 70% of their raw material, if you like, is electricity. One was in northern Ontario, in Thunder Bay, and the other was in Amherstburg—so different places, but it was electricity that was the end for those plants. There are no electrochemical plants left in Ontario now.

1600

**Mr. Huebel:** The issue is not just current costs of electricity; it was the assumption of where costs were going, primarily because of coal closures and increased costs.

**Mr. Prue:** So it wasn't just that the costs have gone up two or three times in the last couple of years; it was that people are looking down the road—

**Mr. Huebel:** It's the expectation of where they're going.

**Mr. Prue:** —and the expectation.

**Mr. Podruzny:** It's the investment environment.

**Mr. Prue:** Are investors and people like you looking at the costs or the potential costs of nuclear, because that was all the discussion this week? That's scaring you away from Ontario?

**Mr. Podruzny:** Nuclear will probably come in at, I believe we are hearing, six cents for the power alone. Some of the clean coal and the new technologies that are available will come in at six cents. Those kinds of prices would compare to natural gas, which will come in at about 15 cents. These things get watered down against the existing baseload, which is maybe running at three

cents. Eventually, the prospects are for much higher rates than exist today, and it's that prospect.

In some of these companies, the electrochemical companies operated on what we used to call reserve power, the power that you keep in reserve because, if a coal plant or a nuclear plant shuts down, you need to have spare capacity. These plants could operate on spare power and shut down when there was high demand. They were the ideal kind of company to deal with demand-side management, and they're gone.

**The Chair:** Thank you. We'll move to the government. Mr. Wilkinson?

**Mr. Wilkinson:** Thank you for coming in. Just taking a look at some of the things here. Explain to me—you've come in and said, "Listen, you're running a deficit. You inherited something like \$5.6 billion." It looks to me that we may come in around 1.4 to 1.6 this year, so that's around \$4 billion off in two years, but this is too large. We're using forecasts that are consensus minus a quarter, but that is too optimistic; I see that you're telling me that. We've got a situation where we had revenues going up at 6% before and spending going up at 22%, so we tried to curtail that and actually raise revenue; but this isn't sufficient.

This money that you want, in other words, "Get my taxes down," is—your recommendation is that we take it from where? We're all business people, and it has to come from somewhere. I'd be interested in what your recommendation is as to exactly where we should be taking it from.

**Mr. Podruzny:** I think the record has been good and I think that you're right. We were suggesting that it is optimistic because there are several factors that are perhaps mitigated: the perfect storm of a high dollar, competition from China, very high energy prices. In a manufacturing environment, those are difficult conditions in which to have much optimism.

I guess you have to philosophically decide whether having a competitive environment and encouraging new investments doesn't, in the net, end up not costing, but paying for itself. We firmly believe that we need new investments to keep the young well-educated that we're getting from our schools today. We don't see it as a win-lose or as an exchange; we see it as a net growth and encouraging more manufacturing.

**Mr. Wilkinson:** We have to raise the money to do that, which is what we're doing, obviously, to give us a competitive advantage.

The high dollar, I know, is a concern for many manufacturers, but you're very capital-intensive, and I know you made the observation that the capital tax should be eliminated sooner. Now, is the high dollar an advantage to you when you're buying new equipment and machinery from outside of Canada, or do you source it all here in Ontario?

**Mr. Podruzny:** Most of it is sourced outside of Canada—probably in excess of 60%.

**Mr. Wilkinson:** That's cheaper today than it was the last number of years.

**Mr. Podruzny:** That's correct.

**Mr. Wilkinson:** Do you find the industry is making those investments, given the fact their dollar goes further?

**Mr. Podruzny:** There are some investments going on I can relate to. One of our companies is currently in the process of investing \$250 million in the Sarnia area, in Corunna. It's a significant investment. It's aimed at improving its environmental efficiencies. It's specifically its greenhouse gas emissions efficiencies. The investments are taking place. The problem is that the return on investments—they can do better elsewhere. Putting in a new facility, building a brand new facility or incremental production, is where, in that beauty contest, we're coming in second, and you have to be a clear winner, especially when it's someone else's money that is being invested. Direct foreign investment's going down.

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

**Mr. Hudak:** Gentlemen, thanks for the presentation. It's good to see you travelling, particularly on a day like today.

You talked about wanting to see better control of spending and lower taxes. The reality is, spending has actually gone up since the 2002-03 budget by some \$15 billion. They are awash in money. I'm surprised, with the increased taxes, it hasn't spilled into the hallways here in the Legislative Assembly.

*Interjection.*

**Mr. Hudak:** Well, we should start sniffing around, because it's got to be somewhere, with these big tax increases.

David had used the term "clean coal." Dalton McGuinty says there's no such thing as clean coal. Is the Premier a little confused?

**Mr. Wilkinson:** Can you define "clean coal"?

**The Chair:** Order, please. The question has been asked.

**Mr. Podruzny:** Let me use a different term and apologize. I will talk about cleaner coal, because "clean coal" might suggest to someone that there are no emissions, and I don't think you get that anywhere. There is cleaner coal technology that can address the level of emissions that you get from combined cycle gas turbine, so you can get that far down with existing technologies. You can't with CO<sub>2</sub>, so you would have to have some way of dealing with your carbon dioxide emissions, either through sequestration or through other capture. Some of our companies are capturing CO<sub>2</sub> and selling it to the bottling companies. So there are things you can do. Others of our members are capturing it and selling it to the fertilizer industry, which also uses it in manufacturing fertilizers. Cleaner coal is available. The term "clean coal" is referring to where they produce gases through a special high-temperature process.

**Mr. Hudak:** The finance minister says that anybody who uses coal or clean coal is a Neanderthal, so surely the rest of the world must be scrapping coal and getting out of that business altogether.

**Mr. Podruzny:** Unfortunately, it's quite the contrary. As a matter of fact, Canada federally and some other provinces are spending a lot of money to research into cleaner coal. It represents 80% of the hydrocarbon reserves of this continent. It's hard to imagine that it won't be part of a future energy strategy for at least the United States and Mexico. But we are researching clean coal and spending a lot of taxpayers' money on clean coal research in other parts of Canada.

**Mr. Hudak:** The finance minister also says that Ontario's corporate tax rates are very competitive; in fact, we're lower than most other jurisdictions. You point out that the C. D. Howe Institute says quite the opposite, that the finance minister doesn't know what he's talking about or that he's not exactly giving all of the facts. In fact, Saskatchewan, which is the only one where the C. D. Howe Institute says the tax rate is higher, has actually published a paper on reducing their capital tax as well. So Ontario, effectively, is going to have the highest corporate taxes in our competing jurisdictions.

**Mr. Podruzny:** It comes down to whether you're looking at posted rates or marginal effective tax rates. If you just add up the posted rates of the province plus the federal and compare it to a state plus the federal, the numbers indicate that Ontario's better than Texas. Unfortunately, there's a whole bunch of things like capital cost allowance, which is twice as high in Texas. They don't have capital tax. There's flow-through on expenses during construction phase and so on, which we don't have in Ontario. The consequence is that the marginal effective tax rate's higher. It's voodoo magic with numbers, but the bottom line is that the investor is looking at this and saying what Ontario doesn't have, and they vote with their feet.

**Mr. Huebel:** We actually have a tax model that we share with the government that really indicates those numbers.

**Mr. Hudak:** It indicates—I'm sorry?

**Mr. Huebel:** The numbers David has talked about, what the flow-throughs look like and what the next result is. So it's a very complex tax model that is actually shared with the Ministry of Finance.

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

1610

#### TAKE OUR SENIORS OFF WELFARE CAMPAIGN

**The Chair:** I would call on Take Our Seniors Off Welfare Campaign to please come forward.

Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning, divided by the three parties. If you would state your names for the purposes of our recording Hansard. You may begin.

**Ms. Naomi Berlyne:** I'm Naomi Berlyne.

**Ms. Helle Hulgaard:** I'm Helle Hulgaard.

**Ms. Berlyne:** We are representing today a coalition of several groups who've come together for a common

cause, and we are calling ourselves the Take Our Seniors Off Welfare Campaign. What we're referring to are the approximately 7,000 individuals in Ontario between the ages of 60 and 64 who are on welfare.

I'm going to start by just giving a little bit of background to how this campaign came about. I am a front-line worker. I work with low-income seniors aged 55-plus. All of my clients are extremely low-income, and about half are homeless. All of them are on fixed income. They're either on old age security and CPP if they're over 65, or on social assistance if they're under 65.

In my front-line experience, I've found that those seniors who are the poorest and most vulnerable are those who are just under 65. In other words, they're too young to qualify for old age security, but often too old to be able to find work. I found a common trend among many of my clients who are in their early 60s or late 50s in that many of them have worked for many years, often decades, and they find themselves, for various reasons, unemployed, and they find they simply cannot find work any more at their age. They are shut out of the job market.

So what happens to them? They often discover, rather brutally, that there is no social safety net to give them the bridge to retirement that they need, save welfare, or Ontario Works. Consequently, I've seen a number of my clients in this situation lose everything—their savings, their apartments, their furniture, their belongings—and also, not uncommonly, they find themselves homeless for the first time in their lives because Ontario Works does not pay enough for housing. Seeing the absurdity of this situation drove me to start this campaign about a year ago. So now I'll get into the meat of the issue.

I'll just start by talking a bit about social assistance. There are two forms of social assistance that are available for people who are under 65 and have no means of income or support:

First, there's Ontario Works, or OW. It's more commonly known as welfare, and it's available for those who have no income and are considered employable. A single person on OW receives \$536 per month for everything—for their food, shelter, transportation, clothes and other necessities. In order to qualify for Ontario Works, one must liquidate all of one's savings and assets except for the equivalent of one month's OW benefits, which is \$536. Since OW recipients are considered employable, they must engage in job search or job training activities, or risk losing their benefits.

The second form of social assistance is called the Ontario disability support program, or ODSP. This provides benefits for people who have major barriers to finding employment. To be eligible, one must have a serious physical or medical problem. ODSP benefits, though still very low, are considerably more generous than Ontario Works. A single person on ODSP receives \$959 a month for shelter and living expenses, and an ODSP recipient is allowed to have up to \$5,000 in savings and assets. Recipients are not required to participate

in job search or training activities unless they choose to do so.

In Ontario, there are roughly 7,000 persons between the ages of 60 and 64 who are living on Ontario Works benefits because they are deemed to be employable. We challenge this assumption. In our experience, and as recently documented by the Ontario Human Rights Commission, people in this age group often face major barriers to gainful employment. Employers are reluctant to hire older workers. Many of the older applicants to Ontario Works have work histories in physically demanding blue-collar jobs—like construction, factory work, maintenance, cleaning—and are often physically unable to do these jobs once they reach their 60s or even earlier. In addition, they may not be able to do other kinds of work if they have no prior experience or training. Therefore, finding work becomes next to impossible for them.

As noted, Ontario Works requires all recipients, including those aged 60 to 64, to participate in job search and training, but for many of them, self-support through paid employment is not a realistic goal.

Our front-line experience with this population informs us that many OW recipients in this age group have worked their entire lives and they find themselves out of work and unable to work for the first time. Some have health problems that would improve with better diet or dental care, but OW benefits don't allow for such luxuries.

Until 1998, social assistance regulations deemed that persons between the ages of 60 and 64 with no income were automatically eligible for ODSP, although then it was called family benefits, until they reached the age of 65 and qualified for old age security. In other words, before 1998, it was recognized that people in this age group faced huge barriers to finding work. Thus, before 1998, individuals over 60 with no income and few assets received a benefit of \$930 per month—that's how much it was at the time—and they were not required to liquidate most of their assets, nor participate in job search or training activities unless they chose to do so.

When the former government, the Conservative government, came into power in the mid-1990s, they made many changes to the social assistance laws, and this is one of them. In 1998, they declared that this age group would no longer be automatically eligible for disability benefits, but would have to go on Ontario Works if they were in need, unless they had an obvious medical impairment which would qualify them for ODSP. Accordingly, they were forced to live well below the poverty line and were expected to participate in job search activities right up until their 65th birthday. This is how the law still stands today.

This is our request. We believe social assistance laws affecting this age group should be restored to what they were before 1998; namely, that applicants for social assistance aged 60 to 64 be automatically eligible for a level of income support equivalent to ODSP benefits and that they be allowed to keep the same level of assets as ODSP recipients and not be required to participate in job

search or work training activities, unless they choose to do so. We are asking the present government to recognize the fact that this group faces major barriers to employment and that requiring people of this age to live on \$536 per month in our province is unacceptable and inhumane.

As noted, the number of people in the situation we have described is relatively small, around 7,000. Transferring them to ODSP would cost, by our estimate, less than \$30 million per year in additional benefits. This relatively modest expenditure would make a huge difference in the quality of life for a group of seniors who are no doubt the poorest in our province.

In the handout there are six case examples of people who are in this situation. I want to just read one of them. This is a personal testimony and it comes from 1997, right before this change in legislation happened.

This is Richard: "I am 62 years old. I live in a small house near the village of Indian River"—that's in Ontario somewhere. "I was born in a part of Germany that is now part of Poland.... My mother died in 1940 ... . My father was taken by the Russians in 1945.... He never came back. I only went to grade 8 and then trained as a baker. I developed TB and could no longer learn the trade of baker. I emigrated with my brothers, sister and step-mother to Canada when I was 19. I spoke no English, so I went to school to learn some basic speaking, reading and writing. My English is still not very good. My four brothers and one sister got good jobs at General Motors. I applied for jobs with GM and Ford, but wasn't hired. I think this was because I am blind in one eye. The only work I could get was seasonal construction jobs. I did this kind of work until 1991, when I was 56 years old. At that time, I couldn't find any more jobs. I used up all my savings and had to apply for family benefits. Now I have been told that my provincial benefits will be cut off in January 1998 and that I will have to go back on welfare. How can they do that? This will be a disaster for me. I cannot survive on welfare and I cannot get a job. I am depressed and very anxious and scared. I was hoping to survive till I turn 65 when I will get CPP and old age security."

To me, that just exemplifies the situation that a lot of my clients find themselves in. And that's it.

**The Chair:** Thank you. You were right on time.

**Ms. Berlyne:** Oh, good.

**The Chair:** In this round of questioning we'll go to the government. Mr. Arthurs.

1620

**Mr. Arthurs:** I was a little bit late coming down; I was in the Legislature, in a vote. I certainly appreciate the presentation that was made. I was conferring in part with the clerk in respect to our rather tight schedule.

It's interesting to read the constraints upon elderly persons, particularly, because of the greater demands upon them simply for health reasons, capacity, and the extreme limitations they might face as a result of the extreme limits on the capacity of government to provide funding for support and the like.

Do you have some more specific recommendations for us that you might like to see the minister look at, in addition to what you've said?

**Ms. Berlyne:** In addition to what I've said? In general, ODSP rates as well as welfare rates need to be higher, to be honest. We're asking that people between 60 and 64 be allowed to be on ODSP, but ODSP is still far too low. It's far below the poverty line; it's \$959 a month.

**Mr. Arthurs:** So you'd like to see some very specific attention paid to those matters, particularly as they might relate to older persons.

**Ms. Berlyne:** Yes. I'm just saying that this group in their early 60s are particularly vulnerable, I find.

**Ms. Hulgaard:** There's also the other group that is on OW, whom we consider unemployable. They will never work, but they don't quite qualify for ODSP. We would love to include them, but we thought we would be conservative because it's \$30-some million. That group of people is a big concern as well.

**Mr. Arthurs:** I think Mr. Wilkinson has a question.

**Mr. Wilkinson:** There's one level of government in this country that has more money than responsibility, and it's not us and it's not our municipal partners. The question is, has there been any thought about trying to get the federal government, which seems to have plenty of money, to actually extend OAS earlier to people who meet those criteria?

**Ms. Berlyne:** I never thought of that.

**Mr. Wilkinson:** We have this kind of gap in this province where we send a lot more up than we get back. We're trying to deal with the question of vulnerable children as well. I don't discount the fact that these seniors are suffering, but we may not be able to do everything and do everything as quickly. So we're always trying to find opportunities where we can talk to the federal government. They are trying to be more relevant in people's lives.

Really, it's bridging over to old age security. If they have an employer, a lot of the time employers offer those as a package if you're lucky enough to work at a successful company. Even if they were downsizing, they bridge people to old age security.

**Ms. Berlyne:** I don't see lowering the age for old age security happening, because now they're trying to extend the retirement age, right? I can't see them wanting to lower old age security.

*Interjection.*

**Ms. Berlyne:** Well, it's true. As I said, to bring these 7,000 people over to ODSP is \$30 million. It's not a huge amount—

**Ms. Hulgaard:** And social assistance is provincial.

**Ms. Berlyne:** —and this used to be the law, so it's not like we're asking you to reinvent the wheel or anything.

**Mr. Prue:** You can change it back.

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

**Mr. Hudak:** My colleague makes a point: If the government wanted to change it, they could change it.

They haven't. There have been a lot of promises that were thrown around by Dalton McGuinty when he was in opposition. Did they make any promises in regard to welfare rates and that sort of thing?

**Ms. Hulgaard:** Not really. Not for this particular group.

**Ms. Berlyne:** At one point I think they said they'd index it to inflation, didn't they?

**Mr. Hudak:** It's always worth asking, because you never know. There have been a few things that have come up in this committee so far that were promised that I didn't know were promised and haven't been fulfilled.

The main point of the presentation is to allow those who are 60 to 64 and on Ontario Works to qualify for benefits of the same level as ODSP. The proposal is not to declare them disabled; it's just to create a new category, basically.

**Ms. Hulgaard:** Well, it's not really new, because people who are 65 and up who are not eligible for OAS for various reasons receive ODSP automatically.

**Ms. Berlyne:** Yes. It's just a matter of lowering that age by five years, really.

**Mr. Hudak:** Is it still called ODSP by those individuals?

**Ms. Berlyne:** Yes, I find it's on that—over 65, yes.

**Mr. Hudak:** You made a good point earlier on too, that the government has moved in a direction, which the official opposition supported as well, on allowing those who are 65 or older to continue working, not to base on age that people would be in a particular category. That's why I was concerned about labelling individuals 60 to 64 under ODSP, whether that would be a stigma or saying that they couldn't find work if they tried.

**Ms. Berlyne:** That's just a problem of semantics, really, I think.

**Mr. Hudak:** A better idea would be to—

**Ms. Berlyne:** I think of it more as them having major barriers to employment.

**Mr. Hudak:** Right. I was just wondering if it would be better to try to describe it in a different way than ODSP, to recognize some of the unique experiences or obstacles that people of that age clearly have.

**Ms. Berlyne:** If they want to call it something else, that's great, as long as they get the same benefit level and so on.

**Ms. Hulgaard:** You could call it family benefits.

**Ms. Berlyne:** Yes; I don't care what it's called.

**Mr. Hudak:** It certainly is a challenge. We're seeing, even today in Burlington, another factory has closed down. There are some 52,000 manufacturing jobs in the province—certainly, for a man or woman who has been working at a factory for a long time and they find themselves in this age category out of work, it's going to be awfully hard to find a job that's anywhere close to what they were being paid before. There are some worrisome trends on the manufacturing job loss side.

We've also seen that social assistance numbers, social assistance recipients, have gone up, I think, by 10% under this government.

**Ms. Berlyne:** It's gone up 3%.

**Mr. Hudak:** Sorry; you're talking about the benefit rate. I was just talking about the total number of employable individuals on social assistance.

**Ms. Berlyne:** Oh, people on it. OK.

**Mr. Hudak:** So there are some worrisome trends. On top of that, they have to cope with increasing costs for heat and other utilities, for gasoline, higher taxes. It certainly puts folks who are losing their jobs in a very, very precarious situation, let alone if they're in the age category of 60 to 64.

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

**Mr. Prue:** Before my question, I want to say how refreshing it is to hear a Conservative talk like Mr. Hudak, with compassion for these people.

**Mrs. Mitchell:** What a change—a few years late.

**Mr. Prue:** Having said that, I was re-reading—and I've read it before—Carol Goar's column, "Life as a Senior on Welfare." The people you're seeing—I mean, the comment has been made about putting the age beyond 65. We had some university professors wanting it and some lawyers and some accountants and professional people. Primarily, those aren't the people you're dealing with. You're working with people who worked their whole lives in factories or physically demanding workplaces.

**Ms. Berlyne:** Not all of them, but most of them, yes.

**Mr. Prue:** Then they got too old and were let go or the factory shut down, and the kind of work they mostly could do, if they could get it, would be factory and physically demanding work, which many young people out there can do better.

**Ms. Berlyne:** Yes, much better. They find even in their 50s they can't get those jobs any more, let alone in their 60s.

**Mr. Prue:** OK. What you are asking is simply—let's make it as simple as possible—a reinstatement of the law that existed prior to 1998 that allows for people who are on welfare to have the higher rate that used to be called family benefits.

**Ms. Berlyne:** Yes, that's all we're asking.

**Mr. Prue:** That, in turn, would simply allow those people to live below the poverty line, but actually might even be sufficient for them to have food.

**Ms. Berlyne:** And a roof over their heads.

**Ms. Hulgaard:** As it stands now, one of the examples is a man I was working with who was living in a shelter and got subsidized housing, but he's on welfare. So after he's paid his rent, he has \$201. He has heart problems and so on; he can't eat well enough. So in my way of thinking, it would make sense to allow this person to eat well and take care of himself so that we're not going to get the health costs later on. I can see that with this whole group of people.

**Mr. Prue:** We also have many, many people in one-industry towns. We've been debating this in the Legislature. Today in Kenora there was a big mill shut down—320 jobs. Of course, they're going to be eligible, I would assume, for EI for six months or a year or however long they can collect it, and then—

*Interjection.*

**Mr. Prue:** Yes, and any of those who are over 60.

Given the spate of manufacturing jobs that have been lost, there will be more than 7,000 by the time this eventually rolls around. Are you sure of the costs? Where did you get the \$30-million cost?

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**Ms. Berlyne:** We calculated going from welfare to ODSP as a little over \$400.

**Mr. Prue:** Per month, times 12, times 7,000.

**Ms. Berlyne:** Yes, we just did the math.

**Mr. Prue:** That's the math. That's where you got that from.

**Ms. Berlyne:** Yes.

**Mr. Prue:** OK.

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

ONTARIO ASSOCIATION  
OF NON-PROFIT HOMES  
AND SERVICES FOR SENIORS

**The Chair:** We're calling the Ontario Association of Non-Profit Homes and Services for Seniors to come forward.

Good afternoon. You have 10 minutes for your presentation. There will be up to 10 minutes of questioning by the three parties. I would ask you to identify yourself for the purposes of our recording Hansard.

**Ms. Donna Rubin:** Thank you, Mr. Chairman. My name's Donna Rubin, and I'm the CEO of the Ontario Association of Non-Profit Homes and Services for Seniors. We've handed around the full text of my presentation this afternoon. That presentation includes some appendices to which I would like to draw particular attention. For example, there's a chart at appendix A that illustrates the proposed breakdown of the funding increase for long-term care that we're recommending for fiscal year 2006-07. Appendix B contains our analysis of the allocation of funding from the last two budgets. Appendix D refers to the support from prominent advocacy groups for the funding increase we're asking for in the next budget.

I know you've been through lengthy hearings today. I'm sure you've had a long day, and the holidays beckon, so I'm going to try to make just a few brief points. I'm not going to follow my presentation exactly.

I acknowledge that the funding for long-term-care homes is complicated. We talk in terms of envelopes and pots; there's capital funding and there's funding to operationalize new beds. There's funding for ministry programs such as the new Web site and system improvements. What I'm going to talk about today, however, is the funding that goes to care for our residents—only care.

The long-term-care homes sector has been underfunded for a long time: at least a decade and probably longer. That chronic underfunding meant that long-term-care homes faced growing challenges in their ability to provide reasonable care to their residents. In 2001, the

Ministry of Health and Long-Term Care funded an interjurisdictional review by PricewaterhouseCoopers. That review concluded that Ontario was dead last among 10 Canadian jurisdictions and foreign jurisdictions studied in terms of the level of care provided to residents of our long-term-care homes.

Prior to the last election, the Liberal Party developed a strategy for our sector. It included a promise of a funding increase of \$6,000 per year per resident. According to the promise, this \$6,000 increase in our base funding would go entirely to care. We at OANHSS were consulted during the development of that strategy; it wasn't a number that was simply picked out of the air. We agreed that the \$6,000 increase to our base funding would be about right in terms of providing reasonable levels of care to our residents.

So where are we today in terms of the fulfilling of the \$6,000 funding promise? In the last two budgets, the government has committed an additional \$1,916 per resident per year to care. The math is very simple. In order to fulfill the \$6,000 commitment, the government must increase base operating funding by another \$4,084 per person. Assuming a total of 75,000 beds, this amounts to a total budgetary increase of \$306 million. For obvious reasons, we would like to see it all, or at least most of it, allocated in the 2006-07 year, in order to keep pace with inflationary and other cost pressures.

Two years ago, the Minister of Health and Long-Term Care and the McGuinty government promised a revolution in long-term care. We want to see a revolution too, and we are prepared to do whatever we can to make it happen. But without adequate funding, without fulfilling the \$6,000 promise, the revolution won't happen.

What will we do with the additional funding? Let me give you some examples.

Residents now receive just over two hours of nursing and personal care in a 24-hour period. We want to move that closer to three hours.

Each personal support worker currently cares for about 10 residents, and they're stretched to the limit doing so. More funding will allow us to hire more personal support workers.

Only about 10% of our residents who require rehabilitation and restorative treatment actually get the care they need. Less than 6% of our residents receive professional mental health services, even though 65% have Alzheimer's disease or some other form of dementia. More funding will allow us to get the professional rehabilitation and psychological services our residents require.

On average, we have about one registered nurse looking after over 60 people on a day shift and up to 100 residents on the night shift. In some homes, that goes up to over 200 residents. The funding will allow us to hire more registered nurses.

Today, homes are expected to feed residents on a budget of \$5.34 a day. You can consider your own grocery bill for a moment, but can you imagine feeding yourself three meals a day plus snacks on this amount? Add this to the fact that homes are expected to prepare

ground, minced and pureed versions of each meal, including specialized diets, such as weight gain, lactose-intolerant and so on. The funding increase we seek includes a much-needed increase of 66 cents per resident in the food allowance.

Fulfilling the \$6,000 promise is also necessary if we're going to keep up with the changing demographics of our homes. The fact is, our residents are getting older, they have multiple chronic illnesses and they likely suffer from dementia. An increasing number require special treatment, such as feeding tubes and oxygen. Most are transferred from hospitals and crisis situations in the community. Let me give you a brief snapshot of our residents.

The average age is 86, compared to 73 two decades ago; 72% are female; 83% need assistance with dressing; 66% need assistance with toileting; 65% have a mental health problem; 94% are at risk of injury to themselves or to others, and many exhibit aggressive behaviours.

In addition, the government continues to add more and more regulations and standards. We have no objection to regulations and standards per se, but we can't implement them without commensurate funding. I'm not just talking about the Ministry of Health and Long-Term Care; there's labour, environment and so on.

My message to you today is very simple. The long-term-care homes sector really can't wait any longer. We need an increase in per diem funding of \$4,084 per year. That promise was made in 2003, and I hope you'll agree that our seniors deserve nothing less.

**The Chair:** Thank you very much. We begin this round of questioning with the official opposition. Mr. Hudak.

**Mr. Hudak:** Ms. Rubin, thank you very much for the presentation. It's good to see you again. You guys had a great reception there a couple of weeks ago. I appreciate you inviting the members of all parties to attend.

Your language is very straightforward, and I wish we had better news. You talk about the Liberal promise being clear, explicit and documented in the Liberal campaign brochure for a \$6,000 increase in care for every resident in a long-term-care home in the province. It's highly regrettable that that promise has not been kept, if I'm reading your language correctly.

You say that the government has said they've increased \$455 million over the last two budgets, so you may have some government members who claim they've met that promise. Why is there disagreement between what your report claims and what the government and the health minister have said?

**Ms. Rubin:** The promise was made to increase care to residents. When you look at where the money has gone, even in this budget of \$264 million in increased funding to long-term care, those are large numbers, but they go to systems improvements, to pay property taxes to nursing homes that pay tax. They go to look at a new common assessment tool, even a convalescent care program that happens to reside in long-term-care homes. These are all applaudable programs, but they don't impact on a resi-

dent in long-term care. Even the convalescent care program is just somebody going from the hospital to the community; it doesn't help the person in a long-term-care bed.

**1640**

**Mr. Hudak:** Basically, on page 13, you calculate that they're about \$4,000 per bed short of where the promise would have them. When you bring up that point with the Minister of Health or the Premier, do they acknowledge that they have a way to go, or do they claim they have fulfilled their promise?

**Ms. Rubin:** Well, they look at the funding they have provided and say, "We've put \$264 million into long-term care in this year's budget." If you look on page 17 of my report, that's the kind of breakdown. Out of that, I would suggest to you that \$48 million of \$264 million has gone to direct care and services. Unfortunately, the problem we see is large amounts of money being provided to the sector that are just not going to the person at the bedside.

**Mr. Hudak:** Just to make sure I'm clear—you've made an excellent presentation; you have a detailed report here—when you bring that up with the Minister of Health and the Premier, do they agree with your numbers, or do they counter and say they've fulfilled the promise?

**Ms. Rubin:** These numbers are his numbers. I have not put them together. They're from freedom of information requests. It's just a matter of saying, does pay equity or structural compliance or municipal tax or MDS contribute to somebody in a long-term-care bed? Yes, there are systems improvements in there and important allocations of money, but in our estimation they don't fulfill the \$6,000 promise. I think that's where the interpretation comes.

**The Chair:** Thank you. Now we'll move to the NDP.

**Mr. Prue:** I just want to be clear on this, because you asked this question in appendix B, on page 16: "The government announced \$191 million in increased funding ... of which only \$96 million went to resident care and services (resulting in an average per diem increase of \$3.49). Where did the remaining \$95 million go?" I have that question too; I'm still trying to understand this.

**Ms. Rubin:** Page 16 talks about the \$191 million, and in there you'll see \$29 million to alternate levels of care, which is this convalescent care program that I'm saying is not going to impact on a long-term-care resident. When you look at \$14 million to things like a nursing strategy or best practice guidelines or a risk management framework or public reporting, again, these are good system improvements, but they don't impact on care at the bedside. At the end of that year, we received about \$96 million, and that was actually a good bump of money last year. It's even more apparent this year, when you see \$264 million and only \$48 million actually going to care. This summer we received a 10-cent increase for food. Out of the \$264 million, the per diem increase for food was 10 cents. It's that that we're trying to get at. We would like to see, in the immediate, more money go to

direct care, and when that's taken care of, then look at improving the system and doing these other improvements.

**Mr. Prue:** The person I knew best there was my mother-in-law, who passed away last year, but when I went there, the people who worked in home care—it was run by the United Church—were becoming increasingly desperate in terms of the food. They were having to take from other things to have enough money to feed the women who lived there. Is this common throughout the system? I know this one was run by the church. Maybe it's true of the privately run ones too; I don't know. They were taking it from elsewhere, because the \$3 or \$4 a day they had for food simply wasn't enough.

**Ms. Rubin:** The Ministry of Health and Long-Term Care funds all 600-plus homes in the province in exactly the same way. They are all provided with the same amount per day for food. I would suggest that many, if not most, of my members, because they're not-for-profit, are topping up that government subsidy because they have added municipal contributions or charitable donations, and they still find that inadequate. So if you're operating a home on minimum standards, which most private sector homes would, at \$5.34 a day, we would suggest that that is bare minimum.

**The Chair:** Thank you. Now we'll go to the government.

**Mr. Arthurs:** I'll lead off with a couple of questions. I'm particularly interested in any further comments around the food allowance. I know from my municipal days that that was an issue when I was on regional council and dealt with health and social services. It's certainly a matter of ongoing concern. I appreciate that you made reference, as well, to the fact that it's been a decade since there was any substantive movement.

In the past two budgets, there's been some movement; it certainly hasn't met all the expectations to this point. But I'm interested in some further explanation of the issue of being able to adequately feed people on that limited amount and the increasing pressures around things like the additional complexities of care, whether it's dementia or physical rehab—the increasing demands there and how you see those best met.

**Ms. Rubin:** In terms of food, I think the most telling bit of information or change is that we're starting to offer diets much like hospitals. The complexity of our residents is reflected in what we have to do to prepare their food. That's why the money is not keeping pace. You've got to give people choice, and you have to have a well-balanced meal, but it's got to be in all those varieties I mentioned, whether it's wheat-free or lactose-intolerant, plus there are supplements. It's just becoming more complex, so the money is not doing it.

Then, of course, there's the level of care. If we just talk about food, for example, feeding an individual can take up to 45 minutes a day. We have some homes that pull every single person off the floor and out of the administrative office to feed, and many of them are not comfortable with that situation, because that's not appro-

priate. People have aphasia and swallowing problems, and they shouldn't be doing that. There are volunteers in the home, and with all the extra staff, we're still seeing that that's not adequate. Some homes are actually being cited because they don't have enough feeders. The level of funding is not providing us with enough to actually get enough bodies and hands on the floor. That's on the basic level of helping people with toileting, dressing and feeding.

Then there's a whole other level, if you have more enriched funding, to move us to not an extremely high standard. This money that we've costed out is to move the sector to 2.75 hours of care; I'm suggesting to you that three hours would be better. But because there are 75,000 beds in the province, and it's a big-ticket item, we would like to start getting into more specialized support services, such as geriatric care, really helping people with behaviours, trying to make sure there isn't another Casa Verde problem because you've got residents who are at risk and there aren't enough people on the floor to provide the supervision we'd like to.

**Mr. Arthurs:** It really is providing a quality of life that goes beyond feeding and washing and dressing; enhancing the quality of life as well as providing activities, whether it's rehabilitation or, particularly, the complex mental conditions that some seniors experience.

**Ms. Rubin:** If staff is trained, for example, in the area of innovation in cognitive impairment, and we start to focus on this person's problem, rather than just dementia, and have our personal support workers and nurses understand how they can truly help that individual, that's where we need to start to move the sector into specialized training and support. But we're racing just to get everybody up, dressed and fed, and that in itself is a challenge.

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

#### TORONTO BOARD OF TRADE

**The Chair:** I would call on the Toronto Board of Trade to please come forward. Good afternoon. You have 10 minutes for your presentation. There will be 10 minutes of questioning from the three parties following that. I would ask you to identify yourselves for the purposes of Hansard.

**Mr. Cecil Bradley:** Thank you very much, Mr. Chair. My name is Cecil Bradley, and with me today is Angie Brennand, one of our policy advisers. I'm vice-president of policy with the board of trade. I'd like to thank you and the committee for giving us the opportunity to be here today, and a special thank you to Mr. Hudak for helping us attend.

**1650**

As many of you know, the Toronto Board of Trade is the voice of business in Toronto and the largest local chamber of commerce in the country. It represents 10,000 members, with approximately half a million employees involved in those companies, and produces annual revenue in excess of \$200 billion.

I'm here today on behalf of the board to urge you to reinforce the key role that Toronto's economy plays in the economic and social health of the province. One quarter of Ontario's GDP is created in Toronto. The wealth produced in the city allows the provincial government to invest in the needs of all Ontarians.

However, Toronto's municipal government struggles with persistent financial shortfalls. A major reason for these shortfalls is the gap between the services the provincial government requires Toronto and other cities to deliver and the financial resources provided to the city to meet those demands. The government can close that gap by taking back responsibility for funding social services and returning to the transit funding formulas used in the early 1990s. The alternative to realigning expenditure is to provide the city with new revenue sources or tax room. One of the paths must be taken so that Toronto can meet its expenditure responsibilities in an equitable, sustainable and accountable way.

Besides the structural financial gap, Toronto is hindered by a governance structure that doesn't promote accountability and effectiveness. A stronger system of governance must be in place before the city receives new powers or revenue sources. The board applauds the government for its vision and political courage in moving forward on these issues through the new City of Toronto Act that was tabled yesterday, and in recognizing the key role that good governance plays in reinventing our city. But we repeat our caution: The new act must be a three-legged stool, providing balanced measures of authority and independence, efficiency and responsibility, fiscal resources and tools. The excellent work of the provincial and Toronto governments has dealt with the first two: governance and authority. Now it's time for all three levels of government to ensure that Toronto has the financial arrangements required to meet its investment and spending needs. Then we'll truly have a city that can thrive and succeed.

The reinvention of Toronto is the main focus of today's presentation, but I also want to outline four other key recommendations. The first concerns the immediate creation of a Greater Toronto Transportation Authority. Gridlock costs the GTA at least \$1.6 billion per year. Traffic problems cost Toronto in every way imaginable: lost jobs, investment, poor air quality, frustrated commuters, disappointed tourists, and wasted time and money. We are convinced that we will never solve our gridlock problems until we have an agency to tackle the problem on a regional basis. A GTTA is needed to plan, coordinate and secure funding for the expansion of the regional transportation network. Above all, it must be constituted in a way that allows it to take a truly regional viewpoint and avoid being trapped by conflicts between local concerns.

Our next recommendation is that the government increase public investment in post-secondary education to the national per capita average. In today's knowledge economy, investment in education is strongly linked to regional productivity, prosperity and competitiveness.

Without a skilled workforce, our competitiveness and quality of life will inevitably decline. While the current government has made significant and critical investments in education in recent budgets, Ontario's spending still lags behind that of most other provinces. We believe there's a private sector interest and role in this area, and recommend that government consider tax changes that could provide incentives to individuals and institutions to strengthen our post-secondary education system.

Third, it's vital that Ontario have a diverse, reliable and affordable supply of power. We should consider all new and existing power sources as worthwhile components of a comprehensive plan. Our members are concerned by the lack of a coherent and clearly articulated plan for upgrading our electricity system. Potential investors in Ontario are also concerned, as are existing businesses that are considering expansion or new facilities. As part of an energy plan, the government must be clear about the potential role for the private sector. If the government wants private sector participation, assurances on pricing and policies will be necessary.

Finally, there are several steps the province should take to enhance economic growth and make our tax system more competitive. Toronto's and Ontario's growth are limited when our tax rates are out of line with key competitors. Recent research shows that to be the case. We are not fiscally competitive with relevant US jurisdictions. Tax on labour in the US is about two thirds the rate in Ontario. The tax burden on capital is double that of our key American competitors and is one of the highest in Canada.

The province can't address all fiscal disadvantages at the same time; we recognize that. We recommend focusing on tax changes that have a significant bang for the buck:

First, reduce Toronto's business education tax to the GTA average. The rate is currently 28% higher than our neighbours' and a major reason why Toronto has lost 100,000 jobs in the last 15 years while the 905 has gained over 600,000 jobs.

Second, eliminate the capital tax. We're one of the only regions in the G8 countries to continue to apply this counterproductive tax. While it would be costly to the government in the short run, we're in agreement with prominent experts who argue this would provide an outstanding return on investment.

Third, harmonize the PST and the GST. This would create substantial benefits for both government and business at a relatively low cost. It could be structured to be revenue-neutral and still stimulate investment and enhance our standard of living.

Fourth, harmonize corporate tax collection with Ottawa for the 2007 tax year. The government's current work on this issue holds tremendous promise. Done right, it'll cut the red tape burden and save Ontario businesses tens of millions of dollars per year in compliance costs.

All of these recommendations are explained in detail in our written submission, which I commend to the committee's consideration.

In summing up, the board of trade recognizes that these are tight fiscal times, and we will continue to support Ontario's effort to narrow the fiscal gap with the federal government. The province is on track to eliminating the budget deficit, and Ontario's economy is rebounding from the combined effects of events in 2003. Budget 2006 is a critical opportunity for the province to invest in its strongest economic asset: Toronto. We ask that you recognize the wisdom and effectiveness of creating a competitive Ontario by helping to build a stronger Toronto.

On behalf of the Toronto Board of Trade, I thank the committee again for the opportunity to be with you on this snowy afternoon and I'm pleased to take your questions.

**The Chair:** Thank you for your presentation. We'll begin this round of questioning with the NDP.

**Mr. Prue:** Thank you. First of all, some questions on what you had to say here. You talked about the electricity system. We hear a lot from manufacturers in the north from pulp and paper and sawmills and stuff about the costs, and that's why so many of them are going under. Are businesses in Toronto going under because of electricity?

**Mr. Bradley:** I don't believe that's the case yet. I don't believe that any of our members have come to us and pointedly said, "With the current rate regime, we're just not viable." What our members are telling us is that it's the medium and longer term that they're really concerned about.

**Mr. Prue:** A previous group said that businesses in Ontario are looking at the medium to long term. They've seen electricity rates go up quite rapidly in a couple of years, and anticipate—they were talking as well about nuclear—that the long-term prospect is such that they're just not going to do business in Ontario. Are your members saying that about Toronto?

**Mr. Bradley:** What they are most concerned about is the trajectory, or the implications of the current policy stance, taking us to an ever-higher cost regime with respect to electricity when we know that so much of the Ontario economy was founded on reliable, lower-cost energy.

**Mr. Prue:** I'm very constricted with time, but you've talked in here about tax. Do your members believe that the property tax and the business tax they pay for properties is a fair tax; that is, are they getting good value for their money in the property taxes they're paying?

**Mr. Bradley:** That's a leading question, but I think I'd answer it in two ways. I would think that businesses would say that taxing property is a fair and reasonable way for local governments to raise revenue. All they ask is that the distribution of the tax burden be fair between the various classes within the municipality.

1700

**Mr. Prue:** They don't think that is particularly the case in Toronto because of the high education proportion and because business can pay three or four times as much as a homeowner?

**Mr. Bradley:** We know that the tax ratios in Toronto are in excess of four to one and there certainly is not a four-to-one relationship on the service side. In fact, generally speaking, businesses derive fewer municipal services.

**Mr. Prue:** But in terms of what those taxes pay, the majority of the money does not go to the municipality; it goes to the province.

**Mr. Bradley:** The provincial property tax that's charged to businesses in Toronto?

**Mr. Prue:** No, the property tax that's charged to everyone in Toronto. The majority of that money ends up in the province for education, ambulance, welfare, social housing, child care. Do you have any thoughts on that?

**Mr. Bradley:** We have argued, as have many others, that locating the cost for child care, social services, social housing and what have you on the property tax is simply wrong, and that one of the most constructive things that can be done for the city of Toronto's finances would be to upload those costs. If those costs were uploaded, most, if not all, of the shortfall that Toronto has experienced over the last several years could be eliminated.

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

**Mr. McNeely:** You were talking about the gap, and you're starting to hear now about the gap from municipalities to provincial. For us, it's certainly major. There was a \$2-billion gap in 1993 and suddenly it became an \$18-billion, a \$19-billion and now a \$23-billion gap, and it just doesn't seem to be making sense. We're looking at transportation just for Toronto and the massive problems you have in so many jurisdictions involved in it. Do you feel that the municipalities represented in the greater Toronto area, including Hamilton, are ready to get into this GTTA business? Is this a need, a desire that's recognized within the city now?

**Mr. Bradley:** I think there are some reservations among municipalities about planning and delivering transportation services and investing in transportation infrastructure on a regional basis because they are unsure about the kind of governance structure that would guide the funding, that would be accountable for spending decisions, that could engage the public in discussions on the plan. There are reservations at the municipal level on that front, and of course there are reservations about, "Where would the money come from?" So I think there are reservations among municipalities about moving into a regional transportation planning and service delivery framework.

But taking note of those, it's the board's view that we really don't have any better choice, that the kinds of transportation challenges faced by the city of Toronto, its neighbouring municipalities and the municipalities that lie out further can't simply be addressed by continuing to plan and invest in transportation on a local government basis. There has to be a large element of regional planning and coordination or we're simply not going to get a good bang for our investment dollar and we're not going to get people and goods where they need to be in any

kind of cost-effective way that's friendly to the quality of life.

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

**Mr. Hudak:** Great. Thank you very much for the presentation and for your kind words. It's good to see you again. I enjoyed our meeting with our leader, John Tory, not too long ago, where we discussed some of these similar issues.

You have your detailed policy document alongside with it, and I just wanted to refer to page 8 of that. Specifically it says:

"Retain and modernize coal-based generation capacity

"The government's decision to proceed with the removal of coal-based generation plants from the power-generation mix has created anxiety among businesses and residents and puts Ontario's future economic stability at unnecessary risk."

You go on to say, "New technology now exists that makes it possible for coal to be used much more efficiently, dramatically reducing the polluting side effects." The Premier says there's no such thing as clean coal.

**Mr. Bradley:** At the board, we have a fairly large policy advisory committee, an electricity task force, that was set up seven or eight years ago and draws expertise fairly widely from the generation, distribution and supply sectors. They are persuaded that there are technologies—not conceptual, but in place and working—that would bring a very high level of air quality to coal-fired generation. So they are not as pessimistic or as—

**Mr. Hudak:** Political?

**Mr. Bradley:** I don't know whether it's political. Sometimes, people are persuaded by technical arguments, and then are not able to keep up with further developments in the field. I think that many other places in the world have been investing very heavily in coal technology, trying to make it more environmentally acceptable, and I think in many places, they have been.

Our representation does not argue that we should go for more coal. Our recommendation is that it would be a prudent stance to keep all energy options open.

**Mr. Hudak:** In fact, you basically tell the Ontario government to abandon its current plan, to refurbish them so they meet provincial environmental standards and keep the coal open, on page 9 of your report.

The other thing I found interesting too was on the post-secondary education system, page 12. You want to open it up for private institutions and individuals who wish to strengthen our post-secondary system, to invest in post-secondary education. I've had friends who have gone to other countries for their post-secondary. They had the chance to go to liberal arts colleges, for example, or private institutions that we don't really have in the province of Ontario. So you think we would benefit from allowing private universities or private colleges in the province?

**Mr. Bradley:** I think that in post-secondary education, as in a number of areas of public policy and public administration, what we have been running up against in the last several years are serious constraints about the

ability of the public sector to provide the full range and depth of services that people are looking for. We have to say that if the public sector has a limited capacity to provide facilities and services of the sort that people need, then maybe it's reasonable to look at other alternatives. In this instance, it might be reasonable to look at other ways where people could get educated and trained at the level they'd find acceptable.

**Mr. Hudak:** The finance minister—

**The Chair:** Thank you.

#### ONTARIO COALITION FOR SOCIAL JUSTICE

**The Chair:** I would call on the Ontario Coalition for Social Justice to please come forward. Good afternoon. You have 10 minutes for your presentation. There could be up to 10 minutes following that. I'd ask you to state your name for the purposes of our recording Hansard.

**Mr. John Argue:** Certainly. My name is John Argue. I'm the coordinator for the Ontario Coalition for Social Justice.

Just to give you a couple of sentences of introduction, the coalition began about 10 or so years ago in reaction to the Harris government policies of cutting back on social security and social benefits to so many people in Ontario. The essence of our activity and concern is with people of the lowest economic spectrum trying to live in this province, and therefore with marginalized workers.

I apologize for not writing a document today, but I'll attempt to come within 10 minutes. Please cut me off at 10 minutes if I'm beyond.

The common thread, as I say, is with low-income people, including people who work, marginalized workers and people who are working minimum wage and who just aren't able to make sufficient money to pay the bills that are required.

One other comment about our coalition: We exist in about 40 communities around the province. We're in a period of regeneration. The group was particularly active 10 years ago with Days of Action, expressing utter frustration by all sorts of people—labour unions, provincial anti-poverty groups and community groups—with the kind of cuts that were occurring. Then we went through a low period. Now we are appealing to a number of people—and they are approaching us, so we're in a state of renewal—who are expressing concern about the continuing problem, unfortunately, with low income.

**1710**

Our first item is social assistance. That was one of the dramatic cuts that got the coalition going. That is, the Harris government cut the lowest-income group, the people on Ontario Works, by 21.6%. Our frustration with the Liberals being elected and bringing in change is that unfortunately you only found enough money to increase the rates by 3% a year or so ago. While we understand and are sympathetic to constrained economic circumstances, we're concerned with the people who have to try to live with such meagre money, and 3% just doesn't

dent the huge cut a number of years ago and then the inflation since then. So we would urge the committee to recommend to the government that social assistance rates really need to be raised.

The diet supplement is a controversial and current topic. People in the coalition see the diet supplement, as the name implies, as a nutritional and health supplementary for social assistance. Probably the clearest statement that I've seen is by the Association of Local Public Health Agencies, a statement just two or so weeks ago. They calculated that the basic allowances of Ontario Works, and ODSP as well, just do not provide for adequate nutrition after housing costs are taken into effect. Hence, they suggest that all sorts of people apply for the special diet. They probably didn't know of it beforehand, but thanks to OCAP or whoever else, they became aware of it. But the frustration now with the restrictions on the special diet is that people find it even more difficult to live.

For example, I was speaking to a public health nurse in Peterborough yesterday. Her clients or patients are stressed, not sure whether they're going to be cut off or not. They don't know how to read bureaucratise—the letters that come from the government—and are just confused and intimidated. They are really frustrated. These nurses are desperately trying to help people and assure them.

We just want to assert and affirm that the diet supplement is really a needed supplement for health and nutritional reasons. Surely investment in people's good health is an investment in reducing costs, in effect. You can surely make the argument that if people are in good health, they'll use the health system less. It just makes sense to so many of our members, for their own mental health and well-being, for their health needs, to have that extra assistance.

JobsNow and privatization: That's another and different concern. Here, I guess on a personal level, we're concerned with the information we get from CUPE locals that deal with people who are disabled. The general point that CUPE and its different locals around the province would make is that public services, public agencies, and the government, for goodness' sake—the Ministry of Community and Social Services—make provision for disabled workers to fill the jobs that are available. The risk of engaging in this pilot called JobsNow and therefore the risk that JobsNow might replace CUPE employees and also a section of the branch of community and social services, like I understand is going on in BC, is that the service just will not be as good. The particular point that CUPE makes is in regard to disabled people. It's a relatively small group but it's a particular concern.

In general, the kinds of groups that we're concerned with are women, particularly single women and women who are parents, disabled people, aboriginals, recent immigrants and refugees. I think those are the categories of people who, at whatever level—whether receiving Ontario Works or minimum wage or earning whatever wage—are just finding it a really, really difficult time. So

we're concerned with those people and the government policies that affect them.

You've heard of the NCBS, I'm sure. The Hands off! Campaign by various legal clinics around the province and Campaign 2000, the child poverty organization, would argue very strongly that this government not claw back the roughly \$120 per month per child that the clawback represents. We're not convinced that that money is being invested in services that help the people who are in receipt of social assistance, and we're just really frustrated. There are only two provinces in the country, for goodness' sake, that don't claw back. Ontario is with the majority of provinces, but we just urge Ontario—as an Ontario resident, personally, as a person who has grown up here and a person who likes this province and who feels a responsibility to take care of neighbours, I'd just urge us all to be considerate of people around the province who need that extra money.

The minimum wage: I refer to NAPO, the National Anti-Poverty Organization, which urges that the federal government adopt a minimum wage, actually, but also that all the provincial governments increase the minimum wage. I acknowledge that this government is increasing in stages the minimum wage to the point of \$8 by 2007, but we just argue that it's not enough. NAPO, I think a year or a couple of years ago, has argued that \$10 per hour is the minimum reasonable rate and that it should be increased annually by the cost of living. Gee, if a person working full time at minimum wage taking care of a family earns \$8 even two years from now, he's not going to be able to make all those bills. You can have two people working, for sure, and all sorts of other social problems that that implies. We just urge you to increase the minimum wage even faster.

Affordable housing: We mention this just because affordable housing is such a clear need in these days of high costs of housing and the lack of affordable housing all through the province, not just in Toronto, where the rents happen to be the highest. Where's Home? 2005 is a report published a month or two ago by the Ontario Non-Profit Housing Association; it will certainly be on their Web site. It illustrated that in nine of 11 cities or towns in Ontario the rents went up more than inflation. The statistics are there in reports. The people at the lowest end just can't afford the housing. Hence, social assistance rates, minimum wage—the help that the government can provide—have to be raised in order that people can pay their rents, for God's sake, and avoid getting kicked out and are just able to establish that dichotomy of responsibility that Mel Hurtig made a number of years ago: Pay the Rent or Feed the Kids. Hopefully in Ontario, most people could do both. Therefore, I would urge that these rates be raised, whether it be the minimum wage or social assistance.

Sufficient staff in employment standards is a very particular issue. I refer here to some legal clinics that are active with marginalized workers and immigrant workers in particular who find marginal jobs; in other words, working for pizza companies. The issue just came up the

other day; it was Amato Pizza. Amato Pizza has a number of branches in Toronto; I'm not sure where else in the province. They owe \$82,000 to seven unpaid workers. One guy is quoted in a press release that the legal clinic and workers' action centre put out that he's owed, I think, \$7,000—six bounced cheques by his employer, who makes him work 80 hours a week. It's just outrageous. The point I'm making, aside from the individual story, to you members—and I'm sure that in your constituencies you might hear of like stories. I think the responsibility of the government, however, is to look at the inspectors who are hired by the employment standards branch. I understand that a few years ago approximately an equal number of inspectors at the employment standards branch and health and safety branch were employed. In the interim, in the last few years, the health and safety branch's budget has risen, so that their number of inspectors has gone up significantly. The health and safety branch inspects 10% of employers and businesses around the province. The employment standards branch inspects 0.6%—much less. The alternative budget that was offered last year to the Legislature and to Queen's Park advocated that 100 officers be hired in order to make up that difference. The Provincial Auditor, I understand, has verified that recommendation as well. Here is a concrete instance where, in fact, the provincial government might get some more money, because they advocate as well increasing the fines for violators—businesses—and recommending that that money be put into paying for some of these extra workers.

I'll cut there and I shall elaborate what I've just said in writing—by February 2, I understand. Thank you very much for letting me appear.

**The Chair:** Thank you for the presentation. We begin this round of questioning with the government.

**Mr. Arthurs:** I appreciate your comments, everything from the need to establish them 10 years ago—your words, out of frustration—and the list of activities or initiatives that you would like to see government engage in or continue to engage in in a more substantive way than they have. It's a little bit like a shopping cart of activities or proposals. I'm wondering if I could almost put you on the spot—and if you don't feel comfortable, that's OK too. But if you were rolling this shopping cart up to the checkout counter, which items would you take out of the basket first for the clerk to check out?

1720

**Mr. Argue:** I attempted in my introductory comment to say that the general concern that we have is with the lowest-income people and with marginalized workers. So I'm including both people who are on assistance of whatever sort, whether ODSP or Ontario Works, and people who are working for minimum wage or, for that matter, less, for goodness' sake, considering that some of these people aren't paid by these unscrupulous people.

My general comment would say, in various ways that I've illustrated in the different points, that what the Coalition for Social Justice wants to see is protection for this class of people—not class necessarily—the group of

people in our province who are paid or who earn or who have the lowest income. We want them protected. We would argue that that's an investment, for goodness' sake. I'm horrified at the killings and the violence that have been existing. I wouldn't make the argument that Jean Chrétien made a few years ago, that poverty leads to violence, but you know that there are studies that show that—not in as blunt terms.

The general point we're making, though, is that the lowest-income among us have to be helped. We want all these addressed, if possible. We leave the priority to you, to bounce it back to you.

**Mr. Arthurs:** I'm not sure what our time is or whether any other members have a question.

**The Chair:** We have about a minute.

**Mr. Wilkinson:** John, you're very passionate. We appreciate that you're here. Just to be clear, then, if we can't do everything this year—we're making progress on some of these fronts, and obviously not enough. The Minister of Finance is always looking for recommendations from various people, including this committee. We have to balance off our priorities. For example, we asked another group that had similar concerns if there was one thing we could do, and they said that we have to get rid of the clawback because it's the most unjust, it's affecting the future the most, because we pay the costs of all of these children who are raised in poverty. I think that's kind of what my colleague was saying. We have the ear of the minister. We can't do everything. We're making progress, but where would we need to make the most progress?

**Mr. Argue:** I think I'd avoid your question, if I can, by making a general comment. However, I would acknowledge that the clawback is just a crucial item. We have to invest in kids, for goodness' sake. We have to invest in the next generation. Kids are not the next generation; they're here now, for God's sake. They need help.

**Mr. Wilkinson:** So, sure, that's vital.

**Mr. Argue:** As I said, I compliment you on the things that can be done. I just urge you to make as many improvements as possible.

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

**Mr. Hudak:** Thank you, Mr. Argue, very much for the presentation. I think my colleagues are asking very good questions in terms of prioritizing, because we really have to make recommendations at the end of the day as to what we want the finance minister to pursue. The clawback, I understand from debate and my friend Mr. Prue, is about a \$210-million item.

**Mr. Prue:** It's \$218 million.

**Mr. Hudak:** A \$218-million item. The reality is that spending has actually gone up since 2003-04 by some \$13 billion. People get this message that times are extremely tight; there's no money. Revenue is actually up \$13 billion in the province, and you'd think that the priorities of that spending would be promises that were made. I think I'm accurate that Dalton McGuinty promised to eliminate that clawback, didn't he?

**Mr. Argue:** Yes, he did.

**Mr. Hudak:** One item that I was trying to catch up with—I confess, I'm not as familiar. You talked about a JobsNow program. Is that like a work-for-welfare program under a different name? What are your concerns surrounding JobsNow?

**Mr. Argue:** The concern about JobsNow comes from our labour supporters, I suppose, and the criticism that the same kind of work being done and accomplished by people in CUPE and maybe OPSEU is being farmed out in a pilot, I understand, in five or six different cities around the province to look at whether a particular private company can accomplish what the public service has been doing more effectively. Our concern, I guess, is, why is a private company doing very similar work to public servants, who can do the same thing, I'd suggest, probably for less money and hopefully, I think people would understand, more sympathy?

**Mr. Hudak:** Thanks for the clarification.

I've always believed fundamentally that the best social program is a job. The challenge that often people on social assistance have is moving into the workforce, and then the high rate of marginal taxation they face with some of the associated benefits they'd have to give up. Are there any suggestions that you would have on good programs, tax incentives, targeted investments etc., to help some low-income individuals leap back into the workforce and overcome this high rate of marginal taxation?

**Mr. Argue:** I'm not right up on that. I think there are various programs that are extended. In other words, if a person on social assistance or on ODSP is able to work, then all of a sudden their health payments are paid off, and they have to incur health payments, or they have to pay for transit costs, which they may have received when exploring for work while on assistance. It's that kind of program which I and the coalition would urge be extended for six months, for a year, some kind of bridging time; I can't itemize it exactly, but it's that sort of idea: The sort of help that people will have received on assistance should be extended for a period of time. That would, hopefully, help.

**Mr. Hudak:** The other issue that I hear about in my riding, and I know my colleagues do as well, is energy costs and home heating costs that are going to be going up significantly in the time ahead. The federal government is looking at a program of assistance for low-income individuals and families on home heating. To what extent are you encountering concern about energy and heating costs, and do you think the government or the finance minister should act in that regard?

**Mr. Argue:** It's not one of the items I drew attention to, actually, but to answer your question, yes, we have heard of that. I must say, the other items that I've mentioned and which I've addressed are ones we have heard more clearly and more frequently, but I wouldn't suggest that's not an important item. That's out there. This is clear. It's simply the fact that the coalition has not been involved in environmental concerns. I would hope

over a year or so more of talking to more people around the province that we would become more active.

**The Chair:** Thank you. Now we go to the NDP, and Mr. Prue.

**Mr. Prue:** A couple of things. The diet supplement—close to my heart. The minister suggested in a press conference that it was illegal and immoral what some of the doctors were doing, trying to get welfare recipients money for food. Do you concur with that?

**Mr. Argue:** Certainly not. As I said, the law, or maybe it was a regulation establishing you get the diet supplement whenever—a number of years ago—I think was placed, in good sense, as the name implied, for nutritional and health reasons. However, a greater number of people got funded with the diet supplement in the past year or so. I don't think it's abusing the system or using the law or finding a loophole, or the various phrases that have been made. In fact, I think there's good reason for people who are of the lowest income to have further assistance to buy the extra food they need for health and nutritional reasons. It's just not possible at the low rates that they've got, otherwise.

**Mr. Prue:** The Daily Bread Food Bank and many of the poverty groups estimate—and the estimate is flowing, because they were not all the same right to the exact penny—that the average welfare recipient spends between \$2.14—that's the lowest I've seen—and the highest, \$2.38 per day for food. That's all they have after they've paid for their housing and the other costs.

I shouldn't even have to ask the question, but can a person eat nutritionally for \$2.14? Is that why they're going to the doctor saying, "Give me a supplement"? I mean, for \$2.14, I can buy some really cheap bread and one can of tuna. That's about all I can buy. I don't know about the rest of you.

**Mr. Argue:** I think you've dramatized the point more than I have. No, I can't believe how anybody, obviously, could sustain themselves—heck, remain alive, for goodness' sake—on \$2.14, so of course you need more money.

**Mr. Prue:** You went on to talk about the clawback; you concurred, and we heard another group say that today, and certainly it's my belief that if you can only do one thing, that's the one to do. You could do more by ending the clawback to end child poverty in Ontario than any other single action you could take. You seemed to come to that somewhat reluctantly, though, I guess because there are so many other priorities, or because you don't want to choose one, or because—

**Mr. Argue:** Yes, it's that, actually. I find it difficult to choose one. It's like you people, as politicians.

*Interjection.*

**Mr. Argue:** Do I want to be a politician? Gee, no, I don't. I don't want to have to make those kinds of choices. I want to help everybody.

It's a reluctant choice and it's a sensible choice, right, because it's not just children—not to demean any children; it's really important to help children. But with the child tax credit, you're helping the families, for good-

ness' sake. You're helping the kids to have a better future, to have better opportunities, and more money is placed at the family's disposal too. So, yes, if it's only one, then sure, I think the clawback is the most important to deal with. But it's just that the others are so stark. Your questioning about the diet supplement just illustrates how difficult the choice is.

**1730**

The last conversation I had with the mental health nurse in Peterborough the other day—my Lord, I can't imagine the kinds of things that she has to go through with mental health patients not understanding the forms and trying to wrestle with that kind of economic difficulty they have, eking out an existence, and, having relied on a diet supplement for the last couple of months because they learned about it and got it, then maybe they're threatened to be cut off. It's that kind of concern, that certain moral concern, I guess: the moral concern, that is, of a responsibility that I like to think this province has for all of our citizens.

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

**Mr. Argue:** Thank you, and best of luck making decisions on all these items.

#### ONTARIO PHYSIOTHERAPY ASSOCIATION

**The Chair:** I call on the Ontario Physiotherapy Association to come forward, please. For the committee, we have a small bit of housekeeping to do at the end of this presentation.

Good afternoon. You have 10 minutes for your presentation and there may be up to 10 minutes of questioning following that, divided by the three parties. I would ask you to state your name for the purposes of our recording Hansard, and you may begin.

**Ms. Dorianne Sauv :** Hello. My name is Dorianne Sauv . I'm the CEO of the Ontario Physiotherapy Association. With me today is Don Gracey from CG Group consulting. Thank you, Mr. Chairman, and I understand that I'm the only thing that actually stands between this committee and the Christmas recess, so I'll be brief.

**Mr. Wilkinson:** And a little piece of business.

**Ms. Sauv :** Just a tiny bit of housekeeping you have to do after I speak. I don't have anything written to hand out to you today. I will be touching on three major points relating to health care in general and physiotherapy in particular, and then I'll try to tie them together and there will be a more fulsome submission sent to you before February 2.

The first issue relates to health care expenditures, and their magnitude and growth. Since about 33% of Ontario's total expenditures in the current fiscal year will be on health care, I assume that health care will be a major preoccupation of this committee. Ontario has the third-highest per capita spending in Canada on health care, at \$4,595 per person. Straight-line revenue and expenditure projections for Ontario, without factoring in such things

as inflation or the impacts of the aging demographics, indicate that 50% of Ontario's budget will go to health care by 2010. By 2017, that number is 66%, and by 2026, it will be 100%. Ontario reaches each of those thresholds faster than any other province.

Most of us know that these trends are unsustainable. Many of us believe that there may well be enough money in the health care system; the problem is that it is being spent inefficiently or in the wrong places. Given our precarious situation, it's at least a proposition that's worth examining.

Physiotherapists look at where most of the expenditures are going: hospitals, pharmaceuticals, physician spending and non-hospital institutions such as long-term-care homes. This represents the traditional paradigm of health care delivery centred around hospitals, doctors and drugs.

I have an in-and-out thing going on with this mike right now; sorry. I'll try to—

**Mr. Wilkinson:** We can hear you.

**Ms. Sauv :** You can hear me? Great.

It is not, however, the most cost-effective health care model. If health care funding in Ontario is to be sustainable, we need to change the delivery paradigm. The legislative framework is already in place under the Regulated Health Professions Act of 1991. What we have to do is match action with the rhetoric. Substitution is a solution: substitution of home care and community-based care for institutional care whenever possible; substitution of lower-cost and more accessible practitioners for doctors whenever appropriate; and substitution of non-invasive, drugless therapies for pharmaceuticals whenever clinically effective.

Although the solution seems obvious and the current policy suggests that we are going in that direction, we really aren't. Because hospitals and other health care institutions, physicians and drugs draw such a large proportion of health care expenditures, funding for community-based care and home care is increasingly inadequate, and has resulted in rationing care and unacceptable wait times.

We characterize cutbacks in community-based care, home care and physiotherapy, as well as other allied health care professionals, as being penny-wise and pound foolish. It only shifts demand to the more expensive delivery components of the health care system, meaning that it costs the system more in the long run. That's why we're spending more and more money on hospitals, drugs and doctors, but wait times, accessibility, the physician shortage and the overall health status of the population aren't getting much better.

The Ontario Physiotherapy Association is suggesting a rebalancing of health care expenditures by putting proportionately more funding into community-based care and home care, by encouraging the greater utilization of drugless practitioners and drugless therapies and by removing the funding and other barriers that get in the way of patients receiving the most cost-effective care when they need it and where they want it.

Ontario's health care delivery system is calcified by archaic regulations and funding anomalies that add to cost and impair access. Rebalancing funding and removing anachronisms will reduce the demand for those components of the health care system that account for the majority of spending and for the largest growth in expenditures. It will help to reduce wait times, it will improve Ontarians' access to health care and I'm certain it will also improve health outcomes.

The second thing I'd like to address relates to evidence-based benchmarks that the federal, provincial and territorial health ministers announced earlier this week; I mean, for example, the benchmarks by which hip or knee replacements will be provided within 26 weeks and cardiac bypass surgery within two to 26 weeks, depending on urgency. We very much applaud these benchmarks, but—and there is always going to be a “but” somewhere—their publication begs a very serious question. Once a hip or knee replacement surgery or cardiac surgery is done, where do the patients go for rehabilitation? The very substantial additional money that has gone into increasing the number of joint replacements and cardiac surgeries in Ontario is like expanding one section of a long pipeline. Unless the capacity of the entire pipeline is increased equally, the flow-through doesn't change.

In most of the communities you represent, the hospitals have closed or downsized their outpatient physiotherapy clinics, even though these services, provided in hospital on an in-patient or outpatient basis, is an insured service under the Canada Health Act. There isn't a single general-purpose outpatient physiotherapy clinic in any hospital in Toronto.

As I said earlier, community-based and home care physiotherapy resources are already stretched to the limit. So the answer to my question is that post-surgical patients will have to rely predominantly on in-patient hospital rehabilitation, the most expensive type of rehabilitation available. Because of the lack of outpatient community-based or home care resources, many of these patients will become bed blockers. They will be occupying very expensive hospital beds long after they should have been released to an outpatient clinic or to home care or to a community clinic, or they will be released from hospital with very high levels of acuity without the likelihood that they can get the rehabilitation services they require.

My point is that the benchmarks are great, but unless we substantially increase rehabilitation resources available outside of hospital in-patient services, we will create a huge post-surgery bottleneck in the delivery system. That bottleneck will soon back up and make it impossible to reach our benchmarks.

**1740**

My final point relates to the delisting and re-listing of community-based physiotherapy services. I remind committee members that the Ontario Physiotherapy Association did not oppose the delisting of OHIP schedule 5, because we were convinced that physiotherapy services

could be delivered more cost-effectively and with greater accessibility under a new model. The Ontario Physiotherapy Association was ready for a paradigm shift. Nevertheless, we were pleased that the government recognized the need for publicly funded physiotherapy in our communities, at least for the young, seniors, those on benefit programs and residents of long-term-care homes. Yet despite the announcement that these populations would have access to publicly funded physiotherapy as of April 1, 2005, we find ourselves, eight months later, still without those services except in a small number of geographic areas that have OHIP-designated physiotherapy clinics. The geographic restrictions that were one of the problems of the old schedule 5 system continue.

The delay in addressing this major gap in accessibility has caused confusion in communities throughout Ontario. Many still don't have access to these promised services. Physicians and others developing their family health teams are not including physiotherapy in their planning because they think these services are already available in the community. In most cases, they are not. Hospitals responding to budgetary pressures are reducing their outpatient physiotherapy services, again based on the misconception that physiotherapy services are available in the community. Again, in most cases, they are not. In both cases, we are concerned that the situation will only get worse once the LHINs are operational.

**The Chair:** You have about a minute left.

**Ms. Sauvé:** Excellent. I have about a minute left, too.

Physiotherapy is facing a perverse phenomenon: The government has acknowledged the need for community-based physiotherapy, and because of that announcement, the health care community assumes that physiotherapy is reasonably available, but the lack of action to implement the announcement means that there's actually less community-based physiotherapy than ever before.

As the Ontario Physiotherapy Association said at the time, the delisting of OHIP schedule 5 provided an opportunity to start fresh, to determine the physiotherapy services needed in the community and the most cost-effective way to deliver those services. It's not too late. We urge the government to invest in an overall review of physiotherapy and rehabilitation services in Ontario and to ensure that those who truly need these services can get them when they need them and where they need them in the publicly funded system.

**The Chair:** Thank you for the presentation. We'll begin with the official opposition.

**Mr. Hudak:** Thank you very much for the presentation. It's obviously well-timed. You concluded before our Chair lowered the gavel on you.

A couple of quick questions. April 1, 2005, as you mentioned, was the announcement that these new programs would be taking place, and we're now more than eight months later. Have there been discussions with the Minister of Health? How far advanced are they? Should patients in my riding have hope that they will start in the new year, or are you feeling pessimistic?

**Ms. Sauvé:** We've been in ongoing discussions concerning the announcement of April 1 since February last year. How far have we gotten? We've tackled phase 1 of the long-term-care homes, so that those homes that have no services whatsoever will get them. We've tackled phase 2, or at least we'll be rolling out phase 2, this month, so that those homes that have minimum or little access will be rolled into that program for long-term-care homes. That's it. That's where we've gotten to. We haven't addressed the community-based component yet, and we're not really sure what the timeline for that will be or what the plan will be, going out.

**Mr. Hudak:** In the interests of time, I have one more question, and I want to go back to that as well.

It's been 10 months and very little progress has been made. Maybe you could identify for the committee what the obstacles are, and maybe the finance committee could help dislodge those obstacles.

Secondly, you mentioned some concern about the LHINs and their impact on physiotherapy services. Related to that, I had a concern about the amalgamation of CCACs. If a constituent needs physiotherapy services, an MPP will often go to bat for them and try to get an extension of care through the CCAC. Mine is now going to be amalgamated into this massive new area, which I fear will restrict the ability of a senior or her MPP to get them service. If you don't mind explaining a bit about your concerns in the LHINs/CCAC area as well.

**Ms. Sauvé:** So do you want me to touch on the first part of your question?

**Mr. Hudak:** You can do both.

**Ms. Sauvé:** I'll touch on the first component of the question. I think that some of the barriers exist exactly in what my third point was: We are trying to build on a previous system that had problems in it to start off with, which have been communicated by our association to government in terms of what those issues were. If you're trying to build on a system that currently exists and is not meeting those accessibility needs, then you're trying to build on something that wasn't working in the first place, as opposed to going back and looking at what our overall goals were and what we're trying to achieve. I think that, in a sense, is a major barrier at times.

If I was looking at the second part of your question in terms of the LHINs, I think you nailed it in the sense of where those boundaries are, what the impact is, that the restructuring of CCACs is a confusion and where exactly some CCACs are absorbed by a LHIN, others will straddle a LHIN. At this point, it's very confusing as to how that will work out. The CCAC system has been through transition over transition over the last few years. Even at that they are struggling, in a sense, to achieve some of those things.

I think what we run into with the LHINs, in particular, is just the void of not knowing how that will work out, how that will be structured, how that will go, where the information will come from that will influence decisions made at that geographic boundary, who will be the players, in a sense, and will they have a firm under-

standing. The majority of Ontarians at this point think that all this is covered. We have people literally showing up at private clinics saying, "The government pays for my services," but they don't; not in every private clinic. That's not the way the system is built. If there's a misunderstanding by Ontarians, then there's a misunderstanding by the community, there's a misunderstanding by the hospitals as to what their mandate is, and then CCACs tend to have to pick up a lot of the overflow and the discharge. I think it's something that we really need to have an overall picture of: what physiotherapy rehabilitation services mean in Ontario and what needs to be covered. We need to break down those silos between those groups so we can talk about them.

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

**Mr. Prue:** I want to go back. You were talking about how you've been sitting there for eight months trying your very best with the government to try to come to some kind of sense around long-term care. You've got a phase 1 and a phase 2. Could you just explain to me what is happening? I got a letter yesterday, which I haven't even had a chance to investigate because the House is in session and things are very busy. It was a letter from a home that services my riding—it's not in my riding but it's in the riding next door—called Ina Grafton Gage. They were writing to the Premier complaining that the physiotherapy services in that home have been cut from 150 hours a month to 100 hours a month, and asking the Premier what he's going to do about it—cc: Michael Prue. What's happening there? Why is this happening?

**Ms. Sauvé:** Let me touch on that a little bit. This is where you start getting into some barriers based on building on a system that was already there that wasn't necessarily working well in the first place. You had a previous system where the maximum number of visits per year was 150, being paid by government at \$12.20 a visit, which is very much under the market rate for physiotherapy visits, but that was what it was paid at. That was 150 visits at \$12.20 a shot, in a sense. Then the government looked at what was the actual average that was required, and it's trying to—and I praise the government for trying to do this—look at equity. You had some homes that were receiving an inordinate amount of services, a large number of services, you had many homes that had no services at all and then you had some homes, and a fairly large number of homes, again, that had only a small amount of services.

If we're looking at having those services around the province with some level of equity, we have to look at a different way of funding those services. If on the average, someone in a long-term-care home needed approximately 70 visits a year, and not every one of the people in long-term-care homes needs those services, then the actual maximum ended up being set at 100 visits with a mechanism to increase that to 150 if need be, and that mechanism was just announced about two weeks ago. Then if you have used up your 100 or so visits or you're up to 100 visits now, what you're hearing now is someone having to cut back on those services. But it's not tech-

nically only that the government has put in a procedure for people to increase to 150 for this fiscal year, if need be, but they've also put in place a different way of funding it. What they're trying to address now is a per-bed, per-annum allocation per home, so that every home, based on the number of beds, will get a certain number of funds to purchase those services or to hire those services, and that contract will be between the provider and the government and the government and the home.

**Mr. Prue:** Do you agree with this?

**Ms. Sauvé:** Do I agree with this?

**Mr. Prue:** Yes.

**Ms. Sauvé:** I think that, one, it achieves a level of equity between the homes; two, it allows for a block sum for the physiotherapist to be able to go in and evaluate what are the needed services within that home and to address that; and it also gives a mechanism to increase the number of visits, if need be, based on need. I think it allows us to start making some of those tough choices between a small number of people getting lots and a lot of people getting nothing.

Do I agree with it? I think it is a policy that will allow for some equity. It is a new funding mechanism that will allow for professional judgment and autonomy in looking at what the actual needs are individually in the homes. Do I think the funding level that is being suggested is adequate? I don't think I can answer that question, and I don't think OANHSS and OLTCA can answer those questions until we go out and try it and see how it works.

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

**Mrs. Mitchell:** Thank you very much for your presentation. One of the things I would like you to better explain to me or expand on is, as we move forward—and I'll start with the assumption that there has been movement on long-term care and you are working through the situations. From the area I represent, we have virtually no care, so I welcome the changes that are happening that, in my opinion, were long overdue. So if I start with that basis, then how do you see things moving forward in order to provide an equitable service throughout the province for the community-based programs?

**Ms. Sauvé:** We've always been challenged in coming up with the new model and then we've always been challenged in terms of trying to look at where we've come from and how we disassemble and reassemble so that this has some level of equity and accessibility. I think there are stop-gap measures that we can put in. One of them would definitely be looking at hospital-based services and ensuring that we stop the bleeding in that area in terms of access. Hospitals have some level of geographic coverage for Ontarians. There's a hospital in every area, so you at least preserve the services that are currently being provided or augment those services to

meet some needs so you have a geographic kind of spread.

If we look at the opportunities within family health teams—because these services that we're talking about in many cases are primary health care services. So if that is the case, then an integration of physiotherapy and the support from the government to move forward with physiotherapy being an integral part of family health teams would look as well at a regional solution to a problem of equity.

As well, we have to look at all facets of what services are available in the community. It might be a solution for a LHIN to decide how many services they wish to purchase of physiotherapy per year and put that out to tender to the private sector in the sense. We have a large private practice sector as well that could be looking at integrating within that and could provide those services on behalf of a LHIN.

So there are a lot of different ways of approaching the problem, but I think my first point would be, let's stop, in a sense, some of the cuts that are happening at the hospital level, those silent cuts that no one hears about, and then look at the opportunities perhaps within family health teams and then as well to the LHINs to help them understand the need to ensure that equity.

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

**Ms. Sauvé:** Thank you for your time. Merry Christmas.

#### SUBCOMMITTEE REPORT

**The Chair:** I believe we have some housekeeping. Mr. Arthurs.

**Mr. Arthurs:** I have a motion for you, Mr. Chairman:

Your subcommittee met on Thursday, December 15, 2005, to consider the method of proceeding on pre-budget consultations 2006 and recommends the following:

(1) That the research officer provide a summary of the presentations to the committee members by Friday, February 10, 2006.

(2) That the research officer provide a draft report to the committee members by Friday, February 17, 2006.

(3) That in order to facilitate the committee's work during report writing, proposed recommendations should be filed with the clerk of the committee by 9 a.m. on Monday, February 20, 2006.

(4) That the committee request authorization from the House to meet for the purpose of report writing on Monday, February 20, 2006.

**The Chair:** All in favour? Carried.

We stand adjourned.

*The committee adjourned at 1756.*



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Ms. Anne Marzalik and Mr. Larry Johnston, research officers  
Research and Information Services

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