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Wednesday 25 January 2006

**Standing committee on
finance and economic affairs**

Pre-budget consultations

Journal des débats (Hansard)

Mercredi 25 janvier 2006

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

Consultations prébudgétaires

Chair: Pat Hoy
Clerk: Trevor Day

Président : Pat Hoy
Greffier : Trevor Day

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Wednesday 25 January 2006

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Mercredi 25 janvier 2006

The committee met at 0917 at the Pioneer Centre, Atikokan.

PRE-BUDGET CONSULTATIONS

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order. The committee is pleased to begin our pre-budget hearings here in Atikokan.

TOWNSHIP OF ATIKOKAN

The Chair: Our first presenter this morning is the township of Atikokan. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that, and if you speak, I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Mr. Dennis Brown: First of all, we'd like to thank you and your committee for coming to Atikokan. We're very appreciative of this opportunity. With me today are our town manager, Warren Paulson; our treasurer, Andre Morin; and the chair of finance, Councillor Marge Lambkin. We have information on the screen, as you will see, that we'll refer to as we go through this presentation.

We'd like to start by talking about the economy in northwestern Ontario in general, and this is probably something that everyone is aware of. It's in a crisis mode, and Atikokan's dilemma symbolizes the economic trauma that is affecting the entire region. A series of powerful economic forces have come together to convert the ongoing gradual long-term decline of northwestern Ontario's population and economy into what can only be termed a perfect economic storm, and you have the list of factors contributing to that. The northwest continues to decline, Atikokan probably a little more so. It's estimated that between 1996 and 2005, we probably lost about 800 people in our community.

However, to this list of market forces must be added the negative impact of our own provincial government's policies. First, high electricity costs have crippled our forest industry because of the energy intensiveness of pulp and saw mills. In Ontario, the cost increase has been as much as 30% over the last few years. Moreover, the closure of Atikokan's coal plant eliminates a cost-effective and reliable source of energy for our resource industries. Given the location disadvantage of northwestern Ontario industry because of the absence of densely populated

local markets, cheap energy has traditionally provided an offsetting competitive advantage to our area. This is no longer the case, and closure of our coal plant makes the region more dependent on energy imports and threatens the energy security of all its industry. Second, inadequate wood and fibre supplies resulting from lack of access to new forest areas is squeezing mills out of production. A related issue is the transport cost of accessing that fibre supply, and support for road infrastructure.

Just before we leave that slide, we'd like to point out that producing energy from coal is the second-cheapest source of doing so. We can produce energy in northwestern Ontario at about 3.5 cents a kilowatt. In our handout, you will note that one of our major employers, FibrATECH, is paying nine cents a kilowatt. On the sheet that looks like this, you will see a summary of the bill from December 15, 2005, compared to December 15, 2004. They have spent millions of dollars in trying to become more energy-efficient, and you will see, as this information points out, that the energy consumption is reduced by 68%, and the cost is only 17% reduced. They pay roughly \$81,000 every two weeks. It's going to be difficult to sustain that.

This slide shows you what's been happening in northwestern Ontario, according to Stats Canada. Up until 1993, we were actually increasing, we were doing quite well, but since then it's been downhill. Total employment in this region has declined by approximately 9,000 jobs since 2003, a percentage decline in employment of nearly 7%. The graph shows 2003 compared to 2005.

We'll go to the manufacturing part, and that's where our forest industry makes up most of the jobs. You will see that we have lost over 2,700 jobs, an 18% decline. If you look at our predicament from a southern Ontario point of view, it's like losing one fifth of your jobs. If one fifth of the manufacturing jobs in southern Ontario were to disappear, you would be looking at over 200,000 jobs. We're not crybabies for lamenting the economic devastation that has been inflicted on us. After all, we are being forced by our own provincial government to engage in a brute struggle for economic survival. We cannot accept our own government wielding the knife of economic decline by closing our main employer, hindering access to wood fibre and raising the cost of energy.

To give you a bit of information on the impact of closing our thermal generating station, we have 90 direct

jobs, and a recent community impact study paints a grim portrait of a catastrophe for our little community nestled on the banks of the Atikokan River. The loss of 90 well-paying direct OPG jobs, combined with the induced loss of another 80 jobs, will lead to a steep drop in population and income. Between 2005 and 2010, the closure of our coal plant by the provincial government will result in a 20% decline in Atikokan's population; 700 people are projected to leave the community if nothing changes. What would the reaction of the Toronto Star be if 20% of Toronto's population left because they could not find work? As well, there will be an 11% decline in community after-tax income. We should point out as well that the OPG plant pays approximately one third of the property taxes that we collect each year, and that's a substantial amount.

So those are some of the challenges we're facing here, and now we have some solutions.

We feel that it would be in order if we were to revisit the concept of regional tax incentives. The northwestern Ontario economy needs the jump-start of a broad-based tax incentive zone; that is, designate the districts of Kenora-Rainy River and Thunder Bay as a special tax region within the province of Ontario. The special tax region would have lower provincial rates apply for sales tax, personal income tax and corporate taxes. That would provide a real and broad-based incentive for a depressed economic region. The rates for provincial sales tax, income tax and corporate tax should be set 20% lower than the rest of the province, as that would provide incentives for industry and jobs to locate here. We feel that right now the per capita incomes in northwestern Ontario are about 20% below the provincial average, and this change will create a regional tax burden that will keep up with the regional resources. A broad lowering of the provincial tax burden in the northwest will provide incentives for consumers to spend and businesses to expand.

The second recommendation we're going to make is that we need a northwestern Ontario act, or some form of governance better than the present system. If Toronto can be granted special status in Ontario because the city government does not have the power that its citizens believe it needs to make the changes that Torontonians want, why can't northwestern Ontario be granted the institutional tools that might help foster its economic development? If Nunavut can be granted territorial government and told that some day it might be a province, why can't the federal government join Ontario in creating new institutions for northern Ontario? It is time for a northwestern Ontario act that creates regional governance institutions for the northwest within Ontario that will enable it to set its own energy, transport and economic development policies. The provincial government should immediately take steps to create regional government institutions for northwestern Ontario that provide local sovereignty on regional economic issues, as well as the necessary fiscal support. As part of solving Ontario's fiscal imbalance with Ottawa, the Ontario government

should make the case for special equalization payments to northern Ontario, which would then be provided to northern regional governments as a dedicated revenue source.

Our third suggestion is on energy. Northwestern Ontario's success as a resource economy and Ontario's historic economic success as Canada's manufacturing heartland have been based on access to cheap energy. As the Ontario government continues to implement its plan to close the coal-fired generating stations that provide nearly one third of its generating capacity, the resulting higher cost of electricity will subject Ontario's economy to further stress. While the provincial government's policy is well intentioned given their perception of environmental concerns, we ask that the government honour its commitment to not close the Atikokan power generating plant until alternatives to compensate for the lost employment from that plant are in place for Atikokan and sufficient alternate regional sources of electricity generation are in place for the region. Fully explore those opportunities that will allow conversion of the coal plant to alternate fuel sources so as to both help Ontario's energy future and help us maintain the economic lifeblood of our community.

In closing, we must say that we are under no illusions as to the magnitude of the crisis facing Atikokan and northwestern Ontario. The spate of recent mill closures and the accompanying out-migration make it seem like the lights are going out across our region. Addressing the economic problems of our region will require courage, imagination and hard work. We will do so because, despite the existence of those who might scoff at our pretensions or our way of life, we love this part of the world. This vast and magnificent land is our home. We invite the provincial government into our home to provide an opportunity to become part of the solution rather than a contributor to the problem. We invite the provincial government to take immediate action.

0930

The Chair: Thank you. We'll begin the first round of questioning with the official opposition.

Mr. Tim Hudak (Erie-Lincoln): Thank you, Your Worship, councillors, and all those in attendance. I know my colleagues will have questions, particularly on the energy side. I'll have a brief question, but first I want to thank Mayor Brown for all his hard work and his very strong advocacy for this community and for northwestern Ontario. As well, you've been very helpful in spreading the word across the community about this committee coming here to listen directly to the folks of Atikokan. So, Your Worship, thank you very much for all your hard work.

Mr. Brown: Thank you.

Mr. Hudak: I have one quick question of clarification, and my colleagues have questions. With respect to the future of the generating plant, you talked about an alternative of trying to get an alternative fuel source. The first preference of Atikokan would be to maintain coal

production and continue to invest in cleaner coal technology.

Mr. Brown: Absolutely. That is so important. We feel that clean coal technology is out there. Just in the last month we've received information that in Texas they're going for a zero-pollutant emission plant. So the technology is being developed. Out in Alberta, the home of natural gas, they're switching to coal. I believe that 80% of the production of power out there is in coal. It just amazes us and we fail to understand why Ontario is doing what it's doing.

Mr. John Yakabuski (Renfrew–Nipissing–Pembroke): Thank you very much, Mayor Brown, for joining us. The government spoke very strongly about consultation and taking into account the views of the north and the needs of the north. We know it wasn't an election promise, but leading up to that and prior to this decision, did the Liberal Party and/or the government have consultations with this community as to the impact that the closure of this plant would have, and did they receive any feedback from you?

Mr. Brown: That's one of the sore points about what's happening. The people of Atikokan were not consulted and, as far as I know, the people of northwestern Ontario were not consulted. That's why the governance model needs to be changed, so the people who live in these communities, who live in northwestern Ontario, have more of a say in what is happening.

We read about some of these things. When the Premier was in opposition, we communicated with him because we had read the standing committee's report on what was possibly going to happen. But I don't think there is anyone here in this community who would believe that it would ever go forward with this plan.

The Chair: Now we will move to the NDP.

Mr. Michael Prue (Beaches–East York): I have a few questions.

In terms of the coal technology—obviously it does not exist in this location at this time—have you or anyone on the town council looked into how long it would take to adapt the existing plant to a coal-burning facility similar to what they're building in Texas? I understand that there is a whole mood to get rid of dirty coal, but how long would it take to get clean coal?

Mr. Brown: The way we understand it, they can put scrubbers on out there and help to clean it up. That's roughly \$70 million. There will be other people making presentations on the energy part before the day is out who can tell you how long it will take. And there are selective catalytic converters that will reduce emissions.

At one time they used to monitor our plant, I think when it was first opened. From 1985 to 1991, the Ministry of the Environment had monitoring stations. They had one at Raft Lake, they had one about 40 miles down the road near Seine River and they had one right at the plant. But after 1992 they said there was no need to continue monitoring because there was sign of NO_x or SO_x being out there. Of course, as far as carbon dioxide is concerned, we're a carbon sink here. We're surrounded by

trees, and trees need carbon dioxide to grow. So there's a lot of good information that's there.

Mr. Prue: Okay. You're looking for regional tax incentives.

Mr. Brown: Yes.

Mr. Prue: That's eminently doable. Have you had any discussions with provincial treasury officials about that? Have they ever approached you? Have you ever approached them?

Mr. Brown: No. We've had discussions but we haven't made any formal presentations. We're actually hoping that our umbrella that serves northwestern Ontario, NOMA, will agree to that kind of idea. We have to have some more discussions internally before we carry that forward. We're hopeful that they will accept that idea. If not, our community will be pursuing it.

Mr. Prue: In terms of the City of Toronto Act—I'm from Toronto; it's a huge city—one of the things it's going to do is allow the city to tax in certain areas like theatre tickets; it's going to allow them to tax for parking. I don't see that being the kind of thing that your town council can use.

Is there some other tax mechanism you would like to get, separate and apart, in order to help raise additional revenues to spend on your town, or are you just looking for—I have a conundrum here. You obviously need money in order to develop, yet you're looking for tax incentives, which would take away money, I suppose, from the municipality.

Mr. Brown: Just a quick comment, and then Warren wants to make a comment: We don't want to tax any more. We know that Ontario is one of the most heavily taxed regions and we have to cut down on our taxes.

Mr. Prue: Absolutely.

Mr. Brown: So that's the predicament we're in. But we feel that by reducing the 20% on the personal income tax, the corporate tax and the GST, that will be an incentive for people to locate here.

The Chair: We'll move to the government.

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge): Thank you, Mayor Brown, for taking the time this morning.

I know from my municipal days that 10 minutes isn't very long to make a presentation. So, rather than asking a lot of questions, I'm certainly interested in having you explore a little more fully, whether it's the issue of the tax incentive region or other matters that are of interest. I know you have your staff and the chair of your finance committee, so rather than my taking up your time, why don't I give you a couple of minutes more so you can expand on any issues for us that you want to? We're interested in hearing it.

Mr. Brown: We've talked to our MPP quite a bit about this. It seems that the information is out there, Wayne, but we're having trouble making headway on a lot of this stuff. One other issue—maybe Andre and Warren can talk about it—is the new system of financing in Ontario, the Ontario municipal partnership fund. On that, we're projected to lose \$400,000 by 2008 unless something changes. For years we were overtaxed, where

our policing costs—our costs in this community were at least \$700 a household, and communities bigger than ours, like Sioux Lookout and even Parry Sound, were paying \$90 a household. So there was quite an imbalance. Through that, we overpaid millions of dollars in the years that it was out there. It's finally been corrected, but there have been changes made elsewhere in the municipal partnership fund, so we're not much further ahead.

Mr. John Wilkinson (Perth–Middlesex): Thank you, Your Worship, and thanks so much for such a warm welcome. We've had just a wonderful time. We got here yesterday and the red carpet has been rolled out for us. We appreciate that.

Just a quick question: Could you give us an update on this bioenergy task force? I guess there's a report coming out. I see there are three assistant deputy ministers who are part of that, and you're part of that committee. Could you just give us some feedback on how that's working so we can take that back?

Mr. Brown: Yes. Working with Bill Mauro, our MPP, we've convinced the provincial government to fund a study to look at keeping the plant operating using alternative sources of fuel. One of the fuels is peat. We're also looking at municipal waste and wood waste. A company from Sault Ste. Marie, Forest BioProducts, has been hired. They've already given us a first draft report and they're going to give us more information, but they hope to have it completed by the end of March. They are looking at all these issues out there as a way of keeping the plant operating.

The Chair: Thank you for your presentation this morning.

Mr. Toby Barrett (Haldimand–Norfolk–Brant): On a point of order, Mr. Chair: We have an opposition motion that the Ontario government not close OPG Atikokan until we see the investment in clean air and alternative feedstock.

The procedure for motions: Do we hand them in now?

The Chair: We would appreciate it if they were written, and they will be discussed at report-writing time.

Mr. Barrett: At the end of the hearings?

The Chair: Yes, at the end of all the hearings, at report-writing.

Mr. Barrett: Okay. Thank you.

The Chair: So if you could give the clerk a copy, we'd appreciate it.

0940

ONTARIO DIABETES ACTION PARTNERSHIP

The Chair: I would call on the Ontario Diabetes Action Partnership to come forward, please.

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

Ms. Terry Anne Thomson: Good morning. Thank you, Mr. Chair and members of the standing committee

on finance and economic affairs, for providing the Ontario Diabetes Action Partnership, ODAP, with this opportunity to appear before you today.

My name is Terry Anne Thomson. I am an insulin pump user and the coordinator of ODAP. ODAP is an organized partnership of diabetics, physicians, diabetes nurse educators, hospitals and non-profit organizations working together towards a common goal of securing access to government funding for insulin infusion pumps and supplies. ODAP partners believe in an equal quality of life for all Ontario children affected by diabetes.

On behalf of our province-wide partners, I would also like to take this opportunity to thank Mr. Michael Gravelle, the member for Thunder Bay–Superior North, for his support with the reintroduction of a private member's bill to amend the Health Insurance Act by making the provision of insulin infusion pumps and pump supplies insured services under the act. The ODAP partners were very pleased that the members of the Legislature gave unanimous support for Bill 15 at second reading on December 1, 2005.

Members of the committee, I would like you to take a moment to picture in your mind that you are looking at an emergency room: the hustle, the bustle, quick movements, and the heart-wrenching fear on the face of an insulin-dependent child lying on a gurney, hoping that the intravenous glucose they are receiving will bring their blood sugar level up enough that they will not feel so confused, that the tremors in their arms and legs will stop, and that they can go home to their own bed. This child is tired, has a brutalizing headache and is at battle with their body. At the same time, they are scared that this intravenous glucose will raise their blood sugar out of control and they will have to work extra hard over the next 24 hours to get back to stabilized blood glucose levels. This child faces the fact that he or she will miss school days and will have to work extra hard to catch up with the rest of their class.

This child is one of the 6,500 Ontario children afflicted with diabetes, many of whom suffer with the disease when it is raging out of control and the methods of treatment presented to them just don't work.

Have these children been overlooked by government? To the children and their families, they feel that they have been. They face diabetes-related complications resulting from having uncontrollable blood sugar. Their future holds the very real potential of limb amputation, dialysis, kidney transplants, heart attacks, strokes and blindness. The total costs of these complications can be staggering. One child with type 1 diabetes could cost the medical system more than \$200,000 due to complications during their lifetime.

Type 1 diabetes is not preventable. No child or adult has made choices that resulted in their being diagnosed with insulin-dependent diabetes. It is caused when the pancreas is incapable of making insulin, and all patients with type 1 diabetes must rely on insulin for survival. Most often, type 1 diabetes occurs in those younger than

30 years of age; however, it can develop in older patients as well.

This is a complex disease that impacts a person's life in many ways. As a child, the ramifications of diabetes impact all aspects of your life. Diabetes is very difficult to control, especially in children. The regimen of multiple daily injections and blood glucose monitoring impacts not only the child's daily life but that of their family as well. ODAP is concentrating on obtaining government funding for insulin infusion pumps and supplies for children with type 1 diabetes, as they will benefit the most from having access to pump therapy both in the immediate future as well as over the long term.

We encourage the government to recognize the benefits of insulin pump therapy. This small device operates as an insulin delivery system. It's powered by a small battery. In this particular pump it's a triple A, so you can get it anywhere. It has a small internal computer chip that allows the user to program and control exactly how much insulin is delivered through this infusion set, which is attached to my body at all times.

The insulin infusion pump operates continuously, delivering insulin 24 hours a day. The infusion set, which transports the insulin from the machine to my body, must be replaced about every two to three days. An insulin pump user works with their medical team, determining how much insulin the pump will deliver.

With an insulin pump, children have the freedom to participate in physical activities when they want, usually without having to eat first. They don't have to use needles to inject themselves or have their parents or teachers give them multiple daily shots of insulin. With diabetes, something as simple as being stuck in traffic can prevent you from getting your insulin injection at the correct time. With an insulin infusion pump, normal, everyday occurrences such as changes in eating times, spontaneous activities and being active won't jeopardize your blood glucose stability, affecting your health.

Documentation exists that clearly outlines the benefits of the infusion pump. Currently, it is the best mechanism for the prevention of the complications of diabetes by accurately delivering insulin in order to accommodate normal eating patterns, work schedules and a healthy, active life. Studies have shown that the use of an insulin pump in children reduces the number of hypoglycemic events by as much as 50%. The child in the emergency room described earlier was experiencing a hypoglycemic event. This happens when blood sugar becomes too low, and diabetics can experience a range of reactions, including tremors, hunger, sweating, difficulty concentrating, blurred vision, dizziness, convulsions or even loss of consciousness. Insulin infusion pump therapy helps to significantly reduce, and in some cases prevent, these episodes by maintaining much better control of blood glucose levels on a continuous basis.

For a diabetic child using insulin infusion pump therapy, emergency room visits like the one previously described, as well as hospital admissions, are often reduced to the point where these children do not have to visit hospitals

for extended periods of time, possibly even years. Compared to the weekly or monthly trips they make when on multiple daily injections, this would be a great improvement. Without question, when shortages of beds are the norm, it would be worth the investment, to this government and to the medical system, to assist children afflicted with diabetes with the means to better manage their health and prevent complications.

Diabetic patients account for more than one half of all new dialysis cases, 70% of all amputations and 32% of all heart attacks. These result in a cost of hundreds of millions of dollars to the Ontario government. For example, it costs \$65,000 a year for kidney dialysis for one patient, and \$74,000 for a limb amputation that may be preventable by the use of pump therapy. The use of an insulin infusion pump can help in the effort to prevent these types of complications by better stabilizing blood glucose levels, especially in children.

Of the 6,500 children in Ontario with type 1 diabetes, approximately half would be considered by their physicians as suitable candidates for insulin infusion pump therapy. Some children would not be considered as good candidates for this type of therapy due to a variety of reasons or concerns associated with wearing the device, difficulty with inserting the infusion set, which must be placed under the skin every two to three days, or because they are currently satisfied with their life using multiple daily injections, even if it does offer some restrictions. Of these 3,250 potential candidates, it is likely that approximately half already have access to insulin infusion pump therapy as part of private health coverage. The remaining 1,625 children would not have access to insulin infusion pump therapy without undue financial hardship to their families. The cost of providing these children, who would be recommended as suitable candidates for pump therapy by their physicians, with access to insulin infusion pumps and supplies would be approximately \$15 million.

Currently, insulin infusion pumps are not covered by government health plans or programs, and are only covered by select third party insurance policies. The cost of an insulin infusion pump is about \$6,600, with the cost of supplies averaging around \$3,600 per year. This is a small price to pay when you weigh this cost against the cost of complications, emergency room visits and admissions to hospital for children with insulin-dependent diabetes.

ODAP is requesting that this government provide \$15 million in funding for the provision of insulin infusion pumps and pump supply coverage for children in Ontario. This is an investment in the health of these children—our future. They can become healthier and more productive, while reducing the long-term costs to the medical system. How many investments could the government make which will pay off to this degree, not only in the immediate future but extending well beyond the foreseeable future?

0950

During the debate of Bill 15, all of the speakers acknowledged that the benefits to both the life of a diabetic patient and to the health care system clearly outweigh the initial costs of making insulin infusion pump

therapy available, as prescribed by the physician. During the debate on December 1, one of the members stated, "Bill 15 is just a logical extension of the legacy here in Ontario of Banting and Best." Mr. Chair and members of the finance committee, you have the opportunity to continue this legacy by supporting our request.

We will accept questions at this time.

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

Mr. Prue: Thank you very much, and a good presentation. It is puzzling to me, having seen Mr. Gravelle, having listened to the bill, having heard all-party debate, that the government has not, to this point, seen fit to make this money available. Have you had discussions with ministry officials?

Ms. Thomson: Yes, we have.

Mr. Prue: Why have they said they're not doing it?

Ms. Thomson: I personally started a charity 10 years ago that has been providing insulin pump assistance to people who could in no other way afford it. Until recently, even though it is the best method for treating people, it wasn't really recognized by the government that way; it wasn't really recognized that way by the physicians. It was considered a Cadillac. At this point, it's being considered the vehicle to get through your life. That's the difference. It's education on what this device does.

Mr. Prue: Have they held out any hope that they may include this in the budget? I know we're going to make recommendations.

Ms. Thomson: We see light at the end of the tunnel, although we don't know; it depends on what else comes up that's really critical to the province at the time.

Mr. Prue: I think that's all my questions.

The Chair: Okay, then; thank you. We'll move to the government and Mr. Mauro.

Mr. Bill Mauro (Thunder Bay–Atikokan): Thank you, Terry. We had an opportunity to talk about this last night for about half an hour. We ran into each other in the restaurant. I got my education last night and understood how serious and personal an issue this is for you. I wonder if you can tell us a bit of the history of this initiative: when this type of bill was first introduced, who introduced it and how many years ago that was, and that kind of information, perhaps.

Ms. Thomson: My belief is that it was about five years ago; it could be a little bit longer. The original bill was introduced by Dwight Duncan, now the Minister of Finance. It went through the motions. There was definitely a lot of debate, which brought the issue to the forefront, and then it was dropped. Michael Gravelle and Ernie Parsons worked together to reintroduce it as a new bill, Bill 55, in 2004. When the government reconvened this year, it was dropped and then reintroduced again in December as Bill 15.

Mr. Mauro: So you think the first time it was introduced was sometime in the mid- to late 1990s?

Ms. Thomson: It was four or five years ago. It was not that far back.

Mrs. Carol Mitchell (Huron–Bruce): One of the concerns that the province will be dealing with is the increase in diabetes generally, throughout the province. I know that what you are doing with regard to the pump is different than what you've presented today, but I would like to hear your comments on what you feel we can do as a government to stop the rapid increase of diabetes throughout the province.

Ms. Thomson: First of all, we're with the Ontario Diabetes Action Partnership, and our mandate is for insulin pump funding.

Mrs. Mitchell: I know, and I started off that way, and I do appreciate that.

Ms. Thomson: However, I'm not a Canadian Diabetes Association representative. That's their mandate and what their presentation is right now. It would be unfair for me to speak to their campaign.

Mrs. Mitchell: That's fine, and I thank you for that.

I've had presentations by your organization numerous times in Toronto. For all the good work that you've done, thank you.

Ms. Thomson: Thank you.

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

Mr. Hudak: Well, thank you, Chair.

The Chair: Or the official opposition. Former government.

Mr. Hudak: That's in Hansard now, Mr. Chair.

Thank you very much for the presentation and for the obvious passion with which you have approached this issue. Are you from Burlington?

Ms. Thomson: I'm based out of Burlington.

Mr. Hudak: Thank you for making the trip here to Atikokan to present to the committee.

A couple of things: When you meet with Ministry of Health officials and have your debates with them, do they agree with the premise in terms of the cost of the pump and its effectiveness?

Ms. Thomson: Yes, they do.

Mr. Hudak: So it's just of matter of, do they have the \$15 million or so to provide for it?

Ms. Thomson: Exactly.

Mr. Hudak: We in Canada often boast that we have the best health care system in the world. In your background document you indicate that there is a significant number of countries that actually do supply the insulin pumps or help to cover them.

Ms. Thomson: That's correct.

Mr. Hudak: Do you want to just put some of those countries on the record, maybe, for the committee's benefit? It's in the background document.

Ms. Thomson: The UK, Germany, Switzerland and the United States are at the top. That being said, the highest usage rate is 21% of type 1 diabetes. Type 1 diabetes is about 10% of the diabetes population in Ontario. So even the full extent of this campaign would not be as much as—it's not a big black hole of money. There is a prevalence of diabetes for multiple reasons. However, type 1 diabetes is not growing in leaps and bounds as much as type 2.

Mr. Hudak: The countries we often compare ourselves to already have some degree of funding for insulin pump therapy.

Ms. Thomson: Yes, they do.

Mr. Hudak: You also said that the aboriginal population has access to this.

Ms. Thomson: Yes, they do. I'm with the north-western program. It was developed for them. Actually, the aboriginal population has a separate strain of diabetes, which is extremely difficult to treat. There are actually 17 different strains of diabetes. There's the aboriginal, and then there's one that comes from Europe. There are hotbeds as well, like the Niagara Peninsula, the Ottawa area and northwestern Ontario, where we just don't seem to have any control over it, and it could be one of those strains that do not have any success with normal methods of treatment.

Mr. Hudak: I'm sorry; where is the funding stream for—

Ms. Thomson: For the northern population? It comes from the Ontario government.

Mr. Hudak: Does it? Okay.

Mr. Bill Murdoch (Bruce-Grey-Owen Sound): Just one thing: I'm sure, with the change of government in Ottawa, that we'll get our fair share now and the government here in Ontario will be able to put some money into it. Things will change with the help of the NDP up in Ottawa. I'm sure this will make it much better.

The Chair: Thank you for your presentation this morning.

ATIKOKAN ROMAN CATHOLIC SEPARATE SCHOOL BOARD

The Chair: I call on the Atikokan Roman Catholic Separate School Board to come forward, please.

Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Mr. John McInnis: I'm John McInnis, chair of the Atikokan Roman Catholic Separate School Board.

Mr. Wayne McAndrew: My name is Wayne McAndrew. I'm the principal of St. Patrick's School, here in Atikokan.

Ms. Teresa Larson: I'm Teresa Larson, secretary-treasurer for the Atikokan Roman Catholic Separate School Board.

Mr. McAndrew: I've been asked to make the presentation to you, and at the outset I'd like to express our appreciation at having the opportunity to be here. It's not often that a small education authority has the chance to make a presentation to a committee of this stature, so we're greatly appreciative.

Just a little bit of background, who we are: This school board operates just one school, St. Patrick's School, and the enrolment right now stands at about 192 students. Over the last five or six years, just as Atikokan has been losing its population, we've been decreasing slightly each

year. We have 12 and three-quarter full-time teachers, including the principal.

Under the Education Act, we're defined as an education authority. We're not a school board or district school board; we're an education authority. There are different sets of legislation and different funding formulas that influence education across the province. Just for your information, education authorities are typically found in remote and rural areas.

Academically, I'm pleased to say that the school has a reputation for high achievement and several times has attained the highest scores of any board on provincial tests; these are the EQAO tests that grades 3 and 6 write. You should also note that currently the school has been identified by the Council of Directors of Education, CODE, as a demonstration school, and we will be hosting principals and teachers from across the north to observe and develop exemplary teaching practices.

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Some financial background for you: Prior to 2002, education authorities received a start-up budget each school year and then applied to the Ministry of Education for special approvals. So when you got your budget, it was a start-up, and as needs evolved you would make application to your regional office to receive funding. In 2002, a funding model was implemented and special approvals were not continued. This applied to all education authorities.

For most education authorities, the budgets actually increased with the formula budget. We here in Atikokan had a slight decrease in funding, because we're a larger school; 192 students is a large education authority. Most of them will be 30, 40, 50 students, so we're quite large. The characteristics of the funding model tend to favour costs associated with small schools, and we're large relative to most education authorities.

One advantage for us, though, was that the funding model gave us stable funding. We could predict and we could plan. Even though we took a hit in terms of funding, we weren't where we were pre-2002, when you got a start-up budget and had to really bang on doors to finish off your budget. For us, that sure made a difference for long-term planning.

With that reduction in 2002, we did have some layoffs. What we also did was negotiate the collective agreements rather carefully. Up till 2002, teachers at my school earned exactly the same money, dollar for dollar, as the public systems in the area. What you'd like to know is that by August 2004, the maximum salary available to a teacher within our education authority was \$71,650, whereas elsewhere it was \$76,000. While we took the funding hit, we tightened up on collective agreements to make up for that shortfall.

Now we come to the issue: Across Ontario, teacher-board contracts expired in August 2004. For most school boards, negotiations were continuing after the expiry of those collective agreements, and for most, they concluded in August 2005. Our Minister of Education released a letter to boards and to unions in May 2004,

supporting four-year agreements and salaries equal to coterminous boards. That was his wish, and that was embraced by school boards and unions across the province. Our school board reached an agreement with its union and met the coterminous salary levels. And by the way, it was retroactive; that's important to note.

What were the impacts? As I said, with the funding model, we did a lot of planning and all the information we had received to date from the ministry suggested we should hold back and be prepared for 2% salary increases in 2004-05. We did the same for 2005-06. However, that never transpired. The actual increase for the 2004-05 year ended up being 8%. In 2005-06, it became 5%. In terms of money, in 2004-05 this increase cost the board \$56,100, and this year it's approximately \$58,000. We've tried to manage this. We've laid off a social counsellor and cut back the hours of custodians and education assistants. Instructional services and supplies—that's your big discretionary budget—has been reduced by 50%, and this hits right into classrooms. Examples of instructional services—I think we all know what they are—are instructional supplies, computer equipment, textbooks, field trips; I could make the list go forever. While we've done this, this is not a solution. This has an impact on our students. This has a huge impact. The scary part is that this is a long-term impact if we don't address it. It will compound over time; it's unavoidable.

I've done a couple of quick graphs just to show you the overview, the percentage impacts. We did plan for 2% increases, but with the minister's letter, of course, that fell apart right across the province.

In terms of dollars, you can see on the next page what the impact is. Right now, that impact is \$114,000. I know that's not a big deal to the Toronto District School Board, but here in Atikokan it's monumental—absolutely monumental. When I'm looking for textbooks and pencils and sending kids on a field trip, I end up having to tax my parents for things that you'd never believe. I need money for this, that and everything else.

We had planned, we had a formula, the plans were in place. But when we were asked—well, it was more than a request, I think. When we ended up having to meet coterminous salary rates arbitrarily, our plan went out the window.

What do we propose to you? I think there are two things we hope you can consider and assist us with. For the 2004-05 school year that has come and gone—it's history, I suppose—we would like to see a special approval from the ministry to help us with that shortfall, because it's carried forward; we're facing it this year. But the long-term solution for education authorities is found in their funding formula. We would like to see an adjustment in the classroom teacher section within the foundation grant that reflects actual new salary levels for each education authority.

That concludes my presentation, Mr. Chair.

The Chair: Thank you. We'll begin this round of questioning with the government. Mr. Wilkinson.

Mr. Wilkinson: Thank you for coming in this morning. We appreciate that.

Just a quick question: Who's looking after the kids? It's good to have you here, but do they know the principal is here?

Mr. McAndrew: I was going to bring them, but there weren't enough chairs.

Mr. Wilkinson: Yes. You're right.

Just a quick question: Basically what's happened is, you now have parity with the coterminous boards, which is a good thing, but your anticipated funding—in most places it was 2%, but actually on the ground here, it's a much higher amount, and that has caused the imbalance. Is this unique to Atikokan, or is this something that's right across the north, where you have education authorities instead of school boards? Do you have a sense of that?

Mr. McAndrew: Without trying to make this too complicated, education authorities use a base number of \$56,000 in their funding model for the calculation of salaries for teachers. Our education authority is a little different from the standpoint that, when teachers come to our school, guess what? They stay there for their careers.

We have A4, which is the highest category in teaching. A4-max teachers make up the majority of our teachers, and they're here for the duration. When you go to most education authorities, it's where you might start your career, gain experience in the teaching profession and then seek employment opportunities in other centres. So if you were to go to other education authorities, the teachers would be younger and maybe less qualified—don't have quite the academic credentials. So the \$56,000 index works very well for them, but we're the anomaly. That's why I say, go with the actual salary. That funding formula was flawed way back when, and we made the cutbacks to address it. But then we faced our maker with having to reach parity with the coterminous boards.

Mr. Wilkinson: My sense, because we have to make recommendations to the Minister of Finance, and I know Bill has been talking to the Minister of Education, is this: It's \$114,000 over two years to get things square. But is it \$114,000 here, but \$5 million in similar organizations right across Ontario? Do we have a sense of that, or is it just here? Is it an anomaly here?

Mr. McAndrew: I think the most significant issue is here, but I think your comment is right: To lesser extents, it does extend beyond Atikokan. I would be very hesitant to even predict the actual financial impacts. It's obvious here because of the characteristics we face, but I think it's an issue that is probably faced province-wide.

Mr. Wilkinson: That helps. Thanks.

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

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Mr. Hudak: I have a quick question. I know my colleague Mr. Yakabuski has a question as well.

Coterminous boards can be similar and coterminous boards can be quite a bit different between the Catholic and the public systems. Could you characterize the public coterminous authority? Is it large? How many schools are

there? How many employees relative to your education authority?

Mr. McAndrew: I'm glad you asked the question, because I used to be the director of education for the Rainy River District School Board. Seventeen schools and a budget of probably \$35 million would be the coterminous board. Does that answer your question?

Mr. Hudak: Absolutely. Some coterminous boards, under the Catholic system historically less funded than under the public system, found it not as challenging. But there's no comparison between the size of your authority and your options for changes compared to something of that size.

Mr. McAndrew: It's really interesting. I've been a director for some large school boards in the past. The discretionary funding I have available to me in my small school is microscopic, and that's the stuff that ends up in the classroom. When we talk about \$30,000, \$40,000 or \$50,000, it's real and it does affect that child. When you're the director of education for a very, very large board, it means that certain initiatives get delayed, postponed or dropped but it doesn't, oftentimes, work its way right into a classroom, whereas this has.

Mr. Yakabuski: Thank you very much for your presentation. A year ago, the minister said he was bringing forward a new funding formula for northern and rural schools. Have you any sign of that as of yet?

Mr. McAndrew: We're still looking.

Ms. Larson: I can comment. Approximately a year ago there was some funding available to district school boards. I understand that it was a large sum—I can't tell you exactly how much—but for our specific school authority, that was supposed to help balance with the teachers' salaries, it was a mere \$600 in total. How can \$600 even match one teacher when we've had to go from \$71,600 to \$76,000? And now, the current grid is \$79,000.

Mr. Yakabuski: So you're still waiting, a year later, for some kind of show that they're actually acting on that commitment.

Ms. Larson: That's correct.

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

Mr. Prue: You started off earlier by saying that the number of students is declining. Is that decline the result of people moving away or not having as many children, or is that the result of some parents of the children determining that the other board perhaps has more money, more teachers, more access, and sending their kids there?

Mr. McAndrew: What a great question. Actually, as a percentage of total elementary students, St. Pat's is an anomaly because we make up roughly 50% of the total area enrolment. If you look at the provincial pattern, separate school boards are typically 33% at the elementary level. I think we have a lot of students and families that aspire to our school. A lot of them are non-Catholic, I should point out. The reason we've seen a decline is that the simple population of the surrounding area has reduced over time, so there are fewer students to go around.

Mr. Prue: When the mayor was up earlier, he did talk about the number of manufacturing and other jobs declining. I guess that is resulting in a population decline. I know we have seen other studies on that. This is very difficult, I would imagine, for the government. I'm in opposition, so I'll just watch them sweat. This is very difficult in terms of how to fund declining populations, how to keep things going. Do you have any suggestions for them?

Mr. McAndrew: Actually, there is a mechanism, and I will say that, generally speaking, it works in the government. As your population declines, you don't lose the money that year. There's a declining enrolment grant that tends to buffer things for one year, which is very helpful, because, based on commitments through collective agreements, you have to serve notice if you have to reduce the number of teachers within your system. So if you're good at analyzing the projections, you can plan accordingly. That hasn't been so much the issue. The issue here is that we thought we had a financial plan, and suddenly it seemed like it was imposed. The minister's letter changed the environment, and we hadn't seen it coming. Nobody, I think, saw that coming.

The Chair: Thank you for your presentation.

RAINY RIVER DISTRICT MUNICIPAL ASSOCIATION

The Chair: I call on the Rainy River District Municipal Association to come forward, please.

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

Mr. Charles Viddal: Thank you, Mr. Chair and friends. There are many here whom I can call my friends, and by the time we finish here today I hope that will be the case for all of you. I have not met some of you yet; that's why you're still in that other category. Thank you for being here.

My name is Charlie Viddal. You know whom I'm representing. I've brought along the treasurer for Atikokan and our town manager to answer some questions that I may not be able to answer in some of the areas. You've met them both earlier.

Welcome to the Rainy River district, an area that has been deemed a safe city by the World Health Organization; an area where most doors still remain unlocked on a 24/7 basis; an area where you can touch the air and feel the freedom, where you can touch the hand and feel the love; an area where we celebrate our differences, as you can see, and draw on their strengths; an area that represents 17,000 souls spread along 300 kilometres of Highway 11. I'm representing the president of our association, who happens to be three hours away by car, the only way he can get here. His name is Gary Gamsby, and I'm here on his behalf.

When I read, I tend to preach. While we could all use the sleep, I would ask that we start this morning by your

reading the first five pages of the presentation, and that way we can be alive and alert when it gets to the questions and talking points. I'll give you about three minutes to do that, Mr. Chair, if you can watch the time.

1020

The Chair: Very good. The three minutes have passed. That's the quietest I've heard the committee in a long time. You may continue.

Mr. Viddal: Thank you very much. I want to concentrate on the next page after page 5, the talking points and executive summary.

There was an erratum, and since I typed up the presentation, I take the blame for calling the assessment corporation the "tax" corporation. You can make the appropriate change for MPAC.

On these talking points—and they're all very valid—you can see that our problems are diverse. I would like to start with number 5, and you will be hearing a lot of that today. I have some questions of my own. Why is it that, when we can produce electricity just down the road here at a very cheap rate, I have to pay more and our companies have to pay more for electricity in Atikokan than they would do if they were located in Toronto? When you take electricity off the grid, that's when it gets to be expensive, and that's when it's not postage-stamped. We would like to see at least an all-in cost and maybe even a cheaper basic cost for the people in this area.

I have a problem with shutting down the plant while opening car plants and building highways in southern Ontario. Cars are the major polluter in the province. Why not shut down the 401 for one day every week? You could keep our plant open. That sounds ridiculous, doesn't it? Well, it's just as ridiculous to close this plant. I told you I preached.

The second one I want to look at is number 7. It's kind of frustrating. I've been in this a long time. We seem to send off a resolution to Toronto that goes to somebody's desk; then some answer comes back to us and it's kind of lost in the shuffle. Everybody forgets about it. Probably we do too, and maybe we have to take a little more action on it, but there should be a method by which we can get these resolutions to the proper place and get them acted on. We put one forward so we could share the revenues from the gas tax from the province. We thought it was energy-saving. It might let us build walking trails where we don't have public transit. That would save more pollution than even public transit.

You have in your handout, on the second page, a picture of the Northwestern Health Unit. I'm sorry; there is a glossier one and it's much nicer. But you can see the size of the unit. We need all the funding. We will really cut back on a 4% cap, if it's established, for that funding. We have a couple of resolutions in there indicating that problem.

Number 9: The province must meet its obligations with regard to the DSSABs. Right now, they're not meeting them with land ambulance and a few other things. They're not at the 50% level they promised. Actually, we believe they should move toward the 100%

level in social services. We feel that that shouldn't be on the property taxpayer at all.

We're having more and more difficulty recruiting doctors. Some communities in the area are spending between \$100,000 and \$200,000 just to recruit doctors. That's a lot of money here. That's about a 20% increase on our tax bill just for doctor recruitment. We need some method of being able to compete in that area.

We feel MPAC must be restructured. You have a number of things attached showing the problems we have with MPAC. There is an Ombudsman study going on. We'd ask you to watch that closely and support it and make sure that the changes do occur that are recommended by the Ombudsman.

That's all, Mr. Chair. Thank you very much.

The Chair: Thank you. This round of questioning will go to the official opposition.

Mr. Barrett: Thank you for the presentation. Just to comment very briefly, you make mention of a comparative with respect to air pollution. We know there's significantly more air pollution from highways in the province of Ontario. Whether this is a suggestion or not, you make mention of closing down the 401. I might mention that that was done four times last year: closed down by farmers for other reasons; there are incredible economic problems for cash crops, beef and other commodities. So I'll just pick up on your suggestion. You've got the Trans-Canada Highway fairly close up here. The reason it was done in the south was to try to get the word out to urban Ontario about the plight of farmers. So I pick up on your suggestion. You don't need to come all the way down to the 401; we're closing it down there. You've got some highways up here, and you may want to get a bit of attention that way.

Mr. Yakabuski: You have a lot of suggestions here, and obviously we won't be able to talk about them all. Going back to when they asked Mayor Brown about whether they wanted new taxation, you don't want new taxation but you want a fair share of what revenues there are, and you talked about the gas tax, which municipalities like yours do not get. I can tell you that I brought forward a private member's bill ensuring that the gas tax would be shared with all municipalities, and it has passed second reading. But it's now up to the government to advance that bill. I hope that your municipality and all rural municipalities continue to put pressure on them and support us on that, because I think it is vitally important that rural municipalities get a share of that tax.

Mr. Viddal: I assure you we will do that. We'll take that into consideration and actually do it. That's the important part: Don't just consider it; do it.

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

Mr. Arthurs: Thank you for the presentation, Charlie, and for the warm welcome we've had here and your opening comments. Certainly we've enjoyed our limited time for the past day or so.

I appreciate the cogency of the presentation and the comments, and the indication that there may be some matters you need to be persistent about. I've found in my

time at Queen's Park—as municipal guys, we used to send up resolutions and they would go into the vast array and never come back out again. But I'm finding, from the side I'm on now, that you really do have to be exceedingly persistent.

The two key issues we're hearing about today and expect to hear about throughout the day revolve around energy and forestry, and the economic crisis. Do you want to take another minute or so and just put on the record any additional comments around those matters that you feel are important for us to take back to the minister?

Mr. Viddal: I'll turn that question over to our town manager, Warren Paulson.

Mr. Warren Paulson: I'd like to make a few comments on that. I'd like to take you back to the Catholic school board's presentation. One of the questions asked of the board was, how do we fund these declining enrolments? I think what this group needs to take from that is the realization that as our population shrinks, the province is going to be more and more on the hook to help subsidize our residents in various ways, and that's just one of the many, many issues that are going to come up. So there's a real need, from a provincial point of view, to help us get the tools we need to pull ourselves up by our own bootstraps to build up our economy and stabilize our population. If we don't, we're going to be paying for that in many, many different ways, and the issue that the school board presented is just one.

It's unfortunate, in my opinion, that you flew directly to Atikokan, to the airport, and didn't drive at least from Thunder Bay. I think you would have gained an appreciation of the vastness of this part of the province and of the very small population. Once you leave the western part of Thunder Bay, it's a 200-kilometre, two-hour drive before you see anything, and the anything you see is Atikokan. When you leave Atikokan and continue west, it's a further 150 kilometres before you see any community of any size, and that's Fort Frances. We have a vast, vast area and very few people in it. Therefore, we require policies that reflect that. As you've heard already this morning, the chief one is an energy policy.

We have in most of our communities industries that are highly energy-dependent, and these industries have worked very, very hard over the last several years to make themselves more energy-efficient. But the reality remains that they are still energy-dependent, and it is very damaging, and frankly somewhat hurtful, to be in an area where we can produce electricity for three cents a kilowatt and we're forced to sell it for 10 to subsidize Toronto because they have a pollution problem that we don't. The second thing is, because of the vast distances, we need policies that reflect transportation costs. That's probably not as simple a solution as the energy island concept, but it's still something that needs to be addressed. If there are two things this province can do to recognize northwestern Ontario and help us build our own economy, I think those are the two.

1030

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

Mr. Prue: I'd like to move on to a new line of questioning. You talked here about small municipalities needing help meeting provincial downloads and also about the full funding of social services. If we can resolve that, we can probably not only help every single municipality in northern Ontario; we can help every single municipality in Ontario, period. As you probably know, the municipal tax base funds things like education, welfare, social housing, daycare and land and air ambulance, which is a huge cost to everybody. Would you think that the government should start looking at funding its own programs as opposed to taking the money from the municipalities?

Mr. Viddal: We tend to agree with that. I don't think you can get there right away, but you have in the attachments the problems faced by RRDSSAB. Those issues should be addressed almost immediately, and then work from there, as you say, toward taking over full funding. I don't want to comment on how well DSSABs are working. That will be their problem to sort out. We have an opinion in Atikokan, and I can tell you what it is: We've never been happy with the DSSAB set-up. But that's from the standpoint of the Atikokan area. We seem to be separated so far from our centre, which is in Fort Frances.

Mr. Paulson: I'd like to add to that a bit. I'm sure you've all heard AMO's presentations regarding the rather massive deficit that municipalities have to fund with respect to social programs, and we wholeheartedly support their position and recognize that the province needs to do something about it. Look at our own municipal budget: If we didn't have to fund those provincial programs, we would be in far, far better shape. And you're absolutely correct: I think that would affect every single municipality in the province.

The other side of that, however, is that not only are we paying that money; we're in a situation where we're essentially funnelling money—a mixture of provincial money and our own money—into these regional programs that the municipal staff and the municipal councils really have very little influence over. So from a governance point of view, it also doesn't make a lot of sense. These are provincial programs. There are provincial bodies and provincial ministries around here that can operate those programs, and that's how it should happen.

The Chair: Thank you for your presentation this morning.

POWER WORKERS' UNION

The Chair: I call on the Power Workers' Union to come forward, please. Good morning, gentlemen. You have 10 minutes for your presentation. There could be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Mr. Gary Shchepanik: I'm Gary Shchepanik from Thunder Bay. I represent the Power Workers' Union at the generating station there.

Mr. Jim Mallard: I'm Jim Mallard. I'm the chief steward at the Atikokan generating station here, representing the power workers.

Mr. Shchepanik: On behalf of the Power Workers' Union, I want to thank the committee for the opportunity to make this presentation today. I am an elected representative of the power workers at Thunder Bay TGS, where I represent the members as the station's chief steward. I also sit on the Power Workers' Union executive board. With me today is Jim, who has been elected by the PW members at Atikokan TGS as their chief steward.

The Power Workers' Union has prepared a brief for submission to the committee, providing the union's views on the factors that deserve necessary consideration as Ontario's next budget is formulated. A copy is provided for your review.

Today I want to talk about the impact of the government's electricity policy on northern Ontario from the perspective of the workers, the residents and the taxpayers, as you heard in presentations earlier. Both Jim and I will welcome your questions after this brief presentation.

I'll begin my comments with the observation that the government's electricity policy is having significant negative impacts on northern Ontario's economy. Increasingly, high energy prices are devastating to the industries, where 75% of the electricity consumed in this area goes into industrial production. Price increases dramatically affect the bottom line of these companies. Consider the following:

The mills have shut down at least seven paper machines this year, along with two chemical companies scheduled for the spring, affecting 1,400 jobs across north-western Ontario. These are significant numbers, considering that the entire area has a population of approximately 200,000, and 120,000 of those reside in Thunder Bay.

One of the key things that have been missing in the presentations today is that over 2,000 construction workers who rely on the major overhauls at the 10 major mills are leaving the region as their annual regional income has been reduced dramatically. This is a resource that is tough to get back once they have settled their families in other parts of this country as they chase the work.

Each one of the mills that shuts down or is downsized affects the tax base of the towns in which they are located. Businesses in small towns are shutting down, with a large migration of unemployed and skilled trades moving west. New mining and smelting operations have been stalled due to the price increases, and that's the lifeblood of this area.

On a more specific and direct cause-and-effect relationship, the closure of Atikokan TGS will reduce the community's tax base by almost 50%, all-in figures.

These are the trends that we see occurring in the immediate future. There are longer-term impacts documented by many experts that indicate significant further negative economic effects when one considers the

increased cost of electricity once coal generation is removed from the province's generation mix. Negative impacts will also occur from the loss of control of costs and of self-sufficiency when more expensive forms of generation replace coal and dependency on imports increases, as we're moving to Manitoba.

These developments, if allowed to continue, will place an escalating burden on Ontario's ability to balance the province's budget through reduced tax revenues as businesses, industries and communities close, and through the additional strain placed on community services from the increasing number of those who become unemployed.

As usual, the economic downturn caused by high electricity prices will be more intensely devastating in the northwest.

There are alternative solutions that deserve consideration and implementation. We do support the notion that a diverse energy supply mix is the best security against future risks. There is no reason why coal generation should not be in that mix.

We believe the government's commitment to close the coal plants in order to improve Ontario's air quality is based on a set of assumptions and facts that no longer exist, if they ever did, are outdated, and cannot be pursued without putting the province at risk of economy-shattering power shortages and price shocks.

Since the government's plan was developed in 2003, much has changed in Ontario. We're facing serious electricity shortages in the near and medium term; natural gas and oil prices have risen dramatically; and the timetable to bring new gas-fired plants is uncertain—now pushed back until at least 2009, no matter what anybody else says. Anybody in the field can see that.

In short, we and others think the government's plan is unworkable and risky. Even the IESO and OPA, in their carefully worded reports to the government, noted the extreme inherent risks involved in the scheduled closing of these coal-fired plants.

New clean-coal technology removes 96% of smog emissions from coal plants. It is immediately available and can be fully installed in 18 months. The installation of clean-coal technology would afford Ontario at least an additional 10 years of electricity security, and thus more time to protect the economic interests of our province and our citizens.

1040

Ontario can learn from what the Europeans are doing. Countries such as Germany and Denmark lead the world when it comes to clean-coal technology and the use of biomass to supplement coal. Decades of research under the auspices of organizations such as the EU's European Coal and Steel Community have resulted in European expertise in the coal industry unequalled anywhere in the world. Experts from Europe who met with the Power Workers' Union this past summer in Germany and Denmark are prepared to come to Ontario to talk about their experience with clean coal and biomass. That's available to you.

In conclusion, there is an opportunity to build on clean-coal technologies that would lead to the cleanup of Thunder Bay GS and Atikokan GS and add the possibility of new construction at Atikokan should we be able to entice new industry this way. This would keep employment in Ontario and not export jobs. Concentrating on the retention of low-cost power—Atikokan and Thunder Bay currently provide power at \$33 per megawatt; if we put back-end pollution controls on, it would be at \$38 per megawatt—would keep the northwest's mills running, allowing the northwest to be a net contributor rather than a burden on Ontario's economy.

Thank you for providing me the opportunity to make my presentation, and we would be pleased to take any questions. I do better at questions than at speeches.

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

Mr. Prue: Thank you very much. We've heard now from a number of people talking about saving the coal-fired generation plant. In southern Ontario that's not much of a sale, but I think up here it's pretty well unanimous. Is that a pretty fair thing to say?

Mr. Shchepanik: I disagree in one way. It is unanimous up here, but there is a lot of support in the communities in southern Ontario that are closer to those coal plants. If you realize that Ontario Hydro has been putting back-end pollution controls on their plants for the last 10 years when we're not in budget constraints due to the various governments that have been in place, out of the 450 coal plants in North America, Lambton 1 and 2 and Nanticoke 7 and 8 are ranked in the top 15. So we've been doing a good job at it. The numbers, when you're looking at NO_x and SO_x and everything else, are very comparable to gas at this point. Just let us move on with the clean-coal technology. We can put it in place in 18 months and move forward from this economic crisis of the pricing of gas. It's just ludicrous.

Mr. Prue: I'm also very interested in the biomass aspect of this. Many communities have a difficult time wondering what to do with the biomass.

Mr. Shchepanik: What's your definition of biomass?

Mr. Prue: It depends. You just said "biomass," so what are you talking about?

Mr. Shchepanik: We're talking about peat, bark, grain dust. Actually, the way Thunder Bay's and Atikokan's control systems are set up, we have test-burned all those products already, and without any changes to either of these plants, we can run biomass at 10% right now. We've done all those studies. Everything's on record. It's at the corporate office. It's open to the governments to see. That's what the Germans do, that's what the Danes do, but there hasn't been a push in this province until now to allow that. It costs a little bit of money. You have to get the infrastructure in to move the biomass to the plant. Right now we have rail that brings the coal from the west. You take the path of least resistance, right? We don't have bad pollution numbers here in Thunder Bay and Atikokan because we use low-sulphur coal from the west as opposed to the high-sulphur coal that's used down

south that comes from the States. So there is no direct comparison between the plants in Thunder Bay and Atikokan to Nanticoke and Lambton, for numerous reasons.

The Chair: We'll move to the government.

Mr. Wilkinson: Thanks, Gary. In the last part—I don't think it was in your brief—you were talking about putting the clean coal technology at the back end of existing. Were you saying that the price is \$38, versus \$33?

Mr. Shchepanik: It costs \$5 a megawatt to add all the pollution controls, the newest technology pollution controls, for existing plants. That's correct.

Mr. Wilkinson: This is the German and Danish model; and they put in the 10% biomass as well, which improves their emissions, I presume.

Mr. Shchepanik: The \$5 would just be the scrubbers, or the SCRs, that we've done in this province. The thing about a boiler and clean-coal technology is that if you've got an existing boiler, the specifications are limited. So you have to do back-end cleanup. It's very similar to when they added the catalytic converter to a car, but just a lot larger. The benefit of that is that not only do you get the same emission results as gas; you put construction workers to work for a year, as opposed to digging a hole through the city and putting in an \$80-million pipeline, which they're trying to do in Thunder Bay right now. You can do the units in Thunder Bay for \$70 million each and they're there forever, and you're producing wholesale power at \$38 a megawatt. As soon as we hook up that gas line, the Thunder Bay cost is going to be \$80 a megawatt.

Mr. Wilkinson: The only thing on that technology is that it doesn't deal with the mercury issue. It helps get the NO_x and SO_x down.

Mr. Shchepanik: No. The mercury issue is totally covered with a bag filter technology that is available here in Canada. The Germans and Danish people use it. It's a very simple process to deal with the mercury from a coal point of view.

Mrs. Mitchell: The mayor put a \$70-million cost for the cleanup. Does that take care of the mercury? I'm not holding anyone to these figures. The mayor was very clear that that was just a projection. So I ask you, does that reflect it? You were saying \$5 per megawatt.

Mr. Shchepanik: Plus or minus \$10 million on those numbers. The number he quoted there was for a single unit here in Atikokan. We have two units in Thunder Bay, so it would just be a multiple of \$70. The bag filter technology is not expensive at all.

The Chair: Thank you. We'll move to the government. I see two hands.

Mr. Barrett: I want to thank Gary and Jim for being here on behalf of the power workers. We've certainly heard, during our time here and last night, some compelling evidence of why the Atikokan plant should not be closed, and we've put forward a motion to that effect.

I wonder, with respect to the Thunder Bay OPG station, could you give us just a few more reasons why we may consider putting forward a motion to keep that one open?

We've heard quite a bit on Atikokan. I want to hear a bit more about the Thunder Bay situation.

Mr. Shchepanik: The reason we want to keep Thunder Bay open, again, on coal, is to set the price for the region at \$35 a megawatt as opposed to \$80. The reason they're keeping Thunder Bay open is that it is in the centre of the grid. Most of the load is around there, so they need that for direct support, one for the largest city in the northwest and two for the large mills that are in shored areas.

The other side of keeping Thunder Bay open and on coal that hasn't been discussed much is the relationship between shipping coal to the plants, both Thunder Bay and Atikokan, and the effect that's going to have on the railways. This one main line for the CN is just kept open; the coal contracts do all the maintenance and keep it open. The grain contracts are their profit. We have a large coal terminal in Thunder Bay that's privately owned that would be shut down, with another 40 people put out of work, plus the other effect of the seaway shipping of coal to sites in southern Ontario. You're looking at seven or eight boats of coal, and if you take them out of the picture—that goes to the seaway—if you take coal out of the picture in Nanticoke and Lambton, you devastate the seaway. Nanticoke and Lambton are doing a boatload a day.

The Chair: Mr. Yakabuski, we have about a minute.

Mr. Yakabuski: Thank you very much for your presentation. We often hear the Premier and the Minister of Energy talk about Denmark and Germany. They only ever talk about wind. They basically deny that clean coal exists. They're on record as saying that there is no such thing as clean coal. Yet we have all kinds of evidence to show that these leading wind jurisdictions are also leading the charge in clean-coal technology because they recognize the benefits of doing such. Can you give me any sense of why you think this government seems to blatantly deny that it even exists when we have so much evidence to the contrary?

1050

Mr. Shchepanik: I have absolutely no idea. You're touching on the wind in Germany and the clean coal in Germany. Germany is actually a leader in wind power; they have 15,000 megawatts of installed power. But because of the capacity factor of wind being only in the 15% range, that 15,000 megawatts of power is 100% backed up by clean coal, because the wind only blows at certain times of the day and industries cannot sustain the power differences between wind and a solid supply of power.

The Chair: Thank you for your presentation.

Do you have a question for research?

Mr. Wilkinson: I was just wondering, Larry, if you could help us out with, from the Ministry of Health, the question about the effect of mercury on human health, but also, from the Ministry of the Environment, their take on mercury emissions. In other words, one of the issues here has to do with health and the other one is about the fact that the Ministry of the Environment looks after

recording those mercury emissions and what are acceptable standards. So I would like to have some background on that.

The Chair: Thank you.

TOWN OF FORT FRANCES

The Chair: The town of Fort Frances, would you please come forward.

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

Ms. Tannis Drysdale: My name is Tannis Drysdale. I'm a councillor in the town of Fort Frances. I also sit on the Northwestern Ontario Municipal Association board and am vice-chair of the regional DSSAB.

As it was explained to you by Warren earlier today, my town is approximately 150 kilometres west of here. We sit on the Canadian-US border. We are a pulp and paper community. The majority of our town's population is employed directly or indirectly through the forestry industry.

Today I am here to talk to you about PLT reform, but we have two priorities right now in northwestern Ontario: one is the crisis in the forest industry and the second, tied to that, is provincial energy policy.

In my handout for you, I've laid out the coalition's response to the crisis in forestry and I'm going to ask you to implement these recommendations. We appreciate the assistance that the government has provided to the industry to date, but it is simply not enough. Our communities cannot survive another major layoff in the forest industry.

A second priority area is the provincial energy policy. As NOMA will be speaking later, I'll leave that for them to discuss in depth. We have, though, created an energy policy and it has many excellent suggestions in it. We strongly urge you to study this policy paper and implement all of its recommendations. It will provide us with real, long-term solutions for our region.

The reason I'm here to talk to you is the same reason that I came in 2004, and that municipal leaders from northern Ontario, year after year, came before that: PLT reform. When I came before the committee in 2004, we came to request an immediate implementation of the provincial land tax system. This system was committed to in 1998, under the Ontario fair assessment system. It has been called for by FONOM and NOMA. We were quite pleased after our presentation to find that our recommendation to you as a committee made it to your final report and was a recommendation to the minister. After that point, the Ministry of Finance took it up—I think it was even mentioned in the budget—and a consultation occurred in 11 communities throughout northern Ontario. The Ministry of Finance staff looked at other jurisdictions and how tax treatment was levied in these areas.

For those of you not familiar with the north and the special tax system, PLT is a tax system used in the

unincorporated territories. These are territories that exist outside of organized municipalities. Tax is levied by the province based on a formula that generally results in a tax bill of between \$20 and \$60 per year. For your information, on the back page of this presentation I pulled off just a sample property and what the taxes would be on a quarter-million-dollar piece of property in an unorganized territory versus what they would be in my town of Fort Frances.

Since the time of the ministry's consultation and subsequent presentation on the issue at OGRA-ROMA next year, we feel that things have gone a little bit silent. The question across the north is, where is PLT reform? I'm here today to remind you of all the very good reasons that you want to support PLT reform. The first and most important reason to support PLT reform is equity. It's a fairness issue. Even as a municipal politician and yourself—no one wants to impose new taxes, but the reality is that taxation must be fair. I've provided for you, on the second page of my presentation, some of the costs that the citizens of Fort Frances carry on their tax bill: approximately \$3 million in costs for social services, public health, the nursing home, the Ontario Provincial Police. In the area right beside Fort Frances, in the unorganized territory, that bill is nothing.

Dennis, the mayor of Atikokan, spoke earlier about tax incentive zones. I fully support a tax incentive zone for northern Ontario and for northwestern Ontario specifically, but I will tell you, you already have one here, and it is the unorganized territories. Can you imagine the difficulty, in the town of Fort Frances, of convincing a developer to put his new subdivision in my town when the province has created a tax incentive zone, with no strings attached, for businesses or private dwellings right on our own doorstep? To give you an example of how well this tax incentive zone is working for you, we have seen a 24% increase in new dwelling construction just within the Rainy River district in the unorganized territory. In the town of Fort Frances itself, that figure would be about 4%, which, given loss of homes due to fire and reconstruction, is essentially neutral.

There are also representational equity issues. The DSSAB was mentioned this morning. I'm also vice-chair of the local DSSAB. On the DSSAB, I carry, as the major funder of the organization, only three votes, and only one vote, actually, on the formula of how we divide up who pays what. Our tax bill from the DSSAB is somewhere between 36% and 47%, varying from year to year, of the total costs. The unorganized territories carry three votes, so essentially every time I vote at the table, people who don't have a taxation system that they're responsible for can negate my vote, which makes it very difficult for me to be accountable to the taxpayers of my community.

We are also looking for PLT reform because in our area we would like to begin to discuss moving to an area services board. Without PLT reform, the people in the unorganized territories can't find themselves appropriate representation and we can't move to an area services board.

We understand that a new system of taxation for these regions is complex, that there are many decisions to be made, and that after a decision to actually move forward on this file, it may very well take years to develop the assessment, to send out the bills, to get it started. That's why we need a decision now. We're very pleased when the government moves forward on legislation that helps northwestern Ontario and northern Ontario, and we look forward to working with you and our counterparts at NOMA throughout the district to ensure prosperity throughout northwestern Ontario and this province. Thank you.

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

Mr. Arthurs: Just a question in regard to the level of growth adjacent to the municipality. You're referencing the 24% growth, which I think is the number you were using, as compared to 4% in Fort Frances. Is that organized growth, or is that just individuals taking advantage of being outside the boundary, and are they literally building right outside the municipal boundary for this purpose, or is it more scattered?

1100

Ms. Drysdale: Generally, building in unorganized territories is scattered, but it varies from region to region. We have some places where there are local roads boards in place, and basically you end up with what looks very much like a subdivision. In other places, like Lake of the Woods, where we have multi-million-dollar properties, it's just a property on an island.

Mr. Arthurs: The discussion is certainly ongoing in the Ministry of Finance internally. The discussions around provincial land tax reform are continuing at this point. It's not a forgotten matter at all in that sense, but I'm very pleased that you're here to keep it in front of this committee.

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

Mr. Hudak: Thank you, Councillor, for the presentation on behalf of Fort Frances. Just a quick background question: If somebody is building in an unorganized territory, who gives the permit?

Ms. Drysdale: The room is laughing, because there's some variance. Different ministries take different roles in terms of setting up your septic systems, all of those things.

Mr. Hudak: But the closest municipality itself plays no role whatsoever in—

Ms. Drysdale: We play no role whatsoever; absolutely none.

Mr. Hudak: Are you seeing any commercial or industrial operations being set up in the unorganized territories?

Ms. Drysdale: To some extent, yes, there are some, but not necessarily an expansion in those. We're not seeing a lot of industrial growth in northwestern Ontario, period. But most things like the new OSB plant in Barwick require a municipal water and sewer system in place. When the government moves forward on PLT reform, a system of fair taxation for those industrial properties that exist in unorganized territories will have to be created.

Mr. Hudak: I'm not sure how much time I have, Chair, so I'll ask two questions at once. The crisis in the forest industry is often sadly forgotten in the provincial capital. Some steps have been brought forward, but clearly not enough. You might want to discuss, if you don't mind, a bit more of the impact on Fort Frances currently and any concerns you have for down the road. Secondly, coming from a border area myself, I'm always concerned about border infrastructure and access to the American markets. So are there any concerns from Fort Frances with respect to the border?

Ms. Drysdale: I'll start with your second question. Tourism is our second-largest industry in Fort Frances, and we have a number of concerns with respect to the border. One is the new passport legislation. As you can well imagine, with eight and a half thousand people in Fort Frances, eight and a half thousand people in our adjacent community of International Falls and the largest border crossing in northern Ontario, the new passport legislation could very well also cripple our economy.

Because of the forest crisis and the issues with Abitibi Consolidated's balance sheet, they have determined that they will be selling any assets they have which are not absolutely essential to their operations. One of the assets owned by Abitibi Consolidated in conjunction with the Boise Cascade mill across the border is the international border crossing in Fort Frances. Mayor Dan Onichuk has been working with the Ministry of Transportation in Ontario and various other bodies in the United States to assure us that when that bridge sells, because it currently is for sale, free access and reasonable tolls exist on that bridge for the years to come. It's critical to our economy.

As for our mill in Fort Frances, generally speaking, we're very concerned. The mill in Fort Frances was built in 1945 and has been owned by various owners back and forth for quite a number of years. Every year since 1945, our mill has made money. They have shown a profit in Fort Frances every year since that mill was started. Last year, they lost money. That becomes a great concern to me and it should be a great concern to the province of Ontario when an industry like that, located in our community, that has always been profitable, is suddenly not.

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

Mr. Prue: First of all, in Fort Frances, is water quality or water protection an issue at all?

Ms. Drysdale: Can you be more specific?

Mr. Prue: The reason I'm asking this is because the second part of my question is, I'm very nervous about water protection, groundwater source protection, in unorganized territories. So I want to find out whether you're having any problems in the town of Fort Frances and then go outside and see whether you're having problems where it's unorganized, where there is no municipal structure.

Ms. Drysdale: We are not concerned about water protection as it relates to unorganized territories. The Ministry of the Environment and the Ministry of Natural Resources are monitoring the systems and we have exceptionally good infrastructure when it comes to water

and water treatment in the town of Fort Frances. That may not be true of all municipalities and their relationship with their adjacent unorganized territories, but it's not a concern of ours right now.

Mr. Prue: Many unorganized territories that used to exist in Ontario now are part and parcel of towns and townships through the act of amalgamation or extension. Has Fort Frances looked at extending its boundaries to take in these areas where most of the growth is taking place in terms of housing or million-dollar homes on islands and that kind of thing?

Ms. Drysdale: The million-dollar homes unfortunately are adjacent to the city of Kenora.

Mr. Prue: Well, has Kenora looked at it? Somebody has to do it.

Ms. Drysdale: It's not our position that we want to amalgamate with these regions. In northern Ontario, there were some very significant, large, wholesale amalgamations of territory which proved to be quite expensive. These people have made a decision to live in unorganized territories. As a result, they shouldn't have taxes imposed upon them for libraries and paved roads, those things that people who want to live in an urban, small-town community wish to have. So it is not our position at this time, nor do I know of any region that's looking at taking over their unorganized territory.

Mr. Prue: More time?

The Chair: About a minute.

Mr. Prue: The social service costs per household in Fort Frances, which you have on your second page, you can probably take to any town, any city, anyplace in Ontario. Would you like to see some of these services uploaded? Does the province have a responsibility to take this off the backs of the ratepayers?

Ms. Drysdale: I suppose we could solve the whole PLT reform issue by removing social services from the municipal tax base, because those are the services that we'd be looking for taxation to be achieved for. Those discussions need to continue with the government. AMO has said—and we support the position of AMO, as Warren said—that we need to realign these services.

Mr. Prue: And have the province take over funding them, as opposed to the ratepayers?

Ms. Drysdale: Absolutely.

The Chair: Thank you for your presentation.

ATIKOKAN CHAMBER OF COMMERCE

The Chair: The Atikokan Chamber of Commerce, would you please come forward? Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Judi Nault: Thank you. Welcome to Atikokan. My name is Judi Nault and I'm the president of the Atikokan Chamber of Commerce. As the representative of Atikokan's retail, service and wholesale business sectors,

I'm here to ask you to consider the following as you prepare the budget. Some specific requests are included.

Here's a little bit of background on the current economic outlook of Atikokan:

As early as 2003, the government promised that it would implement economic initiatives to offset the impacts of closure of the Atikokan generating station. Since 2003, this promise has been repeated several times. To date, no solution has surfaced that comes close to achieving this objective. This has had a negative impact on our community.

In the two and a half years that have passed since the coal plant closure plan was announced, there has been a serious decline in Atikokan's economy and real estate values. Much of this decline is directly linked to the loss of confidence in the future of the community. We are facing closures of many small businesses in our downtown core. Some businesses have already closed. The loss of the 90-plus jobs at the station will have a domino effect on our community as a whole. The population in our schools will suffer; thus, fewer teachers will be needed, classrooms will close and programs will be cut. The rising taxes, diminished services and decreased client base will certainly cause hardships on our businesses and force even more doors to close.

1110

We have four requests, and the background and the requests are as follows:

(1) Create a competitive business climate for the forest industry. The major industry in Atikokan, as well as in most of northwestern Ontario, is the forest industry. Regional mills have announced layoffs and closures. People, jobs and investment are leaving the north.

Action is urgently required to prevent an exodus of trade skills and capital from northwestern Ontario, which will be hard to replace if and when better economic times return.

Absolute priority must be given to the cost and supply of energy to the industry and the cost and availability of fibre. Energy costs represent approximately one third of the cost of production in the pulp and paper industry. As a result, our economy is much more sensitive to energy pricing than is southern Ontario.

High fibre and energy costs and the higher Canadian dollar have made this industry uncompetitive, resulting in mill closures and job losses. The economic impact of this crisis affects all businesses within the communities and, consequently, more job losses.

In addition, the large industrial tax base is reduced, thereby reducing the municipalities' ability to provide the infrastructure and levels of service that are necessary for quality of life.

Our request to the standing committee: We are asking you to review and help decrease energy and fibre costs and increase the fibre supply before more mills close their doors. We need solutions to create a competitive business climate for the forest industry in our region, as well as the rest of Ontario.

(2) Atikokan generating station is a viable solution. Because northwestern Ontario has a greater supply of than demand for electricity, regional pricing could lead to lower energy prices in the region. The prospect of lower-cost energy is regarded by many as the potential boost needed for economic recovery. Prior to entering the debate on locational marginal pricing, or regional pricing in general, we must seek to understand the potential impacts that could arise from this policy initiative. Furthermore, many municipalities in the region are removed from utility decisions, and therefore have lost a potential economic development tool.

Further studies have been requested by NOACC, the Northwestern Ontario Associated Chambers of Commerce, to provide a northwestern Ontario view of the regional pricing debate as well as insight into government policy that could assist with planning for the region.

If the Atikokan GS closes, the CN Rail link is threatened. The rail link through Atikokan is a key transportation corridor, not only for the Atikokan GS and the Thunder Bay GS but also for the FibraTECH and Atikokan Forest Products. Railway transportation costs for coal, particleboard and lumber are significantly lower than road transport.

If CN loses the large-volume tonnage of coal used in Atikokan and Thunder Bay, it will likely trigger a reassessment of the viability of the line. Retirement of the rail link is a real possibility if the coal contract is lost. This will have a cascading impact on Atikokan's economy and possibly threaten the competitiveness of FibraTECH and AFP. Both of these companies are already suffering from the burden of high energy costs and a high Canadian dollar.

The closure of the Atikokan GS might cause a domino effect that could, in combination with other factors, push many major employers and suppliers out of business. The impact would be felt hardest in Atikokan, but our sister communities of Fort Frances, Dryden and Thunder Bay will also lose jobs and investment.

Our request of the standing committee: We believe that the Atikokan generating station is a part of the solution, not part of the problem, to this energy supply and demand crisis. We are asking the standing committee to recognize that the best alternative is to keep the plant operational as a coal-fired generating station until an equal or better solution is adopted and implemented.

(3) Crown land as an economic initiative: There's no shortage of land in northwestern Ontario, only a shortage of land for sale. The province of Ontario owns 95% of all the land in northern Ontario; the other 5% is in private hands. These private lands include our homes, cottages, farms, bushlots and timberlands.

Experience has shown that private land ownership promotes regional economic growth and diversity. Some lands could be sold to northern municipalities. The sale price should be based on a price that would promote an industry of residential and cottage lot development. There are many acres of land in and around the town of Atikokan that could be sold as cottage lots. This initiative

would also encourage residential and seasonal home construction, creating well-paid jobs and tax revenues in that area.

Our request of the standing committee: We are asking for innovative thinking on a better use of the crown lands so that Atikokan can obtain economic growth through the cottage lot initiative.

(4) Community revitalization: The Atikokan Chamber of Commerce has been active on many committees dedicated to promoting our town and area as a tourist and business destination. Several studies have been presented to the Legislature over the past year and a half. Dollars are required to see these plans realized. Infrastructure dollars are required to assist the Downtown Atikokan Renewal Committee to achieve their plan to revitalize our downtown core to attract more businesses and tourists.

The chamber applauds groups such as the Atikokan Sno-Ho Club, the Beaten Path Nordic Ski Club, the Charleson recreation group, the Atikokan Bass Classic and the antique car club, among many others, who strive to bring tourism dollars to our town annually. But they need more help. We need funding for marketing. We also need a tourism coordinator.

Our youth are unable to find long-term, secure employment in our area. We need dollars for education. We need to train our people to be able to host the world. We have first-class facilities within Atikokan and at Quetico Centre.

Our request of the standing committee: We're asking the government to set aside \$200 million to assist the town of Atikokan to develop our community to attract major industries, including tourism.

Thank you for considering our requests.

The Chair: This round of questioning will begin with the official opposition.

Mr. Hudak: Thank you very much for the excellent and very well organized presentation on behalf of the chamber of commerce. I appreciate the last point, on community revitalization. I think the first, best option, though, is to maintain the existing power plant and to invest in clean coal technology.

The notion of hoping that a new mine is going to start up and investing in improving the geological survey of the area, for example, are all good things that could still be done, but counting on a new mine to open up is a bit like buying lottery tickets and hoping for the best, isn't it?

Ms. Nault: That's right.

Mr. Hudak: We have to realize too that the coal plant will close down in a couple of years' time if the government continues on its wacky energy policy, but it's having an impact on the here and now. What impact is the chamber of commerce seeing today on local businesses and real estate prices?

Ms. Nault: Well, since the plan to close the plant was announced a year and a half ago, our real estate values have really diminished. There are people leaving Atikokan, leaving their jobs. We've already lost a few businesses in town; they've closed their doors. There is no clientele left, and we're getting a brain drain. Our young people

are leaving because they don't have hope for a job or a future here in Atikokan.

Mr. Hudak: Are we seeing any new businesses starting up, expansions of other employers who could replace the jobs at the generating plant?

Ms. Nault: No. You're seeing the odd business restart—something that was closed before coming back— with the hope that something is going to be in place before the coal plant closes.

Mr. Hudak: One of the arguments being made by the official opposition is that families now have an average of about \$2,000 less in their pockets per year with the higher hydro rates, the new McGuinty tax and gas prices going through the roof, let alone home heating costs that are scheduled to go up once again. Are you seeing an impact in the community with less disposable income in people's pockets?

Ms. Nault: Definitely. I know that, with my heating bills every month, I have less to send to my son, who is in university. The prices are astronomical, and they shouldn't be. One third of the cost of operating the plants here is heating bills and energy pricing. They can't survive.

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

Mr. Prue: I'm particularly intrigued because I have not heard this too much before, where you say you are requesting "innovative thinking on a better use of crown land so that Atikokan can obtain economic growth through a cottage lot initiative."

The cottage lots in and around southern Ontario are going up in value even faster than the houses. But it's because of the proximity, I think, to the larger urban centres, where people can, in a couple of hours, get away. What kind of cottage lot initiative do you think, given that—the miles are immense: 150 miles between towns that are getting smaller. What kind of cottage lot initiative do you think would happen? I'm just wondering where the feeder group would come from to build these cottages. What is it—10, 12 hours to drive here? I don't know.

Ms. Nault: It depends where you're coming from.

Mr. Prue: Yes, well, from southern Ontario, the GTA.

Interjection.

Mr. Prue: No. I'm just trying to think where the population—if you live around Sault Ste. Marie, you can go half an hour outside of Sault Ste. Marie to lovely cottage lots, but that's a big town. I'm just wondering how you think that kind of initiative could work.

Ms. Nault: Just the people around here would like to enjoy having cottage lots and whatnot. Myself, we have a beautiful cottage and we travel an hour from here to get to our cottage. There are many Americans who are trying to get land in northwestern Ontario. This is God's country up here. We need to be able to develop more lands for cottage lots, especially in and around Atikokan. There are a lot of people here who don't own cottages and would like to, but there's no land for sale.

Mr. Prue: So you think this would be largely domestically driven from the people who live in proximity to here?

Ms. Nault: Yes.

Mr. Prue: Okay. Thank you.

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

Mr. Mauro: Thanks, Judi, for your presentation. You were talking about the CN Rail corridor and your consideration—

The Chair: Could you speak closer to the microphone, please.

Mr. Mauro: —and your concern or considerations that it might end up closing. When Minister Duncan first made his official announcement on the date of the potential closure of the plant, shortly after that time I made a phone call to the people involved with CN Rail because that generated a concern that perhaps CN Rail was going to stop the use of that line and that other employers would be similarly negatively affected. I was told at that time that CN had no plans to close their line. As recently as this morning I was in discussions with the ownership group of FibraTECH. I raised that issue again, and they just told me as early as breakfast this morning that CN has made no indication at all to them that there would be a potential closure of that line. So my question is, do you know something different than I've been told directly by CN or that the ownership of FibraTECH has been told?

Ms. Nault: No, I haven't had anything official, but there have been many rumours.

Mr. Mauro: Okay. So it's more just on that basis.

Ms. Nault: Yes. When the rail was damaged by the flood a few years ago, they hesitated to fix it.

Mr. Mauro: Sure. You mentioned earlier also about looking and hoping to have a tourism coordinator. You're aware, I would expect, of the \$200,000 that provincially we flowed to the municipality for the hiring of an economic development officer, Mr. Pat Reid, who is now in that position and working on economic development issues for Atikokan?

Ms. Nault: Right.

Mr. Mauro: The question is, have you plugged in your requirement for a tourism piece to Mr. Reid and the work that he's doing in this regard?

Ms. Nault: Yes, we have, through the steering committee that the chamber sits on.

The Chair: Thank you for your presentation.

The Rainy River District Social Services Administration Board.

We'll continue on with our list, then.

RAINY RIVER DISTRICT COMMUNITY LEGAL CLINIC

The Chair: The Rainy River District Community Legal Clinic, please come forward.

Good morning. You have 10 minutes for your presentation. There may be up to 10 minutes of questions

following that. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Ms. Trudy McCormick: Thank you very much for the invitation to come this morning. My name is Trudy McCormick, and I'm a lawyer and executive director with the Rainy River District Community Legal Clinic. We have an office in Fort Frances, which is where I travelled from today, we have an office in Atikokan here, and we cover the entire Rainy River district with our services.

As a small piece of background, I lived in Atikokan for 15 years, and it's still home in my heart. My cabin is just outside of Atikokan.

I didn't prepare a lengthy presentation for you this morning. When I thought about coming down here today, I thought long and hard about what I could do that you would actually remember that I'd been here.

Mr. Prue: Sing?

Ms. McCormick: Well, I could do that.

I thought about what I could bring to you, what I could share with you that would be of use in your budget deliberations, and I'm quite certain that you've all been provided with the statistics, the background information on Legal Aid Ontario and on our current budget issues. So I thought I would bring a very direct message to you today.

In the Rainy River district, we have our community legal clinic and, of course, we have an area office with a certificate program that provides legal services in family and criminal law to low-income residents of Ontario. Both of those programs are funded by Legal Aid Ontario, which is in turn funded by the Ministry of the Attorney General.

I was in private practice in Atikokan until 1999, when I moved to the legal clinic for economic reasons. That was when Legal Aid Ontario came into being with the Legal Aid Services Act.

At the end of every year, we look at our statistics. We look at what we've done during the year to assess that, and then to plan for the coming year. The one thing that I can say ever since 1999 is that our numbers have increased. The numbers of people coming to the legal clinic looking for help with legal issues have steadily increased every one of those years since 1999. I was looking at the statistics yesterday, and our client contacts at the legal clinic have increased by 20% over the previous year, showing our need.

Since 1999, Legal Aid Ontario has not received an increase to its base budget. I know that there's been an effort throughout the province to bring this issue to our government, and we're now at the point that there are going to have to be cuts made and changes made if there isn't an increase in funding.

As a parent and as a taxpayer, as a lawyer and as a social justice advocate, I believe very strongly that our legal aid system is an important part of our justice system in Ontario and of what makes Ontario a good place to live. I passionately believe that an indicator of our community and of our society is how we treat those who are less advantaged, and I believe that our legal aid

system in Ontario is a very important piece of that. So I bring you my one-page plea to please bear in mind, in budget deliberations, considering an increase in Legal Aid Ontario's base funding, because it is desperately needed by the citizens of Ontario.

I'd be happy to answer any questions you might have.

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

Mr. Prue: The legal aid clinic that's in my riding in Toronto has given me about a one-hour presentation, but I want to know, is there anything that is unique or different in Atikokan, in Rainy River, in Dryden, in the northwest of Ontario, or are the problems the same, the problem that they talked to me about, the funding? Is it any different?

Ms. McCormick: The basic problem, the need for increased funding to go to Legal Aid Ontario itself as our funding body, is the same. Our system has a beauty to it in that in our legal clinic system we have 79 clinics throughout the province, so each clinic can reflect the needs of its particular community. The types of law we practise in our clinic here in the Rainy River district are probably somewhat different from what your clinic in your area would provide. For example, we deal with native issues in our clinic. We deal with workplace compensation issues—and a lot of clinics don't do that anymore—because there's no one else in our area who deals with those things.

The other thing that's unique to the north and northwest are the distances and the travel that we have to do. For example, to come here this morning I drove two hours. That's what we face when we go to hearings. My clients in Fort Frances can't attend a hearing in Fort Frances for most things. We have to travel to Thunder Bay, or we have telephone justice. We do hearings by phone. Very often people from other parts of the province are phoning in and end up participating in the hearing where my clients are being evicted. So some things are different. If we were in Toronto, we'd be able to have an in-person hearing with the Ontario Rental Housing Tribunal.

1130

Mr. Prue: Do you require additional funding on top of what a clinic in Toronto would get? I'm just trying to fathom whether you're here for the whole province or whether you're trying to make a unique case.

Ms. McCormick: I'm trying to make a case for the whole province because, unless Legal Aid Ontario receives increased funding for both the certificate program and the clinics, we will all face cuts. Our funding is slightly different than in southern Ontario because they take into consideration, in looking at our caseload, the fact that we do have a lot of travel time that we have to deal with. We have a lot of travel time to do outreach. Doing outreach in our community is a different creature than it is in an urban community. We've travelled to First Nations to do presentations. It has taken me two hours to get there to do the presentation. But the bottom line to me is that unless Legal Aid Ontario receives increased funding, then in

turn my budget will be impacted and my clients will lose some services.

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

Mr. Wilkinson: Thanks for coming in. I know that our local community legal clinic in Stratford in my riding of Perth–Middlesex and the same people who help us out in my colleague's riding of Huron–Bruce were down to see us and made an excellent presentation. We've had discussions with Attorney General Michael Bryant on this issue, who's passionate about the need to make sure we have equity in justice and access or the whole system falls apart. I know that's a focus of his.

Legal Aid Ontario is now a strong and mature organization compared to when it started. It is at arm's length from the government, which is what the basis of the act was, to ensure that that is appropriate, that it should be arm's length. You're right: The Ontario government is the biggest funder. I guess additional sources of funding include the federal government and the Law Foundation of Ontario. Is that correct?

Ms. McCormick: Yes.

Mr. Wilkinson: You're talking about the Ontario portion. I know the federal portion I'm seeing has increased over the years, as well as the contribution. I believe our budget is about \$200 million a year. Over the last few years, I think Legal Aid Ontario has received approximately \$12.3 million in new ongoing funding. I have also been informed by the Attorney General that they're delivering an additional \$6 million, which is about 3% in funding for this fiscal year. There are some special packages as well for certain government initiatives where money is focused into legal aid. For example, down in Toronto there's the big issue on gun violence, and I know there's money that's made available on those types of things.

I can tell you that we're in the process of negotiating with the federal government the new federal funding for civil and family legal aid. In addition, my understanding is that Legal Aid Ontario will be receiving a significant increased funding transfer from the Law Foundation of Ontario. Are you aware of—

Ms. McCormick: I wasn't aware of an increase from the Law Foundation of Ontario. I am aware of the efforts in dealing with the federal portion of legal aid funding, and we have looked at ways that we can maintain and enhance the services we provide. Just from a clinic focus specifically, we deal with Canada pension plan disability issues, so we're hoping that there would be a basis for increased federal funding looking at that and then other initiatives that are out there.

I know the Attorney General has felt that this is an important issue. The focus that legal aid has taken has been to make sure that it's on the radar for everyone else out there as well.

I sit on the executive of a provincial clinic group. We're kind of sitting on a cusp right now. We're waiting to see what's going to happen, because it's going to go one of two ways. We're on the peak, and either we're not

going to increase our funding and we're going to have to make cuts, or there are possibilities that there could be increases in funding and we'll sustain the services that we have and look at ways to enhance the services to the residents.

My hope today is to make sure that it is on everyone's radar right now. Yes, we do hope for increased funding from the federal government. I didn't know about the Law Foundation of Ontario increase. I know the biggest impact there had been the interest rates over the past few years, so there wasn't as much money to transfer to legal aid.

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

Mr. Yakabuski: Thank you very much for your presentation, Trudy. The area that I come from, Renfrew–Nipissing–Pembroke, is a very rural area as well. It's not quite as remote as the north, as we know.

Ms. McCormick: I'm originally from Perth.

Mr. Yakabuski: Oh, you know the area well, then. However, legal aid is a significant issue in areas like mine as well and certainly one of the issues that we deal with a lot in our office. I know you're not an economist or an energy expert, but many studies have shown that legal problems, relationships, be they family or community, can be affected a great deal by the economics of one situation. I'd like to know if you would venture an opinion, because you've said that your caseload has been increasing by 20%, on what the impact of that would be, for example, if the government continues on their policy of closing places like Atikokan—and the effect that is having on mills in the area and the general chronic employment situation that they could create as a result of that—on services such as yours in this community.

Ms. McCormick: The first impact is that the more difficult the economic situation, the more needed our services are. I think there is a correlation between the challenges to the economy and the increase in clientele that we have seen at the legal clinic.

The other thing is that I have actually now watched something that I had no personal experience with before: the progression of what can happen to my clients when the job is lost. They get behind in their bills, the family splits up and they end up without housing, which is something we deal with directly. It's just a spiral that is something that I wouldn't have pictured before. I have, on a number of occasions, looked and tried to help a client because I thought, "There but for the grace of God go I." It does have a domino effect throughout their lives. So yes, it's almost sad, in some senses, to see that our services are being used more and more, but I would anticipate an increasing need unless there is a change in the local economy.

The Chair: Thank you for your presentation.

Ms. McCormick: Thank you very much for your time.

RAINY RIVER DISTRICT SOCIAL
SERVICES ADMINISTRATION BOARD

The Chair: I will call on the Rainy River District Social Services Administration Board.

Mr. Viddal: Thank you very much, Mr. Chair. It's a little bit of a surprise for me that I'm sitting here, but you do have in your package a number of issues as far as the DSSAB is concerned. I mentioned them, if you look at the attachments to what I presented to you. I'll just very briefly go over them. I would ask Tannis Drysdale, if she is here, to come up and sit with me. Tannis is a board member and I don't happen to be. I don't have copies of this particular memo, but I'll point out the issues.

The issues are: the province's failure to pay 50% of our actual child care costs of administration; the provincial underfunding of capital reserves for all public and non-profit housing providers in the district of Rainy River, including the urban native housing providers; the province's failure to fund 50% of actual costs related to paramedic wages and benefits; the province's underfunding of the allowable 10% for land ambulance cost of administration; and the need for the province to revisit the funding formula for First Nations and recognize the actual costs of providing services to First Nation communities in our area. I'll add that that's also a problem within the health unit board I sit on.

1140

I'll give you some time to look back and find the presentation by the Rainy River District Municipal Association. It had a group of things clipped together, and in it are reports—there you have it. It has the health unit on the front. If Carol will hold that up, everyone can see it. If you page through that you will find a report by the managers of the DSSAB as to where their problems lie. We can give you a few minutes to peruse that, and then maybe you can ask questions and I'll ask Tannis to field those questions.

I'm Charlie Viddal, by the way, and this is Tannis Drysdale. She's a board member, and also a councillor in Fort Frances, and sits on the Rainy River District Social Services Administration Board. I'm sorry about the confusion.

Mr. Yakabuski: While we're perusing, did you want to continue?

Mr. Viddal: It's only fair that you peruse a little bit, and then maybe two or three minutes, Mr. Chair, whenever you want, we'll open up for questions, unless Tannis has some addition to this. I should ask her.

Ms. Drysdale: Perhaps specifically because we are in Atikokan, I'd like to share with you today the impact of closure of the coal plant on the DSSAB. DSSAB assessments are based on a weighted assessment, so each municipality's tax value of the properties is divided up in a formula and municipalities each pay a percentage of the social services costs based on that formula. When a community like Atikokan loses their coal plant, it means we're all going to pay. In my presentation I said we currently were paying 36%. I anticipate that we'll move probably, in Fort Frances, up to 45% or 46%; it will cost us an extra 10%. I know that the citizens of Atikokan have made some very eloquent cases today about some of the costs of closing that coal plant to them. There is also a bill at my municipality for closing that coal plant.

The Chair: Is the committee prepared to ask questions at this point, or would you want two minutes?

Interjection.

The Chair: I believe we're ready. We'll begin the rotation with the government.

Mr. Mauro: Charlie or Tannis, whoever wants to answer: One of the common denominators with many of the presentations that have already come to us this morning from municipal associations and DSSAB groups has been around the cost on the municipal property tax base associated with social programs. To a group, everybody has suggested, hoped and wished that these programs would be uploaded back, uploaded by the province. Can you tell me why people wish that they would be uploaded off the municipal property tax base?

Ms. Drysdale: The reflection of that need is even more important in northern Ontario, and I can speak better about the Rainy River district. Social program spending is escalating. You all have the bill for health at the province every year, and it escalates at a phenomenal rate. When you're in a northern community and your assessment is not growing, your ability to pay that bill is significantly less. If I were fortunate enough to have the growing assessment of some places in the Golden Horseshoe, although I probably still wouldn't want to pay for those social services costs, I might have the ability. We simply do not have the ability. Our assessment does not grow in relationship to the additional costs.

Mr. Viddal: I think Tannis pointed out to you that if we lose this plant, it will be more expensive for the remainder of the municipalities, and for our municipality, because we lose a heavy assessment base. We're already losing that with the forestry industry going down. So, all of a sudden the social services become a huge burden on the area, and the distances here are almost too great for us to bear that burden. The 1,700 people spread across this whole area of the Rainy River district, let alone all the way to Hudson Bay, just becomes onerous on us.

Mr. Mauro: Tannis, your answer also said that as a result of declining assessments, it becomes more difficult to pay the costs of the social programs. But was the municipality of Fort Frances—and Charlie, perhaps you can answer on the municipality of Atikokan—ever in a position of revenue-neutrality when the programs were first downloaded?

Ms. Drysdale: As you know, I joined municipal council in 2004. I sit on our local administration finance committee. One of the first things I tried to do was untangle the CRF funding, and I couldn't, so I don't know the answer to that question. I don't know if anyone ever knows the real answer. My suspicion is that it is no, it was never revenue-neutral. That's just my suspicion. I do not know the answer.

Mr. Viddal: Perhaps I'll ask Warren Paulson to answer that, if he would.

Mr. Paulson: We can be a lot more organized than we appear at the moment.

I know this year that for the township of Atikokan we received about \$1.4 million from the province in OMPF.

These were formerly the CRF. Our social services costs are in the area of \$2 million. So there's about a \$600,000 deficit for the township of Atikokan. I don't know what it was like when it was first transferred, but I do not believe that it has ever been much different from that. In fact, it's getting worse year by year.

The Chair: Thank you.

We'll move to the official opposition. Mr. Hudak.

Mr. Hudak: Mr. Paulson, just on the OMPF, I thought there was another presentation by His Worship that indicated that Atikokan's municipal transfers have been reduced significantly.

Mr. Paulson: Yes, the province made a commitment to balance out the OMP funding for one year, and then perhaps two years; I can't recall offhand. But if you take the actual formula, we took I believe a half-million-dollar hit. They balance it out. This year's payments were the same as last year's, but if we were paid what the formula requires us to be paid, we lost a considerable amount of money, in spite of the fact that we are now subsidized to some degree for our policing services, which we never were in the past. Even when you factor in that additional money, we're still going to be out quite a bit once it balances.

Mr. Hudak: This is an item, as my colleagues will recall, of considerable debate in the Legislature. When the new formula was released, the Minister of Finance said that no, the funding has actually increased. We had a different take on the numbers that showed substantial cuts across the province. So we anticipate hearing about this in different communities as well as here.

Ms. Drysdale: The initial announcement was that there was increased funding in northern Ontario, and that may very well be true. But when you divide northeast and northwest, the way the formula was calculated, there was a significant decrease. In the Rainy River district, only one municipality will receive slightly more money because of the way the formula implements itself, and that's Lake of the Woods. Otherwise, everyone else has lost money in the Rainy River district as a result.

Mr. Hudak: There are 11 municipalities in the Rainy River district?

Mr. Paulson: Ten.

Mr. Hudak: Nine lost and one gained. So it's not great odds.

Ms. Drysdale: It was one of the smallest ones too. So, yes.

Mr. Hudak: The councillor made an earlier point about moving from a DSSAB to an ASB. That was always the government's goal: to work with northern municipalities to move to the ASB format down the road. So help us understand: What are the obstacles in moving from the DSSAB to the ASB format?

Ms. Drysdale: The current obstacle is PLT reform.

Mr. Hudak: Strictly? That's it?

Ms. Drysdale: It cannot happen; we cannot begin the discussions until we have PLT reform. We talked about that hour and a half between Atikokan and Fort Frances. Had you done the drive from Thunder Bay to Atikokan,

and I know that some of you actually did—pretty much all that area is unorganized. So they need representation to move to an ASB, and we need that taxation ability to exist.

1150

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

Mr. Prue: I just wanted to ask you: Part of the issue sheet you gave me was about social housing. How much social housing is in the area: how many units; how many people?

Ms. Drysdale: On the issues sheets, you'll see that the Rainy River District Social Services Administration Board has 301 public units. Over and over again you're going to hear the statement throughout northern Ontario: What works in Toronto doesn't work here.

Mr. Prue: It doesn't work in Toronto.

Ms. Drysdale: Okay: What doesn't work in Toronto also doesn't work here. Our needs are not necessarily for new social housing construction. They have these funding announcements for new social housing construction. When you have a declining population, you don't need new social housing construction; you need to rehabilitate your existing stock. That's where the problem exists. We don't necessarily need to expand our stock; we need to provide quality housing for the citizens who are living in our social housing units now.

Mr. Prue: One problem that's probably the same is that the condition of social housing in the GTA is deplorable. It's full of holes and mice and cockroaches and roofs that leak and windows that let in drafts. Would it be fair to say that when social housing was downloaded to Rainy River, it was downloaded in a deplorable condition that you've never been able to repair? If that's true, how much do you anticipate it's going to cost to bring it up to code?

Mr. Paulson: I can answer that on behalf of Atikokan. Now that we've demolished a good deal of the buildings that were downloaded to us, the rest are actually in pretty good condition.

Mr. Prue: You demolished the bad ones.

Mr. Paulson: That was at municipal expense, and it was not a small bill. What we are finding, though, is that the size of a lot of the units is not appropriate for the kind of tenants we're getting. We find that we have to take apartments with one or two bedrooms and expand them to four bedrooms, and that sort of thing, to accommodate the need. There's an obvious capital cost there. Although I don't work for them, I suspect that, like a lot of other budgets, getting operations funding is a lot easier than getting capital funding. So that's a real constraint for them.

Mr. Prue: So the housing in Atikokan is in good condition. Is the housing in Rainy River in good condition?

Ms. Drysdale: It varies from service provider to service provider, but we have made a commitment to provide good conditions for our social housing units. Having said that, capital improvements have been deferred, and you can only defer for so long before you get into the positions you're talking about. Sitting on the DSSAB board, Warren is absolutely correct: It's very

difficult to put money in the budget for capital and go to the taxpayers again.

Mr. Prue: So would you like to see this budget contain sufficient money to upgrade or to make the necessary repairs, if they're not going to upload social housing like we suggest?

Ms. Drysdale: Without significant capital inputs to social housing, the stock that does exist will be of little or no value 10 to 15 years out. So we've invested in the social housing stock; we've invested in this program that's so important for the people in northwestern Ontario and throughout the province. Now we have to invest in maintaining that stock, so we're not in the position where, as Warren said, we have to demolish it and build again.

The Chair: Thank you for your presentation.

Mr. Viddal: Thank you for being here and, again, thank you for listening.

The Chair: I believe we have agreement that we will hear one additional presentation for up to 10 minutes with no questioning. Is that correct? Agreed.

FIBRATECH MANUFACTURING INC.

The Chair: I would ask FibrATECH Manufacturing Inc. to come forward, please. Good morning. I would ask you to identify yourself for the purposes of Hansard.

Mr. Dan Warren: Thank you for letting me speak at the last minute. I wasn't aware I could get in. I thought you had a full agenda.

My name is Dan Warren, president and owner of FibrATECH Manufacturing, here in Atikokan. We employ 140 people in the manufacturing of value-added particle-board products, which are sold to both Canadian and US markets.

I would like to first thank you for your decision to come to Atikokan to hold a session for these consultations in northwestern Ontario. Northwestern Ontario is vital to the economy of Ontario. Do you know that the forest products sector alone generates \$19 billion in sales and employs about 275,000 people both directly and indirectly?

The forest sector is second only to the automotive sector in size and impact on provincial prosperity and contributes about \$8 billion to the provincial trade balance. The industry pays \$2.3 billion in municipal, provincial and federal taxes. You can see that we are important to southern Ontario; however, we sometimes do not feel that our sector or our region is noticed by politicians in the south who make our decisions.

An example of this concern is the decisions being made about the energy future of the province. I do not think the north's future was ever considered when this decision was made. If it was, northwestern Ontario would not be paying 10 cents per kilowatt when we are generating 50% more than we can use, and we are not permitted to sell it back to the grid so we wouldn't see our rates increase based on usage in southern Ontario.

If northwestern Ontario was taken into consideration, you wouldn't make a decision to close a power gener-

ating station that employs 90 people when this station has the capability of solving our northwestern Ontario energy cost crisis that is crippling the forest industry in Ontario. How many people have to lose their jobs before the province realizes that a mistake has been made in this? I'm asking, on behalf of the forest industry and the people of Atikokan, that the decision to close the Atikokan station be reversed in the spring budget. This one consideration would reverse the fortunes of the forest industry in northwestern Ontario.

Over the past year and a half, I know all too well the monetary challenge the forest industry and my colleagues face in northern Ontario. Since our start-up, we have reduced our power consumption by 40%, only to give it back to the province because of an increased power cost of over 200%. The Canadian dollar has gained over 20% in value, which we cannot pass on to our customers. We are charged 20% to 30% in fuel surcharges on our outgoing freight, which we cannot pass on to our customers.

With the help of programs such as heritage and FedNor, and also with the assistance of the MNR for northern programs, as we speak, we're in the process of starting up a system that would reduce our natural gas consumption by 90%. By the end of 2006, we anticipate adding increased value to 90% of our product output—and this is key to the success of the industry—as well as a constant reduction in production costs to allow us to compete globally.

The province has made a number of references to value-added manufacturing, improving fibre utilization, youth retention, global competitiveness and new technology use. FibraTECH is proposing to answer all these provincial desires with a project that will create over 200 jobs here in Atikokan. We are proposing to establish a laminated veneer lumber facility in Atikokan, and we need your help to make this happen. The province's commitment to replace Atikokan OPG job losses with loan guarantees will attract investors to make this a reality in 2006, with a ramp-up in 2007. I've already started investor discussions toward raising the financing required. This project will also reduce current operating costs by \$5 million annually, which will help us sustain the 140 jobs that currently exist at our operation.

The province has the ability to make a difference for Atikokan and northwestern Ontario by showing the people of the north that the forest industry does have a future in Ontario, so it can continue to contribute to the province's wealth and prosperity. I'm asking you to include funding strategies and programs in the spring budget that can affect the future of northwestern Ontario. Use Atikokan as a model for the future. We are ready to move on this project, which provides one solution to all issues facing the forest industry in this region. I urge you to include northwestern Ontario's future in the spring budget, as well as a commitment to mitigate the closure of Atikokan's OPG station by dedicating funding toward an Atikokan value-added manufacturing facility that will create 200 jobs.

By making a commitment in the spring budget, the reality is a groundbreaking ceremony for a new mill this

summer with a start-up probably in the winter of 2007. You can make it happen. You can create 200 jobs for the northwest and solidify our existing 140 jobs.

Thank you again for considering Atikokan and the northwest in your budget consultation sessions.

The Chair: Thank you for your presentation. I'm sure that if members have individual questions, they can ask you during our recess.

Mr. Warren: I've left a copy of my notes here if somebody would like them.

The Chair: We're recessed until 1 o'clock.

The committee recessed from 1200 to 1305.

ATIKOKAN RATEPAYERS ASSOCIATION

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

We will begin this afternoon's proceedings with the Atikokan Ratepayers Association. You have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Donna Zachariah: Thank you. Mr. Chairman, members of the standing committee, members of the community, my name is Donna Zachariah. I am here today as a board member of the Atikokan Ratepayers Association.

The members of this organization have identified the declining economic climate of Atikokan as the most critical issue facing this community. The very existence of our community is threatened if immediate changes to enhance and revitalize our economy are not addressed. We would like to take this opportunity to provide you with a snapshot of some of the indicators that illustrate the devastating impact on the Atikokan economy, as well as recommendations for economic stability and growth.

As I point out these indicators, it is vital that you consider them through the perspective of a small town in northwestern Ontario with an estimated population of 3,200. These indicators are a result of government policies that have taken away and taken away while costs and taxes increase, with no giving back: policies like a new system of municipal funding, cancelling the spring bear hunt and, the icing on our disaster cake, the closure of our OPG.

(1) We have experienced the closure of over half a dozen businesses in the last year, businesses such as McTaggarts, Northside Paddlers, Davidson's Construction, Leishman's Welding and the Chinese restaurant, to name a few. This has resulted in a decline in services, lost jobs and a greater financial burden on residents as they incur the cost of going out of town for the products and services that are needed. In addition, our research indicates that many others are on the verge of closing.

I'd like to use a personal example here. I was raised here and my family lives here. I've worked quite a few of the last years down in southern Ontario, in the Halton region. My husband and I moved here a year ago to retire in this area. We've been looking to invest and have

looked at four businesses, but the fear around the Atikokan economy has prevented us from investing. So how do we live right now? Right now, I am actually incurring the cost of flying back to the Halton region, where I do work.

(2) The real estate values of Atikokan have plummeted to the point where they have little worth. In the last few months, especially since announcing the OPG closure, they have already decreased in value by 30%, and there are countless homes on the market to further reduce the value. When checking the Atikokan real estate site of Avenue A on January 22, 2006, there were 58 residential properties for sale. This represents one fifth of our population. Imagine if one fifth of Toronto homes were up for sale right now. This does not include those listed by owner or other realty agencies and commercial properties. This also decreases the resale value of our existing businesses.

We purchased a home here 10 years ago for \$56,000. In those last 10 years, we've put between \$15,000 and \$20,000 into the home. That's not for things like ceramic floors; they are basic maintenance things like the roof, the plumbing and upgrading the electrical. If we were to list our home on the market here today, it would be worth \$45,000, so a loss of \$11,000 over 10 years, after putting \$20,000 into it.

(3) The announced closure of the Atikokan power generation plant has exacerbated the dwindling economy. It will result in the immediate loss of 90 jobs, placing some families in a position of numerous challenges personally and financially, and for some it will mean poverty. It has added to the out-migration of our citizens, it fosters a sense of government taxation without political clout, and will add to the further elimination of services as a result of an approximately 45% loss of tax revenues upon its closure. So we may be saying, "Goodbye, swimming pool; goodbye, arena," some of the services that we have, but I guess the good side is that without our services and places to go, we will have more time to create our own government or maybe even our own province.

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(4) There is an ongoing out-migration of our citizens, particularly the youth. Atikokan was once a strong, independent community with a population of approximately 7,000. Presently, our population is 3,200, and this number continues to dwindle. Atikokan has no services, incentives or business opportunities to provide our youth, and a continuous increase in the cost of living while home values decrease has families leaving. Presently, it is estimated that Atikokan consists of more than 50% seniors.

(5) Our taxes are extremely high. They have continued to increase while the services diminish. House values dwindle and the age of the homes increases. High taxes are placing a financial strain on the individuals and businesses of this community and are hampering future investments.

I have here a copy showing a home that was sold in Oakville, Ontario, for \$336,000, with their tax bill of \$2,470. In Atikokan, listed right now on Avenue A, I have here a home for sale that is valued at \$32,000. It's

over 45 years old. The taxes are \$1,134. That is a 700% difference in the value of the homes and only a 50% difference in the taxes. Also, if you were to purchase this home right now and were looking at a 25-year mortgage, you would have paid the same for taxes as you would for the principal of your home.

To look at the businesses, I have an example here of the White Otter Inn, whose owner happens to have a brother who owns a Travelodge in Kenora. The White Otter Inn has 30 rooms; the Travelodge in Kenora has 43. The restaurant at the White Otter Inn seats 42; the Travelodge in Kenora seats 80. The White Otter Inn has a 25-person meeting room; the Travelodge in Kenora has a 100-person meeting room. The White Otter Inn has no lounge; the Travelodge in Kenora has a lounge with 54 seats. The taxes here for the White Otter Inn are \$66,000 a year; the taxes for the Travelodge in Kenora are \$42,000 a year. The White Otter Inn has less income and pays one third more in taxes. For resale value, there's no comparison. The Travelodge in Kenora said that they would make a little bundle; the owner of the White Otter Inn says that I can quote him as saying that he would lose his shirt.

(6) Health and counselling services staff are stretched for resources, with clients suffering from stress and depression associated with job loss, financial hardship, home relocations and family separations. We have even had a suicide as a result of financial hardship.

I have an example here too of an OPG employee at present trying to make the decision, "Do I leave town?" She is with Ontario; therefore, she can get a job someplace else, being transferred. But she is separated and the children spend one week with her and one week with her husband. So if she leaves, she will lose money that she's invested in her home, plus, if she doesn't get to see her children, it would then be going through a court case to try to get them to go with her. If she stays and loses her job, she will also lose the 12 years that she has left for her pension, and probably, if she's lucky enough to get a job, she'll have a lower income.

(7) The culmination of the previous indicators has resulted in a downturn of commercial revitalization, hindering the recruitment and retention of professional staff for institutions like our hospital, clinic, schools etc.; a decline in the attractiveness of new investments; stagnant economic growth; and a significantly compromised standard of living.

Thank you for the present consultants who are working on an economic strategy and community development plan. We recommend that the budget-specific funding continue to support the work of this group, as well as an ongoing evaluation of the results.

We recommend that you provide northwestern Ontario municipalities with more financial support through long-term sustainable funding for municipal infrastructures.

We recommend that you develop the Atikokan economy by locating new and creative businesses, services, institutional jobs and tourism opportunities in northwestern Ontario.

We recommend that you provide incentives to attract professionals and services to underserved areas such as northwestern Ontario.

We recommend that you provide tax breaks for newly created and existing small businesses.

We recommend that you work with small businesses to fix current property tax inequities.

We recommend that you create lower tax rates for individuals in low-income brackets.

We recommend that you lower education tax rates, particularly in smaller communities.

We recommend that you improve tax fairness, with a fair share package, fair tax policies and closing of corporate loopholes.

We recommend that you lower the cost of provincial policing to the Atikokan community. Until recently, as was quoted earlier, Sioux Lookout was paying \$90 per household; Atikokan pays \$700 per household.

We recommend that you eliminate the retail sales tax on building materials that improve energy efficiency and conservation.

We recommend that you increase access to capital through grants or low-interest loans that fuel growth in northwestern Ontario communities, like reinstating the Northern Ontario Development Corp.

We recommend that you offer more direct funding and expansion funds to those communities that are greatly affected by the OPG closures, such as Atikokan.

We recommend that you keep the cap on electricity to allow our businesses to grow and thrive.

We recommend that you keep the Atikokan OPG open and explore creative ways to utilize the business or even expand it.

We recommend a new form of governance for northwestern Ontario, with a northern Ontario act put in place to facilitate fair representation and insulate us from decisions that have a negative impact on northwestern Ontario.

Committee members, I am certain we have presented enough information here today to clearly reflect the devastating and damaging effects the Atikokan economy is experiencing. What we have now simply does not work for the people of our community. Ontario has a whole lot to lose if the government is complacent regarding the Atikokan community, but we also have a whole lot to gain if the government dares to change the status quo in our community. We urge you to develop a strong economic plan for northwestern Ontario so that every little town and city in northwestern Ontario has a solid, broad-based economy and sustainable financial support.

Thank you for the opportunity to share our concerns with you.

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

Mr. Yakabuski: Thank you very much, Donna, for your presentation. Much of what you've dealt with, we have heard from other presenters as well, but I think it's very important that we continue to hear that message.

One of the things we keep hearing over and over again is the wrongness of the government's decision to shut down the generating station at Atikokan with little or no evidence that that particular station has any detrimental effects on air quality, because of where it's situated and the flow of air. Even without mitigation, but certainly with mitigation, we have the technology and the ability to clean that station up almost completely. It just baffles us as to why the government is not listening to people with regard to investigating that potential. Presenter after presenter has indicated over and over again how devastating that decision is going to be for the economy and the community up here.

If there is one single decision that is affecting it, would the closure of OPG at Atikokan be the single biggest detrimental thing that could happen to this community?

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Ms. Zachariah: I would say yes.

Mr. Yakabuski: And why do you think the government is simply not listening to the reams of evidence that have shown their decision is wrong?

Ms. Zachariah: Well, I kind of view the Ontario province like our body. Toronto is our vital organs and Atikokan is like the baby toe. When you have an injury or something damaging happening to your baby toe, you often ignore it because it can heal on its own, but sometimes the damage can be so bad that it can fester up and you can lose a whole leg, if not more, which will affect everything. I think it's easy to focus on your vital organs and forget about the other parts of your body that maybe aren't as important.

Mr. Yakabuski: Thank you very much. Perhaps my colleague Mr. Hudak has some questions.

Mr. Hudak: Thank you for the outstanding presentation and a great number of recommendations for the committee to consider. On the electricity front, there's not only the impact of closing the plant here, but you mentioned the high hydro rates that the area has had to pay, particularly causing a crisis in the forest industry. The mining sector, while they're having some higher commodity prices, also could be dramatically impacted if those commodity prices don't stay high. So what kind of spillover effect are we seeing in Atikokan from the forest industry crisis and high hydro prices?

Ms. Zachariah: Can you give me an example of what you mean by spillover? Are you talking about to the people or financially or—

Mr. Hudak: Exactly: the real estate values; the impact on businesses.

Ms. Zachariah: I think that basically everything I've presented is the culmination of the closure of—it's all those policies over time that have been slowly, insidiously eating away at us. With the closure, it's kind of like that icing on the cake. Everything that has been happening has been ongoing, and it's got that cyclical effect. So I'd say yes.

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

Mr. Prue: We've had a number of presenters who've argued many of the same things you're saying, but

you've said something unique today that no one else has said. It's your very last bullet point: a new form of governance for northern Ontario. Are there people up here thinking seriously about that? We have heard about alienation. I have read at least one news comment saying that people in this part of the province wish they were in Manitoba.

Ms. Zachariah: Yes, that is true.

Mr. Prue: Can you tell me a little bit about that? I think people from southern Ontario, like me and all of the rest of us, need to hear that. We need to hear the dissatisfaction and where you see your future. Do you see your future in Winnipeg more than in Toronto?

Ms. Zachariah: Personally, I like to remain optimistic, but I can say that yes, there has been talk about it. It is, again, like ignoring your baby toe. You can only go so far until you need to bring in a professional to help you heal, a professional for your body, so if we're talking about, let's say, some of the policy development and whatnot, that would be a different form of governance. So yes, there have been conversations about it. There has been talk about joining some of the other communities to lobby some of the mayors in the area to think about it. Sure. Yes. Does that answer your question?

Mr. Prue: I think yes, as best you can. Can you give me an idea—I remember years ago reading that people were talking about dividing Ontario, having a northern Ontario province and a southern Ontario, because the needs and the wants are quite different. You work in Halton. You know that the needs and the wants are probably far different there than they are here. Do you think that sort of separation is what you're looking for? I don't want to get into this; maybe I shouldn't, because of what's happening in Quebec and the firewall around Alberta and all the talk these days. But I want to know whether this is a really serious thing that people are considering.

Ms. Zachariah: I don't know if it's what we're looking for. But when you're in desperate situations, you consider all options, and that certainly is one of the options that has been mentioned.

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

Mr. Arthurs: Donna, I noted in your comments that at one point, Atikokan's population was around 7,000, and over an extended period of time, I guess—you might want to enlighten me on that—it has declined by half, to some 3,200. You mentioned the insidious kinds of things that occur over a period of time, some of which are under government control, and some provincially may not be under our control. The high Canadian dollar, as an example, is not what we directly control.

You also make reference to the population in Atikokan; about 50% of it is seniors. Is that a result of younger people migrating away for employment opportunities, for education opportunities? And to attract people back to the community when such a large proportion is of a senior age, you're looking at a period of time, over 20 or 30 years, when presumably a pretty good segment of the

population is not going to be with us regardless, in a lot of communities, but in a high percentage here. I'd be interested in what opportunities you see to attract people back to the community, to attract younger people to stay in the community, young people to come into the community. Can you give any further comments?

Ms. Zachariah: If I'm understanding you right, you're asking me what I think would attract the younger individuals back. I think if we had opportunities for them to get some of their education here—I know right now of an individual who is trying to get her engineering, and she's doing it through her home because she also works here, so it's long-distance education. I know that somebody has talked to me about their having difficulty in keeping employees with a class A driver's licence. If they maybe had schooling here, where the individuals could get their class A driver's licence, then they could be employing people from the community. As it is now, they have to employ individuals from outside the community.

There are not a lot of job opportunities to offer them. Here I am, and I'm still looking for a job. There aren't a lot of services that keep them wanting to stay here. I know I left for educational purposes—no university, no college, no institutional job settings where I could be employed if I wasn't planning to get an education. Does that answer your question?

Mr. Arthurs: Yes, I think it does, certainly from the standpoint of providing educational opportunities closer to home, and particular kinds of skill sets that are required that might be offered close to home might encourage people to stay, and the opportunity to be employed without having to go outside to find the skill set one is looking for. Yes. Thank you.

The Chair: Thank you for your presentation.

Ms. Zachariah: You're welcome. Thank you.

NORTHWESTERN ONTARIO MUNICIPAL ASSOCIATION

The Chair: I call on the Northwestern Ontario Municipal Association to come forward, please.

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

Mr. David Canfield: Thank you very much for the opportunity to be here. I am Mayor David Canfield. I am one of the vice-presidents of the Northwestern Ontario Municipal Association. I am here in Michael Power's place. He had another commitment and couldn't be here today. I also have members of the executive of NOMA: Mayor Anne Krassilowsky from Dryden, Councillor Iain Angus from Thunder Bay, and your host, Mayor Dennis Brown from Atikokan.

We're very pleased to have the opportunity to talk with you today and to welcome you to the township of Atikokan. NOMA represents every organized municipality in northwestern Ontario. We're a very unique group.

We're the only municipal organization that represents everybody. We speak with one solid voice, and there's very little dissension because we've got our act together up here.

The municipal order of government faces considerable challenges in northwestern Ontario. This is especially true when we look at our economy today and the health of our economy tomorrow, as I'm sure you've heard all day today. We face a crisis in the forest industry, which impacts all of us. The Ontario municipal partnership fund has put most of our communities in significant financial difficulties. The municipalities of northwestern Ontario are asking for the fairness and the sharing that the government of Ontario has promised. There are many issues, but in the time we have today we won't be able to effectively deal with all of them.

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The first one I'd like to touch on is PLT reform. The recent completion of the provincial land tax review led us to believe that, finally, something was going to happen in this area. To date, nothing has happened, despite promises from successive governments that this would be fixed. We well understand that residents in the unincorporated areas like things the way they are, but municipal governments want to see the residents in the unincorporated areas paying their fair share, especially with the stress they put on a lot of our communities. In my community alone in Kenora, we have a huge population base on the outside that puts a lot of stress not only on our services but of course the services in each community that these people live around.

There's a continued downloading of costs to the municipal order of government. Municipalities are responsible for increases in costs for all the downloaded services. This is especially true in the health and social services area. None of the revenue transfers take into account the fact that costs increase with time and the only source of revenue for a municipality is the property tax and user fees.

For the first time in our history, the population in northwestern Ontario is in a decline, and a number of reputable studies project that this will continue. This, along with the decline in the forest sector, will significantly affect our assessment base, leading to increased pressures on the remaining taxpayers to maintain the existing services, and I stress "existing services." We're not adding services and we're not enhancing services. In fact, in most cases we're reducing services, with the exception of course of the mandated provincial services and the new rules. Quite honestly, in the last few years, services that have been downloaded or transferred to municipalities with a higher standard to maintain were standards the provincial government couldn't meet, and of course these were given to municipalities and we were expected to meet them with no money to do it. The demands that are placed on the local order of government by other orders of government are ever-increasing, without any improvement in the ability, as I said, to fund these.

I want to talk now about the forest industry crisis in Ontario. It's not just northwestern Ontario, and it's not

just a northern issue. This is an Ontario issue. Jobs continue to be lost at an alarming rate right across the province. This will continue and the ripple effect will add to that unless changes are made and investments made in the industry the same as in other sectors, such as the automotive industry.

Minister Ramsay's Council on Forest Sector Competitiveness—I was part of that committee—identified a number of the key challenges that are facing the forest industry. Fibre costs, energy costs, transportation costs and red tape contribute to make the province of Ontario actually the highest-cost jurisdiction in the world. This absolutely has to change. The coming budget has to address this issue in a more meaningful and comprehensive manner if we are to avoid permanent damage to the economic prosperity of Ontario.

I have to tell you, ladies and gentlemen, that we don't have time to wait for the Ontario budget. These changes that we've asked for, both the coalition and those that have come from the minister's council, have to happen yesterday. I'm not joking when I say "yesterday." My community has already lost two mills.

The economic impact on the forest sector extends well beyond northwestern Ontario mills which process wood fibre into lumber, paper and other manufactured products. Southern Ontario companies provide equipment, supplies and services utilized throughout all aspects of the production process, from management and planning services to harvesting, right through to the processing of the end products.

Nearly 200 communities in southern Ontario have a stake in the economic viability of Ontario's forest sector. In the north and in central Ontario, we have 40 forest-dependent communities, and in the northwest, the majority of our municipalities' economies depends to a significant degree on a healthy forest industry. I cannot believe that you would be telling the people of northwestern Ontario to move out, and just listening to the speaker ahead here, there isn't much choice.

I will just provide one example of the impact of one forest products company on Ontario. This is one company that purchases over \$600 million worth of goods and services within the province of Ontario every year. Of that total, almost \$330 million worth is purchased from southern Ontario vendors. Were this company to cease operations, the loss in economic activity for the following communities in a single year would be tremendous: Toronto would be \$201 million; Burlington, \$17.2 million; Mississauga, \$15 million; Brampton, \$6 million; Ottawa, \$3.4 million; and Oakville, \$3.2 million. There are other communities in southern Ontario that would be affected to a lesser extent and maybe even some to the same extent, but these are just some of the examples.

The decision by previous governments to assign all the costs of road building and maintenance to the forest industry has to be reversed. These roads serve a broader public benefit and these costs properly belong with the provincial order of government. The cost for this initiative

is approximately \$60 million. Of course, this would have to be increased as the years go by.

The current attempt to reduce or eliminate red tape within the Ministry of Natural Resources must be continued. In fact, it has to be accelerated.

I can give you another personal opinion. I also sit on the provincial forest technical committee, which I was appointed to as a municipal rep. As I stated yesterday to one of the existing forest companies in our community, if you took a look at that book and what you have to do, why the heck would you cut a cord of wood with what it takes to cut a cord of wood? We have the highest environmental standards in the world in Ontario, and I think we should be proud of that, but some of them don't make any sense.

Energy costs continue to be an impediment to the industry. We have included in your package a copy of the NOMA energy policy. It has been developed by northwestern Ontario in conjunction with our municipalities, the chambers of commerce and the industry. This is an integral part of the investment that is needed in the forest industry and, in fact, in every industry where energy costs are a significant component of the operating costs, such as the mining industry. I think somebody mentioned that if it weren't for the fact that the resources are here and demand is booming around the world, the mining industry in Ontario would be defunct. It would be shut down.

The new Ontario municipal partnership fund has had a significant unintended impact in northwestern Ontario. The intent was to provide stable and transparent funding to municipalities. The unique difficulties of the north were to be recognized. This new formula, when fully implemented, will reduce funding to northwestern Ontario by \$8 million. This is an additional download to the communities of this region. While some communities will benefit, many will not. Municipalities like Atikokan, Fort Frances, Greenstone, Kenora, Sioux Lookout and Thunder Bay will see downloading of between \$480,000 and \$3.4 million.

The new OMPF program tries to take into consideration the impact of low assessment and the increased cost of providing municipal services in northern and rural communities by providing an equalization grant, a northern and rural communities grant and a police services grant. While these grants make some adjustments to ensure that those with limited assessment will not pay a disproportionate amount for some social services, most of these adjustments are based on community size and an arbitrary per household amount that is not related to ability to pay or the significantly higher cost of providing many of these essential services in northern communities.

One of the most obvious examples of this shortcoming occurs in Pickle Lake, where changes to the police services grant could result in municipal taxes being doubled to pay just the policing bill itself. The costs there are over \$2,000 per household. The costs for the city of Toronto and the regions around the GTA do not exceed \$400 per household. I guess we have to ask ourselves, what happened to equalization?

I want to take just a second to go off here on Pickle Lake. This is a community of 300-some people away up north. I don't know how many of you have been there. But to us in the Northwestern Ontario Municipal Association, this was a no-brainer. This community is in bankruptcy, and it was suggested they borrow from the OSIFA fund to finance operations of the community. What the hell is wrong: 300-some people in a situation like this? The government should have been there like that to straighten this situation out, and they weren't. I cannot for the life of me understand—and talking to the mayor as recently as a couple of weeks ago, they're still in that situation and they are ready to turn over the keys. I said, "What took you so long? I would have turned them over a year ago."

Public health, land ambulance and transit are not taken into account in the OMPF funding. The original promise of a 50-50 cost sharing of ambulance costs has not been met. In northwestern Ontario, we're rapidly approaching a 70-30 cost-sharing, with the municipalities on the short end of the stick. If you can imagine trying to meet some of the new guidelines, with the size of the communities and serving the First Nation communities at the same time, it's absolutely impossible.

While other provinces in Canada contribute less than 2% of their property taxes toward funding social and health care services, Ontario municipalities contribute more than 25%. This is inappropriate, as property taxes are regressive and are not linked to the ability to pay. It also makes it very difficult for businesses in Ontario to compete with those in other provinces where the municipal tax burden is much lower.

It is crucial that Ontario take immediate steps to eliminate the downloading of social and health care costs on northwestern Ontario resulting from the implementation of OMPF. At the same time, the sharing of actual land ambulance costs must be returned immediately to its original 50-50 cost-sharing arrangement or, better yet, uploaded where it belongs, as the Crombie report said.

In the long term, the province must move towards a funding model that significantly reduces reliance on property taxes to fund social and health care services.

As I said at the beginning, there is not enough time to adequately discuss all of the issues, but we thank you for coming to Atikokan to hear some of our concerns and we look forward to some positive progress.

I want to reflect on one other little story, listening to the speaker in front of me—a really good analogy of the human body. Something that I think really upsets people in northwestern Ontario and one of the reasons people talk about joining Manitoba is that when you had SARS in Toronto you brought in the Rolling Stones because of the economic impact. What did you do when you cancelled the spring bear hunt for northwestern Ontario?

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

Applause.

The Chair: Order.

Mr. Prue: I don't think the applause was for me; I think it was for the speaker, and deservedly so.

I've asked this question of others before, but you've made the point very strongly here so I want to make sure that we've got people from various municipalities. The downloading exercise that took place a number of years ago has severely crippled all municipalities—southern, northern, northwestern—all of them. Is it essential that the province start the upload exercise to take those things that should not be on the property tax at all, anywhere—things like health, ambulance, daycare, welfare, social housing? All of that is being paid for by people, by businesses that really should not be paying. That seems to be your position. I just want to have it reiterated. I want these guys to hear it again so that it sinks in.

Mr. Canfield: Absolutely. I want to qualify transferred services and downloaded services. Some of these services were transferred with a revenue-neutral component that hasn't been revenue-neutral. I'd like to go back to the Crombie report, because there were recommendations on health that it stay within the health services, and I think that should be one of the first things. I think everybody here would agree with me that land ambulance should be the first thing to be uploaded, because it's not controllable. When you're going to give 1% of a 28% arbitration award, there is something wrong with this picture. So things like that should be back in the provincial realm of things.

Downloaded services: In my community that would be the 18 bridges and 160 kilometres of highway you gave me. Those are the downloaded services. The downloaded part of the transfer services is what is not revenue-neutral and what hasn't been met there.

I think, as a municipal leader, as with most of us, we'll be damned if we're going to go to OSIFA and borrow ourselves into oblivion like other federal and provincial governments have done to maintain our infrastructure. That's just not realistic. I wouldn't do that to my children. I don't think the province or the feds should have done it, and I sure as heck am not going to do it as a municipal leader.

Mr. Prue: Have I still got time?

The Chair: A minute.

Mr. Prue: In terms of electricity, we have heard from other people today that electricity is produced in Atikokan at 3.3 cents a kilowatt hour and, if scrubbers were put on, it would be 3.8 cents, and yet the people up here are paying 9 cents for electricity they produce at 3 cents. Should the province cap the rates in northern Ontario? Should the province give tax incentives to people who live here if they're not going to cap them?

Mr. Canfield: This document, if you read it when you go back—I guess it's good bedtime reading—will explain it. We put that together and paid for it ourselves because we believe we have some solutions. In a lot of cases, with hydraulic, you can produce it for even less than 3 cents. We're on an energy island. I'm sure a lot of you know that you're shutting down industry in northwestern Ontario to keep the air conditioners going in

Toronto. It's not going to help, folks. The air conditioners are still going to black you out. We're not going to black out. We've got a surplus of power, and it could be a tool that could keep these mills open and be an incentive for business to come here. Right now, if you keep it up, a year from now, with the other paper mills that are going to go down in northwestern Ontario, you are going to have one dramatic surplus of power, we're still going to be paying the going rate and your air conditioners are still going to kick out.

The Chair: Now we'll move to the government.

Mr. Mauro: Thank you, David, for your presentation. I want to thank Mr. Prue for acknowledging in his comments that the downloading exercise that occurred actually occurred under a previous government. I think it's fair to say that most of the members in our caucus—and others will have an opportunity to speak—would philosophically agree that social program service delivery does not belong on the municipal property tax base. I'm sure all of us would love to upload it, just as you would. Many of us come from municipal council backgrounds, as you do, and we understand the challenges that municipalities are faced with as a result of that revenue-neutral exercise, which of course was anything but. So I just wanted you to know that I think all of us are there. Of course, you are aware of the fiscal challenges that the province finds itself in, just as municipalities do. I think we'd all like to go in the same direction; it's just difficult to get there.

The PLT piece that you refer to: I'd like you to expand on it a bit more. When I was at a NOMA conference not that long ago, about a year or a year and a half ago, I spoke at one of your events. There was an example given to me, I think at that same conference, of what PLT reform could do to enhance the abilities of municipalities to be economically viable. I think somebody gave me an example of using 50% or 75% of the residential rate and applying that to all the unincorporated properties that existed within the district of Kenora, the revenue stream that might potentially be there. So perhaps you could expand on that one for me and for the benefit of the panel, just to exhibit perhaps the opportunity that exists out there for some municipalities should PLT go forward.

Mr. Canfield: I'll use our municipality for the example again, because I think Dennis and everybody else has always used it because we seem to have the wealthier of them in the Lake of the Woods area and around. Actually, the assessment in the unincorporated realm of Kenora is as high as or higher than the city of Kenora itself. Some of these places are paying \$25 a year. They're sitting on a \$7-million or \$15-million estate and paying less than \$100 a year, not paying school tax, not paying any of it—a tremendous strain on our communities and the infrastructure of our communities. I asked the former mayor of Keewatin a little while ago when he was a president of NOMA at one time too if they were dealing with this back in the 1980s, and he said, "We were dealing with it in the 1980s."

The rumour, and I think the perception of a lot of people, is that there are a lot of very rich, influential people, and maybe the odd former Prime Minister and other people who are very influential, who have stopped this PLT reform from happening. That's just the feelings of people. The number was \$800 million, I believe—around a billion dollars in assessment—just around Kenora.

Mr. Mauro: In assessment, but the actual dollar value on a 50% or 75% residential rate was—

The Chair: Thank you.

Interjections.

Mr. Iain Angus: We'll get it for you.

Mr. Canfield: I would like to touch on one more thing, Bill, that you talked about on the financial situation. This financial crisis—and I'm not blaming your government; let's not point fingers, let's just fix it—was your crisis. You downloaded to municipalities and haven't been holding up your end, so it is the financial crisis of the province, not the municipalities. But you've shoved it on us.

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

Interjections.

The Chair: Order, please.

Mr. Yakabuski.

Mr. Yakabuski: Thank you for your presentation. We just want to clarify one thing. There is no "s" in your name, right? It's Canfield.

Mr. Canfield: I think she changed her name because of that; I'm not sure.

Mr. Yakabuski: I did have the opportunity to see your presentation and the document that was put forth supporting the retention of the coal-fired generation here. Speaking to what Mr. Prue talked about, the fact that you're on an energy island and energy policy should reflect that because of the resource being used here, it's a very interesting concept. But if this government goes ahead with the closure of Atikokan, it really is a moot point. It doesn't matter if you can produce power there at 3.3 cents a kilowatt hour or \$55 a kilowatt hour; if you close the station, you're not producing any power there. I think that is the key here, that right now the government is committed to shutting down Atikokan. There's no talk of changes; they're talking about shutting down Atikokan. That's their commitment, to shut down this station. So, of course, it doesn't matter what the plan is for an energy island in northwestern Ontario if they go ahead with that policy.

The one thing I did see in that document was the work that has been done in other jurisdictions with regard to cleaning up coal-fired generating stations, and you commented on that very articulately in that document. Why is it that this government simply will not listen to those kinds of presentations?

Mr. Canfield: I don't know. Iain has asked if he can respond to that too; then I'll respond.

Mr. Angus: Mr. Yakabuski, I think one of the realities of politics is that from time to time parties will make political promises that they feel obliged to keep. Our job in the northwest is to find a way in which they can keep

their promises while not doing the damage that we believe is going to occur in terms of the closure of the Atikokan GS or the conversion of the Thunder Bay GS to natural gas. In the old days in Ontario, we tended to focus on environmental problems by ratcheting down the allowable emissions. I think that would be a better solution to the coal problem, if I can call it that, in southern Ontario, meeting the needs of the environmentalists and the community at large for a healthier atmosphere but not allowing the economies of Atikokan and Thunder Bay to be hammered by this particular decision. Our job is to find a compromise that works and allows everybody to be happy.

1350

The other thing that I think we need to recognize is in terms of the energy island. We have a real opportunity in the northwest. Should we reach a point where we can have lower electricity prices as an economic generator, a stimulus and a way to attract to the region industries that are heavily dependent on electricity—we can't do that right now with an all-Ontario type of policy—that's an economic tool that's easy to give us. It doesn't create problems with taxation levels or being accused of favouring the north over the south, and it really would facilitate our future.

The Chair: Thank you for your presentation.

Mr. Canfield: If I could just respond somewhat to that—basically Iain answered very well. I want to apologize if I sound like I'm picking on Toronto here. I'm not particularly picking on Toronto, but when you've lost two mills in your community in one year that should not have shut down because of policies that put them down, you're going to be upset. Put yourself in my shoes.

Mr. Angus: Also, the city of Thunder Bay delivered a presentation to you today. We weren't on the list. There are a lot of details that speak to what NOMA presented and what some of the other municipal leaders have presented, and I would encourage you to go through it. Thank you.

The Chair: Thank you very much.

KENORA-RAINY RIVER DISTRICT MENTAL HEALTH AND ADDICTIONS NETWORK

The Chair: I would call on Kenora-Rainy River District Mental Health and Addictions Network to come forward, please.

Good afternoon. You have up to 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I would ask you to identify yourselves for the purposes of Hansard. You may begin.

Ms. Susan Marshall: Thank you. My name is Susan Marshall, and this is Jon Thompson. We are part of the Kenora-Rainy River District Mental Health and Addictions Network, which is made up of 16 executive directors or program managers of all the mental health and addiction programs in the Kenora and Rainy River district, as well as the funded peer support programs.

We're a very unique organization, and we've worked together for many years to create an environment of comprehensive, coordinated, seamless systems of service—words you've probably heard before. We expect to continue to work hard for mental health and addiction services when the LHINs, the local health integration networks, come into being.

You've heard a lot about the population and the lack of jobs and all of that, so I'll skip over that. I want you to know that despite all the factors that cause the determinants of health and mental health and addictions to be higher in this area, our programs work very hard to ensure that everyone who needs service gets it, despite the fact that our budgets are eroding. In order to demonstrate our commitment to fiscal accountability, over the last 12 to 15 years we have had to lay off staff, carry out vacancy moratoria, substitute one type of staff for another and run deficits until that became unacceptable. We are forced to restrict travel for client service and for any kind of regional planning. We've always offered to work with the ministry to develop more sustainable funding for our sector.

Our base budgets have only been increased by 3.5% since 1992, which equates to a more than 25% cut in our budgets. We're at the breaking point, as far as we're concerned.

We've brought 10 recommendations from our planning group for this committee to consider, and we'll briefly run through them.

Recommendation 1: We would like to see the Auditor General report publicly on a regular basis regarding the progress, or lack of progress, on the issues raised for the sustainability of our sector.

Recommendation 2: The Ministry of Health and Long-Term Care should demonstrate its accountability by committing significant and visible resources to our programs. By the way, when we had consultations about the LHINs and people were asked to choose their top health priority, mental health and addictions were number one province-wide.

Mr. Jon Thompson: In the short time we have, we'd also like to have you recognize that even though we have recently received some accord funding, the amounts are so small and/or the criteria for which they were developed just don't match very well the range of services we do in the Kenora-Rainy River district. That leads us to the recommendation that we'd really like to see you and also the federal government look at the practice of less prescriptive and rigid priority-setting when funding is identified for this particular sector. It's coming across in a way that's difficult for us to implement in an effective way. We really need the stability in our core service system first, before going off in a lot of exciting new directions and services. That's our third recommendation.

The fourth recommendation kind of flows out of that point as well. The type of funding that seems to be available for us now is often targeted at very specialized types of things, and I think we've come to realize over the years that it's our core set of services and functions

that really need attention, and that's the base funding. We'd like you folks to consider recommending increasing the base budgets for all mental health and addiction programs and peer-funded support groups. That would make more significant progress on the gap that Susan mentioned earlier.

Perhaps we haven't been clear about how we got this way. It's mostly due to inflation. We're not in a sector that has ways to raise large amounts of money. The Auditor General's report in 2002 indicated about a 15-year gap from lack of attention to this particular sector. So it's the inflationary costs that have driven up our cost of producing services over that period of time. For example, that 25% gap, in plain, ordinary English dollar figures, is about \$9 million in the Kenora-Rainy River district: the difference between what even the ministry benchmarks suggest for the various types of staffing and services we deliver and what we are actually receiving. What we've been getting instead, and only for the last three years, is the little amount that Susan mentioned, the 3%, 2%, 1.5%. You don't have to be an economist to figure out that we're not going to close the gap that way, even though we're perhaps going in the right direction. So we do need some attention to base funding.

1400

Ms. Marshall: We have to put in operating plans on a yearly basis. Many of our programs—quite a few different programs—are assigned to a hospital and some are community programs. So we have to do operating plans for a myriad of different programs at different times. It's a huge administrative inefficiency. We're stuck in this traditional pattern of being accountable, and it takes huge amounts of time.

Recommendation 5 is to harmonize the various business and budgetary cycles of the ministry so that the process of advice and input can be real and can have an impact in a timely fashion. For example, we know the Ministry of Health and Long-Term Care has given its estimates to Management Board prior to these consultations, and we also know that when that advice is given, we have actually not even done our operating plan process. So that's one of the recommendations. Rather than have our operating plans go in every year, and a multitude of operating plans, we would like to have longer terms of planning cycles. It's one year now, and we would like to have two to three years, much the same as the hospital sector. It would be much easier for planning and actually giving efficient service.

Mr. Thompson: The other thing we'd like to recommend, as recommendation 7, is that because of all the silos this funding is coming through—and they are numerous, from several ministries that some of us deal with—there is often an opportunity to generate a little in-year surplus; very small amounts. We'd like to suggest that any appropriately defined surplus funds that could be realized that way could somehow be kept in our district and retained for direct service delivery—subject, of course, to whatever acceptable approval process would derive from that.

The other thing we need to do—I think we've been on about this for many years. This would be recommendation 8: The ability to move money around on a much more global basis within the same organization—supplies, expenses, staffing, what have you—would certainly generate a lot more efficiency, if nothing else, and make a lot of our colleagues a lot happier. Most of us didn't go into this field to move money around creatively; I think that's another profession. We wanted to actually work with the people. This leads to a job, almost like a retention factor, where you have a number of managers and counsellors who are not interested in working because this is what their work has become. We'd like to be able to move the money around in those envelopes a lot easier.

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

Ms. Marshall: We have only two recommendations left for you. Our programs have become overwhelmed by the multiple accountabilities required by the government. It has become totally inefficient. We must report in a bunch of different ways. For accord funding, it's one system; for the rest, it's a different system. We want the ministries to fund an equitable system to address administrative information, technology replacement and staff training. It has not been forthcoming, and many programs simply cannot afford to produce the amount of information that is required. A whole bunch of different financing opportunities are available that have the potential to provide some funding for our sector.

Recommendation 10 would be to develop a behavioural insurance tax; a provincial health recommendation care premium; designated percentage disability management; a provider fee for service; and private insurance. That's our last recommendation. We'll be putting a more detailed report in to you, but I would like to say that I run a peer support program and I'm a person who lives with mental illness, and I would not be joyously paying taxes except for the services of the mental health and addiction agencies.

Mr. Thompson: Thank you for the time with the committee today. We appreciate it.

The Chair: Before we go to questioning, I wonder if, at the end of the questions, you would share a copy of your brief with the clerk so that we might have at least one copy of the recommendations.

The questioning in this rotation will begin with the government.

Mrs. Mitchell: I just have a couple of very short questions. First of all, I wonder if you could give me a sense of—we have heard repeatedly today through a number of presenters about the economic downturn that the north is experiencing. As you are the first hand out in the field, I'm sure you can give me a sense of how you're seeing that affect the services that you provide. Then, my second quick question is, one of your recommendations is that we become less prescriptive in matching it with the funding formula. Is that directly linked to my first question?

Ms. Marshall: The economic downturn is going to have a huge impact, but we don't have any good, quali-

tative information about that. We certainly know that we're affected by larger numbers of mental health issues in this area, and substance and abuse problems as well; we've got more than double the average provincial suicide rate, all of that. Our services are extended to the max. We're serving more people in this area than other programs would.

As far as being too prescriptive in the funding, usually when new funding comes down, they specify exactly what type of program will be funded, how you will hire and how much money you get for that program. Quite often, they're not even viable programs for this type of area, but we're forced to comply with that.

Mr. Thompson: I would add to that just a little bit more too: There's always a delay factor when these economic challenges happen in resource communities. In Atikokan, this is the third or fourth time their particular community has been challenged. But I know counselling and helping it get transitional counselling of various kinds, for example, was a part of this community's surviving.

It's always a little hard to measure the direct contact because we're fully utilized all the time—good times and bad. People seem to get themselves in difficulty with the kinds of issues we deal with. But we'd certainly like to recommend that there needs to be this type of transition. We will be in place as some of these communities go up and down, as we have been for many, many years. For us to be here for them as they go through those difficult times, we need that kind of support.

For example, somebody likely will identify—and I don't even want to use the word—something like a transitional counsellor, and then that will get funding. But we've got the counsellors now. What we really need to do, if we deal with our base funding: Those counsellors can do the work they'll need to do—that they will be doing—because it is related to addictions, violence and mental health and stress issues, if that helps to answer the question about the category. Just by addressing base funding, you're investing both in good times and bad.

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

Mr. Hudak: Thank you very much for the presentation. I have similar questions to my colleague: When the Power Workers' Union was here earlier, they indicated that seven paper machines have closed down recently in the northwest. Two chemical companies, sadly, are closing the doors, and we fear much more. We have folks here from Dryden; Weyerhaeuser recently had layoffs as well. Are you seeing these layoffs and uncertainty manifest themselves today in demands for mental health services and counselling?

Ms. Marshall: I can't answer that qualitatively, but I certainly know that in the last year, the services where I work have double the number of clients that we had.

Mr. Hudak: Are you in Kenora yourself?

Ms. Marshall: I'm from Fort Frances. I run a peer support program that operates in the district, but all of the peer support programs have certainly had, the membership that comes in, way more numbers of people in distress.

1410

Mr. Thompson: I think there is some anecdotal evidence. It's too bad some of our colleagues weren't here. I too unfortunately am from Fort Frances, and we've only had the odd blip threaten, so it's hard to tell. But I think in some of the other communities like Atikokan, Red Lake, Sioux Lookout and Kenora, there might be those kinds of measures.

There is a delayed impact, if the people are still around and whatnot. A mill doesn't close and then there's a big line-up at the door the next morning. I think the other measure, though: You will see that there's an ugliness that starts to creep into communities. You get the cynicism, the depression. You just feel that everybody, even the people who were nice before, becomes cynical and the nasty people are nastier. I don't know, it's that kind of stuff, and it's difficult to try to get a handle on that at times, but it's that kind of thing.

I think you'll also see, though, more use—because we don't engage or we can't grab the public quite in the way we'd always like to, the other sectors you'll hear about or see are in corrections, in the crime statistics, maybe in the emergency room usage. I mean inappropriate usage, where people might go to something else first. Chances are that we'd get involved, but there's a delayed reaction in some of that as well, so it is kind of hard to tell.

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

Mr. Prue: I'm most intrigued by your discussion about budgeting, about getting money for programs for which you have virtually no call, having to spend the money there and then taking away and not being able to spend money, not having sufficient to spend, in other areas where there's a huge need. Are you aware of any health programs at all where some bureaucrat at Queen's Park doesn't sit there and tell you exactly how to spend the money? Is there any other program that just gets a global budget, something we can fashion this on? I really do know what you're talking about.

Mr. Thompson: Well, I think some of the other—for example, even in health care, the hospitals have much more global movement of funds. The physicians certainly do. Basically, when you hire professional people, you say, "You do this range of services." It's as simple as that. It's like the funding is almost down to the technique. I'm a manager of counsellors, but I'm a professional social worker. It's almost like they're taking my profession and, "You can do these acts. We'll give you money for those, but not those acts." But I was trained to do those acts, and they need to be done in harmony and integration. It's like trying to tell a physician that he can only do certain kinds of things. Actually, that has happened in medicare too. That's where you start tinkering with the fee scale, what they get fees for it, in the old fee-for-service model. That's why you can get your health care workers doing perhaps whatever you want to do. I just think that's dangerous. In our case, somehow that's gone into a program.

I'll give you a good example of that. I bailed myself out this year by accepting money for case management. I

don't really need case management per se, but I had to cut a mental health counsellor and then re-employ them as a case manager. That's just a big, stupid waste of time. We're a sector that's here, trying to have people's understanding and support. I don't know how to go and present that to somebody who might want to use my service as a meaningful thing to do. Actually, I probably won't even tell them. They don't care. As long as that person is there and they can get some kind of help from them, they don't care what you call them. So we're playing this very foolish, time-consuming and wasteful game when we just need to either commit to this range of services for our citizens or we don't. It's about as simple as that for many of us.

The Chair: Thank you for your presentation.

MUNICIPALITY OF SIOUX LOOKOUT

The Chair: The municipality of Sioux Lookout, would you please come forward.

Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Ms. Cathy Kiepek: Thank you very much for this opportunity. My name is Cathy Kiepek. I'm the mayor of Sioux Lookout.

Mr. Dennis Leney: I'm Dennis Leney, councillor for Sioux Lookout, and I'm also a representative of the Kenora District Services Board.

Ms. Kiepek: The municipality of Sioux Lookout shares a lot of the issues that have been raised about the economic situation of northwestern Ontario. We have a sawmill, and it is our only industry. So it's very important to us.

But we're here to discuss one of the other items we've been wrestling with, and it has been mentioned already: the Ontario municipal partnership fund. I've included in the package a map to show you where Sioux Lookout is and to discuss part of the unique situation that Sioux Lookout has. The map is there to show that there are 28 remote northern First Nation communities and we're the service community for them. We have the regional Meno-Ya-Win hospital; the NNEC, which is a First Nation Pelican Falls high school; Wahsa; Tikinagan Child and Family Services; NAPS; and we have three tribal councils, so we're very busy. That explains part of the fact of the high policing costs.

I'll go into our written presentation for you, now that you know where we're at.

The implementation of the Ontario municipal partnership fund model has had and continues to have a dramatic and negative impact on the municipality of Sioux Lookout. The additional financial burden this funding formula has placed on the ratepayers of Sioux Lookout is numbing. Due to formula changes for the policing portion of our grant, our share of policing costs soared to \$1,705,186 in 2005, an increase of 791%. This net cost is one third of the total taxes that we collect through the general tax levy

for all municipal purposes. We previously paid \$90 per household in 2004; therefore, our share of the cost was \$215,550. The new formula sets a base of \$150 per household, with the remaining eligible costs being shared equally with the province. Up until 2005, the province reconciled the funding. For the years 2003 and 2004, we actually had to lobby for the reconciliation. It had a huge impact on our cash flow, because we had to pay and we weren't sure if we were getting it back. We did, finally. Last year, the province offered the stable funding guarantee that ensured the funding would remain at the 2004 level, but that level is the level of funding prior to any reconciliation. It simply isn't enough.

The municipality of Sioux Lookout cannot afford to continue with this Ontario municipal partnership fund model. We simply do not have the financial capacity. Our municipality is actually in a growth mode, but it is a slow growth with relatively no industrial base. We have no reserves. We have no more ability to put money back into our capital reserves. We've used the savings that were supposed to go into the capital roads projects to reduce our tax rate. The increase would have been 26%, but with the savings, we held it at 11.82% for the 2005 operating budget. Our infrastructure is deteriorating, and any new revenues should be earmarked for that.

Prior to the announcement of the OMPF funding, the province brought together people from various municipal organizations and municipalities to form a CRF review committee. Our treasurer was a member of the former CRF review committee, and that committee adamantly advised the province that the proposed funding model wasn't going to work. It didn't work when it was first implemented, it doesn't work today, and it will never work for us. We have written countless letters trying to find a solution to our dilemma—we have written so many letters out there that I did not include them in the package; I'm not sending a new message—but no solution has been offered to us yet.

We have been in touch with the Ministry of Community Safety and Correctional Services to explore the opportunity of our municipality being designated as a special area pursuant to section 13 of the Police Services Act. That was a recommendation we heard during a previous meeting. We've been advised that section 13 does not appear to contemplate the designation of an entire municipality as a special area. Several provincial ministers have acknowledged the uniqueness of our policing requirements in Sioux Lookout. They have all directed us to the Ministry of Finance. The Ministry of Finance is the sole ministry that can revise this formula, and we desperately need a revised formula.

1420

We were advised that we could receive money to fund new officers for our municipality through the Safer Communities—1,000 Officers partnership program. Notwithstanding that we are ineligible to participate in this program, we don't need new officers; we need money to pay for what we currently have. A solution must be

found. We know that the Ontario municipal partnership fund isn't the solution.

Our council members and senior staff have been advised that your government understands our unique situation as it pertains to policing, and that special consideration should be given to our community for OPP costs. To date, we have not been the recipient of any special consideration.

The name "Ontario municipal partnership fund" signifies a partnership. In a partnership, each partner gets something meaningful out of the relationship. Where did the province get their advice when creating this partnership? This partnership isn't working. It is incumbent on the province to find a solution to the dilemma that this and other northern municipalities find themselves in. We are powerless to resolve it on our own.

To further add to the pain, in the years 2006 to 2008 there will be a phase-in adjustment to the Ontario municipal partnership fund and our funding will be reduced even more. The province made a commitment to examine the effectiveness of the Ontario municipal partnership fund over time and if necessary make appropriate adjustments in future years to ensure its continued responsiveness. This funding never did respond to the needs of Sioux Lookout. We were told that the new Ontario municipal partnership fund would support a significant strengthening of our communities. Financially, our community has never been weaker.

I ask you during this pre-budget consultation to consider your partner municipalities. We cannot continue to pay these costs with continued reduced revenues.

Thank you very much. In your package there is also a blue sheet. I will let Councillor Leney speak to that.

Mr. Leney: This is pretty well the summary of what Mayor Canfield has said: that for the Kenora District Services Board, with all the downloading, it's just getting past the point—we as a district services board can't keep asking the municipalities to pay for things. Right now, we have a potential problem with a building that's going to cost us \$2.1 million, and it's either going to be a case where we have to put 75 senior citizens out on the street or go into bankruptcy trying to do it.

Mayor Canfield was addressing the fact that the Kenora District Services Board, on page 8—oh, by the way, this package isn't there, but gratefully, Kenora will include it with theirs. I guess we couldn't afford the extra—no, we could afford it; we just didn't have it. Anyway, on page 8 it tells that there is over a \$600-million potential out in the unorganized area. It's something we have to be able to tap into for your government. If we can tap into it to give us more money, then we can start reconciling all these different problems.

We thank you very much for your attention.

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

Mr. Yakabuski: Thank you very much. On this OMPF, we heard from other municipalities this morning on the same issue. When the government was deciding to replace the CRF—they recognized that there were areas where that simply wasn't functioning as it should have—

they much ballyhooed this OMPF partnership. We have nine out of 10 here in the north who have said that they're losers—some of them huge losers—under this formula. How did they get it so wrong?

Ms. Kiepek: Our treasurer, who was part of that review, would like to know an answer to that too. She is still waiting for that. She participated in part of that process.

Mr. Yakabuski: Did they listen to municipalities at all in the formulation of this or just, at the end of the day, they wrote up what they wanted?

Ms. Kiepek: I wasn't at the table, so I can't answer that.

Mr. Prue: This is a good mayor. She knows exactly what to answer.

Mr. Yakabuski: Thank you very much. I'm not sure if my colleague Mr. Hudak has any questions.

Mr. Hudak: Thank you, Your Worship and Councilor, for making the trip and making the presentation. I remember the minister standing up in the House and saying with a straight face that the OMPF funding was going to increase funding to municipalities, and we had colleagues saying what a great formula it was, but we're hearing different evidence when we actual speak with municipal officials.

The two biggest issues we're hearing about at the hearings today are the proposed closure of the Atikokan generating station and the crisis in the forest industry; high energy prices, the loss of the machines in the north-west. What kinds of impacts are we seeing in the Sioux Lookout community as a result of those economic misfortunes?

Ms. Kiepek: We're a very close network in north-western Ontario. In Sioux Lookout, we actually have a sawmill. Through the years of integration, what affects one industry will affect the other. So you have a sawmill, but that sawmill is also producing wood chips, and the wood chips have to go to another plant. When that plant shuts down, what do you do with your wood chips? Sawdust: That's another commodity now—things that used to be waste products. There's a huge spinoff: the issues with the wood baskets, the roads going through. None of us is immune from it. Some of those feeling the first impact now are definitely the pulp mills because they're the higher energy consumers, but the sawmills are not safe at all either. So it is a worry. We will feel the impacts of the other mills a little slower.

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

Mr. Prue: I have two separate questions. The first one has to do with the police budget. We've heard, I think, nine announcements now about new police officers. Quite clearly, you don't need new police officers but you do need money just to pay for the police you have.

Ms. Kiepek: That's correct.

Mr. Prue: You've made the point very well. You're one of the few communities that isn't asking for more police officers. In lieu of, has the ministry offered you simply additional monies to maintain the police force you have or have they just ignored you?

Ms. Kiepek: We have no additional funding, no offers.

Mr. Prue: So the only way you could get more funding is to ask for more police that you don't need.

Mr. Leney: Which isn't going to solve our problem at all. We're going to end up with more policemen, but it's not going to solve the problem. We're going to end up in exactly the same position as Pickle Lake is in. We will be bankrupt.

Ms. Kiepek: Right now, we have a basic contract with the OPP, which means we do not determine what level of services we want. This is a very basic one. We say we will contract with the OPP, and the number of police officers we need is determined by provincial standards and levels. If we wanted to go to police services, we'd have to have the additional costs of having a police services board and having staff trained for that. So we are at the basic one. We can't afford that cost.

Mr. Prue: My second question relates to social housing, which was very briefly discussed here. We had some municipalities this morning that said they don't need new social housing but they do need money to fix up that which already exists. Would your community be similar to that or are you in need of more social housing? The province is slowly but surely saying, in announcement after announcement, that one day they'll build some. Are you looking for some built or are you just looking for money to fix up what you already have?

Mr. Leney: Under the KDSB, we right now have a wait-list of 651 people looking for residence in our area.

Mr. Prue: In Sioux Lookout; so you need more.

Mr. Leney: Yes, definitely.

Mr. Prue: Have you been approached in any way to build some?

Mr. Leney: We'd like to build some, but we have to have the money to do it. The district services board has to have the money, the municipalities have to put up so much money, and we just don't have the money to do it, which is the same case, as I said in the presentation, with KDSB. When we've got a building that was downloaded from one of our other governments that is \$2.1 million, it's going to be just about impossible for us to do that.

1430

The Chair: Now we'll move to the government.

Mr. Arthurs: I'd like to explore a little bit more the policing issue, because I've heard it before, and certainly Pickle Lake has been raised as one example of another that we'll have to deal with.

Your tax rate increase last year—you drove it down from 26% to 11%—is even tough for your constituents as well. That's not a desirable tax rate either to have to pass on.

How much of the increase was driven by your policing costs, and if policing were out of the equation from the standpoint of the OMPF as opposed to the CRF, does that make life better than—it's never perfect, obviously, for the municipalities, but does that begin to provide the kind of stability that the municipality would need?

Ms. Kiepek: It would be a huge component, because right now any of the money we had has to go to cover

policing costs. When we mention the infrastructure, it's the roads, the sidewalks—I think that citizens would still complain about that rate of a tax increase. But if their roads were paved and they could see that the arena didn't look like it needed a lot of work, they'd know where their dollars are going. It was a huge impact. It was the policing costs and some of the other transfers that we had to do.

Our own increase—we had a slight decrease in our operating costs.

Mr. Leney: Which we had to do.

Ms. Kiepek: Yes. So where we could cut back, we have. But Sioux Lookout is a restructured municipality, so in 1998 it went from a small municipality to a larger area. The province had savings, because there are no longer any of the roads boards out there. Two services boards were absorbed by the municipality. So I can say that there was a saving within the province. But now, all of a sudden the same population, the core municipality, was paying for all these other costs out there too.

Mr. Arthurs: And you really have no way to control your policing costs. The province, by formula, dictates the number of police officers you need. Do they just bill you for level of service on a service call basis or the number of kilometres travelled, the number of hours? I'm not familiar with the details. I probably should be.

Mr. Leney: We just had a meeting yesterday with the staff sergeant. They bill us for the amount of services they do for us in our community. As the mayor said, we have a big problem because of the large area. We have not only our area but we have the 28 communities north of us. Our airport is probably the third-busiest in Ontario for the size of the airport. We have just numerous aircraft that come in there, and with the health authorities we end up getting more policing costs out of that too.

Ms. Kiepek: One of the other factors: We're not an unlawful community; it's a relatively safe community, with Tikinagan Child and Family Services, with the high school that we have, because if one of those children misses curfew, that has to be reported to the OPP as a missing person. As you know, with a missing person, that takes a lot of manpower; so it's not just like my child coming home late. There are a lot of these additional costs that are not in your average community.

The Chair: Thank you for your presentation.

Ms. Kiepek: Thank you very much for this opportunity.

WEYERHAEUSER

The Chair: I call on Weyerhaeuser to come forward, please. Good afternoon.

Mr. Dan Dedo: Good afternoon.

The Chair: I've seen you sitting there, so I assume you know this, but I'm compelled to tell you that you have 10 minutes for your presentation. There may be up to 10 minutes of questioning following that. I'd ask you to give your name when you begin your presentation.

Mr. Dedo: My name is Dan Dedo. I work for Weyerhaeuser in Ontario. I'm the provincial forest lands manager for Weyerhaeuser.

I'm going to spend a little bit of time speaking with you about three main areas. I want to give you an overview of our operations in Ontario. I want to review with you some of the good work that was started by the committee that Mayor Canfield talked about, the Minister's Council on Forest Sector Competitiveness; and then I would like to leave with you Weyerhaeuser's perspective of three key investment areas that we'd like to encourage the government to make as they consider their budget for 2006.

Weyerhaeuser in Ontario has four facilities. We span the province from Kenora to Wawa. In addition to those two towns, we have operations in Ear Falls, which is a very small town an hour and a half north of Dryden, and obviously Dryden is our pulp and paper facility.

The facilities that we have in Ontario in total employ just short of 1,400 people directly; that's our existing facilities today. Also, the facilities that we operate in each of those municipalities or within those towns are the single biggest private sector employer in those communities. You hear the words "economic engine": Our mills represent a large portion of what drives the economy in those communities, and those are four communities.

Our facilities produce a range of products. We have the newest facility in Ontario in Kenora. It's a state-of-the-art, engineered lumber-producing facility. It uses what used to be a waste product and produces an engineered lumber product. Our facility in Dryden produces a fancy thing called uncoated free sheet. Do you know what that is? That's the paper you're looking at today: photocopy paper. Our facility in Ear Falls is the sawmill, which produces two-by-fours and two-by-sixes. Our facility in Wawa produces the highest grade of underlayment. If you're building a house, it's the stuff that goes underneath your floor.

Weyerhaeuser is relatively new to the province of Ontario. We entered the province in 1998, purchasing some of the operations from existing companies. Since 1998, we as a company have invested just short of \$600 million within the province. That's through the construction of the facility in Kenora and upgrades within all of our other mills.

On the average, and I don't think any of our industry competitors would challenge this, we run the newest facilities within the province and, quite likely, the facilities that have seen the highest level of capital investment. What I wanted to leave you with there is that these facilities are not at the end of their life. They're facilities that are relatively new and that have been relatively well maintained and well capitalized from an asset perspective.

The other thing that all of our facilities share in common, and this is not a good thing for these facilities to share in common: If we look across the Weyerhaeuser system in North America, to a single facility, each of these facilities in the businesses that they represent is a

bottom-quartile performer within Weyerhaeuser. The common theme for those facilities around being bottom quartile is really two main areas: The first area is energy; the second area is fibre. That's what the facilities share in common.

If you're following along in the presentation, we just covered the next pictures. Now we're into the words.

Moving a little bit closer or a little bit broader out to talk about what the industry represents in Ontario: You've heard people like Mayor Canfield refer to, "You could perceive this as a northern issue; the forestry crisis is a northern issue." We'd really like to put our perspective forward that it really isn't a northern issue.

The industry in Ontario employs a little over 275,000 people. We generate, as an industry, about \$19 billion in annual sales. We contribute about \$8 billion to the trade balance. We pay \$3.2 billion worth of taxes. Some of that goes to the federal government, some to the provincial government and some to the municipal governments. I guess we have to come out of our incognito. Mayor Canfield was talking about a company, and he did a very good job masking the \$600 million worth of investment. Well, I'll stand up. The company he's talking about is ours. Within the province, we buy \$600 million worth of stuff. Of that \$600 million worth of stuff, we buy \$300 million south of Parry Sound. So we purchase a lot of goods and services from southern Ontario.

I want to shift gears and move into the Minister's Council on Forest Sector Competitiveness. The slide, for those of you who have it—the words are pulled right out of the minister's committee on competitiveness—speaks about a crisis in the industry: "Action is urgently required to prevent predictable and irreversible" harm. It talks about 12 mills that were at risk across northern Ontario.

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I would like to put forward that the folks who were part of that committee were prophetic. They looked forward into the future, and many of the things they said were going to happen have happened. We've seen mill closures since the committee released its final report.

Weyerhaeuser believes that Minister Ramsay should be commended for the work that started: hats off; an excellent initiative. He gathered absolutely the right group of people around the table, and the people around the table did an absolutely terrific job in cutting through the issues and coming forward with the things that need to change for the industry to be viable within Ontario.

I want to talk about two specific things: fibre and energy. If you're in our business, there are really three things that you throw into the mixing pot to produce a product. One of them is fibre, the second is energy and the third is people, obviously, to put the fibre and energy together to produce the product.

The people: We have been working jointly very hard in our operations with the unions that represent our employees. We have, to the credit of many of the people who have come down on the bus today, state-of-the-art work systems. We are working on that and we're very comfortable with the direction that has taken.

The second piece of the equation is power. I'm going to say, a little bit later, that this is one of the areas we would like you to consider to assist the industry. What we've seen, from a power perspective, since deregulation is a 36% increase in power costs. That's what our electrical bill is. That 36% is outstanding enough when you hear that number, but I tell you that our electrical bill is \$20 million per year, so it's a very significant input into our business.

The third thing that goes into the mixing pot is fibre. Fibre is the single biggest line item on any of our mills' balance sheets. Fibre, for the business I represent, is \$180 million a year. That's what we spend as a company, year in and year out, on fibre.

The minister's committee talked about fibre cost. Mayor Canfield talked about it. The way we would characterize where we rank in the world from a fibre-cost perspective—and I have not seen data that would counter this—is that we are virtually in the highest-fibre-cost jurisdiction in the world. We have not found another jurisdiction with higher fibre cost. It's a very, very significant issue when fibre represents your single biggest line item. If we were close to the average, it might not be as big a deal. Where we rank from a fibre perspective—the world average is \$35 a unit or cubic metre; the average in Ontario, as of the beginning of this summer, was \$55. You can see that we're not 1% or 2% away from the average; we're about 56% away from the average—the same companies we compete with in the industry to sell product.

We believe that in order for our company and likely the rest of the industry to stay in the game, we need to close that gap by about 50%. We need to see a reduction through initiatives from your government's perspective, as well as from our perspective, of about \$10 a cubic metre. We're not going to close the gap completely; we would like to close the gap by about half.

The next major area of input is energy costs. I can make pretty well the same statement around energy. We operate right across North America. When we chart our energy costs in our mills, with the five states and four provinces we conduct business in with pulp and paper operations, the end of the cost curve that we come out on is the absolute wrong end. We are the highest-cost jurisdiction from an energy perspective.

I want to give credit to the minister's committee. They have begun to enact some of the recommendations. There have been some loan guarantees. For our company, it's not an issue. We can get capital—people will stand in line to lend us money—so the loan guarantees may help some other companies, but they haven't helped ours. There have been some initiatives around helping with inventory. Thank you very much. There have been initiatives around helping with roads. What has been tabled by the government so far equates to a reduction of about \$1 per cubic metre. We were at \$55, we are \$54, and the world is still at \$35. I guess we would say it's a good first step, but we need to continue the work that was started, and we do need a material change. A dollar change is a

move in the right direction. Is it going to keep us in the game? I don't think it will.

The Chair: You have about a minute left.

Mr. Dedo: Thank you very much. We think there are several things the government can do. First off, we don't believe the hill is insurmountable. We absolutely believe we can get over the top of the hill. We need the government to help us with fibre costs. Specifically, we're asking the government to enact the recommendation that dealt with 100% of funding for primary and secondary roads and 50% of the funding for the construction and maintenance of primary and secondary roads.

The second thing is that we would like the government to enact a 50% fuel tax rebate. Our equipment runs off-highway, so we are building and maintaining many of the roads today that we're paying fuel tax on.

The third recommendation is to deal with the energy piece. We would ask for two things there. We would ask the government to impose a revenue cap until there truly is a competitive market in Ontario from an energy perspective. We're talking about a revenue cap. The second piece around energy is that we would ask that the move to close down the lower-cost facilities be looked at again and put on hold until there are viable low-cost energy-producing alternatives. Thank you very much.

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

Mr. Prue: Thank you very much for your presentation. It was quite good. There was something I wanted to ask, and you're the first person who may be able to answer this. Last week Maclean's magazine had a story about the wood business in Canada—pulp and paper, fibreboard, all of it—and how it was declining and how the companies here, which used to be the biggest in the world, are not any more. It talked about the spectacular success of Sweden and Finland and their companies. I was just wondering if you could comment. Is it the energy costs? Is it the private ownership of the forests, which they suggested was one of the things? Why are they suddenly the darlings? Why are they suddenly so successful and we, surrounded by trees, are not?

Mr. Dedo: I'm not as familiar with Sweden as I should be, but I'm very familiar with Ontario. I can look at the competitive disadvantages that were advantages two or three years ago. Fibre was one of the reasons why companies were investing in Ontario: low-cost, available fibre. That has flipped around. The fibre is essentially the highest-cost fibre in the world, and from a supply perspective, some mills are seeing a shortage of supply. That's number one. Energy: When you work and live in a jurisdiction where energy is some of the highest cost, energy has a pretty major impact. That quickly slides you down the cost curve or the competitiveness curve. Those two things are pretty prime inputs that put us on the wrong end of the competitiveness scale.

Mr. Prue: In terms of a price cap, would you prefer to see a price cap as opposed to, say—I guess the alternative would be a government subsidy, at least in the short term.

Would you think that a price cap on electricity is a better way to go?

Mr. Dedo: Yes. Speaking from Weyerhaeuser's perspective, we are not looking for government subsidies. We're looking for assistance to improve the competitiveness of our facility. Today we do not have a market. We say that we have a market, but essentially there is only one significant producer in the market. We're saying that until there is a market, let's put a revenue cap on that, and at a point in time when there is a true market, then let's look at that again. We need short-term, immediate help.

The Chair: We'll move to the government.

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Mr. Mauro: Thank you, Dan, for coming. I appreciate your presentation. You mentioned that in the last two or three years, fibre costs have increased significantly in Ontario. What's happened in the last two or three years that's changed the cost of fibre to your mill?

Mr. Dedo: Probably two or three things, Bill. We've seen a very significant change in the guidelines and the regulations that we work under. Mayor Canfield mentioned that he sits on the technical committee for the province. That impacts us; the rules by which we play the game have changed significantly.

Mr. Mauro: So is this the red tape piece, one of the recommendations in the forestry council report?

Mr. Dedo: It's absolutely one part of the red tape process.

Mr. Mauro: Just to be a little more specific, are we talking about the protected lands that came in under Lands for Life? Is it the wildlife habitat created as part of that process or other processes that means there is less fibre close to the mills so you have to travel greater distances, which increases the fibre cost?

Mr. Dedo: More so the bureaucracy. One way I could demonstrate that is that when I began my career about 15 years ago, a forest management plan was that thick; that's how thick it was. The last forest management plan we submitted was 14 binders tall, and the binders were four inches. So the cost of producing those 14—we're very happy; we produce the paper that's printed on. But the cost of that plan is \$1 million.

Mr. Mauro: And you have to do that every five years?

Mr. Dedo: Every five years.

Mr. Mauro: So besides the guidelines, what are some of the other things increasing the price of fibre?

Mr. Dedo: The guidelines are increasing the price of fibre. The guidelines have also driven the distance that operations are away from town, so there is a bunch of things.

Mr. Mauro: At the Dryden mill, one machine is to go down April 1, I believe. Is that right? I was talking to one of the gentlemen outside. The product there is uncoated free sheet. Is that what it's called? So you're going to be moving away—the other machine produces the same product?

Mr. Dedo: That's correct.

Mr. Mauro: If you close that machine in Dryden, you, being a North American international going concern, do you transfer that capacity to one of your other mills?

Mr. Dedo: No.

Mr. Mauro: Why not? If the costs of production are what's causing the closure here, why wouldn't you transfer the production to a lower-cost jurisdiction within your own corporation?

Mr. Dedo: Because the market demand isn't there—

Mr. Mauro: Okay. I understand what the answer was going to be. I'm just trying to put it on the floor. There are a whole host of variables affecting what's going on in this industry, and in this case, in fact there's a glut on the market for this particular product, fair to say, and that has driven the decision to at least some degree.

Mr. Dedo: No, I don't think I would characterize it that way. We do business in a market that's declining, but there is still a market. The way I would categorize it is that the mills that will continue to produce are the mills that are the most competitive or are in the most competitive jurisdictions. If you look at the number of mill closures, people impacted across Canada, over 50% of the jobs lost across Canada are in Ontario, so Ontario is taking a huge, disproportionate share.

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

Mr. Hudak: Thank you for the presentation. I actually had the chance to visit the Weyerhaeuser plant in Dryden in December, so I appreciate that opportunity.

There are two points that I wanted to refresh my memory on. As Weyerhaeuser, you're probably number one or number two internationally. If you want capital to invest in your plant, you've got to make the case back down to Washington, right?

Mr. Dedo: We compete for capital with every other facility that Weyerhaeuser operates.

Mr. Hudak: So when you're going forward for proposals, say, on your cogen plant and that sort of thing, what kind of reaction are you getting from head office, given Ontario's current energy and forest policies?

Mr. Dedo: Our reaction is that in order for us to even bring a proposal forward, we need to fix two things: We need to fix the fibre cost and we need to fix—we basically need to fix the fibre cost before we're able to come forward with any proposal for energy.

Mr. Hudak: Otherwise, don't even come forward with any plans to do the cogen facility or expand in any form.

Mr. Dedo: No.

Mr. Hudak: I think my colleague had a question, Chair.

Mr. Yakabuski: In those two items, you were articulating the difference between Sweden and Finland and ourselves. If those are your two biggest items, clearly those must be the areas where they have advantages, because for this kind of industry, those are going to be their highest fixed costs, no matter where you are.

Mr. Dedo: Correct.

Mr. Yakabuski: Fibre and energy are going to be their highest costs, so clearly those are the problems in this jurisdiction in the province of Ontario: the cost of fibre, which you have indicated is driven largely by the amount of regulation and paperwork that you people are expected to do and a number of things that you are expected to do in the process of harvesting timber; and also the energy, which is clearly the highest cost of any jurisdiction that you compete with.

I would ask you, do you think we're going to improve that situation under the government's current energy policy, which is to shut down, for example, the generating station in Atikokan, and all coal-fired facilities across the province? Do you expect that our energy costs are going to decrease if that policy is implemented, or will we see them further increase?

Mr. Dedo: The data that I've seen up to this point would show the counter: that energy costs will actually increase as a result of what you're speaking about.

Mr. Yakabuski: Which would make it highly unlikely that you're ever going to get the go-ahead from your head office, if we can't control those two things.

Mr. Dedo: No. Essentially, the go-ahead from our head office is tied to fibre cost. You fix fibre, and we'll have lots of time to talk to you about some possible energy reduction projects—for us, that would be cogeneration—but until you're competitive from a fibre perspective, no.

Mr. Yakabuski: But if you're not competitive from an energy perspective, you're not likely to be investing here as well.

Mr. Dedo: No, it's really from a fibre—

Interjections.

Mr. Dedo: I know where you're going. I can't go there. Fix the fibre, and we'll talk to you about energy.

The Chair: Thank you for your presentation.

Mr. Dedo: Thank you very much.

CITY OF KENORA

The Chair: Our next presentation is from the Northwestern Independent Living Services. Seeing no response, the city of Kenora. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Rory McMillan: Good afternoon. My name is Rory McMillan. I'm a city councillor with the city of Kenora. On my left is Mr. Bill Preisenzanz, our chief administrative officer, and on my right is His Worship Mayor Canfield, whom you've heard already today and will continue to hear from.

Our speaking notes are in the packages that were distributed to you. I'm not going to go through every note, but I'll highlight the areas I can. We've also, as was stated by the municipality of Sioux Lookout, included the district services board presentation in the package. It's unfortunate they didn't receive an invitation to present.

Kenora, along with other northern municipalities, has continued to face mounting fiscal challenges under the burden of escalating operating costs and increasing demands from external organizations, particularly those organizations that provide the services originally downloaded to municipalities in 1998. Coupled with our aging infrastructure and significant annual infrastructure deficit, there is no question that Kenora, as with most northern municipalities, is in a precarious financial position at best.

Today, however, Kenora is poised on the brink of an economic and fiscal crisis. Recent events, both locally and at senior levels of government, have resulted in significant impacts to Kenora's local economy and the long-term stability of the city's financial situation. Key recent events include the permanent closure of the Kenora Abitibi-Consolidated mill, with a corresponding loss of 365 full-time permanent jobs and approximately \$61 million to the local economy; the permanent closure of Devlin Timber, with a corresponding loss of 45 full-time permanent jobs; and the recent change in provincial funding under the new Ontario municipal partnership fund, resulting in significant related long-term annual funding cuts for Kenora.

These announcements have left the city scrambling to determine where it can go from here. The city needs to determine how it can recover and move forward in the wake of these significant financial impacts while continuing to maintain its current service levels to both the community and ultimately its taxpayers. At the same time, the city continues to bear significant pressure from special interest-ratepayer groups such as Ratepayers After Fair Taxation for tax concessions such as area rating.

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So we are here before you today to tell you that there is no question that the city of Kenora needs help—your help. Our only question is, “What can you do to help the city of Kenora in this time of crisis?”

Over the next few minutes, I will briefly outline each issue and provide you with a recommendation for consideration within the new provincial budget.

The Abitibi decision: We have lost two mills in less than one year. To a community the size of Kenora, the impacts of this closure are staggering, if not devastating. As stated, the direct job loss represents 365 mill jobs. The city will immediately lose \$405,000 in tax dollars annually through the vacancy rebate program and \$623,000 annually in revenues to the various city utilities, which include water and sewer, solid waste, Kenora Municipal Telephone Service and Kenora Hydro. In the longer term, the tax impacts are unclear and will ultimately depend on the decisions made by Abitibi. Currently, the Abitibi operations contribute almost \$1.7 million in combined property taxes and power dam grants for municipal use alone.

What can the province do to help the city of Kenora in this crisis?

Support the city in working with Abitibi to pursue an adaptive reuse of the plant infrastructure and other mill assets.

Work with the city of Kenora on economic development projects, such as downtown revitalization and value-added forestry, to help mitigate the significant impacts to our local economy.

Pursue footloose government activities—and I'm sure you're going to ask me what the definition of “footloose” is, and it's not the musical—and initiatives for use in the Kenora area to help rebuild the local economy.

Moving on to the forest industry: The government has been very aware of the warnings concerning the perilous position of the forestry sector for three years. It was not, however, until the fall of 2004 that the first concrete steps were taken to address the challenges facing the industry with the creation of the Minister's Council on Forest Sector Competitiveness. Unfortunately, the spring 2005 provincial budget failed to substantively recognize the concerns of the forest industry or effectively address the recommendations as set out by the minister's council.

Recommendations: It is imperative that this government heed these crucial points and address them in the spring 2006 provincial budget.

Resume full funding of primary forest road construction and maintenance and 50% of secondary road costs.

Remove costly and redundant red tape from government regulations. That question was responded to by the representative from Weyerhaeuser.

Commit to stable electricity supplies across the province.

Ensure that the forestry sector is not hit with additional government-imposed cost increases.

In 1998, the province implemented the local services realignment with Ontario municipalities, also referred to as downloading. Under the LSR, a number of changes were made in municipal-provincial responsibilities, and municipalities became responsible for the costs related to a number of services not previously funded through municipal tax dollars, as well as being required to pay a greater share for other services already partly funded through municipal tax dollars. A new grant program, called the community re-investment fund, was put in place to help offset costs related to this provincial initiative. At that time, municipalities were advised that the LSR would be revenue-neutral. The CRF was to be reconciled annually and was to account for any net incremental costs to municipalities. While the CRF funding was reconciled on an annual basis, the reconciliation was complex at best, and municipalities did not have all the information available to confirm the province's calculations.

It is worth noting that the city's 2005 entitlement under the OMPF was based on the final 2002 CRF entitlement, as reconciled by the province. In 2005, the city estimates that this funding level represented a shortfall of almost \$1.1 million in provincial funding as compared to the active programs under the old CRF funding program alone. This shortfall is projected to continue to grow in 2006 and beyond.

From a municipal perspective, it is critical that the province implement the following changes in the spring 2006 provincial budget:

The province must end this continued downloading to municipalities. It must take back responsibility for the social and health programs that have so heavily burdened municipalities and their taxpayers, and will only continue to do so.

Only the province can control social and health program costs. Municipalities have no ability to impact these costs or services. It is unacceptable that the province has placed this significant and increasing burden squarely on the backs of the local taxpayers in order to help balance the provincial budget. These services must be taken back by the province, and it must happen within this provincial budget.

The OMPF program: In addition to the already growing deficit related to the downloaded social services, of significant impact to the city is the recent OMPF announcement and the anticipated impacts for the city of Kenora. Key issues of this funding announcement for Kenora include: the 2005 approved funding level is based only on the 2002 reconciled CRF level and does not account for the anticipated almost \$1.1-million deficit in downloaded services; an anticipated loss of up to \$1.7 million in unconditional funding annually by 2009 from the approved 2005 level; and an additional \$1.1 million stabilization funding component to the city's OMPF entitlement, the long-term viability of which is unknown.

The most significant factor impacting the city's entitlement with regard to the OMPF is the application of the rural and small community measure. The information to determine the RSCM was purchased from Stats Canada, and this information is only tracked for areas that have a population of 10,000 or greater. Unfortunately for Kenora, we are just large enough to be statistically interesting. Kenora is the smallest northern municipality to be given an RSCM of less than 100%. Had Kenora been given an RSCM of 100%, as was done with our sister municipalities, projected 2009 funding would have been \$4.48 million, with no stabilization component, as opposed to \$2.84 million, which includes a stabilization component of \$1.1 million, the long-term viability of which is currently unknown.

Another critical point with the OMPF is that land ambulance costs have been entirely excluded from the funding formula. With anticipated 2005 land ambulance costs of over \$1.3 million, this downloaded service represents a significant impact to the city of Kenora.

In order to stabilize the city's long-term provincial funding and help reduce the significant impacts resulting from the province's failure to meet their promise on revenue-neutrality on the LSR, it is imperative that, at a minimum, the following changes be made to the city's OMPF entitlement:

To help maintain the ongoing financial stability of the city, consideration must be given to change Kenora's RSCM to the same as its sister municipalities in the north: an RSCM of 100%.

The land ambulance program delivery should be taken back directly by the province. At a minimum, appropriate

provincial funding must be established to offset the significant and escalating costs for this program delivery.

PLT reform: Finally, the city feels it is critical to revisit the provincial land tax reform issue that is currently before the province. The city applauds the province for commencing a review and recognizing it as an area of utmost importance

From Kenora's perspective, it is crucial that ratepayers in the unorganized area begin to pay their fair share towards the provision of services within the region. In addition, many of these ratepayers enjoy the use of a number of municipal services, such as the use of local municipal roads, recreation programs and library services, and should be providing financial support related to those services.

The city encourages the government to proceed quickly and fairly to implement planned PLT reform changes. Ideally, provincial taxes related to PLT reform could mirror those of the closest municipality, and any related revenues net of specific service costs would go to that adjoining municipality.

In conclusion, the city of Kenora wants to assure you that we are not standing still in the light of adversity. We are looking at all opportunities and options available, including a concerted effort to mobilize city staff to help compile opportunities for reductions in costs. Alone, this is not enough. We do not believe that we can independently restore the current fragility of the community's economic base, nor can we hope to independently address our current fiscal crisis. We need your help.

We would like to thank you for your time today. Your serious consideration of the issues we have brought before you today is expected. We look towards a partnership in implementing the many recommendations contained within our presentation in the new provincial budget.

In closing, I have a personal comment. If you were to ask me what is the most critical part of our presentation, I would respond by stating, "Recognition of our recommendations and agreement to implementation." Thank you.

1510

The Chair: Thank you.

Mr. McMillan: Did I make it within 10 minutes?

The Chair: You were just slightly over. We begin this round with the government.

Mr. Wilkinson: Thank you. We've had a wonderful time here today. It's wonderful that we can be here. Just to go on the OMPF question and get some context: When we started this up two years ago—and so many of us were elected from the municipal world because we had never believed that the downloading had been revenue-neutral—one of the things we found, of course, was the CRF. I know that two years ago, when we were going around the province, everyone was saying, "No one understands the CRF. There's no rhyme or reason. Two municipalities exactly the same: One gets \$1 million and the other one doesn't."

The minister said, "Let's have an accountable, transparent system so that we can see that, because you can't

improve something that you can't measure and when you can't compare like municipalities." That's what started going to the municipal partners' fund, but I think AMO, ROMA and NOMA were very clear: "Listen, we've got reconciliation costs that we got stuck with from before. Though that wasn't rung up by you guys, we need you to reconcile and square up the province to pay that," which is why the reconciliation was paid. It's why we've gone to the new transparent formula where you can see every other municipality and we've said, "If you're on the down side of this fund"—because now we can work on trying to improve it—"you won't have any less, at least for a year in transition, while we work together with the ministry."

We've taken a lot of sticks out of municipalities' eyes, so we can move to more transparency. For example, we should really have the same transparent funding formula for everybody in Ontario, but we hear today that for policing, because of the distance, there has to be a variation here in the north—that was one of the suggestions we had—as a way of making the system better.

I think all municipalities are struggling with the land ambulance issue. I know the Minister of Health has a working group with AMO and other municipal organizations to try to resolve that. We agree that that is a problem we've got. We are also in that downloading.

What we're trying to do—we appreciate the fact that you've come, because under this situation we can actually get the facts out: You know what all the other municipalities are getting. That's how you can get to the inequity and also tailor-make that formula, so in this kind of relationship we have now, it's all out in the open. It's not having—

The Chair: Thank you.

You might want to make a comment, but he has used all the time.

Mr. Canfield: If I could: You are absolutely right. It is more transparent. There's no doubt about that at all. The CRF was very hard to figure out. The problem is that it's broken. I feel pretty good about what you said, because you're saying, "We realize that when we changed it, there would be pieces that had to be fixed."

One of the pieces Councillor McMillan talked about was the RSCM, that because we're statistically important, we come under a statistic that costs us \$1.7 million, plus the \$1.1 million that's still owing to us. One of our neighbouring communities, just under 10,000—with complete urban, not the rural—gets 100%. So it has to be reversed 100%. I don't know where the number is. If it's at 50,000 or 100,000, I'm not sure, but 15,800 definitely isn't the right place for it. It has to be fixed.

The Chair: Thank you. Now we'll move to Mr. Hudak.

Mr. Hudak: Thank you, Chair. Councillor McMillan, it's really great to see you again. Thank you for the presentation, Your Worship, as well.

With respect to fixing the OMPF, we've heard over and over again today about how northwestern Ontario was badly harmed by the amount of funding cut out under OMPF. Councillor, you talked about the old recon-

ciliation formula, that there would be a reconciliation on the costs of the programs compared to the funding. Do you think that there should be some reconciliation point, then, to OMPF, that if the grant falls far short of the increase in costs, it should be reconciled?

Mr. Bill Preisanz: I believe that's the only way we can deal with the deficit we currently have. We've done without, I guess, over the last couple of years. With these recent decisions, we need to have some understanding from this government, first of all, that the way it's been calculated isn't fair. I think our report will show you why it isn't fair. We've done a reconciliation as best we can. We would ask you to seriously look at that.

Mr. Hudak: With respect to the RSCM, Your Worship, you're basically saying that if a community is under 10,000, you get the 100% benefit of that formula. That's about a \$2-million cost to the city of Kenora, if I follow your numbers correctly.

Mr. Canfield: The number is \$1.7 million by 2009. It's not the fact that you're under 10,000. The only reason it's 10,000 is that you're not a statistic until you're over 10,000; that's where it falls. We've explained that to the Minister of Finance and to some of the staff people.

The bottom line is that we can't be like Pickle Lake. Believe me: I won't be as quiet as them, as you probably heard a little earlier. I'm not going to wait until our community crashes. We've lost 400 direct jobs plus all the other ones. I'm not going to wait until we're in a bankruptcy situation. We've got great people who have managed that community very well, and we want to continue on that road. So we have to have the understanding before we're in that situation.

Mr. Hudak: Speaking of the mill closures, one of the predominant themes here today has been high energy prices and the proposed closure of the AGS and the devastating impact that would have in Atikokan and the surrounding area. Proposals are, first, it should stay open; secondly, a number of groups have said there should be a sort of energy island, a separate grid in the northwest. How would that impact Kenora and your competitiveness? Do you agree with the proposals you have heard in that sense?

Mr. Canfield: Absolutely, and I want to add one more thing—I didn't have enough time before, and I wasn't going to take up the whole thing here; that's why my minister of finance here is making the presentation.

The bottom line is that we do not have the same resources you have in the Golden Horseshoe area. That's just the reality of it. One professor at Lakehead University has come up with some of the differences: There are huge economic benefits to being in the Golden Horseshoe; there are huge economic disbenefits to being in northwestern Ontario. If you want to try to equalize that, then one of the things you can do is that the energy island could have its own separate energy policy. We've given it to you; please take a look at it.

Here's one quick example; I love to use this story. We had the opportunity to do a Steve Martin movie here in Kenora just recently. They were going to do it in Muskoka,

but they didn't have the setting. They could have done it in Lake of the Woods—we've got millions of them that aren't paying taxes. They have this perfect setting, and they could have come and done this movie. That would have been great. We thought, "This is fantastic." He's one of my favourite actors.

When they looked into it, they couldn't do the movie in Kenora. With the tax credits that are allowed in that policy, they would have to rent their equipment from Winnipeg because of its proximity; therefore, they couldn't do the movie in Kenora.

We are not equal; we do not benefit from the same programs that you benefit from in the GTA area or even in northeastern Ontario. We don't benefit from them. So you have to understand that one size doesn't fit all. Tim, you'll remember that I said to your government—I've said to every government—that one size doesn't fit all. Every single minister I've talked to: "You're right; one size doesn't fit all." Not one government has changed it. In the three governments in my political career, not one government has changed that. It's time to change it.

The Chair: Thank you.

Mr. McMillan: Could I make one—

The Chair: We'll move to Mr. Prue.

Mr. Prue: Make your point. I'll let you use part of my three minutes.

Mr. McMillan: You asked, would it assist our area if that was looked at? From a very pragmatic point of view, I think it would help all communities in northwestern Ontario and northern Ontario within the NOMA coverage. So my answer to you would be yes.

Mr. Prue: We've heard many times about uploading social services. There are a number of them that the government has downloaded, for which they are collecting money from municipal tax coffers. They run the gamut. The big one is education, but some of the smaller ones are ambulance, daycare, welfare, housing, public housing and public health. Is there any particular order in which you think they should be uploaded, because I don't think they have the wherewithal, nor will they consider doing it all in one year. I'd like them to, but I don't think they will. Can you tell me which ones you think should be uploaded?

Mr. McMillan: I'll try to do it in order and let Bill and Dave add comments. From a cost perspective, I would say number one would be land ambulance. Then I would look at social services. Ontario Works and the Ontario Disability Support Program are two programs that are extreme. You can't control the costs of them; you can't predict what will happen in society. It's extremely difficult for municipalities when the district services board—it's an uncontrollable cost for them that is passed on to municipalities. So I would look at them next.

Just a general comment: There was a presentation earlier about social services and supports when there's a major industrial turndown in the economy. I think it's extremely critical because that's when soft services such as social services rise to the surface. The supports are required in communities for families, and they truly need

recognition through government funding and stabilization.

I hope I've answered your question by saying "land ambulance."

1520

Mr. Prue: Okay, land ambulance and then social services. What about daycare, public health—those things?

Mr. McMillan: I would follow them with daycare and public health programs. If there was accomplishment on land ambulance, I think that would be a significant step.

Mr. Prue: Is there concurrence here?

Mr. Canfield: Yes, absolutely. I want to clarify something. The government is starting to move public health back, and we appreciate that very much. Here's the problem: It hasn't changed ours. Our input in the city of Kenora and the district last year went up. We still paid more as a community, even though there was more money coming from the province. This year, it's flatlined at zero. It shouldn't be; it should be going down. Again, you cannot deliver the service for the same cost. You're talking about all the outlying reserves. Healthy Babies, Healthy Children—I used to have lots in the past. Try to deliver that service in the district of Kenora for the same cost as delivering it in the city of Toronto. But we get the same amount of dollars. It's absolutely impossible. Go right back to one size doesn't fit all. That has to be recognized.

The Chair: Thank you for your presentation this afternoon.

NORTHWESTERN INDEPENDENT LIVING SERVICES INC.

The Chair: I call on Northwestern Independent Living Services Inc. to come forward.

Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourselves for the purposes of Hansard.

Ms. Kristan Miclash: Good afternoon, Mr. Chair and committee members. My name is Kristan Miclash. I'm the executive director of Northwestern Independent Living Services. I'd like to introduce the vice-president of our board of directors, Mr. Mark Wherrett.

We are here today to present on behalf of persons with physical disabilities residing in the Kenora and Rainy River districts. NILS has been the provider of attendant care services to persons with physical disabilities living in the communities of Kenora, Vermillion Bay, Dryden, Ear Falls, Red Lake, Ignace, Sioux Lookout, Atikokan, Fort Frances, Rainy River, Emo and all points in between for the past 20 years. We currently assist 63 consumers by providing over 25,000 hours of attendant care per year. As you probably are aware, the attendant care program assists individuals with all activities of daily living, which are defined as those physical functions necessary for the management of one's own affairs. NILS also operates an assisted living supportive housing program in partnership with Direct Management Services

in Kenora, where on-site, 24-hour attendant care services are provided to 17 tenants.

The issues we would like to address today are, first, the imperative need to expand supportive housing—"assisted living" is the new term I'm hearing—to adequately meet the needs of individuals aged 16 and over. In the Kenora and Rainy River districts, only one supportive housing program is available to consumers aged 16 and over; that is, the program operating in Kenora through NILS. We know first-hand that the need exists for additional supportive housing, specifically in Fort Frances. Five years ago, NILS, with the assistance of the Northern Action Group of Fort Frances, conducted a supportive housing needs study. Of 200 surveys distributed, 155 responses were received. At that time, 34 individuals required some type of on-site support in a housing setting. Three years ago, a supportive housing committee was struck for the Kenora and Rainy River districts, made up of community support agencies, the CCAC, and long-term-care, health centre and hospital representatives. Several meetings were held throughout the districts, resulting in a joint report being submitted to the Ministry of Health and Long-Term Care, recommending that \$1.9 million be invested to expand supportive housing in the Kenora and Rainy River districts.

In June 2005, NILS began providing four hours of on-site attendant care to 10 individuals residing at Lady Frances Place and Elizabeth Manor, located in Fort Frances. We have developed a solid partnership with the Rainy River District Social Services Administration Board, which operates these buildings. Our concern is that we will not be able to continue providing these services if adequate funding is not received. These individuals residing at Lady Frances are not seniors and their disabilities are deteriorating.

The Closson report states: "There needs to be a focus of planning for the expansion of long-term-care 'places' with the desire that people be placed along the continuum of care as close to home as possible. The principles of expanding capacity in this area should include maximization of independence, maximizing social interaction in all 'places,' a preference for long-term care in the local community, a preference for 'in-home' care over congregate care, a preference for supportive housing over nursing home care, and the provision of psycho-geriatric care in all treatment settings."

Although we agree in principle with this statement, Mr. Closson unfortunately focused only on the need to expand services for seniors in this area. Nowhere in his report does Mr. Closson refer to services for persons with physical disabilities. NILS's waiting list for supportive housing in Kenora currently sits at eight people. Our waiting list in Fort Frances is nine who need supportive housing. These numbers may seem small, but we know the cost to support someone residing in supportive housing, which is approximately \$30 to \$35 a day, is much less than long-term care, which is \$82 to \$85, or hospital, which is \$800 to \$1,000 a day.

The report on pre-budget consultations for 2005 asked the ministry to "review the supportive housing system so that standards are applied consistently in that part of the long-term continuum." We would recommend that supportive housing programs be expanded in the Kenora and Rainy River districts, beginning with Fort Frances.

Mr. Mark Wherrett: Secondly, NILS's waiting list for outreach attendant services continues to remain high. Thirty-five people have been waiting to receive attendant care services for the past two years and, in some cases, longer. Many referrals come from the case managers at the CCAC. As you know, the CCAC can only provide 60 hours a month of homemaking or personal support. That translates into two hours a day of service. We know that persons with physical disabilities often require much more than two hours a day of services—do you have a bath, or do you have a meal? Can you imagine only having two hours a day to accomplish bathing, toileting, dressing, meal preparation, eating, laundry, housekeeping, shopping, medical or any other appointments, undressing at night and all the other routines that are required by an individual?

The attendant care cost is \$22 to \$25 per day. We have seen the impact of providing more than the minimum. We recommend that tax dollars be provided for the outreach attendant care program to reduce our long waiting list.

Ms. Miclash: The third issue is providing services to persons with acquired brain injury. Four years ago, we submitted a joint proposal with Brain Injury Services of Northern Ontario, from Thunder Bay, which would see the provision of attendant care to 25 persons living with the effects of acquired brain injury in communities throughout Kenora and Rainy River districts. NILS currently provides services to five individuals with an acquired brain injury. BISNO provides consultation and rehabilitative services to these people. The 25 people on the waiting list do not receive any services through our programs. They must rely on family members or volunteers to help them remain independent in their own homes. We would recommend that the joint proposal put forward four years ago be funded to enable persons living with an ABI the services they need.

Mr. Wherrett: We are a consumer-driven organization, and we understand the importance of being at home with family instead of in hospital or in a long-term-care facility. Seventy-five per cent of our board of directors have a physical disability, and we understand the issues presented first-hand. A number of us know how important it is to have attendant care services to help us maintain an adequate level of independence in our own home.

We know that costs are greatly reduced when people are able to remain at home. By offering services in the community, we keep families together and allow personal independence, which in turn improves the quality of life.

Ms. Miclash: In closing, we appreciate the opportunity to speak on behalf of our consumer group. It is imperative that supportive housing and attendant care outreach programs receive funding in order to provide

necessary supports for persons with physical disabilities residing throughout the Kenora and Rainy River districts. Thank you for allowing us this opportunity, and thank you for travelling to Atikokan today.

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

Mr. Hudak: Thank you both very much for the presentation. One of the things we've heard from the various social services groups that have been here today is about the unique needs in northwestern Ontario. Many of us here represent small communities in the south. Is there anything in particular that presents a challenge in the northwest as compared to the rural south?

1530

Ms. Miclash: Certainly, travel to get here today by vehicle—this is one of the communities. My office is located in Kenora. On my way from Kenora to Dryden, I picked up Mark, one of our board members who lives there, and then came down 622. Our partners from Kenora, who beat us here—I'm sorry about that—probably did the same thing.

Certainly, transportation to get to this meeting today—I'm not sure how you travelled to get to Atikokan, but when we are looking at providing services to all of the communities in the Kenora-Rainy River district, to travel through this area, the transportation, number one, is a cost. Imagine having a family member in long-term care placed in Kenora and you had to leave Atikokan to go and visit them for the day. You'd have the cost of your meal, your hotel, or uprooting your family if they had to move, so certainly that's a huge cost.

Mr. Hudak: How about incidence or need, aside from the transportation issue, which we're well aware of and we recognize, in terms of need in the community or incidence and that sort of thing?

Ms. Miclash: Need for services?

Mr. Hudak: Yes. Is there a higher need—

Mr. Wherrett: I think I know what you're getting at. Some people from our community have had to move to a larger urban area just because they want to get services and can't in our own community, so they move to have better services.

Ms. Miclash: The closest places would be Thunder Bay or Winnipeg, which are larger urban centres, so you are uprooting your entire family. I think the presentation speaks for itself, the number of people waiting on the list for services, when you're looking at a number of 35 waiting for attendant care services who have been on there much longer than two years, and 25 people with acquired brain injuries, plus nine for supportive housing in Fort Frances and eight in Kenora. These are people who are primarily under the age of 60 years, and that is, I think, an important fact in itself. You are looking at people who are also going to age in place but who require services. You're looking at people who have multiple sclerosis, spinal cord injuries, cerebral palsy—all sorts of different types of physical disabilities, not just because of age.

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

Mr. Prue: The last budget, in my view, was kind of brutal. It was brutal not so much in terms of education or health, because there was some movement there, but it was brutal to people with disabilities, it was brutal to the poor, it was brutal to groups like yours that try to provide service, because there weren't any increases. How did you and the people you work with manage in the last budget, or did you not, getting nothing?

Ms. Miclash: You manage day to day by not increasing wages to employees who have been working for a number of years for you, and you hope to hang on to those people who have been trained and have worked there. You manage by trying to be creative and trying to find a volunteer who might go shopping with someone. You manage by hoping that the individuals will be able to stay out of long-term care or going to hospital. You don't increase services. You maintain a waiting list for more than two years. I guess, from the perspective of somebody with a physical disability who has limited income to begin with, who can't purchase any services from any neighbouring family or friend, people are often-times having to move or having to look at alternatives like hospital.

Mr. Wherrett: Or things like employment can't be considered because you are spending your day taking care of yourself, whereas if you had some assistance, you might look at something like employment.

Mr. Prue: A lot has been said in the Legislature in the last year, not so much about people with physical disabilities but people with intellectual disabilities: the closing down of the centres, the huge waiting lists in cities like Ottawa for people to get into group homes. I would imagine the same kind of phenomenon is taking place, although it's not talked about as much, with people with physical disabilities. Would that be your perception?

Ms. Miclash: By not having the dollars to provide adequate services, you find that there are other issues that start popping up with someone: mental health issues. You have people who are depressed. You have people, as Mark mentioned, who can go out and look for a job, or even look for schooling, who are trying to manage on a day-to-day basis. Certainly, there are other issues that start popping up, health issues.

Mr. Prue: In larger cities—Toronto or Hamilton or Ottawa—there are, I would think, more facilities available for people with physical disabilities. I just think in Toronto of Wheel-Trans. You can call up and you can have somebody move you around. People do go to work on it. It must be very difficult in northern communities without those kinds of things; they are just not there.

Mr. Wherrett: There is Handi-Transit in the larger communities, but again, you're required to book a day ahead, and only have an hour for shopping if that's all you can get. Yes, certainly the convenience of better transportation and everything else is an issue. I think a disabled person here in this area certainly has learned to do without from the beginning; they don't know better.

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

Mr. Wilkinson: We'll go with the PA.

The Chair: Okay. Mr. Arthurs.

Mr. Arthurs: The next question, if Mr. Wilkinson has one, we'll refer to him as well.

You made reference in your comments on the cost-effectiveness of providing assisted support in living as opposed to long-term care or hospital care. What's the nature of the physical environment you would need to—you said nine, I believe, on a waiting list. Sorry, is it in—

Ms. Miclash: Fort Frances.

Mr. Arthurs: Nine in Fort Frances, and eight in Kenora. Is that the number?

Ms. Miclash: Yes.

Mr. Arthurs: What type of facility would you need to be able to accommodate that waiting list?

Ms. Miclash: A barrier-free apartment building. We have a building where we've worked in partnership with Direct Management Services in Kenora where we provide on-site, 24-hour attendant care. It's a regular apartment building that is barrier-free: wider doors, wheelchair-accessible bathrooms, showers. It's a regular apartment, but anyone could move in there, and specifically somebody who was either mobility-impaired or had a visual impairment or was hearing-impaired could move in, because it accommodates anybody with a physical disability.

In Fort Frances, the Rainy River DSSAB, the building we have right now where we're providing services is not barrier-free, so we are looking at capital dollars to make that—its core floor is ramped, but the apartments are not wheelchair-accessible. So you're looking at a regular apartment that's modified, like this Pioneer Centre here.

Mr. Arthurs: So there are buildings that you're looking at, or where you have partners potentially, if the dollars were there, to be able to renovate and make them suitable?

Ms. Miclash: We have a building, the Lady Frances in Fort Frances, where we are currently providing four hours of on-site services, yes.

Mr. Arthurs: Okay. Thank you.

The Chair: Thank you for your presentation.

ATIKOKAN HYDRO INC.

The Chair: Atikokan Hydro Inc. Good afternoon. You have 10 minutes for your presentation. There may be up to 10 minutes of questions following that. I would ask you to identify yourself for the purposes of Hansard.

Mr. Wilf Thorburn: Thank you. I'm Wilf Thorburn with Atikokan Hydro. I have the pleasure of having two board members with me today. You see that in a small community, everyone wears many hats. Long-time board member Marge Lambkin, who is also chair of finance on council, and another long-time board member, Mayor Brown, have agreed to be with me.

I asked for a visual aid in terms of the map of Ontario, and that's the only one I could come up with. We'll refer to it a couple of times. But just as a quick overview on a comment Mr. Prue made about being closer to Winnipeg

or being more comfortable, we're about an 18-hour drive from Toronto, we're a five-and-a-half-hour drive from Winnipeg, a nine-and-a-half-hour drive from Regina and about an 18-hour drive from Edmonton, so we do have three capitals to the west of us closer than our own. Ontario is big.

1540

I'm really glad that you could come to visit our community. I really welcome you, and I'm glad that you've taken the time to come and see us. I do wish you could have driven from Thunder Bay, but unfortunately we'll have to reserve that for a different time.

I do wish to extend a warm and open welcome, and I hope you feel the same about me when I'm done with my presentation. Obviously I'm going to deal more with energy and cost of energy, some thoughts I have on that. I'm a bit of a dinosaur. Some of us have been referred to as Neanderthals, but we won't go there. But I am a bit of a dinosaur, and this is my 40th year in the electrical trade, so I've seen all aspects of it. It's my 16th year as manager or CEO of a utility in Ontario, so I've been around the block, and it keeps repeating itself and getting worse and worse. I'm drawing from other backgrounds also.

Over the past 40 years, the energy policy in Ontario has swung like a pendulum. There used to be a song about that, but our energy policy really has done that. As I see it, there are several problems. The way I look at it, there are no villains and there are no heroes at Queen's Park. I think we have to start off looking at it that way. I'm going to refer to that a couple of times. All political parties present have had a hand in getting us to where we are. Both opposition and the governing party have a responsibility to debate legislation and hopefully enact something that would be good for the province. It is not acceptable to continue to answer every question with, "This is what we were left with." Remember, the present government is halfway through its term; it's getting worse, not better.

Because there's only 10 minutes, if you flip back to page 6 some time at your leisure, I've given a historical view, starting about 1990, of who did what and where. The result of that is that basically, for the past 15 years or so, Ontario has experienced significant energy price increases. We moved from freezing retail rates in the early 1990s, so the cost of power to the consumer was frozen, to opening a compressed market in 2002. We froze the price for 10 years, during which time the hydro debt grew because we were buying high and selling low, and then we opened the market—no surprises that we had some problems with that. The open-market concept has not appeared, and it's not likely to, given the uncertainties that have been legislated in the last two decades. We've created rules that—we're not going to get investors here. We are now left with power shortages in the south, surplus cheap power not being used in the north, and policies that will only attract higher prices for unreliable imports.

In the past, even-demand energy splits that were challenging were manageable because there were special pricing structures and, as well, the rates were fixed, so you knew what the cost of energy was going to be.

The present government continues to download costs to LDCs to be passed on to the customer with no benefit. Two of these are the ESA audits and the smart meters that are coming; just a couple of examples.

The result of this so far is that the present government is suggesting that a major portion of the answer lies in conservation. We've heard a lot about CDM plans that's conservation and demand management and that CDM is more cost-effective than construction. From an academic point of view, that could be correct, but reality is a lot different.

In 2003, in Atikokan, we reduced our demand by 45%. Did anyone notice? We had a major employer go out of business. They've since restructured. They're struggling, as you heard from FibraTECH this morning. They have a lot of challenges.

In December in 2004, they were paying five cents per kilowatt hour, or \$50 a megawatt hour, whatever you want to use, for the energy component of their bill. They reduced their load by 30% through more efficient production methods and, in December 2005, they were rewarded with over nine-cent-per-kilowatt-hour costs for the energy component of their bill.

In 2005, as we've heard from Mayor Canfield, his community consumed about 75 megawatts of power on a regular basis. In October 2005, they had their consumption reduced by over 80%. Even after that sacrifice—and it could be considered conservation—they reduced their load by 80%. We keep hearing people say, "If we could reduce it by 5%, we'd be happy." They've reduced their load by 80% by losing two mills, and even after that sacrifice our industries are left wobbling and are still paying nine cents a kilowatt hour for the energy component of their bills.

OPG has shown some significant profits over the past year. The cost of energy from our coal plants is less than 3.5 cents per kilowatt hour to produce. When that power is being sold to our industry at over nine cents per kilowatt hour, a huge profit is being made. Is this profit not at the expense of our industries?

If energy prices should respond to an open-market concept—that is—less demand and more supply, would it not seem reasonable that the cost of energy to the surviving industrial customers would reduce and not double when demand in a transmission-constricted area falls? Kenora shut down—80% conservation; five cents a kilowatt hour last year, nine this year. What's wrong with the picture? It's not working.

So there are solutions. We have to understand that northwestern Ontario is an energy island. On a cold winter's day, we might be able to send 300 megawatts south; we might be able to bring 100 megawatts in from Manitoba. But on a day-by-day basis, we can't move the energy around.

Accept that, to date, provincial governments as a lot—not just this provincial government—have to start taking responsibility. The energy policy has been fumbled badly, and it has been done for a long time. Now we have to get some consensus and move forward. If Ontario is going to survive, if we're going to stay part of Ontario, we have to do things differently.

Accept the fact that there is no easy silver bullet to be found to provide a quick fix for Ontario. An energy policy must be developed that will be flexible enough to let energy customers compete regardless of where they are located within the province. This means that for Ontario to succeed, several different approaches may be needed.

The present system is just not working. Our local coal station generates power at a cost of less than 3.5 cents per kilowatt hour. Present transmission constraints do not allow us to export electricity from our low-cost plants to the southern market. Even with Kenora shedding 80% of their power consumption and our industries cutting back across the northwest, we're paying almost twice as much as we were one year ago.

We're out of sync with Manitoba and Minnesota, but Manitoba and Minnesota are in sync. That means you can have lines running between Minnesota and Manitoba, but you can't bring it back into Ontario without expensive conversions.

It may be more appropriate to look at stronger ties with neighbouring generation markets as opposed to being tied to a Toronto market when it is physically impossible and financially undesirable to participate.

It should seem obvious that we need to develop a different policy for the area of Canada that is between Quebec and Manitoba and above the Sudbury-Ottawa straight line. If you're below that line, you have a whole different world and a whole different set of problems. Above that line, we are different.

Some of you will immediately jump up and say that we cannot give preference to one part of the province over the other; other areas would demand the same. To those, I say there may well be cases made for other areas. A more flexible energy policy is necessary for our resource-based industries to survive. If our costs do not move towards a viable economy, our contributions to the rest of the province will decrease. This is no different than the investments to ensure viable manufacturing in other parts of the province. If the entire province is not kept healthy, the body will die. And there hasn't been a collaboration where that knowledge has been used.

Some observations: It may be argued that Ontario has been selling electricity at a loss for 20 years or more, and that is wrong. The answer to that is that Ontario became the largest sharer of Canada's gross national product because of its vast natural resources and affordable, reliable energy. If the stewards of the province have allowed the energy component to evolve into a subsidized entity, and if the stewards of the province feel this is wrong, then a much longer period of time is required to adapt to a true user-pay, investor-owned mechanism.

The resulting half-open, half-closed market is a failure in the area above the Sudbury-Ottawa line. Our industries cannot work around fluctuating prices.

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

Mr. Thorburn: Okay. I will just look briefly at the graph on the third page, and I want to touch on one more point about Jan Carr. OPA CEO Jan Carr suggests that the reason industry is having such a problem is that there are no brokers with firm contracts available, and that's what was supposed to happen with our market. Once the open market flourishes, industry can either build cogen or get long-term contracts. If this is ever to come to pass, a huge bridge pricing system would have to be put in place immediately. There's no evidence that such a situation will ever exist, and no ability to survive while such items are contemplated. It should be noted that any new generation would probably not come online under eight cents per kilowatt hour, and that natural-resource-based industries are competing with other jurisdictions that are all below four cents a kilowatt hour.

1550

For our area, I'd just like to refer to the graphic that I hope you have in front of you. Northwestern Ontario has an historical peak of 1,100 megawatts. That has certainly dropped with the mills that are closing. If we take out the coal—and the cogen are having trouble; the cogen in Fort Frances is not running right now because they can't afford to buy gas for it—we end up with a 190-megawatt shortfall in power if we have a dry year, if we're going to rely on hydraulic. We do not have enough power to survive in northwestern Ontario.

You'll find that a great amount of the information in this package deals with the memo, and some information that the government seems to be leaning on, that the ISO, the independent electric system operator, has provided for them. I have provided questions within it that I would like you to look at at leisure, where you will see that there are significant shortfalls. We are literally going to be freezing in the dark up here.

With that I will close, and take questions if available.

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

Mr. Prue: I was just reading the end, which you didn't get to. This is a question from the map. Last summer in all the heat, when we were importing electricity, we were importing it from Michigan, Ohio, I understand.

Mr. Thorburn: Yes.

Mr. Prue: They were burning coal like mad to supply southern Ontario with the energy that we needed so badly. I can just see from the wind that we were breathing all of those coal fumes in southern Ontario. I can see that the same thing did not happen, of course, when the coal was burned in Atikokan. Although there's no wind, I can assume that downwind might be Moosonee at best, or someplace in Labrador or wherever. I don't know where it would end up, but that would be more what's happening.

So it does seem to me a little bit strange that we have a no-coal policy. I'm in favour of the no-coal policy, but I really have to tell you that I have some huge problems with shutting down the northern one because I don't see any downside to it.

Mr. Thorburn: I think where we've got on the wrong foot is that we should not term it as a no-coal policy; we should be more concerned about emissions. If we're going to look at the province—I served my apprenticeship in Sault Ste. Marie. The people there pointed at the smokestacks and suggested that they were less than healthy. I don't know, but I think we have to look at what our energy needs are and then set the emissions, and let technology then meet those standards. To say, "No coal," is really very silly, because we can say we'll use biomass. Well, what is the difference? Carbon is carbon is carbon. But to say that emissions shall be at a specific level—the cost of getting those emissions to that level will dictate what fuel source we use. But we can't go from 3.5-cent coal power to brand new gas or brand new coal or brand new anything at eight cents and have any natural resource industries left when your cost of operation is based so much on energy.

Mr. Prue: We had people here earlier today talking about the scrubbers, that they would add about 0.5 cents to a kilowatt hour. Would it be a correct assumption that we could keep a place like Atikokan or Thunder Bay open, put scrubbers on it and have next to clean coal?

Mr. Thorburn: I would think so. Studies have been made in that direction. One interesting point is that before we go out and spend that half-cent a kilowatt hour on scrubbers, maybe we should look at what's coming out of the stack and see what we actually need to do. The nitrogen has been reduced very much just by lowering the temperature of the boiler and letting some oxygen come in so that the nitrogen stays within the boiler. I think that's a direction to go, to look at what's going to be cost-effective to fix the problems, but let's identify the problems before we fix them.

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

Mr. Arthurs: I have a question about peat. I had the chance recently to have a constituent drop into my office for a chat. We talked about peat as an alternative fuel source in talking about Atikokan and northern Ontario. What level of discussion has there been in northern Ontario around the use of peat, or has there been any from the standpoint of its use as an alternative source?

Mr. Thorburn: Yes. There's a firm known as Peat Resources. Their head office is actually located in Toronto. They've been doing a lot of work in the Upsala area. We have a very interesting situation. According to these folks, I believe we have about 35% of the world's—not Canada's but the world's—fuel-grade peat. They can go into the bogs, and they have Ducks Unlimited very happy and excited about what they're going to do, because if they were to remove the fuel-based peat, they could in fact leave marshlands, wetlands and everything really neat behind them. They will

produce whatever calorific value you wish. If you want something that has 900 BTUs per pound—and excuse me for saying it in the older units, but I understand them better—or if you want something at 500 BTUs per pound, the price will obviously be more. Coal is about 900. So if you want the same BTUs, that process will take place.

If you look at the Upsala area, there are a couple of other things that are really unique. There's a First Nations community—and these people will probably be able to tell you better than I can. There's a First Nations community where no one lives at this point in time. It's basically been abandoned but it's still a tract of land that's theirs. There's a huge chunk of the peat that's in that land, and the governance bodies of that community would like to have people come back to it.

So here you have a spot where you could end up harvesting the peat, providing employment for the people living next door to the peat, so you've got your workforce there, and moving the finished material 60 miles across a bush road to a generating station. If Ontario doesn't want to do that, Ohio and Illinois are looking at it quite seriously. If they could blend 10% peat with their coal, they would reduce their emissions and meet their Clear Skies or whatever item they're looking at.

What we have here in Atikokan that would really make a lot more sense, if we were to invest again, and we're going to need some transmission to help this out—but assuming that Ontario wanted to play a major role in an environmental perspective, a global role as opposed to a local one. If we were to do the research on the peat and on the coal and the various technologies and put a package together, what makes Atikokan the prime candidate for that is if you don't have anything else to interfere with it, so that if we're monitoring and we find something really bad, there's not a lot of finger-pointing going on, saying, "It was that stack or it's this stack." It's got to be that one, so we fix it.

Once we have perfected that, we could go to Asia or some of the countries that are not involved in the Kyoto agreement and we could export that technology. If you go to China and they bring on 200 megawatts or 400 megawatts a month, two plants a month, and they're using low-quality coal, what are they doing to our atmosphere? It's a global issue. We here in Ontario would have an opportunity to show some real leadership, to put together a package that we can export and actually do something for the economy so that the Premier doesn't come back and say, "It's terrible over there. It was really dirty." He could come back and say, "We have taken this and we have helped those people, and that has helped the global environment."

If we just decide that we're going to shut down northwestern Ontario and that we're going to get rid of the generators, we're really not going to do much for the global economy.

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

Mr. Yakabuski: Thank you very much for coming today.

You look at that chart, and I'm going to tell you that the Premier has been shown that chart many times. He doesn't believe it; it doesn't matter how many people tell him that; he doesn't believe it. He believes that all the smog we've got in this province is produced right here in Ontario—Ontario-produced smog at our five coal plants. He believes that by shutting them down, all of a sudden our air is going to be perfectly clean. I can tell you that he is driving this crazy energy policy. There's no question about it. There are all kinds of people on the other side of the House who would like to stand up, but they're afraid to stand up in the House and go against their Premier on this energy policy. There is not—

Mr. Prue: Name one.

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Mr. Yakabuski: There is not universal support out there. In spite of all the evidence that we get from people like yourself and reams of experts out there that this will not accomplish what they claim it will accomplish, he doesn't want anything to do with it. He's not interested in the other side of the argument. He is going like a horse with blinders on: "We're going to close down these coal plants and we're going to post-justify our decisions."

I'm just not sure how we can convince somebody with that kind of tunnel vision that what they're doing here is going to create massive problems. We're talking about what it's going to do in Atikokan, but the failure to clean up coal in the province of Ontario is not only going to hurt Atikokan; it's going to hurt every other Ontarian, the industries and the residents and everything else, because we're short of power.

Just last week they had a voltage reduction across Ontario, preparing for what they know and expect is going to happen this summer. Of course, all that smog will be coming back up this summer when we're buying power from Ohio and Michigan. They want industries and businesses to take measures to prepare for a voltage reduction. In the middle of the summer, when this stuff peaks, you don't get time to prepare for a voltage reduction, but you will suffer the costs involved in that. If you're in the extrusion business and stuff like that, your whole production line is shut down because of that, but they just don't seem to recognize that.

The Chair: I'll give you a brief moment. He's used all the time.

Mr. Thorburn: To respond to that, we have tried. The mayor and I and another councillor met with Minister Duncan in January 2004 to get him to look at some of these items. I guess probably the easiest thing would be to just go pull the switch on all the coal plants right now and see what happens, but that's not very practical, because you're going to hurt a lot of innocent people when you do that.

I don't know how we can get to the Premier. I'm hoping that part of these budget deliberations—obviously this isn't directly related to the economy, but some of the recommendations can come out of that. I think there are

opportunities here where we could do some additional generation, some additional cleanup. As I think we've heard from various folks this morning, of our largest coal plants in Ontario, our largest units, four are in the top 15 out of 400-some in terms of being very clean. There has been a lot of money spent.

I think we really need to look not just at a "he said/she said"-type debate. We have to strike a committee like this one that has members from all parties to look at what our investment is, look at what our needs are, look at what we're actually doing to the environment, and then let's clean it up. Once we have it cleaned up, let's export it; let's be proud about it. But if we keep going down this road—you know, Lakeview closes down and we get 15 more smog days. The more chimneys you take down, the more stuff is going to fall on you.

The Chair: Thank you for your presentation this afternoon.

CITY OF DRYDEN

The Chair: The city of Dryden: Would you come forward, please. Good afternoon. I think you know how this works. You have 10 minutes, and there might be 10 minutes of questioning. I'd ask you to identify yourselves for Hansard.

Ms. Anne Krassilowsky: Mr. Chair and members of the committee, thank you for the opportunity to present here today. We certainly appreciate that it's here in northwestern Ontario. My name is Anne Krassilowsky. I'm the mayor of the city of Dryden. To my right is our city manager, Mr. Hoogenboom, and to my left is my fellow councillor Brian Collins. To the back, we have a great busload of supporters for northern issues and the forestry crisis. This is a learning experience for them, and we appreciate your having them.

In the short time allowed, we intend to cover off four topics, the first of which of course is the forest industry crisis, in particular concerns around fibre and energy, fuel tax and red tape; second, the need to address the municipal fiscal gap by uploading public health, ambulance and social services; third, property land tax reform, long promised but yet to be delivered; and fourth, provincial spending on the proposed Dryden bypass. We could include many other topics, such as your position on gaming, support for mining, and concerns around the OMERS devolution, but those will be left for another day.

We understand that Dryden is the last delegation of the day and we appreciate your patience. I know that probably your ears are sore, but please hear what we say. Hopefully, we can leave a lasting impression, and hopefully anything repetitive speaks to the relevance of what has been said.

Dryden's concerns with the forestry crisis are shared with the region and our major employer, the Weyerhaeuser mill. Dryden, population-wise, is Ontario's smallest city, with a population of about 8,100 people. It was a considerable blow to our economy when approximately three years ago the mill cut its workforce from

1,200 to 900 employees. They closed their sawmill. In the past four months, the mill has announced the closing of the wood room and announced the closure of one of the two paper machines. This means another approximately 120 jobs to be lost by April 1. All of this ripples through our community. From the operations in the bush to the business community and into the family home, those ripple effects are devastating.

We in Dryden are very passionate about the forest crisis. We initiated the We Care campaign. A community meeting on the issue attracted 300-plus people. Our Rotary Club, in one week, collected over 2,000 signed letters to the province on energy and fibre concerns. In a community of under 4,000 households, that is a phenomenal response.

City council has responded and continues to try to respond to this local crisis. The city is looking to straight-line its 2006 operations and freeze hiring. We are looking to diversify our economy and hold any tax increase to a minimum. I know and you know that that is not conducive to maintenance or development of our city.

This issue is bigger than Dryden. The provincial package developed to date for the forestry sector is not adequate. The province needs to act immediately and again in the next budget to stabilize the northern economy. Your own northern prosperity plan notes disturbing trends of shrinking population, reliance on primary industry and consistently higher unemployment in the north. Surely we can ask that our area get some key support so that we can begin to share in the province's prosperity.

With respect to forestry, we ask that you immediately move to stabilize energy prices for large industrial users in northern Ontario and lower delivered wood costs by reassuming the full cost of construction and maintenance of primary forestry roads and 50% of the cost of secondary roads. The Northwestern Ontario Municipal Association has developed a comprehensive northern energy policy, which you've been supplied with, and Dryden fully supports that initiative.

The Toronto Star, in an article this past Sunday, clearly laid out the forestry crisis issues and how it has province-wide implications. Southern Ontario has the capacity to diversify and rebound from economic hits, such as a downturn in the auto sector. Northern Ontario cannot diversify away from forestry in the short term. The social and community implications of more mill closures would fully devastate our region; they have and will continue to do so. Please do not do too little, too late.

Our second issue is the identified \$3-billion provincial-municipal fiscal gap identified by AMO. Our northern geography works against us, particularly as it relates to public health, ambulance and social services. We ask that you move to upload these services to the province and have them paid for by a more progressive income tax rather than the real property tax. As our economy shrinks, it increases the demand for social services and public health when we can least afford it. Ambulance costs have gone through the roof as we

struggle to manage collective agreements for service providers who go to arbitration and succeed in getting settlements based on provincial trends and not on our northern economy. A system that was once done locally with the hospitals and many volunteers is now regionalized through the district services board, and every isolated community wants and expects the same level of service. Our local per-capita levy for public health is already the highest in the province. We need and expect a more level playing field here in northwestern Ontario and we trust that you will move quickly to remedy this situation.

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Our third issue is property land tax reform. The Ministry of Finance conducted thorough consultations in 2004, and we understand that staff have completed their recommendations. It now requires action on the part of the provincial government. Property land tax reform is primarily a northern issue. Large parts of northern Ontario are not covered by municipal jurisdiction but are part of the area known as “unorganized.” These areas receive local services from the province or neighbouring organized municipalities, but they do not pay taxes based on market value. Some pay no school taxes and only minimal levies to local services boards. This tax structure discourages development within municipal boundaries and adds to complicating various funding formulas and municipal restructuring. We commend this government for moving forward with the consultations. We now call on you to take action on this issue.

Our final issue presents an opportunity for the province to spend less money. The Ministry of Transportation continues to move forward on the plans for a future bypass for the TransCanada Highway around the city of Dryden. The city of Dryden, the local business community and many residents do not want a bypass, and we see it as a waste of provincial resources. As a city, we have objected to the bypass and have aggressively lobbied so for several years.

The city has requested an environmental assessment bump-up and wants the project set aside in favour of upgrading the existing three lanes to five lanes. It's a much less expensive option. We have requested connecting link support for this and plan to undertake other traffic initiatives, such as closing entrances onto the highway to improve the through-flow of traffic. Given our shrinking economy, we can ill afford the economic devastation that a city bypass would inflict on our businesses, which depend on drive-by traffic.

It's also a health and safety issue. If you get the trucks and the traffic off the road as a break between Thunder Bay and Winnipeg, which is an eight-hour drive, they will impulsively stop if their services are seen and readily available; on a bypass, they will continue on. We already have enough accidents without encouraging more. Given the province's many highway issues in northern Ontario, we urge you to not spend further funds on an unwanted, unneeded bypass.

Mr. Chair, ladies and gentlemen, we thank you very much for this opportunity. We welcome you to this part of Ontario. We hope that you've learned more about us. For some, you've already visited; for some, it's a new experience. We ask that you come even further west to see just how we live and why we live here. It's a quality of life second to none, and we enjoy it.

We hope that you take our suggestions and our concerns, and that you hear how passionately we feel about life here in the north. Please help us to share in Ontario's prosperity. Thank you for your attention.

The Chair: Thank you. We'll begin with the government.

Mr. Mauro: Your Worship, I just want to thank you up front for all the work you and other northern Ontario—especially northwestern Ontario—municipalities have been doing in the last number of years to try and advance northwestern Ontario issues through municipal organizations like NOMA. I know how much time you've put into it. It's really appreciated in terms of supporting a lot of the work I'm trying to do, so thank you very much.

I was going to ask you, as a first order of business, to expand on the Dryden bypass issue—it was mentioned at the beginning—but you've done that at the end of your presentation. Is the push still coming on that because there's a safety issue? Governments don't often get requests not to spend more money, so I'm wondering what the push is. Why do they still seem to be trying to move this forward, and how recent is your information? I talked to the minister quite recently on this—well, through a letter—and I'm just curious how recent your feeling is that they're still moving forward with it.

Ms. Krassilowsky: Thank you, Bill. We are told on the one hand that the environmental study will go forward and they will see where it goes from there. We have no letter telling us that it will not proceed from a dedicated roadway. But it's very frustrating to think that the corridor could be widened to a five-lane, versus millions and millions of dollars to go single-east/single-west bypass that attaches to it—nothing but a single-east/single-west roadway, with no hope of four-laning it. I don't know why that money is being spent. We don't know why we don't have a letter saying, “At least look at the possibility of five-laning it.”

Mr. Mauro: Is there a municipal resolution to this effect? I'm sure there is.

Ms. Krassilowsky: Yes, there is. We've done all the necessary steps.

Mr. Brian Collins: Just a little bit further: We did see a call for design proposals from the Ministry of Transportation, and that really got our dander up.

Mr. Mauro: Okay. Do I still have time for one more, Mr. Chair?

The Chair: You have about a minute.

Mr. Mauro: Okay. You mentioned on the first page that about three or four years ago your mill cut its workforce from 1,200 to 900. What was occurring three years ago that led to that reduction in the workforce?

Ms. Krassilowsky: The mill's restructuring, through their need for efficiency.

Mr. Mauro: Okay. Thank you.

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

Mr. Hudak: Just a quick question. Thank you very much, Your Worship. I know my colleague has a question.

With respect to the transportation issue, that's why the opposition is calling for a minister McNeely to take over the portfolio from Minister Takhar. I want to get that on the record and fix these things up. It's just a private joke we have.

On the social services side, we've heard from municipalities today about the importance of trying to upload some of those services. Obviously, the province has its constraints as well. So if one of those services particularly should be the first to go, which of those would you recommend to the province?

Ms. Krassilowsky: Why do I have to have one? Can't I have them all?

Mr. Hudak: I know, but because there are limits to what the province could do—

Ms. Krassilowsky: We have to say ambulance. I mean, it has to be. But there are so many others that are just as necessary.

Mr. Hudak: I appreciate that. If it does happen, it might be one at a time.

Ms. Krassilowsky: Yes.

Mr. Yakabuski: Thank you very much for your presentation today. You mentioned, when dealing with the fibre costs for the mills, if the government were to upload the cost of roads—I don't know the figures, but the gentleman from Weyerhaeuser was saying something about the fibre costs here averaging \$55 and the average with your competitors is \$38, those kinds of numbers. My question is—even if the province uploaded the cost of roads, that would not bring those fibre costs down.

Ms. Krassilowsky: It's certainly going to go a long way in helping it.

Mr. Yakabuski: But it would not bring it down to that average, would it?

Ms. Krassilowsky: To \$35? No. They're willing to come to the table with \$5 if you come with \$5.

Mr. Yakabuski: So you would share it.

Ms. Krassilowsky: Yes. Those recommendations were made in good faith. I firmly believe that.

Mr. Collins: I think it was between \$4 and \$5 a cord that would lower the price, and the corder would deliver it to the mill if in fact the government paid the primary roads and 50% of the secondary roads. Everybody uses the primary roads. It's not just the paper companies that use the primary roads. The province used to pay.

Interjections.

Mr. Collins: No. I don't want to get into that. It's my time.

Ms. Krassilowsky: It's valuable time we have here.

Mr. Collins: It used to pay, and that was cut. I think it could be put back.

Mr. Yakabuski: Do I have any further time?

The Chair: Not really. You have about 20 seconds.

Mr. Yakabuski: Actually, the gentleman from Weyerhaeuser may have given the impression that he wasn't concerned about energy costs when I asked him. I'm certain that he is. He indicated, "Take care of the fibre costs and then we'll deal with energy." Fibre costs notwithstanding, I would suspect that anybody in the forestry industry is very concerned about energy costs.

Ms. Krassilowsky: I think that's well reflected in NOMA's policy, the energy policy that they put together.

Mr. Yakabuski: I just want to get that on the record, because you didn't really want to make a statement on that, it didn't seem. So energy costs are obviously very important to anybody in the forest industry.

Ms. Krassilowsky: Across the province.

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

Mr. Prue: I'd just like to go back to the bypass, because this hasn't really made it onto the legislative floor, so I haven't heard too much about that until today.

Ms. Krassilowsky: Don't tell me that, or I'll cry.

Mr. Prue: I don't remember hearing it, but then again, I'm not there every day, unless I'm in the chair.

Interjections.

Mr. Prue: I'm sure he's spoken to it. I'm just not there every day. I haven't heard it.

Interjections.

Mr. Prue: That doesn't mean that it wasn't said. My goodness. I spend a lot of hours in there; a lot more than most.

Wherever I have seen a bypass anywhere in North America, not just Ontario but Canada and the United States, it invariably destroys the downtown. What I see in most of the towns is that when anything does happen, even in a big town like Brantford, it seems to be a shopping mall that's close to the bypass, close to the highway, and the downtown is gone. Surely you must be worried about that as well, because if the bypass goes, if there are any stores left, they'll be out by the bypass. They won't be in the downtown core.

Ms. Krassilowsky: In order to prevent that, we would have to put some kind of no-building compulsion along the highway, but we have businesses who hope to expand, who hope to retain what they already have, and moving that road is going to kill it. It's going to kill Dryden. It's not what we need. We are already facing the forestry crisis head-on, which is going to have a long-term impact just the way it sits right now, before it gets any worse or somebody pulls the plug on the mill. We don't need to have the bypass on top of that. We just don't.

Mr. Prue: As a municipality, you would have the wherewithal to stop that by not allowing building permits.

Ms. Krassilowsky: Location, location, location is what real estate's all about.

Mr. Prue: I know that.

Ms. Krassilowsky: If it doesn't go by the door, you don't see it and you don't receive the benefit.

Mr. Prue: You don't receive it. So your businesses would be hugely impacted, even though you would have the authority. That's what I wanted you to say, and you did.

Ms. Krassilowsky: Absolutely.

Mr. Prue: Go ahead.

Mr. Collins: The bypass is scheduled to go outside the limits of the city, and we don't have the control, because nobody has the control in the unorganized area.

Mr. Arie Hoogenboom: Just to be clear, our chamber of commerce is also very strongly lobbying against a

bypass. Our chamber of commerce is the second-largest chamber in northern Ontario, next to Thunder Bay. We have 250 to 270 members in our chamber of commerce. So we are a commercial hub in northwestern Ontario, and that commercial hub is telling us, "Do not move forward on the bypass."

Mr. Prue: Perfect sense.

The Chair: Thank you for your presentation this afternoon.

This meeting is adjourned.

The committee adjourned at 1623.

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Also taking part / Autres participants et participantes

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Mr. Trevor Day

Staff / Personnel

Mr. Larry Johnston, research officer

Research and Information Services

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