



ISSN 1180-4386

**Legislative Assembly
of Ontario**
Second Session, 38th Parliament

**Assemblée législative
de l'Ontario**
Deuxième session, 38^e législature

**Official Report
of Debates
(Hansard)**

Tuesday 23 January 2007

**Journal
des débats
(Hansard)**

Mardi 23 janvier 2007

**Standing committee on
finance and economic affairs**

Pre-budget consultations

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

Consultations prébudgétaires

Chair: Pat Hoy
Clerk: Douglas Arnott

Président : Pat Hoy
Greffier : Douglas Arnott

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

Copies of Hansard

Copies of Hansard can be purchased from Publications Ontario: 880 Bay Street, Toronto, Ontario, M7A 1N8. e-mail: webpubont@gov.on.ca

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Exemplaires du Journal

Des exemplaires du Journal sont en vente à Publications Ontario : 880, rue Bay Toronto (Ontario), M7A 1N8 courriel : webpubont@gov.on.ca

Hansard Reporting and Interpretation Services
Room 500, West Wing, Legislative Building
111 Wellesley Street West, Queen's Park
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
Salle 500, aile ouest, Édifice du Parlement
111, rue Wellesley ouest, Queen's Park
Toronto ON M7A 1A2
Téléphone, 416-325-7400; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
FINANCE AND ECONOMIC AFFAIRS

Tuesday 23 January 2007

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES
ET DES AFFAIRES ÉCONOMIQUES

Mardi 23 janvier 2007

The committee met at 0908 in Best Western Lakeside Inn, Kenora.

PREBUDGET CONSULTATIONS

The Chair (Mr. Pat Hoy): The standing committee on finance and economic affairs will now come to order.

Mr. Michael Prue (Beaches–East York): On a point of order, Mr. Chair: I would like to make the following motion: that we include an additional deputant, Mr. Joe Hanlon of the United Steelworkers, Local 1-2693. He represents many, many members in the forest industry in northwestern Ontario. I understand that he attempted to get on the committee, but too late. He is here today, and I would seek the committee's indulgence to hear him. Any possibility—if there is a vacancy, if there's a no-show we could plug him in there, we could plug him in over the lunch hour or we could put him on at 1:15, after the last deputation. It doesn't matter to him, nor to me. However we can do it, I would appreciate hearing from him.

Mr. Tim Hudak (Erie–Lincoln): Chair, any friend of Michael Prue's is a friend of the committee, as far I'm concerned. I think we do have room in the schedule, and if it can work out, I'd be pleased to support that motion.

The Chair: Are we in agreement? Agreed.

NORTHWEST CATHOLIC DISTRICT
SCHOOL BOARD

The Chair: The committee is pleased to be in Kenora this morning. Our first presentation will be by the Northwest Catholic District School Board. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Mr. Chris Howarth: Good morning, everyone. My name is Chris Howarth. I'm the superintendent of business with the Northwest Catholic school board.

I'm going to make an assumption—because I've only got 10 minutes, so I'll get rolling here—that you are somewhat familiar with education finance. I see there aren't any other school boards on the agenda this morning, so I'm going to have to make that assumption.

Just to give you some quick background on the Northwest Catholic school board, it is an elementary school board only; we don't have a secondary panel. We're

located in northwestern Ontario. We have approximately 1,256 full-time pupils; we're very small. The boundaries of the board take in the district of Rainy River in the south to Sioux Lookout in the district of Kenora in the north and all points in between. In order to drive from one end of the board to the other, it consists of 460 kilometres on secondary highways that are not well maintained. We do have some distance issues. We utilize videoconferencing as much as possible.

The board is comprised of five schools and has essentially one school per town. In Fort Frances we have two schools, but for all intents and purposes they are a single school, because one school is purely elementary and the other is junior intermediate. Under tuition agreements with various native bands, the board has enrolment of 56 non-resident pupils.

The board's enrolment has been declining very quickly over the past couple of years. Recent statistics show the board has lost 9% of its enrolment, and enrolment continues to drop. In fact, the enrolment drop recently exceeded our 10-year projection. Up to this point, for many years the board had been defying the odds by increasing enrolment when all other boards were experiencing declining enrolment. However, it has caught up to us now. We continue to lose enrolment, as I've said. In fact, in our 2006-07 budget, our decline has exceeded our enrolment projection by 23 pupils, which may not sound like a lot to you, but to a small board it's very large.

The economy throughout the jurisdiction is very unstable. The major industry is forestry-based and, as I'm sure you all know, the forestry industry in northwestern Ontario is in difficulty. We're losing a lot of our enrolment because of the poor economy, as workers relocate to other areas to find employment.

The board's 2006-07 budget totals \$15.4 million. The board employs approximately 150 and is a major employer in the region. In 2006-07, based on our October 31 enrolment, we were projecting a deficit of \$1.3 million. We expect this figure to grow as we continue to experience enrolment loss. We had originally projected a \$1.1-million deficit back in July, but due to further enrolment loss, it has increased by \$200,000.

The very late release of the 2006-07 grants for student needs caused school boards a great deal of difficulty this year. The grant regulation did not come out until June and it did not provide us with enough time to make appropriate expenditure reductions to balance our budget,

so we were caught, as were many school boards in Ontario.

The 2006-07 GSN, however, did not generate the grant revenue the board was anticipating. That's why I'm here today. The impact of the grants is detailed on schedule 1. I assume that everybody has my handout. I did include a rather detailed schedule, but the areas you need to look at are the two highlighted columns, the 2007-08 surplus deficit. That's our projected 2007-08 budget; 2006-07 is done now. The grant regulation is out, so we're looking for changes in 2007-08. If you look at the bottom, you can see we're projecting a deficit of \$1.7 million—\$1,746,000. We are planning for expenditure reductions, which I'm going to talk about, of a little over \$1.6 million, which will bring us fairly close to balancing. Some of these expenditure reductions are very, very drastic.

The province entered into a salary framework agreement with the teachers of Ontario, and that framework agreement called for a 2.5% salary increase on September 1, 2006. However, our actual funding increase, if we remove the effect of declining enrolment, was slightly less than 1% at 0.9%. It simply is not enough to even meet our obligations for payroll, so that is placing us in a great deal of difficulty. That doesn't take into account the costs for heating, utilities, bus fuel etc.

The grants were reworked from the prior year, with reductions to geographic circumstances grants that are very critical in the north. We get grants for remote and rural, which is our distance from major communities such as Toronto, London, Ottawa etc. We also get a distant school grant which helps to compensate us for our distances between schools. All of these grants were cut. By the way, those cuts were a little over \$1 million for the Northwest Catholic school board.

We did receive an additional school foundation grant of \$800,000, which did partially offset the grant losses. However, this grant has been earmarked specifically for school administration, principals, vice-principals and the school office. It caused us issues in that we were incurring a huge deficit in the classroom area, which pays for the kids' education. We were having issues with teachers, education assistants, professionals and paraprofessionals. Education is funded very specifically on envelope lines. I'm going to make the assumption that you're somewhat familiar with that. If anybody has any questions after, please feel free to ask me.

This exacerbated the board's deficit in the classroom, with which we were already in difficulty over declining enrolment, and it resulted in a classroom deficit of over \$1 million. As I said earlier, with the late release of the grants, the board did not have time to implement significant expenditure reductions. We have collective agreement restrictions where we have to notify staff that they're surplus by the end of April. We did implement some \$450,000 worth of expenditure reductions. Basically, there isn't any professional development in our board this year. We've cut travel; we cut everything we possibly could. We eliminated the French immersion pro-

gram, or we started to eliminate it, in one community. However, salaries and benefits comprise 76% of the board's budget, and we weren't able to tap into that area to cut our budget.

The primary areas that we affected, as I've alluded to: We cut out student learning materials, we reduced it drastically, which was not a pleasant thing to do. I've already spoken about professional development and the phasing out of a French immersion program. The school board does have money in reserve, similar to what municipalities do, and we are using those reserves to balance the 2006-07 budget, but we'll have to take almost \$1.3 million out and that is not sustainable. For 2007-08, I've estimated that the deficit will grow to \$1.75 million if we don't do anything to reduce our expenditures. In order to balance the 2007-08 budget, we're going to have to reduce expenditures by 12%. Some of the reductions are indicated on the schedule that I spoke to you about earlier, schedule 2. Essentially what we've done is we've gone through the various envelopes—classroom teachers, supply teachers—and I've just detailed the amounts of cuts we're looking at, and they are quite dramatic.

We would have to cut approximately 16% of our teachers. If this cut were concentrated in one community, that would amount to the closure of a school. Programs such as literacy, numeracy, core French, religious studies, special education and teacher support will either be completely eliminated or significantly downsized. Education assistants who work in special education will be reduced by approximately 18% of the staffing component. This will have a major effect on one-time assistance provided to students at risk and support provided to special education teachers. We're also cutting aids that assist speech pathologists and library aids as well.

Technical support: The Ministry of Education has a big push on for student information, coming right from the Premier, where they want information on how students are doing. That's indicated by the testing that has been going on. We have grades 3, 6 and 10 testing going on in Ontario. This has been a great drain on school resources. It's called "managing information for student achievement," MISA, and it's indicated in one of the bullets. It has been woefully inadequately funded. In fact, we received \$69,000 last year and our expenditures for this project are something like \$300,000. The province was good enough to flow another \$45,000 last week, but we're still in a significant deficit.

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

Mr. Howarth: Okay.

Principals and VPs are going to be cut. Custodial positions are going to be cut. Our schools will not be as clean as they once were. A half-day kindergarten program, very popular, is going to be cut. We'll be cutting administration as well. We're worried about how we're going to support all the various programs the ministry puts on us and we may have to discontinue some of them.

Then I've highlighted some areas of concern. I don't have time to go through them, but the primary class

size—hopefully you have time to read that—is causing boards a great deal of difficulty in trying to get to the 20-to-1 class size ratio. I've mentioned the new school foundation grant. We need more flexibility there. I've mentioned the ministry's push to automate and gather student information. We desperately need more funding there if we are going to make this thing work, and we have to. We don't have a choice. We have to provide the province with information.

The board's recommendations are:

—that the GSN regulation be released no later than March 31, and that should say 2007;

—that recognition of the effect of the changes of the grants to northern boards be re-examined and that geographic and local priority grants be re-established;

—that primary class size be adjusted to provide more flexibility;

—that the province adequately fund information-gathering initiatives such as MISA and ONSIS; and

—that the declining enrolment be maintained and even enhanced, as it's very difficult for boards, especially in the north, who are experiencing a very dramatic enrolment drop, to try to deal with this and humanely treat staff and still keep their programs running. Thank you.

0920

The Chair: Thank you for the presentation. We'll begin this morning's questioning. The rotation goes to the official opposition.

Mr. Hudak: Mr. Howarth, thank you very much for making the presentation. These are very, very serious matters that you've brought before the committee today. In fact, unfortunately we heard a similar presentation last year in Atikokan, if I recall, and it's very disappointing to see that those issues have not been addressed over the past year. In fact, it seems like they've become worse. There are always challenges, you know full well, in terms of orders coming out of Queen's Park that don't match different parts of the province very well, and it seems like this is one of the worst situations that I've heard in that regard in northwestern Ontario. You have some very, very serious and difficult choices ahead of you if this is not changed.

You mention later in your presentation that one community would lose its school altogether.

Mr. Howarth: If we were to reduce our teaching component all in the one community, that would amount to closing a school. We're reducing 16% of our teaching staff. It's all across the board, though, so we're not actually closing a school. I was just giving you an analogy.

Mr. Hudak: Okay, so a 16% reduction across the board, and of the 1,256 students, all elementary schools—so how many actual schools does the board operate in the northwest?

Mr. Howarth: Five.

Mr. Hudak: Five schools. You also mentioned that you had to dip into your reserve funds to make sure that you could balance the books this past year, and you anticipate that if the formula is not changed to your ad-

vantage, you would actually deplete your reserve funds—in two years' time?

Mr. Howarth: Two years, if we don't change our expenditure pattern.

Mr. Hudak: And you would have a \$1.75-million deficit for 2007-08 at current rates?

Mr. Howarth: That's correct.

Mr. Hudak: This must be, on a percentage basis, probably one of the worst deficits. Many school boards are facing deficits currently, but yours must be one of the worst in the province in percentage of total revenue.

Mr. Howarth: I would say we are. The province is doing a review of five school boards that have deficit issues, and they haven't chosen the northwest Catholic board. I don't know why, perhaps because of our location and the small the size of the board.

Mr. Hudak: In your document on page 6, you talk about the primary class size restrictions. It's forcing you to make some difficult choices with respect to French immersion classes, a senior kindergarten/grade 1 split that you say in your document is not pedagogically sound. You also go on to say, "PCS results in some very odd class splits that have both teachers and parents questioning the value of the smaller class sizes. For example, a school will have split-grade classes of 19 grade 1 students and one grade 2 student." That's certainly bizarre.

Mr. Howarth: Yes, it is. It has created some very bizarre situations. It is so rigid that school boards have very little flexibility, and we're being forced into those sorts of things.

Mr. Hudak: You recommend at the back of your document that "the GSN regulation be released no later than March 31." The government actually did have its budget out before March 31 for the province as a whole last year. I anticipate they'll do the same thing this year, because it gives them the ability to spend a lot of money at the end of the fiscal year and then plead poverty in the year after. Typically, when would the GSN come out? I know it probably varies from year to year, but what would you be accustomed to?

Mr. Howarth: Well, it has been all over the map. It used to come out in the middle of March, and then it started coming out in May. In the last few years, it has been coming out in June. June is just far too late.

Mr. Hudak: It has obviously put you in some very extreme circumstances. I think it's a very, very fair suggestion, especially as it impacts on a board like the Northwest Catholic District School Board.

Does the northeast Catholic board face similar problems, or are you unique here because of the smaller size of the board?

Mr. Howarth: I'm not that familiar with the northeast Catholic board—I don't really want to say—but I know a lot of their circumstances are the same. They have a lot of the one-school-in-each-community sort of thing, so I would think they would have similar circumstances. I can't say with certainty.

Mr. Hudak: In many senses, you almost had a perfect storm last year, too. You mentioned that the province of

Ontario reworked a number of grants: reductions to the geographic circumstance grant, which is critical to the north; remote and rural, distant schools and learning opportunity grants were all reduced, as well as the foundation grant. The total reductions were just over \$1 million. What happened to the funds that came out of those grants?

Mr. Howarth: There was a reshuffling in the province. What the Ministry of Education has been telling us is that they've been very generously funding the north in the past. They have been good to us; I won't deny that. But there was a reshuffling, and we believe—well, we know—money was diverted to southern Ontario through the school foundation grant.

The Chair: Thank you for your presentation.

Mr. Howarth: Thank you very much for your time.

PINEWOOD COURT

The Chair: I call on Pinewood Court to come forward, please. Good morning.

Ms. Cheryl Grant: Good morning.

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

Ms. Grant: Yes, sir. My name is Cheryl Grant. I am the executive director of Pinewood Court, a long-term-care home in Thunder Bay. We are a 128-bed long-term-care home with a total staff of approximately 160, including full-time, part-time and casual employees. Pinewood Court has provided long-term-care services to our community for 39 years, since our opening in 1968.

I am here today to request your support for more time to provide the care, programs and services that enhance the quality of care and quality of life for the residents of Pinewood Court.

Last spring, our family and residents' councils supported a petition requesting funding for more time for resident care. They did this because, although they see staff doing their best, they also see that they are run off their feet just to do the minimum that residents require.

Let me give you an example of this. Our home is divided into four resident home areas, or RHAs, each of which houses 32 residents: all elderly, many frail elderly, and all who require assistance with the activities of daily living

I ask you to imagine what the term "activities of daily living" means to you. To those who live and work in long-term care, this term encompasses tasks that able people take for granted, from things such as dressing, washing, brushing your teeth and hair to more complex issues such as assistance with toileting, eating, bathing etc. With current funding levels being what they are, we are able to provide two full-time personal support workers, or PSWs, at seven and a half hours per day, one part-time PSW at six hours per day and one registered staff for each of these 32 residents on day and evening

shifts. I might add that these four staff cover a physical area of approximately 15,700 square feet.

On night shifts, there is only one PSW per RHA and one float for the entire building to assist with call bells. This translates to the need for residents to wait for assistance for any number of things such as toileting, either getting up or being put to bed, being fed their meals or simply a response to a call bell.

Notwithstanding the issues around assistance, we are in the business of care, and many of these residents just need a willing ear to listen to them or for us to share some precious time with them. This cannot be accomplished when you are working with three staff per 32 residents, all who require the level of assistance outlined earlier.

We are witnessing increasing and unprecedented incidents of staff absenteeism, which often results in staff shortages which can result in unsafe working conditions. We are doing the very best that we can with what we have, but the reality is that residents need more, they deserve more and we want to do more. In fact, we believe we should be doing more to help hospitals with their waiting lists, but we cannot.

The reason why we cannot do more for residents is simple: Our operating funding has not kept pace with the trend of increasing care needs. Last year alone, provincial resident acuity levels increased by 3.15%. Cumulatively, since 1992, this increase has been over 27%.

In our home, we have seen a slow and steady increase in our CMI results, which is reflective of our home's increasing level of acuity. For example, although we experienced a small decrease in our CMI in 2003, since 2002 our CMI has gone up incrementally from 93.05 to 100.8.

The last significant base funding increase was the \$116 million announced in the 2004 budget. With our share of that funding, we were able to not only avoid layoffs that would have resulted from the 2003 CMI results mentioned earlier but also to increase our staffing by one full-time and two part-time PSWs. This increase was enjoyed in our old 75-bed home prior to the move to our new building. With the base funding adjustments since then, we have managed to maintain our staffing levels. However, our resident number has increased to 128 and the square footage of our working area has dramatically increased.

0930

Government has provided other targeted funding which has allowed us to purchase lifts as well as the required education associated with the proper use of lifts and transfer equipment. Furthermore, we were able to purchase additional electric beds and a variety of diagnostic and medical equipment, a few examples of which are a bladder scanner, blood pressure monitors, dopplers, bed alarms, wound care mattresses and other items that we would otherwise not have been able to purchase within our base funding budget. These are valuable initiatives, but they do not enable us to add more staff to provide more resident care.

With current resident acuity levels, homes should be providing three hours of care per resident per day. With current funding, homes are only able to provide, on average, 2.5 hours per resident per day. If our home was in Manitoba or Saskatchewan, residents would be getting the three hours of daily care they need. In Alberta or New Brunswick, they would be reassured by a government commitment to get 3.5 hours of daily care.

Today I am asking for your support in requesting government to commit the funding in the 2007 and 2008 budgets that is required to address what is a 30-minute care gap. This would mean providing \$390 million, or \$14.27 per resident per day, to fund an additional 20 minutes of care in 2007; and \$214 million, or \$7.81 per resident per day, to fund 10 more minutes of care in 2008. The details of this request were outlined in a submission by our association, the Ontario Long Term Care Association, OLTCA, to this committee in December.

With our allocation of this funding increase, we estimate we could increase our staffing by adding two six-hour PSW positions—one per day shift and one per evening shift—in each RHA. Although this may not sound like a significant increase, it would greatly assist the existing staff in completing the required number of baths while affording the time to appropriately assist our residents with those activities of daily living we all take for granted.

Within this total increase, the raw food funding should be increased from \$5.46 to \$7 per resident per day. This would enable us to adequately meet the nutritional needs of our residents—more easily meet the required Ministry of Health standard of offering two choices of a complete meal at lunch and dinner times; provide a wider variety and higher quality of fresh foods, particularly fruits and vegetables; provide a wider variety of the required afternoon and evening nutritional snacks; offer unique and enhanced special-occasion meals at Christmas, Easter etc.; and more easily cater to the increasing number of residents who require special diets due to health, cultural and ethnic constraints.

As you may know, our funding either comes directly from government for nursing, programs and food or is directly controlled by the government through setting the rates for the resident co-payment. We use the resident funding for accommodation services such as administration; housekeeping, laundry and dietary staff; utilities; and general building maintenance. When funding in this envelope does not keep pace with our operating costs, the services we pay for out of this envelope suffer.

Over the past three years, our revenue-cost gap in this envelope has been widening. For example, utility costs continue to increase and are expected to grow by a further 10% annually over the next two years. If this revenue-cost gap is not addressed now, it will affect the resident services I just noted. We are not asking government to raise the resident co-payment rates beyond the annual inflationary adjustment. Instead, within the total funding request, we are asking government to allocate \$2.75 per resident per day to help us maintain our

laundry, housekeeping and other services, services which I can assure you are very important to residents and their families.

The upcoming budget will play a pivotal role in determining whether we will be able to make gains toward the care our residents need or whether we will begin to slip back from where we are now. Another year of maintenance-level funding is just not good enough. A substantial funding increase that adds 20 minutes more care this year and 10 minutes more next year is required to provide the care residents need, expect and deserve. This is without even considering our increased costs to implement the additional paperwork and processes required to meet the requirements currently outlined in the proposed Long-Term Care Homes Act.

As a new home, I realize we are not directly impacted by issues that face residents, families and staff in the older B and C homes. As a long-term-care administrator, however, I am concerned about Ontario's double standard for residents' physical comfort, privacy and dignity.

Residents in B and C homes pay the same fees as residents in Pinewood Court, yet I know these homes are not able to provide some of the simple dignities that we take for granted. I'm referring to, for example, shared washrooms. Residents in B and C homes continue to endure three- and four-bed ward rooms with shared washrooms down the hall that are not always available for use. At times, they are required to wait in line for their opportunity, and that opportunity is not always soon enough. They're required to line up to wait for crowded elevators that will eventually take them to an equally crowded dining area rather than have the benefit of a pleasurable dining experience that the residents in a new build enjoy. For our residents, mealtime is an important event in their day, and this simple pleasure should be a basic right and expectation for all Ontario long-term-care residents. Yet I know these homes are not able to provide these same simple dignities that we can.

With an aging population, increasing resident and family expectations, and research that shows physical design impacts a home's ability to provide appropriate care for residents with dementia, the time has come to address this double standard. Therefore, I would like to add our support to our association's request for government to provide \$9.5 million in this budget to support the renewal of the first 2,500 B and C beds, and to continue this process in a planned and rational manner annually until the job is done.

Thank you for your time. I'd be pleased to answer any questions if I can.

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

Mr. Prue: Thank you very much for your presentation. I just want to try to get a handle on all of this, because you were talking about a great many needs. You talked about the need for additional resources of \$390 million, I believe, to give three hours a day of care; you talked about increasing the food budget from \$5.46 to \$7; you talked about the need for laundry; you talked about

\$9.5 million for renewal of B and C facilities; and I've probably missed some more. How much is this in total? I think we need to hear the bottom line.

Ms. Grant: I think the bottom line is contained in the funding submission that was presented to this committee in December. I have a copy of the full funding submission upstairs, just not in front of me right now. I was under the impression that the committee had that from the December submission, from the OLTCA. I can provide you with a copy.

Mr. Prue: All right. The government in the last election said—at least, there are some pamphlets that say that there was a commitment to spend \$6,000 extra per resident in terms of care in the homes. Would that be sufficient? If that commitment was made, would that be sufficient to accommodate what you're saying?

Ms. Grant: Again, I don't have the figures in front of me. I know that there's a very complex outline of what is required for nursing and personal care and the programs and services. I know that when the government did speak about funding increases, much of what they spoke about encompassed some of the initiatives that I spoke about. They did provide funds for other initiatives, such as the lifts initiative, where we did get lifts and education provided, and we did get some medical and diagnostic equipment. But there's never been an increase that really directly relates to the increase of care. Although we do appreciate those things—they're helpful—they do not provide that additional amount of funding for care, and that's where we're lacking in the homes.

Workers in long-term care are in the business of care, and they really, really do their best. I must add that at Pinewood Court, we enjoy a very wonderful reputation in the community for providing care. However, they are run off their feet; they're burning out. If you can try and imagine those three people trying to care for the amount of things that 32 long-term-care residents need, it's very difficult. It's the care on the floor that we need.

0940

Mr. Prue: In terms of the wages that people earn in the long-term-care facilities, are they commensurate with other services that might be provided? Is the problem that we need to get more wages to these people, or simply that we need more people and the wages are adequate? Or is it a combination of both?

Ms. Grant: I think the wages are keeping pace with the rest of the industry, particularly with the registered staff. The floor workers, the PSWs—which is an unregulated position; the PSWs are not regulated. I don't know if they are working towards regulating that, but I think the wages are fair and reasonable. But again, we are a union environment, and within the union environment we can generally expect 3% increases each year. So with the 3% increase to wages and pulling in benefits etc., we can just barely maintain it with the base funding. And if our CMI goes down even a point or two, that affects our ability to staff as well because that is where the funding comes from for the nursing envelope.

The Chair: Thank you for your presentation.

KENORA DISTRICT CHILD CARE COMMITTEE

The Chair: I call on the Kenora District Child Care Committee to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I'd ask you to identify yourself for the purposes of our recording Hansard.

Ms. Barb Jackson: My name is Barb Jackson. I'm representing Kenora district child care services. I have handouts of my presentation that I'll leave at the end.

I'd like to start by expressing my thanks to this panel for taking the time to come to northwestern Ontario. Since we are probably the area farthest away from Toronto, we often feel that we have no voice in decisions that are made. We're hoping that with your presence here today, you will hear our concerns and that they will hopefully be addressed.

I'm representing the early learning and care providers in the Kenora district. We serve families in seven major communities and the surrounding areas, with a total population of 60,000 people. We are early childhood educators who operate nursery schools and playgroups and child care centres, including the new Best Start programs. We serve children from birth to 12 years of age, and it goes without saying that this is a challenge.

For over 30 years, people have been speaking out and asking for more services to meet the early childhood education needs of young families. We thank the McGuinty government for focusing on that need and using dollars for children's services. We acknowledge the forward movement that has occurred with Best Start and the expansion of 164 new licensed spaces in the Kenora district. However, all is not well in the world of early childhood education.

The reality is that we are still struggling to address the needs of our families. The number one issue which I have been asked to address by our supervisors across our district is the affordability, or rather the lack of affordability, of our early childhood services. The highest demand in our district is for the youngest family members: infants and toddlers. Supervisors are repeatedly hearing from families about the lack of services for this age group. We are not hard-hearted. As much as we would love to serve these families, and there are a large number of them in each community, providers simply cannot afford to offer this service without facing the fact that in doing so, they will most likely go into a deficit. Even when we charge \$50 a day for an infant, it does not cover the cost to operate the program, and the centre is required to subsidize that space.

As you are aware, our municipalities are in very tight financial straits at this time due to the crisis in the forest industry. No operator has the luxury of offering a program that will, without a doubt, not support itself. Services for infants fall into that category. When a maternity or parental leave ends, or for those families who do not qualify, the question is, "Where do these children

go when their parents can no longer be at home with them?”

The situation for toddlers is not much better. When licensed care is sought, it usually is not there and families are forced to use unregulated care. It's not their first choice. With a 3-to-1 ratio required for infants and a 5-to-1 ratio required for toddlers—and we do support those licensing requirements—operating cost are high. It is very difficult, if not impossible, to offer these programs when you know that your municipality or organization will go into the red as a result. Centres desperately need operating dollars.

We must not forget to include our families whose children have extra challenges and special needs. These children are served by resource teachers. In the northwest, due to the great distances between communities, our resource teachers are centre-based. This model works well here simply because it is a three- to four-hour drive between communities. They work very hard to meet the needs of all challenged children in their centres to ensure no child is excluded. Their role is vital, especially with the limited services that most of our small communities have to offer. Again, there is funding for special needs resourcing, but these dollars do not cover the total costs. As early childhood educators, we know how critical it is to intervene in children's lives as early as possible when they are experiencing difficulties, but we are forced into the uncomfortable position of incurring expenses that we know we will not be reimbursed for. There are wages, benefits and program costs that increase every year without additional dollars to cover them. Annualized operating dollars for our centres would address this issue.

As mentioned earlier, we have been able to offer 164 new spots—that's predominantly JK and SK programs—to our families. We are thrilled about this. We also have long awaited a better, less intrusive subsidy process to replace needs testing. With the announcement of an income-based subsidy we believed our families would benefit from the process and be treated in a more respectful manner. We have just discovered that although this process will be more respectful, it will reduce the number of families who currently are fully subsidized. Those most impacted will be our school-age programs. Just when Best Start has enabled us to move into schools, the rules have changed, and families may not be able to afford the new school spaces just created.

The answer to these concerns rests in the form of operating dollars. If dollars were available, our early learning and care programs would not have to rely on parent fees alone. If operating dollars were available, the children with challenges to their development could all count on having resource teachers in their centre to readily assist with their inclusion. The future of our Best Start and school-age programs would not be in doubt. As well, the free two and a half hours of early learning, which was to be a part of Best Start, could become a reality for our children. And as always, annualized operating dollars would allow staff training, building maintenance and upkeep, and the purchase and upgrading of toys, supplies and equipment for all of our programs.

Ideally, the Quebec model of a nominal fee of \$7 or even \$15 per day from parents and the balance coming from the province is what we would like to see. This is not unlike our school system. We want the importance of early learning for all children acknowledged and available, whether or not their parents are at home, and have this recognized by financial support from our provincial government.

In closing, we are asking this panel to support and take our message to Toronto so that those involved in budget decisions will think about children who need the best start in life. Early childhood programs need annualized dollars to operate so that municipalities or organizations are not forced into deficit. All children, whether developing typically or challenged in their development, need to have early learning and care available to them just as the school system is available to them. Parents need high-quality settings to offer their children when they are not with them and these settings help prepare them for school entry. Research emphasizes the importance of the first three years of life and early brain development. Quality child care programs provide children with experiences that support their lifelong learning. Ontario needs healthy, capable, confident children to be the leaders of tomorrow.

Please take this message back with you to assure us that the voices and concerns of the Kenora district children, families, and early learning and care providers are heard. Thank you for your time.

0950

The Chair: Thank you. This round of questioning goes to the government. Mr. Arthurs.

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge): Barb, thank you for the presentation. Let me tell you that I can say safely on behalf of the committee how pleased we are to be here in Kenora and northwestern Ontario. Last year we had the opportunity to travel to Atikokan, some distance away, but when you're in Toronto, it's different. We're traveling to North Bay; from here, North Bay would be southern Ontario. It would be an oxymoron, I guess, to think of it as being in northern Ontario. We had time last year in Timmins as well. Certainly, we're not only pleased to be here but, by being here, trying to acknowledge and recognize that we need to understand from where we work what the needs are, more of us than just those who may represent northern Ontario, northwest or northeast, as the case might be.

If you would, can you tell me a little bit more about some of the special challenges that you've referenced with the distance issues between communities. We tend to forget at times that not only are parts of Ontario more distant from that centre point of the government, but we tend to forget, within that context, the large travel requirements, distance requirements. You mentioned particularly the special needs of kids and trying to meet those. For my purposes, for Hansard, could you just elaborate a bit for me on those particular challenges?

Ms. Jackson: Sure. We try to support our centres within our district. It takes the centres—as far as Ignace,

Red Lake, Sioux Lookout, all across northwestern Ontario—a day to travel. It's an eight-hour day to travel to Kenora if we're going to have a support meeting for our resource teachers, for example; of our supervisors. Any training that staff are going to have, they travel by car for a day to get to where they're going.

In reference to the resource teachers, in southern Ontario there's a model that's used in the larger centres where a resource teacher travels. Within Toronto, for example, one resource teacher would travel to different centres because of the close proximity. We just can't afford that travel time, so our resource teachers are centre-based for us. It is a different model than is used by southern Ontario, but it's a little more expensive model as well.

Mr. Arthurs: Thank you.

The Chair: Mrs. Mitchell.

Mrs. Carol Mitchell (Huron–Bruce): Go ahead.

Ms. Deborah Matthews (London North Centre): Thank you. We're often mixed up.

We heard from the previous speaker some of the challenges associated with declining enrolment in the schools here and elsewhere in the province. Yesterday we heard from someone who's also involved with Best Start who talked about using the schools as centres for child care. I wonder if you could tell us, is that something you're doing here or looking to do?

Ms. Jackson: Yes. In Kenora specifically we have two Best Start programs that are starting up within the schools. They're being renovated right now to accommodate those programs. That initiative was only to address the JK/SK population. Although we welcome that and we say that's wonderful, that's great and we all support that, the schools really are the hub. It's a seamless program when children are at the school for their childcare and then they go right into their JK/SK. I think the parents will enjoy that and it's seamless for the children. It only addresses that particular age group, however. Part of my presentation was to say there's a whole other group out there that we're missing. Best Start is great, but it doesn't talk about the infants and toddlers that we've got. I have a two-year waiting list for toddlers to come into our program. It's a licensed program. We know children are at home with their families until they're 12 months—not always, though—but there's a gap at 12 months to 18 months, when they can go into licensed programs, so that's the other part. That's a very expensive form of care, the infants and toddlers.

The Chair: Thank you for your presentation.

THUNDER BAY AND DISTRICT HUMANE SOCIETY

The Chair: I call on the Thunder Bay and District Humane Society to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning. I would ask you to identify yourselves for the purposes of our recording Hansard.

Ms. Judy Decicco: Thank you very much. I'm Judy Decicco, and this is Brenda Remus. We're both board members of the Thunder Bay and District Humane Society. I'm also a volunteer agent with the society. I would like to thank the committee, first of all, on behalf of everyone associated with our organization, for the opportunity to present our concerns and hopefully impress on government the importance of our work and the work performed by the other OSPCA affiliates and branches in the province of Ontario.

The humane movement was founded in 1873 with the joint purpose of protecting abused, stray and neglected animals as well as orphaned and mistreated children. In 1874, a cost-sharing relationship was established between the province and charitable institutions that were permitted to intervene to prevent maltreatment of apprenticed children.

In 1919, the OSPCA Act was passed, being the first legislation to protect animals, and it gave police powers to inspectors and agents in matters regarding the welfare of or prevention of cruelty to animals. Children at risk were then protected by the newly formed and publicly funded Children's Aid Society. The OSPCA remains a charitable, not-for-profit organization relying on public donations to carry out its mandate. Long-term planning and strategies are virtually impossible goals, with the inconsistent funding leaving the society often struggling to operate day-to-day programs.

The act was revised in 1955 following the closure and/or bankruptcy of more than 40 independent humane societies throughout the province. With the subsequent damage to the reputation of the humane movement, the government enacted revisions to the act which would prohibit the establishment of new humane societies or organizations with the goal of improving animal welfare and the prevention of cruelty unless they became affiliated with the OSPCA. This was also necessary to ensure that properly trained agents and inspectors had the authority to enforce the act.

The society, its branches and affiliates are involved in a wide variety of animal related issues.

Cruelty investigations: Animal cruelty charges laid by OSPCA and affiliated humane societies under the Criminal Code and provincial legislation have increased seven-fold over the last six years.

Adoption and fostering of companion animals: Animal care and protection costs have increased as a result of increasing activity in investigations and seizures.

Violence prevention: Increased awareness with mounting evidence of a link between animal cruelty and human abuse has prompted the need for cross-training and cross-reporting. The family violence assistance program and the youth and animal pilot project have proven to be extremely successful and beneficial to partner organizations and agencies.

Wildlife rescue, rehabilitation and release: The ongoing work of the wildlife facility at Midland has enhanced this part of the OSPCA mandate.

The primary purpose still remains the protection of and prevention of cruelty to all animals. The OSPCA

provides a unique and essential service to the citizens of Ontario by enforcing the laws enacted for the protection of animals and assisting in the prosecution of all persons violating such laws. The society continues to assist the government to promote and enact further legislation to protect animals, as well as fostering the formation of local societies throughout the province to pursue the same ends in their respective areas. The Thunder Bay and District Humane Society is one of these local societies.

The Thunder Bay and District Humane Society, as an affiliate of the OSPCA, is a non-profit charitable organization having one inspector and six volunteer, unpaid agents to enforce the OSPCA Act and the Criminal Code respecting cruelty to animals in the city of Thunder Bay as well as the district of Thunder Bay, an area of 103,714 square kilometres. Our shelter is governed by a volunteer board of directors which employs a shelter manager, the one inspector and a small staff, all paid at minimum wage. The humane society in Thunder Bay has been in operation for 10 years, and in that time has adopted out well over 5,000 animals. The shelter houses up to 24 dogs and upwards of 100 cats. We are always full. Many of these animals arrive as a result of cruelty investigations or removals and, as a result, often require veterinary care. Our veterinary costs average \$15,000 to \$20,000 per year.

1000

One cannot separate the cost of enforcement of our act and the operation of a shelter. If a puppy mill investigation results in the removal of 30 or 40 animals, they have to be housed and sheltered somewhere, so the investigation costs do not stop at the relieving of the immediate distress. The estimated cost at our shelter of providing care for one dog for one day is between \$15 and \$20, and the cost of a cat for one day is \$12 to \$15, excluding veterinary costs. Add to this vehicle maintenance and costs, insurance, general maintenance of the building, office equipment and supplies, hydro and water plus taxes, and the cost of operation is in excess of \$200,000 a year.

Some humane societies also act as municipal pounds for stray animals. In Thunder Bay we are separate agencies, with animal services being a municipally funded department. An impact statement which is enclosed in this presentation by the licensing and enforcement management of the city of Thunder Bay shows an approximate additional cost of \$112,000 to the city if it were forced to assume the function of the Thunder Bay and District Humane Society.

According to section 11 of the OSPCA Act, "For the purposes of the enforcement of this or any other act or law in force in Ontario pertaining to the welfare of or the prevention of cruelty to animals, every inspector and agent of the society has and may exercise any ... powers of a police officer." This applies to both provincial and federal legislation, and inspectors and agents have been asked to assist many agencies in the enforcement of other laws, some of which are: the Health of Animals Act, which is enforced by the Canadian Food Inspection

Agency—publicly funded; the Meat Inspection Act, enforced by the same agency—publicly funded; the Migratory Birds Convention Act, enforced by the RCMP and game officers of the Canadian Wildlife Service—publicly funded; the Meat Inspection Act in Ontario, enforced by OMAF—publicly funded; the Dead Animal Disposal Act, enforced by OMAF—publicly funded; the Livestock and Livestock Products Act, enforced by OMAF—publicly funded; the Fish and Wildlife Conservation Act, enforced by the conservation officers of the Ministry of Natural Resources or police officers, First Nations constables, RCMP, game officers and park wardens—all publicly funded, and there are a number of offences under the Fish and Wildlife Conservation Act that the OSPCA inspector and agents should enforce; the Animals for Research Act, enforced by OMAF again—publicly funded; and the Food Safety and Quality Act, mostly enforced by the Ontario Ministry of Agriculture and Food—publicly funded. Some regulatory activities described in this act will pertain to inspectors and agents of the OSPCA.

More recently, the changes in the Dog Owners' Liability Act, DOLA, enacted by the provincial government, have added additional enforcement duties for the OSPCA in the welfare section of this legislation. Additional changes to legislation regarding zoos will further extend duties performed by inspectors and agents of the society.

Historically, the OSPCA was left out to dry when the OSPCA Act was passed, establishing the society as a charitable, non-profit organization but without the funding it had given the charities and institutions created when the Act for the Protection and Reformation of Neglected Children came into being. This legislation made children wards of these institutions or charities and subsequently encouraged foster homes as alternatives to institutions, with the government providing funds for these wards. We truly appreciate the efforts this government has made in amending our act to address the growing problem regarding puppy mills, but without financial support, it loses much of its clout. Many affiliated societies as well as branches in the province are closing due to ongoing financial difficulties related to lack of government support to provide funding. This government's concern for public safety is commendable and evident, particularly to us through the DOLA legislation. This government has acknowledged that the OSPCA, its branches and affiliates provide an essential service, but without budgeting financial support, the laws that have been enacted by them will not be enforced and, hence, are totally ineffective.

We urge that the government follow the recommendations of the Grant Thornton report, which they commissioned over two years ago. The OSPCA has implemented some recommendations within its control, but this government has failed to act and, in doing so, has jeopardized the safety and well-being of all animals in this province.

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

Mr. Hudak: Thank you both for taking the time and for the very thorough presentation. A lot more has been added on which is of benefit to the committee, including letters from both of the Thunder Bay members, which I appreciate.

As I said to an earlier presentation, it's rather disheartening, because we heard a similar presentation last year in Atikokan and across the province from the OSPCA about the Grant Thornton report, and now some two years have passed since that report was submitted to public security minister Kwinter. But we still have not seen any progress from the government's point of view.

Ms. Decicco: No, and that's our concern. I've read the report and have seen the recommendations that have been made. I realize there's a problem I think with governance for the OSPCA. We realize that has to be addressed, but for the time being we and I think a lot of other societies are in an emergency situation. If we don't get funding immediately, we can't go on operating. To rely on public donations is iffy.

Mr. Hudak: My recollection was that it's not that the Grant Thornton report came out of thin air. It was actually commissioned by the province itself.

Ms. Decicco: That's right; yes, it was.

Mr. Hudak: But now it's basically gathered so much dust that it's probably doubled in size from being on the shelf.

Ms. Decicco: I don't know. We have heard nothing more.

Interjection.

Mr. Hudak: My colleague Mr. Murdoch is saying there's another report investigating why the first report has taken so long to be reviewed.

Ms. Decicco: Yes.

Mr. Hudak: You've also mentioned that the OSPCA has actually taken the recommendations from the Grant Thornton report with respect to the OSPCA itself.

Ms. Decicco: Yes. The things that they were able to control and were recommended to them, they have done.

Mr. Hudak: So you've taken up your share of the bargain, so to speak.

Ms. Decicco: That's right; that's my understanding, yes.

Mr. Hudak: The other aspect that you mentioned again today—and I'm pleased that you reinforced it; we did hear it last year—was the impact of the pit bull ban, the Dog Owners' Liability Act, on SPCAs, which was an unfunded mandate.

Ms. Decicco: That's right.

Mr. Hudak: What has been the experience, whether in the Thunder Bay district or other agencies across the province, of that act today?

Ms. Decicco: Because we have animal services that are funded by the municipality, fortunately, we haven't had too much to do with it, although we do get animal cruelty investigations. We're asked to go somewhere, whether it be Geraldton or Marathon or Armstrong, and when we get there, we find it is a pit bull. Our mandate is that we have to take it in and deal with it.

Mr. Hudak: And you have to euthanize it, don't you, at that point?

Ms. Decicco: If it's a non-credited pit bull, yes.

Mr. Hudak: Right, which I guess exacerbates the financial challenges that you already face.

Ms. Decicco: That's right, and our mandate, as an affiliate—we are a low-kill facility. We try and keep our animals until they are adopted.

Mr. Hudak: On page 6 of your summary, you also point out an issue regarding pit bulls. You say that you're pleased to see some progress is made with the growing problem regarding puppy mills, but without financial support, it loses much of its clout. Did you want to go a bit further?

Ms. Decicco: We had an investigation a couple of years ago where we removed 26 dogs at one time. As I said, our shelter holds 24 dogs and we have to provide shelter for those, so we had to pay a kennel a daily fee and they were kept there for almost a month. That's at cost to us, and if charges are laid in investigations, the costs are never recouped.

The Chair: Thank you for your presentation.

1010

WEYERHAEUSER

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

Ms. Bonnie Skene: Good morning.

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

Ms. Skene: Thank you. My name is Bonnie Skene, and I'm regional public affairs manager for Weyerhaeuser in Ontario.

Mr. Chair, I'm pleased to be here this morning in one of our operating communities to present to this standing committee Weyerhaeuser's perspective on financial matters affecting the province and to highlight a number of critical areas for consideration as you prepare the 2007 provincial budget.

Weyerhaeuser's priority is to re-establish its operations in Dryden, Ear Falls, Kenora and Wawa as financially competitive businesses in North America. A major focus area in achieving this critical objective is to continue to work with the provincial government to finish the job in re-establishing a competitive environment for the forest industry in Ontario.

Our facilities produce a range of products. We run the province's newest value-added facility here in Kenora. It produces engineered lumber from what used to be a waste product. Our Dryden operation makes uncoated freesheet, which is really a fancy or technical term for this: photocopy paper. Our Ear Falls facility manufactures two-by-four and two-by-six lumber, and our operation in Wawa makes the highest grade of flooring underlay. We have invested over \$600 million in our operations in Ontario since 1998.

We currently employ about 1,400 people in Ontario and we're the largest employer in every community where we operate. We are keenly aware of the economic dependence of these communities on our operations and the economic and social implications of not being successful in our effort. We all need to recognize the economic and social implications for the prosperity of our entire province if we are not successful. Let's not forget that the Ontario forest industry today employs approximately 80,000 people directly and about 230,000 people indirectly.

The crisis facing Canada's forest industry has been described as the perfect storm, with a sharp appreciation of the Canadian dollar versus the US dollar, about a 40% increase over the last four years; declining North American demand for some products; and global competition.

On top of this, Ontario continues to be among the highest-cost jurisdictions where we do business, and we do business throughout the world and in many jurisdictions in North America. We know this because we have operations in each of our business lines that I just mentioned located throughout North America and we compare ourselves against them monthly. Key areas where we remain uncompetitive are energy, labour and fibre costs.

We've made progress. The provincial government has taken back the responsibility for construction and maintenance of public roads used for logging and other interests. Commitments have been made to reduce government red tape, along with an initial step to lower the high cost of electricity for some members of our industry, specifically pulp and paper mills. These are meaningful steps in the right direction.

At Weyerhaeuser, we've also taken difficult steps to improve our own competitiveness. We've restructured our pulp and paper operations in Dryden, which resulted in the elimination of about 400 jobs. We've closed the Dryden sawmill, which was not a size or vintage that could be competitive, and we've expanded Ear Falls. We've worked with the Communications, Energy and Paperworkers Union to change the way we do work by implementing modern work systems. In addition, each tradesperson at Dryden, for example, has embarked on an education and training path to become certified in two additional trades over and above the one he or she currently holds. This means that each tradesperson will be trained and certified in a minimum of three trades, leading to more flexible work practices. Finally, we've aggressively implemented cost reduction ideas. Eighteen months ago, a joint cost reduction team was struck at our Dryden operation. The goal was to find \$10 million in annual savings. The team surpassed that goal six months ago and is now at \$15 million in identified annual savings and continues this effort. Rest assured, we'll leave no stone unturned in our efforts to restore competitiveness to our Ontario operations. We simply request that the provincial government do the same.

The Premier summed it up when he stated a year ago, "Much more remains to be done." That statement is still appropriate today. We all have more work to do.

In its 2007 budget, we urge the Ontario government to:

(1) Maintain the 2006 stumpage adjustment of approximately \$70 million, recognizing that Ontario fibre costs, or Ontario wood costs, which were reduced from about \$55 a cubic metre to about \$50 a cubic metre in 2006, are still uncompetitive with the global average, which is at \$35 a cubic metre.

(2) Implement the identified initiatives to reduce red tape. In other words, streamline and eliminate government processes which increase costs for the industry and deliver little or no benefit related to sustainability, forest management or mills. We're not suggesting that environmental restrictions be reduced or accountability be removed. We're suggesting that cumbersome and unnecessary processes be removed to improve efficiency.

We also urge the government to be diligent to ensure that new or amended legislation does not inadvertently undermine what competitive improvements have been made thus far. An example of this is the new provincial species-at-risk legislation, which, if implemented as proposed on the EBR, will pose a serious risk to wood supply and wood cost in Ontario.

(3) Implement an all-inclusive industrial electricity rate of \$45 per megawatt hour as an economic development tool. According to a study by Navigant Consulting for the Association of Major Power Consumers in Ontario, "Ontario has experienced a serious erosion of its competitive price advantage in industrial electricity over the last five years, to the extent that in many cases, especially relative to states where Ontario's industrial competitors operate, it has become a price disadvantage." Yet there is significant evidence that "low energy prices can spur economic growth and could result in significant investment into northwestern Ontario," according to An Economic Impact Analysis of the Northwestern Ontario Forest Sector.

In Ontario, frankly, we have not yet turned the corner. We all have more work to do to make that happen.

I thank you for receiving this submission.

The Chair: Thank you. The questioning will go to the NDP.

Mr. Prue: Thank you very much for your deputation. I'd just like to zero in on the last page, the three recommendations. You have talked about identifying initiatives to reduce red tape, but you haven't really discussed what those initiatives are. What are they? I think we need to know what specific things need to be done or can be done without compromising sustainability.

Ms. Skene: Yes. Extensive work was been done on this by the Minister's Council on Forest Sector Competitiveness in 2005 and subsequently by the Ontario Forest Industries Association. I'd be happy to provide you with details around how to do that without compromising just what you're talking about.

Mr. Prue: So that exists somewhere; it's just not in your package.

Ms. Skene: Absolutely.

Mr. Prue: Okay, if you could make sure we get that.

Ms. Skene: You bet.

Mr. Prue: The second one is that you want the government to be diligent so that it does not inadvertently undermine what competitive improvements have been made, and then you talk about the new provincial species-at-risk legislation. I think we have an obligation to protect those species. I know that it's a balance, but what would you do and how would that put species at risk? Would it put them further at risk?

Ms. Skene: I think there are ways to do it that balance just what you're talking about: the economic impact together with the end goal that is in mind. We're not questioning the end goal. We're just suggesting that versus what was posted on the EBR—and we've provided significant input to the government in developing that legislation—we think there are ways to do that that balance both: that meet the needs of the species-at-risk legislation and the needs of those identified species while at the same time not putting on communities and other interests an economic impact that would severely affect what goes on in the industry today.

Mr. Prue: The last, and I guess probably the most powerful one, is about the electricity prices people pay. You're advocating 4.5 cents per kilowatt hour. That is doable in northern Ontario. I understand that most of the electricity in northern Ontario costs only a penny or two to produce. Is that correct?

1020

Ms. Skene: That's my understanding, based on the fact that most of the generation is done by hydro power.

Mr. Prue: Yes. I'm also given to understand—I heard this only yesterday—that here in Kenora, water is flowing out of the dam and is not generating any electricity at all; it's simply what they're calling "waste." The water is flowing through; no electricity is being produced, because there's no market for it because of the shutdowns of the mills. Is that correct?

Ms. Skene: I think there has been a surplus of electricity in northern Ontario for various reasons. At this point, we're not advocating for a regional price. What we're saying is that there's a way to do it to incent investment, to demonstrate stability in that cost structure of our industry, and there's a way to ensure the future of our communities.

Mr. Prue: Yes, but more electricity can be produced in northern Ontario than is currently being used. So therefore, it's not even going through the generators. But you're not asking—

Ms. Skene: That may be a good means to get there. I think there are several ways to get there.

Mr. Prue: What are the other ways? Because the other ways don't seem as apparent to me. Is it just to subsidize?

Ms. Skene: In many jurisdictions around the world, for example, an industrial rate is used as an economic development tool. Then you get into: How do you offset that? To what extent do you want to incent investment in your jurisdiction, based on the price of electricity, and how do you go about funding that?

The Chair: Thank you.

Mr. Prue: My time is up.

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

CITY OF KENORA ECONOMIC DEVELOPMENT COMMITTEE

The Chair: I call on the city of Kenora economic development committee to come forward, please. Good morning, gentlemen. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I'd ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Dennis Wallace: Thank you very much. My name is Dennis Wallace, and I'm the volunteer chair of the city of Kenora economic development committee. Any remarks I make are my own and not necessarily those reflecting the city of Kenora.

I have the honour of chairing the economic development committee of the city of Kenora. This body includes First Nations representatives, the township of Sioux Narrows-Nestor Falls, business leaders, ex officio federal and provincial officials, economic developers and city of Kenora representatives. It was put in place to address the economic shocks of the Abitibi Consolidated mill closure in 2005. Since that time, there have been further blows in forestry that have affected our economic region. The city councils had great courage to invest several hundred thousand dollars in economic development at a time when over 30% of the city's economy was knocked out within one year. This has begun to ripple through the city's tax revenues that fund needed services.

It has also affected First Nations and aboriginal people because they too are forestry workers, business suppliers to key forestry companies and employees in Kenora and area businesses. Most First Nations people are just beginning to make economic progress. The response from senior levels of government, in my view, has been muted. My investigations reveal that the prevailing view is that the cutbacks in northwestern Ontario are seen as economic adjustment. No evident measures are available, either federally or provincially, at the present time.

Important steps to improve forestry competitiveness have taken place at the lead of Ontario and its recent forestry policy announcements, but energy costs in our region are double those of our neighbours in Manitoba. There's no apparent intention to identify what's needed to build our region's economy in a coherent manner. This would include economic infrastructure such as improved highway transportation, a power grid system supplying power at rates competitive with other jurisdictions, regional tourism strategies with consequent investment in tourism infrastructure, and so forth.

Kenora and region have managed many economic waves over the ages, including the fur trade, mining, fishing, logging, flour milling and tourism. When one economic sector declined, Kenora and area citizens adapted independently. Independent action is no longer

possible when key economic input such as competitive electrical rates, good highways or investments in tourism are determined in Queen's Park and Ottawa. A partnership is needed.

We do not see partnered approaches between the federal government, First Nations, the provincial government and municipalities to identify infrastructure needs necessary to deal with apparently profound change to our traditional economy. We do not see senior governments working with First Nations and aboriginal people to equip them with economic infrastructure, economic development, an education system that graduates able, young entrepreneurs, professionals and workers who can make a difference in their communities and other communities when they choose to move. We do not see strategies for development on crown lands where governments, industry and First Nations work in partnership for development. The ground rules for industry need to be clear.

These shortcomings would not be so acute, I think, and left unresolved in southern Ontario. If I look to other sectors such as the automobile industry, when the auto industry squirms, government research and development support abounds. Training funds leap, and economic infrastructure seems to gush forth.

Another powerful tool of government in assisting the regional economy is the presence of government offices. Kenora has seen the reduction of many provincial offices over the year; Northern Development and Mines is one. There was once an assistant deputy minister here. The Ontario Provincial Police are downscaling their operations in Kenora at the moment.

Ontario needs to identify opportunities for Kenora and region to benefit from government activity, not lose it. The same holds true for the federal government. When municipalities face economic loss, there's a need to invest to make the area attractive for new business, particularly in the knowledge economy. We must have downtown revitalization to make our city attractive to new investors. Culture is critical to bringing people to a community. Kenora has plans, but it requires investment support.

We have an international historic treasure in Tunnel Island, just over by the hospital, in partnership between Grand Council Treaty No. 3, the city of Kenora and Abitibi-Consolidated. This land was and will be a national crossroads; it was for the fur trade 300 years ago. Respectful commemoration and development will occur. It will attract visitors and prospective citizens. Help is needed here.

Let it not be said that the city of Kenora, its citizens and business community are waiting for something to happen in Queen's Park or in Ottawa. Plans and strategies are in place to attract new investment. We will be investment prospecting within 30 days. Our focus is going to be more west and south than it will be east. We've been meeting with potential investors who are helping to market the mill site with Abitibi-Consolidated. Downtown revitalization plans are in place and in the

hands of the province of Ontario. Cultural infrastructure plans are in place, and funds are needed to build a facility to serve the community and First Nations in the area. We will be aggressively pursuing Canada and Ontario to invest in our region.

We have an "office at the lake" strategy that offers cottagers and other rural citizens access to high-speed Internet and other services. Cottaging baby boomers are moving to the lake for extended periods of time. Larger numbers are planning to retire here. We're aggressively looking at these individuals to bring some business investments with them.

Uniquely, we recognize that First Nations are essential partners, as is the township of Sioux Narrows-Nestor Falls. Our economic well-being is a function of their development too. We have economic and cultural partnerships; there are going to be more. We cannot stand alone.

When I think about the Ontario budget, probably several points come to mind. The first one is that policy, plans and resources are necessary to see a partnered approach to development in northwestern Ontario. There needs to be recognition that exceptional efforts are necessary to revitalize and develop the northwest Ontario economy from east of Thunder Bay to Kenora. Remember that Sudbury, Timmins, North Bay and Sault Ste. Marie are having a bit of an economic upsurge. It's not the case here. Movement on energy costs in a region where power development costs are low but delivered prices are high, and where our neighbours in Manitoba have about the lowest costs in Canada but we pay amongst the highest rates—it's hard to be competitive. What will take place here?

1030

A third point: financial support to help communities recover from the loss of their major employer and shift to new economic opportunities. Consistent, multi-year help would be important so that the focus is on investment prospects, not financial support-chasing. Funds are needed for prospecting, site locators, advertising and so forth. Kenora has made its commitment; where is Ontario's?

Fourth point: Infrastructure investments by Ontario and Canada are needed to make our communities attractive and good places to live. I mentioned that earlier. Our plans are ready and, in several cases, in the hands of provincial ministries, but we're being told that there's nothing new. I have the sense that there's a legislative and policy vacuum in the face of the economic crisis here.

Increased government activity is necessary to add to the area economy. Why don't we assist Lakehead University and Confederation College to increase their presence in northwestern Ontario so that they can offer business better knowledge and skill development as part of our attraction package? Help Lakehead advance research and development that will bring new business ideas to our region. Look to policies that will encourage distributed research. We have facilities here. The North-

ern Ontario School of Medicine would be a good example, and perhaps research in areas such as nutraceuticals. The presence of ministers and senior officials in a partnership moving ahead in this region on a regular basis would be helpful to ensure that we're making progress.

Finally, careful, moderate investments by the government of Ontario will help Kenora diversify, and you will achieve a positive return on investment. Kenora will recover and it will bounce back, as it has in the past. The pace of recovery could be significantly hastened by Ontario with a budget that has a northern focus. Open the door to the kinds of partnerships that we seek. You can help us turn the corner.

The Chair: Thank you. This round questioning goes to the government.

Ms. Judy Marsales (Hamilton West): Good morning, gentlemen. Thank you for your presentation. It's very interesting, needless to say. I'm from Hamilton, and we in our community are also transitioning into a new economy and suffer from some of the similar challenges that you've expressed.

On a very personal note, I'm delighted to be here in Kenora because this is the home of my grandmother, Louise Affleck. As a child, I spent my summers here with my aunt and uncle. It's a beautiful community, with many opportunities, as you've identified, for tourism and certainly growth. You have been very adaptable, very flexible.

You mentioned that you've put together plans. Do you have a long-range plan that you have submitted to the ministries? Which ministry? Is it a document that you could share with us?

Mr. Wallace: In fact, we have an economic development plan for the region, for the city. We could share that. In addition, I'll make my notes available to you within the day. As I say, they are already in the possession of the ministries of the province of Ontario.

Ms. Marsales: Thank you. I think my colleague would like to ask a question as well.

Mrs. Mitchell: Thank you, gentlemen, for coming today and making your presentation. I am going to follow up where Judy left off. What I'm looking for is a bit more discussion on—you talked about the municipal investment of hundreds of thousands of dollars. I want to give you the opportunity to talk about what that investment was and what they were hoping for with partnerships down the road.

Mr. Wallace: This city, like some others across northern Ontario, has created an economic development office. It's put in place an economic development committee, it's investigating the idea of an economic development commission, it's sponsoring workshops on new economic opportunities, and it's reaching out. The idea of having high-speed Internet around the lake is another example of investments already made. The city is now working on some other plans around its infrastructure. As I say, this is not a city that's sitting on its heels. It's moving ahead.

Mrs. Mitchell: When you present us with the plans that you're going to provide to us later, they will encompass some of the work that the municipal council has done as well, so we'll get a sense of what you're hoping for down the road? You talked about diversification, and that will speak to that.

Mr. Wallace: I believe it would. I think, in fairness, that's a question that might better be answered by Councillor Rory McMillan when he speaks to you later today. I'm not a member of city council, so they would be better equipped to respond than I would.

Mrs. Mitchell: That's fair enough. What I was looking for was just the strategy for your top points—

Mr. Wallace: Whether we have one?

Mrs. Mitchell: Yes, what you were hoping for, what is most highlighted, just to give it special emphasis to the committee members.

Mr. Jeffrey Port: I'm Jeff Port, city planner and manager of planning and economic development with the city. I think the document we're talking about is the city of Kenora economic development plan. It was adopted by council in 2006. There are three prime goals in there: job creation; bringing our assessment base back up after taking the big hit on our industrial assessment with the mill; and, of course, population retention and attraction.

Within that, we have 25 strategic initiatives. The prime one—the one that's front and centre right now—is downtown revitalization. We have applications in to the provincial and federal governments. I think we've been frustrated, in that for the federal government and Industry Canada, and for the province of Ontario, the Ministry of Northern Development and Mines and the northern Ontario heritage fund, if you have a proposal and it doesn't fit into that box, regardless of the fact that it is your number one priority, it is sometimes difficult to get approved. That's what we've experienced. We are optimistic and we've had excellent discussions and made modifications, but certainly we were hoping for more of a partnership than what we've experienced thus far.

The Chair: Thank you. If you have additional material with you, send it to the clerk or provide it to him. He'll ensure that everyone on the committee has a copy of it.

Mr. Wallace: We will do so.

The Chair: Thank you for your submission this morning.

TOWN OF FORT FRANCES

The Chair: I call on the town of Fort Frances to come forward, please. Good morning. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard. You may begin.

Mr. Roy Avis: I'm Mayor Roy Avis from the town of Fort Frances. I have with me Councillor Tannis Drysdale. We are here today to speak on behalf of the municipality of Fort Frances.

The population of our community is 8,300 and we are located 370 kilometres west of Thunder Bay, on the Canada-US border. The major industries in our district are forestry, agriculture and tourism. We are a pulp and paper town and the majority of our population's employment is directly or indirectly tied to the forest industry.

As you are all aware, these are trying times for any community dependent on forestry. Daily, we hear the reports of mill closures and shutdowns. We are all too aware that our very economic future lies at the whims of the changes in the Canadian dollar, the impacts of globalization, and the decisions that affect input costs made at Queen's Park.

Since the beginning of the crisis, we as a community have held our collective breath hoping that we would come through the siege. We have seen our residents and businesses delay even the smallest local investment. As a municipality, we are currently projecting a decline in the total assessment for 2006-07.

We believe, with agreement from unions, assistance from the provincial government and innovative investment from Abitibi-Consolidated, that in the coming months, we may begin a new era at our mill and we will survive the perfect storm. But we are also aware that this survival will be fragile, and with it will come a reduced local workforce.

Before this downturn in our major industry, Fort Frances was aware of the need to actively pursue a more diversified economy. Over the last decade, we have invested in a variety of initiatives to accomplish this. Today, with our district's agricultural industry recording lower profits and the threat of US passport legislation potentially crippling our tourist camp industry, we must double these efforts.

I believe that the best way to obtain business development is to deserve it. To deserve that business, we must work together with you and our federal government to find opportunities that will improve the environment for those who have invested in our community and those we may encourage to do so.

1040

Today we would like to explore with you some solutions that we believe would allow both our orders of government to improve our business climate.

A 2002 business retention and expansion survey conducted in our community found that the number one impediment to business expansion was taxation. We have worked hard to reduce our commercial tax ratios. As you can well imagine, this is a difficult task to accomplish when municipal taxation revenues increase at less than the rate of inflation and our provincial transfer payments are the same as they were four years ago.

Although we will receive our full \$3.1 million in Ontario municipal partnership funding this year, \$490,000 is in jeopardy in 2008 under the new formula. Without anything more than annual announcements for this "special phase-in grant," we do not have the stability to make tax planning decisions that would reduce our commercial tax. We would request that the government

at least provide a three-year agreement to threshold funding to 2010 for those communities like ours that may lose funding under the new formula and then begin the per capita phase-out. Ontario municipal partnership funding phase-out and four-year cost increase charts are in the package.

We also believe that the province of Ontario should correct the disparity created by the education tax rate differentials across the province. The town of Fort Frances has one of the highest commercial-to-residential education tax rates in the province. In a recent Canadian Federation of Independent Business report, we placed eighth in the province—hardly, ladies and gentlemen, the kind of thing that you want to advertise in your brochures. When taxation powers were local and revenue generated locally impacted school board budgets, differentials may have been appropriate. As tax rate setters, the boards of education were accountable to taxpayers. Since 1998, when provincial formulas replaced taxation powers, the effect of this disparity is inequity.

The annual cost to our commercial industry in Fort Frances is that they collectively pay one third more than if the province set rates to the average, or annually a cost of 66% higher, than if they chose to put their corner store or dress shop in Bracebridge. There are charts in the package to show that.

If you look in your package, you will see the unfair taxation situation demonstrated on a motel for sale currently in Fort Frances. As land tax values are calculated based on income, any defence for these properties based on relative property assessment differences is moot. This is also explained in the package.

The unacceptable levy on businesses in our community may have occurred accidentally in what may have been an unfinished piece of business. Minister of Finance Ernie Eves may not have noticed that Bracebridge, Huntsville, Gravenhurst and Parry Sound were paying rates as low as 0.7910 while Kirkland Lake, Thunder Bay, Atikokan and Fort Frances were footing the bills.

However, it has now been nearly a decade, and if this government plans to keep education funding within the realm of the province, then it is essential that they provide the same equitable taxation system to commercial properties that they have created for residential properties. Further, the government should consider moving ratios across northwestern Ontario, in communities much in need of economic diversification, to the provincial minimum as a way to spur investment and encourage a sustainable future.

Finally, Fort Frances is a border community. The community of International Falls is across the bridge. In many ways, we enjoy the lifestyle of living in a 20,000-person community. We often share recreational activities and entities. However, fluctuations in the Canadian dollar's relative value to the US dollar can create out-shopping turmoil in our retail community. This is a fact of life in a border town, and it is occasionally to our advantage. Lately, however, we have noticed an influx of American goods, particularly building products, being

imported into our region by American residents, that are to be left in Canada. A loophole in PST collection provisions in the Canada Border Service Agency rules indicates: “In Ontario, the PST is payable on all non-commercial goods that are taxable under Ontario’s tax base. In the traveller stream, PST on taxable goods is only collected on non-commercial goods imported by Ontario residents returning to Canada through the province of Ontario.”

As such, Canada Border Services Agency is mandated to collect PST from Ontario residents only. It is not collected from American residents importing goods to be left in Canada. When these goods are purchased, they are purchased by US residents for export and therefore, no Minnesota tax is paid.

In fairness, we would ask that this loophole be closed, not only because the impact of tax-free goods puts our businesses at a real disadvantage but, as well, the province is missing out on potential revenue.

We appreciate the efforts that you have taken so far to improve the operating environment for our forestry industry and we know that these investments will secure revenues for both our levels of government in the years to come. We are also pleased that the government of Ontario has taken steps to fix the inequities created by the PLT system.

We appreciate this venue to discuss with you our challenges and look forward to both the government of Ontario and opposition parties’ favourable response to our thoughtful policy requests. We look forward to working with you to ensure a prosperous future for both the province of Ontario and the town of Fort Frances. Thank you.

The Chair: Thank you for your submission. We’ll go to the official opposition. Mr. Hudak.

Mr. Hudak: Thank you, Your Worship, Your Deputy Worship, for making the presentation today and bringing these important points forward. I’m going to follow up a little bit on each of the major points that you made.

You referenced the fact that your uncontrollable costs have increased. I would take it from that, you mean programs that the province has mandated that you don’t get the appropriate funding for—

Mr. Avis: I’ll call on Councillor Drysdale here to respond.

Mr. Hudak: —to about \$2.5 million. I was wondering what proportion of that would be of your total municipal revenue, roughly.

Ms. Tannis Drysdale: About 20% to 25% of our budget. In our community, I think I’ve noted here, half a million dollars would represent a 6.5% tax increase. Those are big numbers when you’re playing in a community the size of Fort Frances.

Even more concerning is that, as we’ve seen a decline in the forestry industry, a pulp and paper mill isn’t worth today what it was worth yesterday. We’re seeing a shift in where that assessment is occurring, from higher assessment rates in industrial to residential. So even though the number is just down slightly this year, the

total revenue achieved by that number is significantly less.

Mr. Hudak: Fair point. The suggestion, then, from the town of Fort Frances is to “at least provide a three-year agreement to threshold funding to 2010” for communities like your own. By “threshold,” you mean that the OMPF and the special grant would be at least frozen, that they wouldn’t be reduced.

Ms. Drysdale: Yes.

Mr. Hudak: That special grant was intended, I think, just to be one year only, and there’s been pressure from municipal leaders and it’s been extended for only one year at a time, right?

Ms. Drysdale: Yes, and don’t get me wrong; it’s very much appreciated. That one-year impact would be horrendous. But planning: You set us for four years so that we could make good plans. Give us a mandate and a taxation regime for four years to go with it.

Mr. Hudak: The PST collection at Ontario ports of entry—I guess I misunderstood. I thought the PST was now collected at border points, but that’s only for commercial goods?

Mr. Avis: No, it’s collected for the residents of Ontario if you cross into Canada. What happens in our area is there is a tremendous number of American-owned properties. The American resident will come into Canada, he’ll go back over to the US side, he’ll purchase his building commodities or building materials—throughout northwestern Ontario—he’ll bring those back into Canada and he’s PST-exempt.

Mr. Hudak: Even if they’re becoming part of a permanent structure or a permanent summer home and such, they’re PST-exempt.

Mr. Avis: That is correct, yes.

Mr. Hudak: Which means they’re not collected at the border. It’s not a rebate; they’re just simply not collected.

Mr. Avis: That’s correct, and what happens, too, you’ll also get the people who will take—if his friend is in a property next to him and he happens to be a Canadian resident, he’ll go over for him and he’ll bring it over. It really creates an issue—

Mr. Hudak: I’m shocked that such a thing could happen.

Mr. Avis: It really creates an issue for our local businesses and for businesses of this type throughout northwestern Ontario.

Mr. Hudak: I appreciate your point on the education property tax rate. So Fort Frances, I guess, historically is at a higher education commercial and industrial rate than other communities. You suggest that the province should look to target to reduce that rate, “to the provincial minimum.” Did you mean the provincial average rate, or did you have a number in mind for a provincial minimum?

1050

Ms. Drysdale: I guess two suggestions: One is, you could look to northwestern Ontario as an incentive to increase the economic activity by putting us at the provincial minimum. But at the very least, take everyone in the province to the provincial average. Fair is fair.

Mr. Hudak: My last topic was on PLT reform. I'm not sure how much time I have, Chair.

The Chair: A minute.

Mr. Hudak: A minute. Then I'll just ask—legislation is passed as part of a budget bill. One of the concerns that the opposition—Mr. Prue and I—brought up, and I'm sure Mr. Murdoch made comments in a similar vein, is that while the province will collect the PLT, the legislation just mandates that it goes to the provincial treasury. There's no mechanism to ensure that it gets spent in northwestern Ontario or transferred to municipalities who deliver services to those who live outside of organized territories. Do you have any advice for the committee on where that PLT money should end up at the end of the day?

Ms. Drysdale: In the announcement made by the government associated with that legislation, the money was to return to northwestern and northeastern Ontario, where it's collected. It's interesting to note that it is not in the legislation, so my advice to the government would be to keep their promise.

Mr. Hudak: Any view on a mechanism that would be most helpful to that?

Ms. Drysdale: I think it would be appropriate to look at the district social services adjustment board, district by district, and return those revenues to that board. I think that's probably the fairest system.

Mr. Hudak: Thank you.

The Chair: And thank you for the submission before the committee. We appreciate it.

For the committee, I'm advised that the Northwestern Ontario Municipal Association has just arrived at the airport. Is the Canadian Union of Public Employees, Local 65, in the room? No.

TOWN OF ATIKOKAN

The Chair: Town of Atikokan.

Thank you, gentlemen, for being here early. You have 10 minutes for your presentation, and there may be five minutes of questioning. I would ask you to identify yourselves for the purposes of our recording Hansard. You may begin.

Mr. Dennis Brown: Thank you, Mr. Chair. My name is Dennis Brown, mayor of the town of Atikokan, and with me I have Councillor Charlie Viddal. I believe everyone has a copy of our brief. We don't wish to read it word for word, but we would like to refer to the points as they appear. First of all, we'd like to thank the members of the standing committee for coming to Kenora today to listen to our concerns and hopefully act on the suggestions that are made.

The first paragraph refers to the economy of northwestern Ontario. As we all know, we have our challenges, and it's not getting a lot better. We are asking the standing committee to help us in implementing some of these suggestions that we think will improve the economy. I've listed, of course—and I think everyone is familiar with the concerns: the higher Canadian dollar,

aging mill infrastructure, high electricity costs, higher gasoline prices, international competition and so on.

We also want, in paragraph two, to acknowledge that the government has taken some steps to help us, and we appreciate that. We appreciate the increase in costs for the public health care system. We appreciate trying to get the land ambulance situation fixed up, and we appreciate the assistance that you've given to the forest industry. But we still need more.

In the third paragraph we talk about the mills closing down. I think I heard on the radio this morning coming up here that there have been 109 mills close in Canada. We're part of it and it's not a good situation. Maybe some of that is necessary, but it's very difficult for the families and the people who live in those communities.

In the second-last paragraph on the first page, we would like to talk about the high electricity rates. That's been an issue and it has been pointed out many times. We support the forestry coalition in wanting 4.5 cents a kilowatt, all in. If we could get to that level, I think things would improve dramatically in the situation here in northwestern Ontario.

In the last paragraph—we've talked about this before—northwestern Ontario is an energy island. We produce lots of power. We don't need any more power; we just have to get it priced right. We urge the government to do something on that. That's been an outstanding issue for two or three years. Premier McGuinty said he was going to look into it, and so far we don't see it happening. I know there have been some changes, some subsidization of the larger mills, but we think there's more that can be done.

Now we go to the second page: Use energy as an economic development tool. Every district in every part of the province has different things they can use as an economic development tool. We're saying in northwestern Ontario, let's use energy, because we have lots of it and we produce it cheaply.

We don't think there's a need for the northwest to take control of it or anything. I've indicated in the middle of the first paragraph, "As long as regional pricing is implemented and as long as the existing generation facilities and capacity remain in place, we do not believe actual control of the provincially owned grid and generation in our area is required." So there's a way of working within the system we have now.

I want to go to point two, the same as what Fort Frances indicated: the business tax for education. The province has implemented a system for residential, and it works out quite well, a uniform rate across the province. We think the same thing should be done for businesses so that businesses can improve.

On the third page, I've indicated a graph. It shows you that Atikokan is at the very bottom. These are Ontario's worst education tax ratios. On \$200,000 worth of property in Atikokan, a resident pays \$592, but a commercial group pays \$5,943, 10.4 times as much. That would be one simple thing the government could do to make things better for business, so we'd like you to look into that.

Point three has to do with the commercial and industrial tax ratios. As we move to the cap for some of the businesses that aren't paying their full share because of the way the system was implemented in the early part of 2000, the businesses have to keep some of the—I will quote the specific example of FibraTECH in Atikokan. It's in the township boundaries. It employs 145 people. Because it's not paying what the cap says it should be paying, we have to increase it 5%, or 10% in some communities, every year till it reaches its maximum. So even though the municipality has tried to do what it can to keep the tax down, because of the capping system FibraTECH's taxes have gone up 17% in three years. There should be a way of correcting that.

Point four has to do with the provincial land tax. We take a little bit of a cautious approach to this, because in our community we have a large lumber mill. It's 20 kilometres out. It employs 225 people. They've had to get their own fire system, their own water system, their own security system etc. If the province goes ahead with this provincial land tax and implements it fully, that business is going to suffer. I think you have to be very careful how you do that. It has to be done on a scaled-in basis or limited basis so we keep the costs down for the businesses.

I also want to refer in this article to some of the things that are happening in the environmental community. I specifically want to refer, on page 6, to the Endangered Species Act review advisory panel that issued a report on August 11. We are asking for a moratorium on this, on setting aside any more land in northwestern Ontario because of environmental concerns or anything else, until everything is studied. One report is that about 28% of the land in northwestern Ontario is not accessible for harvesting for one reason or another, because of parks, protected spaces or wood that's not accessible. We think that should be really considered before it's implemented, and discussion should take place.

Point five on page 6, we're suggesting—I think everyone's heard about the regional development incentive zone. We're saying that to kick-start the economy in northwestern Ontario, give a 20% decrease in taxes for the sales tax, income tax, and corporate tax until the economy starts to improve. That will provide incentives for people to come here.

1100

Point six has been referred to—the Ontario municipal partnership fund. We understand that if that was to go ahead and be implemented without the province—and we thank the province for freezing it for this year, and we hope you keep doing that, because communities like ours will stand to lose. I think ours is around \$480,000. Northwestern Ontario in general will lose about \$8 million if that is implemented under the present system.

Point seven has to do with water meters and smart meters. I think that whole situation has to be studied, because we don't see the payback being viable for the average residential user. Just because people use less power doesn't mean their costs go down. If you look at

your hydro bill, a lot of the costs are for delivery charges. I have my bill with me to prove that if we want to refer to it. The delivery charge is almost as high as the cost of electricity. Reducing electricity doesn't mean your costs are going to go down. For the local utilities, their costs remain the same.

That concludes it. In the last part, I have a little hand-out about how Ontario's employment trends are uneven across the province and why the northwest is in a difficult situation. We thank you for coming here and listening to us. I don't know if Councillor Viddal has anything to add to that?

Mr. Charlie Viddal: No, go ahead.

The Chair: All right, then, gentlemen. We will move to questioning. This will go to Mr. Prue of the NDP.

Mr. Prue: Just on this last point, because I think this hasn't been explored enough in terms of municipalities and what it would cost. It says in the big header here, "Between 2003 and 2005, employment growth was highest in the GTA which saw an expansion of 4 per cent. The north saw employment shrink by 2 per cent with the brunt of the reduction borne by the northwest where employment shrank by nearly 8%, amounting to 9,000 jobs." How much is that costing your municipality in terms of Ontario Works, welfare payments and other things? That must be a huge increase in the last couple of years.

Mr. Brown: At our last DSSAB meeting, which was just last week, we received updated information about Ontario Works. The increase from 2005 to 2006 was 17%, I think. It was the highest increase in the province.

Mr. Prue: Not only is there a lack of industry, not only is there a lack of money, but you're being forced to pay your 20% of the costs, the municipal finances for yourself and other towns and cities. Northwestern Ontario must be in some kind of crisis.

Mr. Brown: Absolutely. Yes, it's a real problem. Ontario Works in our areas would be Rainy River DSSAB, and Atikokan shares about 15% of the 20%. It is costly.

Mr. Prue: We've had deputations from at least one school board this morning talking about declining enrolment. As people lose their jobs, are they choosing to move away and take their kids out of school? Is this happening?

Mr. Brown: Oh, yes. At one time in Atikokan, we had four elementary schools. Now we have one, and enrolment is still declining. We have one high school. We need to do something to create more jobs and have more people. A lot of the people from our area are working at mines, at Lac des Iles mine; that's a way from Atikokan. Some people are going to Fort McMurray and elsewhere. That's the story of northwest Ontario, just like a lot of the people from Thunder Bay are going elsewhere.

Mr. Prue: Now, you've made a very good case for taxes, but I'd like to talk about electricity. I heard just yesterday—I don't know that it was Atikokan; I believe it was here in Kenora—that the capacity for electricity is not being used. The water is being allowed to go out of

the dam without going through the generator because there's no need for the electricity. There's an overabundance, and yet you pay high costs. I asked the deputy from Weyerhaeuser, and I just suggested that you should be getting it at what it costs and you should be producing it. She didn't like that idea much. What do you think of that?

Mr. Brown: I know that's part of the regional pricing. We can produce it at our plant in Atikokan for about 3.5 cents a kilowatt, and at the water it's even cheaper. So why should we be paying eight or nine cents a kilowatt when we can produce it for about half that price?

Mr. Prue: If there was a strategy for northern Ontario that simply allowed you to charge what it cost to produce the electricity in northwestern Ontario, would that be an economic incentive to get businesses and other people back here? Not just forestry products, but any manufacturer, even General Motors—if electricity was half the price in northern Ontario, would that be an incentive? Do you think you could incent people and businesses to come here?

Mr. Viddal: Absolutely. Thanks for the question. That's the basis of our argument. We have the surplus electricity. We can't attract industries to use it up, not at the rate it's going now. If we could attract those industries into Atikokan, Kenora or wherever, a lot of the other problems you see here would go away. We can't lower our ratio on heavy industry like they can in southern Ontario because we've got nothing to replace it. If you bring down the price of electricity, you bring in new industry and therefore a tax base that we can use now to lower the tax rates across the board. That helps all across the whole business. So it would be a definite boon for us to do that.

Mr. Prue: Thank you.

The Chair: Thank you for your presentation. Has the Northwestern Ontario Municipal Association arrived yet? The Canadian Union of Public Employees Local 65?

COMMUNITY LIVING SIOUX LOOKOUT

The Chair: Community Living Sioux Lookout, would you please come forward. Thank you very much for being here. You have 10 minutes for your presentation. As you may have heard, there are perhaps five minutes of questioning following that. I would ask you to identify yourself for the purposes of our recording Hansard.

Ms. Barbara Hancock: Sure. I'm Barbara Hancock, president of the board of directors of Community Living Sioux Lookout. With me is Michael Hibbert, executive director for Community Living Sioux Lookout. Thank you for the opportunity to make this presentation, which I'm going to read to make sure that I capture all of the thoughts that we want to bring forward.

Community Living Sioux Lookout is a member-driven, board-operated, non-profit charitable organization which began in 1965 through the efforts of parents needing services and supports for their children. The organization has been innovative and creative in meeting

people's needs. Through its efforts—with government approval—over the past eight years, the organization has increased supports to the number of individuals by 60% without any new money. It has participated in pilot projects and accessed programs that have been created to enhance and support those individuals we provide services to.

Currently, 52 individuals and their families receive supports and services from our organization. We have a waiting list today of 46 individuals who require services and supports.

Approximately 80% of the 98 individuals Community Living Sioux Lookout is currently involved with are First Nations people.

North of Sioux Lookout, which is a community of 5,200 about a three-hour drive from here, we have 30 remote fly-in First Nations. Certainly, the services there are less than what we can offer in Sioux Lookout, and they do impact on the requests that we get in Sioux Lookout.

Community Living Sioux Lookout has achieved what many organizations still dream of: becoming part of the community—which ensures that those individuals we serve are equal and valued members of our community.

The developmental service system in total is under tremendous pressure to meet increasing demands for services and supports to those currently not receiving any service. Those individuals receiving service have increasing needs as they age and/or face a variety of health issues. Sioux Lookout is facing these same issues in very unique ways.

Recently, an individual came to Sioux Lookout and was dropped off at our office suffering from malnutrition. This individual is deaf, mute, severely mentally handicapped and had been living in a crawl space under a house for the past two years. He had been living out of garbage cans and what people would give him to eat in his First Nations community. The community had processed him out of his home—which basically means they struck a band council resolution—and out of the community as he threw stones at children who were taunting him. At this point, he cannot return home.

1110

The current system of accessing supports and services was shamefully unresponsive, and our agency took this individual in, due to the extremely high-risk factors he was facing. His ability to survive for 24 hours was in question. It took several days for government commitments to appear, and right now they are short-term.

Several points need to be made in this case. The lack of new money to avoid crisis situations like the one just described has created the need for a very expensive intervention and an unnecessary threat to individuals' health and well-being. The obvious need of significant new money for individuals and their families will save taxpayers money in the long run by not having to fix what could easily have been preventable.

The government needs to invest serious dollars in the future needs of individuals with a developmental dis-

ability if it is, as we believe, committed to serving people and saving taxpayer money at the same time.

Community Living Sioux Lookout is cognizant of the government's transformation process, which has received input from some sectors such as families. This planning for change is good, but unfortunately people cannot wait while this occurs. The government access to support is required in crisis situations, like the one we described, in a timely fashion. Had we waited for government approval, the person we exemplified would possibly not be alive today. An effective means of access to service is required.

Interruption.

Ms. Hancock: Was that noise a warning? How many minutes?

Interjection.

Ms. Hancock: Do you know what? I really want to get in our closing recommendations, so I'm going to—

The Chair: You're doing fine.

Ms. Hancock: Am I fine? Lightning isn't going to strike me dead? You're more generous than when I did one to an education panel.

Families have been supported to keep their children at home through several very positive government initiatives, which should continue. However, as children age and the ability to access new supports and services outside the home is required due to health and aging issues, new funds are required to meet the needs before they become a crisis. Families are currently being forced to drop their children off at local hospitals when they can no longer care for them, as local community living organizations such as ours are unable to provide the service and support required. This is inappropriate, it is costly to the taxpayer and it plugs up yet another system.

Perhaps it is time the government takes a serious look at mandating services and supports to individuals with a developmental handicap to ensure their well-being and safety, reduce marginalization and demonstrate that all citizens of Ontario are valued.

Our organization became unionized within the last two years and went through a very difficult negotiation process to arrive at its first collective agreement. This sector is one of the lowest-paid in Ontario, as I'm sure you've heard throughout the province. Following a one-month labour disruption, the union applied for binding arbitration on the first collective agreement, as it's entitled to do under legislation. The Ministry of Labour arbitrator ruled in favour of their application for binding arbitration and subsequently approved a 20% salary increase, which would bring them in line with other agencies providing the same services. To this day, our organization has received no funding or commitment from the government to address the over \$300,000 annualized shortfall.

The next paragraph basically says that we are unable to come up with this money within our current budget. We, as a board of directors, are not willing to throw vulnerable people out on the street in order to cover the costs of a salary increase. Volunteer boards are vital to

the current system of service delivery. There would be some advantage and long-term savings to the government if it moved to a more equal partnership in the service delivery planning process. Crisis management in funding is the most expensive approach and certainly brings into question certain ethical issues.

We are pleased that the government is planning to develop a new service delivery system. However—and this is one of our main points to this committee—unless significant new money is made available to support the system, it is doomed to the current patchwork of programs and crisis response.

Community Living Sioux Lookout was asked by the government in the early 1990s to take a number of individuals from institutions which were closing, and we were pleased to accommodate and to do this. We took a large number of first Nations people from northern communities who—it was closer to come to Sioux Lookout to be near family. Funding was provided at that time for things like wheelchair vehicles, which ensured access to the community. More than 10 years have passed, and each vehicle costs \$65,000 to replace, and we don't have the money. There has been no new money provided.

The need to fundraise falls heavily upon volunteers for such capital expenditures as wheelchair vehicles and community living options. These are so critical to providing the best quality service to the individuals we serve.

The Ontario disability income support program did receive an increase recently, and that was appreciated. However, the initiative needs to continue in a proactive manner to support people living in the community. Inflation rates are varied, yet estimates indicate between 2% and 3%. The gap which existed before the last increase needs to be decreased, and not fall behind. We feel that the increases should be at least 4% a year to ensure that the gains made are continued and that personal poverty is reduced.

In summary, our recommendations are:

- that the government provide adequate and appropriate funding levels to cover the cost of government-imposed legislation, like the Ministry of Labour binding arbitration salary awards;

- that there is provided adequate and appropriate ongoing funding levels to the developmental services sector with respect to core services and supports;

- that a consultation with all stakeholders and partners in the transformation of the developmental service system move the system from crisis response to real and valued community partnerships;

- to increase ODSP income support payments by a further 4% this coming year; and

- to re-institute capital support programs to the sector.

I want to thank the standing committee on finance and economic affairs for this opportunity to present our ideas for inclusion in the upcoming provincial budget. We look forward to your support in addressing the needs of people whom we provide services to.

The Chair: Thank you for your presentation. This round of questioning goes to the government.

Mr. Arthurs: Thank you for the presentation. It's not the first one we've had, even in our first two days of travel, on community living and the need for supports for those with developmental challenges. I'm anticipating that during the balance of our time on the road, we'll probably hear more, and appropriately so. We would expect that.

One of the things that interests me when we're here—and I asked another deputant a similar kind of question but in a different context. Travel is obviously a big challenge, being able either to get to people to provide service or get them to you. One of the things you've identified here is that some years ago—10 years ago—there were wheelchair accessible vehicles supplied at a replacement cost today of \$65,000, and there's no funding available now for that. How many vehicles? What's the nature of their use? Are they for the individuals? Are they used by the association as part of their transport mechanism? What would one need to see in place to sustain that, to get you back on the road, in essence?

Ms. Hancock: Well, that would be nice. I'm going to turn that question over to our executive director. But first, I'd just like to point out that Sioux Lookout does not have a public transportation system. We're in northern Ontario and it's a tiny municipality. So Michael, I'll let you answer that.

Mr. Michael Hibbert: Thank you for the question. As was pointed out, we don't have a public transportation system. For our individuals to get out, especially in nice cold weather like we have today, they need to have suitable transportation. We have applied, just so that people are aware, for Trillium funding. It's the only access and we have to provide 50%, so again, you've got to raise \$35,000 to get a vehicle. We need at least two in our community that are sound machines that run all the time. They are used by the organization for all of the individuals we serve. We have a significant number because of the de-institutionalization that we went through earlier and the number of people we took. A number of our clients are, I'd say, physically more handicapped than perhaps other organizations in this part of the province. Therefore, we're very dependent on having that transportation so people can get out and be in the community. We've been very successful in getting people in the community, and our community has been very open and welcoming, but we have to provide some of the physical attributes to allow that to happen.

Mr. Arthurs: I find it interesting, because they are almost unique needs in that sense. Where you have public transit systems, you can accommodate. Where you have large service organizations in larger communities, you can tap into a service club, as an example, to be your benefactor, or work with Trillium to garner those funds. But in the absence of that basic resource, it makes it far more difficult for you to access other resource bases that might be out there in place. Obviously, there's been no window for any particular ministry to be able to provide any direct help on the basis of the absence of and higher demand because of the nature of the physical location of the community, nothing like that.

1120

Ms. Hancock: To this point, no. I'd just like to add, because so many of the individuals who receive service from our organization are from remote First Nations, they don't have family members in Sioux Lookout. Other communities, other organizations—there are family members who can help to provide assistance. They can pick them up and take them to an appointment or take them to a community event. The majority of our individuals are reliant on the services that we provide because they have very little contact. If you remember, in the days of institutionalization, if you were from the remote north along with other parents, your children went to an institution and it was as if they were dead. That was the philosophy of the day. The First Nations do not have the life span that we have in other parts of Ontario, so again, many of our aging individuals do not have parents who are alive or parents that they've had any contact with, and it is difficult to make contact with siblings. So it certainly is an issue that we face constantly.

Mr. Arthurs: You're to be commended for a number of things. Certainly, increasing the number of individuals served by 60% without an increase in funding resources is a major undertaking. You should be commended for that. Also, the obvious challenge that you're having with almost 100% waiting from the 46 who are waiting for real services—that's a particular challenge that you have as well. Thank you for the work that you're doing, and we appreciate the presentation today. It has been helpful.

The Chair: Thank you, and thank you for that presentation.

Has the Northwestern Ontario Municipal Association arrived yet? Canadian Union of Public Employees, Local 65?

UNITED STEELWORKERS, LOCAL 1-2693

The Chair: United Steelworkers?

Thank you very much for being here. You have 10 minutes for your presentation. There might be five minutes of questioning. I ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Joe Hanlon: I'm Joe Hanlon, the president of United Steelworkers Local 1-2693, and with me is Nathalie Belair, the first vice-president of our local.

I'd like to start off by thanking the standing committee on finance and economic affairs for the opportunity to present our perspective on the budget challenges facing Ontario. We'll be focusing our concerns on the issues facing the forest industry in particular here in northern Ontario.

Our local represents about 3,700 members in a number of communities across northern Ontario, with the majority working in the forest sector. These members work in woodlands operations, sawmills, plywood plants, wafer plants, re-man plants, trucking, lumber yards, chipping operations, and equipment repair/sale shops. They and their families reside and are trying to build a future in communities such as Ignace; Hudson; Atikokan;

Upsala; Thunder Bay; Greenstone, which incorporates Longlac, Nakina, Geraldton, Beardmore and Caramat; Dubreuilville; White River; Espanola; and Sudbury, to name only a few.

But their future is being jeopardized as we speak. That is why we are compelled to make this presentation to you today. There has been a lot of lobbying to get assistance for the forest industry, workers and communities. This lobbying has come from labour, community leaders, municipalities and industry. But unfortunately, no one is listening, and if they are, they are not understanding. That is why we would ask you to take a message back to Parliament, a message that says that our industries, communities and people need assistance today, not tomorrow. Tell them: no more band-aid approaches. By "band-aid approach," we mean that what this government has done to date, such as a one-time rebate on stumpage, loan guarantees and the energy program for large pulp and paper energy users, has not worked.

Let's give you an example: On the same day the government announced their energy package, a major pulp and paper company was sending letters to their workers telling them the company has continued to have financial losses and needs to make changes which will likely result in more job losses. Though we do not represent the workers in the mill, we do represent those who harvest, process and haul the fibre that these mills consume. Last Friday it was our turn. We met with the same company, who told us that they needed to find substantial savings in their woodlands operations or the company's future in Thunder Bay may be in jeopardy. This company has already cut hundreds of jobs in their mill and woodlands operations. What more can be done? How many more jobs can be cut?

Put yourselves in the workers' shoes. Just imagine what these workers and their families are thinking each and every day. Imagine the stress they must feel. If it's not job losses, then maybe it's major concessions or drastic changes to the way the work is performed.

This leads into the next example of what some companies such as Neenah are trying to do. They had a pulp mill in Terrace Bay. However, they gave the mill to the Buchanan Group of Companies with the Liberal government's approval, even though the government said that the new mill needed to work out an agreement with all parties, including the unions involved. The members of our local who worked for Neenah had no agreement. These 240 members, some with more than 40 years with the company, went on strike because Neenah wanted major concessions such as a 6.4% wage rollback, contracting out, eliminating the defined benefit pension plan, and other cuts to their benefits, to name only a few. The Buchanan Group of Companies wants the same concessions Neenah requested, plus they also want to make some of the employees now the employer, and they want concessions that include as much as a 50% wage rollback. We all know that's not right. Wage rollbacks are not the answer. We just saw that wage increases are the direction that this government believes in. However, in

this case we have seen this government, in an attempt to help the forest industry, transfer a licence to a company that does not care about how the forest is harvested. They do not care about providing stable, year-round, long-term employment that ensures a future for the forest workers and the communities that depend on the forest industry jobs. Yet the government is supportive of the destruction being allowed on our crown forest, at the price of the communities. Only the Buchanan Group of Companies can be viewed as heroes, saviours of northern Ontario, by using scab labour to devastate communities in the process.

These are only two examples that show that the energy program is not the fix-all for the pulp and paper industry, but what about the rest of the industry, like sawmills, plywood, wafer, re-man, logging and trucking? Where is their help? We continue to see closures and layoffs such as in the community of Greenstone, where Longlac Wood Industries' woodlands operation, plywood and wafer plants have closed, putting 400 people out of work. In the community of Dubreuilville, the Dubreuil sawmill has laid off 200 workers. Domtar Espanola has laid off 100 of our members who supplied wood to the Nairn sawmill, which has also shut down. As for J.F. Thomson, a logging operation, we are not sure about their future, as they have suspended their operations, affecting 25 workers. Columbia woodlands operation laid off about 100 workers. Sturgeon Timber and Dorion Fibre Tech closed their operations, putting over 70 people out of work. Other layoffs that have occurred are numerous and have impacted our members such as at the Gogama sawmill, where 40 people will go back to work after a two-month layoff, but for how long? Other layoffs, some shorter than others and some more than once throughout the year, were the Mackenzie sawmill in Hudson, which laid off 350 workers; Dubreuil laid off 150 workers—that's on top of the 200 already mentioned; Nakina sawmill laid off 130; and Abitibi and Bowater woodlands in Thunder Bay laid off 500 members.

Without taking away from the workers who will be impacted by the announcement made by Weyerhaeuser about the OSB mill here in Kenora, or the Abitibi closure here in this community, or the Weyerhaeuser closure in Dryden, or the thousands of other workers who have lost their jobs over the last few years, our focus is on our members who are going to be impacted by the recent announcements of more job losses this year. Domtar White River said that they will curtail their woodlands and sawmill operations for an indefinite period, putting 240 people out of work. This came just as the woodlands operation was returning to work from a nine-week layoff. We're talking about 240 people who live in a community of 1,000 people, 24% of the total population. Just imagine if Toronto said today that 24% of the city was going to lose their jobs. It would be mass hysteria, and then there would be immediate help from all levels of government, but here in northern Ontario it's just a news story for a day or two and then it's all forgotten. But these are real people, real families and real communities.

Putting this into perspective, two of our members in White River, a husband and wife, just bought a house six months ago, and as of last week they were both laid off. How are they to pay their mortgage, taxes and other bills? How will they survive? How will the community survive?

The other announcement is the Ignace sawmill. In Ignace, 40 people have been let go. This stems from the Liberal government making a decision that has hurt the industry instead of helping. This government signed on to a bad softwood lumber deal. Someone needs to explain to our members at Ignace and the employees who lost their jobs at Bowater's Thunder Bay sawmill how the government of the day could take the 4.5% to 5% of new entrant volume and give it to existing mills. Tell them what it means. Tell them that even though Bowater had future plans to expand its Ignace sawmill and create more jobs, they now cannot. Even worse, they can't even continue to run the mill because the government gave away their quota. Tell the communities and all the people who supplied that mill—truck drivers and bush workers—how that decision has impact on their lives. Explain to them why the government accepted option B instead of option A on the softwood lumber deal.

1130

Ms. Nathalie Belair: This has been about our members, only our members: one local. What about all the others? What about the locals that lost jobs when Abitibi closed their doors right here in this community of Kenora? What about all those who rely on the forest industry, such as those who supply the equipment, automobiles, saws, fuel, glues, etc.? Let's not forget about those who supply public services, such as doctors, nurses, stores, education and pharmacies, just to name a few. The reality is that the forestry situation has hit northern Ontario hard and has had a significant impact on workers and the communities in which they live.

This government has talked about all that they have done for the forest industry, yet we continue to lose jobs. The government needs to talk face to face to the people who are losing their jobs, not just come to the north for a photo opportunity. This committee has an opportunity to take a message back to the government that the budget needs to reflect northern Ontario. It needs to help the forest industry, workers, their families and communities with immediate and credible assistance for everyone involved.

With that, the Steelworkers will continue to support a number of initiatives that will help make sure that any support the government provides benefits not just forestry corporations but also the workers and communities that rely on the forest industry.

In order to fast-forward, because I don't want to keep you here all day, I just want to take you further down into the brief, where we have some bulleted proofs that allow us some actions. We need the government of the day to take immediate action on this front. Our observations and input are as follows, and this is where you can help us with the budget.

—So far the government has misdiagnosed the problem here in northern Ontario.

—The loan guarantees and the other programs that talk about enhancing forest industry competitiveness are off-base and inadequate.

—The provincial government must implement changes to deal with energy costs, which have been identified as central to the job loss across the industry. The implementation of a regional authority to utilize the capacity to produce power at a competitive price and to ensure supply is affordable is critical to any job-building or retention strategy.

—Regional timber boards run by representatives of workers, communities, First Nations and governments to put people back into forest planning.

—The government needs to set targets for job creation, diversification, value-added, research and training, and write them into the timber allocation systems and timber-harvesting agreements.

—Companies should enter into long-term agreements with the regional timber boards, communities and their employees. Honouring these agreements should be a condition for holding on to or expanding timber-harvesting rights.

—To get crown timber, companies should agree to replant the timber they harvest and tend to the stands they grow. In return, they should be guaranteed any additional volume they produce.

—Governments need to systematically target job creation through collaborative measures with companies, workers and communities.

—Taxation and regulation policies should be designed to encourage firms to develop new processes, find new markets and create new products.

—Training facilities should be located in forest-based communities.

—Companies should have to discuss alternatives to shutdowns with community leaders, workers and local governments, including any realistic offer for sale. The appointment of a jobs commissioner with a mandate to explore all possible alternatives and ensure that all possible options are investigated is critical. Even when no alternatives to closure can be found, companies must provide reasonable and fair transition measures.

—A jointly sponsored provincial and federal government fund to support forest industry workers and communities should include both upside and downside training, pension bridging and early retirement programs.

Mr. Hanlon: That concludes our submission on the forest industry crisis. We hope you've heard our message and that you bring it back and incorporate something credible and immediate in the upcoming budget that will assist the northern Ontario forest crisis so that industry, communities and northerners can have a prosperous future.

Thank you for your time and thank you for the opportunity to speak on behalf of United Steelworkers Local 1-2693.

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

Mr. Hudak: Mr. Hanlon and Ms. Belair, thank you very much for taking the time, first, to travel here to Kenora. I'm very pleased that you did have the chance to present to the committee and bring this forward. To say it's a very serious situation is an understatement. It's an absolute crisis in northwestern Ontario and northeastern Ontario with the dramatic loss of jobs.

You also stress the numbers of layoffs that have taken place, the idlings of the plants, which is another way of saying "layoffs." I think the closest thing we can contemplate in southern Ontario would be like if the auto industry just picked up and left the southern Ontario area one day.

Sadly, despite that, it doesn't often register more than a day or two in the southern Ontario media. As a result, we've seen this bizarre phenomenon where the government makes a series of announcements that the problem is going to be solved. Then we come back as a finance committee a few months later and see that the layoffs and the closures are continuing.

The government brought forward one of its be-all and end-all solutions, which was the interest-free loans. Obviously that's not working. Do you have any comments on that approach?

Mr. Hanlon: Yes. In regard to loans, the forest industry is in a situation where they don't need to pile onto their debt. If we were into an economy where everything is booming, well then, yes, sure, we can take some money and invest. Right now, every day, companies are struggling to make ends meet. To go out and spend more money now just doesn't help the situation; it actually makes it worse.

Do you know what? In a few years, when things start turning around, maybe then people will start jumping on the loan guarantees and start spending money in investing. Maybe loan guarantees should have been done 10 years ago, when things were a little bit better, so we wouldn't have this situation that we're having now. It seems we're trying to put a Band-Aid on a very crucial situation, and it won't help.

Mr. Hudak: Just as one example, when you think of Longlac Wood Industries closing in the community of Greenstone, 400 people out of work and just absolutely devastating. You list, sadly, a number of operations and the impact on small communities. I'm happy the Northwestern Ontario Municipal Association is presenting shortly as well to make similar points.

With respect to the energy issue, we've heard much comment today about energy prices and the uncompetitive nature of Ontario's energy prices in northwestern Ontario. What's your solution or your suggestion on energy?

Mr. Hanlon: Well, as has been said by a number of the other presenters, we produce it here a lot cheaper. Basically, the price can be dropped by 50%. We can ensure that these operations stay.

Take Manitoba, I heard that mentioned earlier too. Pine Falls is another mill just up the road in northern Manitoba. With their hydro rates for running a mill,

Abitibi, if you take the mill that was here, could have been continued and sustained. It was a 50% difference in regard to hydro rates. How can two companies in the same country compete with each other when one is getting energy rates reduced by 50%?

We in northern Ontario have an opportunity here. We have a grid, but basically we have wasted energy that we can't utilize. I'm not sure whether the company that actually had the mill here, but now still has the dam and has the energy—being Abitibi, I don't know how the hell that works out. Sorry. But the fact is that with their surplus energy the mill could be running. They could have continued to run their mill with that energy at a reduced rate, and we wouldn't have to feel the impacts of the closure here in this community. For now, for them to close their mill and then take the water and bypass doesn't make sense.

Ms. Belair: If I can just add to that as well in regard to the energy cost, we can very affordably produce energy here in northern Ontario utilizing our natural resources, but we are paying higher energy costs. That's my understanding, and I'm far from an expert in this field.

Basically, to subsidize the delivery and all of that kind of stuff from southern Ontario, where the population base and the demand are higher—yet there's a bottleneck in, I believe, Wawa, and we're not supplying anything to southern Ontario. The grid isn't up, to date; it needs to be up. We're being penalized here in northern Ontario, and so is business. I don't know how we attract new capital investments here in northern Ontario if we can't supply them with some sort of competitive market. We have a natural resource we can use. That's energy, and it should be seriously looked at.

The Chair: Thank you for your presentation.

Mr. Hanlon: I want to thank you again for letting us come at the last minute.

Ms. Belair: Thank you very much.

NORTHWESTERN ONTARIO MUNICIPAL ASSOCIATION

The Chair: I call on the Northwestern Ontario Municipal Association to come forward, please. Good morning, gentlemen. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

1140

Mr. Michael Power: My name is Michael Power. I'm the mayor of the municipality of Greenstone, and I have the honour to be the president of the Northwestern Ontario Municipal Association. I can tell you it's a delight to see so many friends around each side of the table. This is Ken Taniwa, the executive director of the Northwestern Ontario Municipal Association, my indispensable left and right arm. Brian Larson is a councillor in the great municipality of Red Lake and is the executive vice-president of NOMA. I apologize; there are some spelling errors in the presentation. My executive assist-

ant, who normally ensures that my spelling is correct and really gussies things up, has been ill, looking after her father. And I apologize if my voice isn't quite up—until just a week ago, I was a guest at the Thunder Bay Regional Health Sciences Centre for 21 days. So we're just getting back into the swing of things.

I welcome you to northwestern Ontario. I'm delighted that you have again come back here to hear from the people of the northwest as we begin the budget consultation process. As you are aware, NOMA represents every organized municipality in northwestern Ontario. It is the only municipal association and organization in Canada that can make that claim, and so I sit here before you today saying quite truly that I represent every organized municipal voice in northwestern Ontario.

I'd like to start off by thanking you. Last year when we addressed you, we brought some concerns to your attention, and you did deal with them. I would be remiss for not saying thank you. We brought to your attention that the Ontario municipal partnership fund had inadvertently caused difficulties in northwestern Ontario. If you looked at northern Ontario as a whole, it may have been a good so-called new fix or new deal. When you divided it and you looked at the northwest, which, as you know, is so vast, it was totally unacceptable to us. The loss of transfer payments to the municipalities was absolutely incredible. We asked you to review it; you've done that. More importantly, you've created a committee that is reviewing this funding arrangement, and you have ensured that there is a political representative from northwestern Ontario at the political table and that there is a northwestern Ontario representation at the technical table. I can assure you that you will hear our voice very clearly, and we are looking forward to a better solution.

We asked you last year to finally put in place provincial land tax reform, and you've done it. The legislation has been introduced, it has been passed, it has been proclaimed. We ask you to do two things. One is, include us in the discussions on how you're going to implement it. I know that those discussions are ongoing, and we were delighted that the Minister of Finance made the commitment to us that any funds raised from the provincial land tax changes would stay in the northern part of this province, which is the only area that has this anomaly called provincial land tax. We ask you to make us part of that solution, so that we don't make mistakes, again inadvertently, with people who mean well, but if your only knowledge of Ontario is bound by Bay Street, St. Clair, Front and Church, you haven't a clue what you're talking about in terms of provincial land tax. So we ask you to please do that.

The other thing we think is really crucial, if you would take the message to the Minister of Finance: I know that Bill 149, the Municipal Extra-Territorial Tax Act, is not one of the acts that has been deleted, but it would be extremely helpful if the minister would just write a letter to our colleagues in Manitowadge and Marathon who, as you know, are why this bill was introduced, to ensure that communities that provide the services in the Hemlo

area would receive some benefit—just to inform them of that. They're very nervous, when they think of another \$1 million-plus coming out of their revenues as a small community. So if you could carry that for us, it would be a great benefit.

I want you also to be aware of our concern about the Species at Risk Act. We're not going to take a lot of time on that now. You will be hearing from other groups on that. We simply say to you that it will have a massive impact in northern Ontario, and we believe very strongly that there should be public hearings so you can hear what those impacts will be and implement a bill that has any of the flaws that may be inherent removed. So we ask you to have those public hearings.

I want to move to what we have done. You've heard about the perfect storm in northwestern Ontario. We believed that it was not just the government of Ontario and the government of Canada that needed to act; we believed that we needed to act. As a result, at our conference last year we undertook to develop a going-forward plan and we have been leading the way in presenting the issues of the forestry sector. You're all aware of that. We believe that in northwestern Ontario we are going to go through a transition period of between five and 10 years, but we intend to come out at the end a lot stronger, and we need your help. We will do our part. We will put money into it. We will put our talents and our energies into recreating the economy of northwestern Ontario. But there are public policy pieces that you must help us with, because only with your assistance in that regard can we move the yardsticks forward.

Our members—every municipal government in northwestern Ontario—have acknowledged that we must take the destiny in our own hands. We've just recently released a paper—last Friday, actually: *Enhancing the Economy of Northwestern Ontario*. This is our blueprint for the future. We will be seeking meetings with the Premier of this province, Dalton McGuinty, with the leader of the official opposition, John Tory, and with the leader of the New Democratic Party, Howard Hampton, at the annual OGRA/ROMA conference to formally present the paper to them, to explain it to them and to hear their questions so that we may do it.

Your role is to make changes in public policy. Industry and business create jobs. Jobs keep people in the north and allow for further jobs to be created. You may not be aware of this, but currently people in northwestern Ontario have average annual incomes that are 16% lower than the rest of Ontario, and the per capita income in northwestern Ontario is 22% lower than in the rest of Ontario. Those figures come from your own training and adjustment boards. You would have noticed an article recently in the *Hamilton Spectator* where it showed all of the regions of Ontario and what the projected economic growth was. Northwestern Ontario's projection: minus 3%. Nobody else was in a minus category. Minus 3%—that's what we are all facing together.

When we look at these kinds of figures, they're not an incentive for industry to locate here. Those are barriers,

and we need to remove those barriers together. We are asking you to designate northwestern Ontario as a special economic development investment zone and, with the upcoming budget, to lower corporate tax rates in northwestern Ontario by 20% for a period of 10 years. This would take a page from the very successful initiative that was put in place in the Republic of Ireland, which turned, as you all know, that nation from a basket case into a formidable economic powerhouse. We need to put in place a tax credit that will ensure and attract new business start-ups.

We truly need to look at energy as an economic development tool. The Premier did follow up on his commitment to us to do a study of energy in the northwest. The report was delivered, it was based on flawed premises, so the report does not go where it should. We will do a new report, based on a level playing field, to show you that energy can be utilized as an economic development tool. You also need to partner with the federal order of government to provide the necessary incentives to encourage immigrants to come to northwestern Ontario. This is where our population growth can come from and help you solve the problem in the GTA.

1150

I indicated to you that we will be seeking meetings with the Premier and the leaders of the other parties in order to present our full document and to explain in detail the blueprint for northwestern Ontario as we move forward. We ask you, in closing, to join with us in correcting the perfect storm, in stopping the rains and the floods and the tornados and the hurricanes, and allow us again to be part of the economic powerhouse that this province is and allow us to play our proper role in the province of Ontario. I thank you for your attention today. I look forward to your efforts to convince the Minister of Finance and the government that what we're putting forward needs to be done.

The Chair: And thank you very much. The questioning will go to the NDP. Mr. Prue.

Mr. Prue: Thank you, Michael; always a pleasure.

Mr. Power: Well, Michael, it's a pleasure to see you again.

Mr. Prue: You haven't lost any of your verve. Just getting to the last page, because I think that's the nub of it all here, do you think that 10 years is a long enough time? I totally agree with you about designating northwestern Ontario as a special economic development investment zone; I don't know what else could work other than doing that. But is 10 years a long enough time frame for a government to commit?

Mr. Power: Michael, if we get that commitment from you as a government, we would ask that it be reviewed at the end of 10 years. We gave a lot of debate to it: How much time does it take? We looked at other areas of the world and what they've done there and how they were able to achieve success. We're of the view that you put it in place to attract industry, to get the jobs, and if it's done, if at the end of 10 years we can review it and say, "We have a success here," and we use this as a model in

other parts of Ontario—you know, all parties have said, in the past and currently, that one size does not fit all, that we're not a homogeneous mass. We like to think we are, but there are differences as you move across this province. If we can find a solution in one area of the province that might apply to others, then we've proven it and we can implement it there. We looked at the 10 years as being a reasonable time frame to implement something and to see whether we can prove that what we're saying is true.

Mr. Prue: The second portion I want to look at is energy as an economic development tool. You were a little late and you may not have seen the other presentations, but we've had a number of groups come forward and say that this is an energy island, that energy is produced here for as little as two cents a kilowatt hour, and questioning the government rationale as to why it is being charged eight or nine cents, the same as in southern Ontario. The energy actually goes to waste. The dams are open, I understand, in many parts of northern Ontario. They're not even going through the generator. They don't need the energy. Is an economic policy with different rates going to work? It has to be saleable, I guess, in southern Ontario, but is it going to provide that kind of incentive?

Mr. Power: I think it will. If you look at northwestern Ontario as a true energy island, we can't help you at the current moment with exporting surplus power to southern Ontario, where you really do need it. At my council last night I received a deputation from Ontario Power Generation, one of their hydro companies, which is exploring developing new power sources on the Little Jackfish River, which will add an additional 132 megawatts of power in northwestern Ontario, and my council said to them, "What are you going to do with it? Where are we going to put this?" The answer was, "Well, we're just exploring it now, you know. We looked at it before, in 1988, and we cut it off."

We're creating even more energy as more plants—you heard it very eloquently from Joe Hanlon and I know you've heard it from others. As more and more of the industries that are high users of electricity go down, we have an even greater surplus. That's why the water just flows out, because we can't use it. I know the government does have a plan to get around the bottleneck, to build a new transmission line to get to southern Ontario so that we can truly be part of it. That's going to take 10 years. That's how we use energy in this first 10 years, and we use the economic incentive zone with lower corporate tax rates to prove it.

Mr. Prue: Okay, my last question, if there's time, has to do with getting some help from the federal order of government to provide the necessary incentives to encourage immigrants to settle in the northwest. It is not hard to get immigrants to settle in various areas. I used to work in immigration for 20 years, as you might remember. What is difficult, because of mobility agreements under the charter, is keeping them there. How do you keep immigrants in a place like northwestern Ontario

where there is job decline and where you make less money?

Mr. Power: You are not going to have job decline because you're going to put the corporate tax measures and personal tax measures in the document in place. You're going to put in place the economic incentive zone.

You know, I can point to people all around us—I'm an example. I'm not originally from northwestern Ontario. I came here. I didn't know where I was coming, got here and thought after six months, "What have I done?" But I forgot to leave, and I forgot to leave because life is good here and because our quality of life is fantastic, and because it's safe to bring up your family here. We don't have to go through a lot of the things that you have to go through in the GTA and other areas. If we can encourage new immigrants to Canada to come here, they will soon see the benefits as well. We're a welcoming, open society, as we are in all of Ontario, but what we have to offer, you can't offer any other place in the province. You can buy a house here and you don't have to mortgage your life. You can belong to the curling club, all of your children can be involved in things, and you don't have to mortgage your life. It is a super lifestyle that we've kept hidden for a long time. We're saying that we have to open that up and share it, and we need to share it with new people who come to Canada. We're asking your help in partnering with the federal government to put in place the methods that we can through training and through other things that we'll be presenting to you and to your leader in caucus in the full document.

The Chair: Thank you for your presentation.

Mr. Power: Thank you very much.

The Chair: For the committee, the 11 o'clock time slot has cancelled.

ONTARIO FORESTRY COALITION

The Chair: I call on the Ontario Forestry Coalition to come forward. You have 10 minutes for your presentation. There may be up to five minutes of questioning following that. I ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Iain Angus: Thank you, Mr. Chairman. My name is Iain Angus. I'm the chair of the Ontario Forestry Coalition and a councillor with the city of Thunder Bay. On my left is Mayor Anne Krassilowsky, mayor of the city of Dryden and one of the key spokespeople for the coalition. On my right—I think you met him earlier—is Dennis Brown, the mayor of Atikokan, a member of the coalition. Both my colleagues have had extensive experience with changes in the forest industry.

Since its inception in June 2005, the OFC has been precedent-setting as an organization that has brought about rapid and significant change in government policy. The Ontario Forestry Coalition continues to spur action to ensure that forest-related prosperity in Ontario in turn provides much-needed stability for the economies of both the north and south of the province and the people who reside here.

Never before has Ontario seen such cohesiveness between a vastly diverse group of stakeholders that remain tightly focused on the critical objective of once again making our province a competitive jurisdiction in which forestry industries can prosper, provide jobs and generate wealth.

The coalition emerged from the work of the Minister's Council on Forest Sector Competitiveness that was struck by Minister Ramsay in November 2004. We came together in June 2005 because we recognized that the 26 recommendations in that report would not implement themselves. We recognized that on one hand government would need to be pushed and on the other hand Minister Ramsay needed to be able to show cabinet that there was broad-based support for those initiatives. What we did not expect was that we would be here in January 2007 saying that not enough has been done to ensure that our communities can survive or that the forest industry in Ontario was truly competitive.

Let me say that progress has been made in implementing, to our satisfaction, some of the 26 recommendations. That our forestry sector was operating among the highest-cost jurisdictions in Canada and in North America provided the government of Ontario with the rationale to resume responsibility for the construction and maintenance of public access roads, begin to address red tape and make initial steps toward lowering the high cost of electricity.

Mayor Krassilowsky?

1200

Ms. Anne Krassilowsky: Good afternoon. We're very appreciative of those changes, but they don't come anywhere close to meeting the needs of this industry. Closures continue to occur, and in this community here of Kenora, yet another mill downsized this month, with Weyerhaeuser trimming 100 employees from its Kenora iLevel plant workforce, 41 of them permanently, as was the closure just before Christmas of the sawmill in Ignace, which saw 29 direct and 20 contractor jobs lost.

This is not just some paper exercise of rearranging the ownership of shares or the benefits to coupon clippers. This crisis—and it continues to be a crisis—is about real men and women, about real families, about real communities. I would invite all of you to walk down the streets of this town or any of these communities that are so affected and see first-hand the impact on the families, the stress level, the measures of trying to meet mortgages, the pressures that affect the whole family in job performance. See the reflection in the business community. I ask you if you could wake up every morning, walk to your job and be met at the gate and told that there is no job, and you go back and explain that to your family.

The 2005 report of the Minister's Council on Forest Sector Competitiveness identified at least 12 forestry industry mills at risk of closure in Ontario. That projection has been exceeded. This list of communities that have seen mill closures or permanent major downsizing since the minister's report was released in June 2005:

Chapleau, Cornwall, Dryden, Dubreuilville, Hearst, Ignace, Kenora, Longlac in Greenstone, Marathon, Mattawa, Nairn Centre, Oliver Paipoonge, Ottawa, Red Rock, Rutherglen, Smooth Rock Falls, Terrace Bay, Thunder Bay, Timmins and White River. This list does not reflect the people who live in the surrounding area of each town or city and the impact on their community.

While there have been some resurrections, and I think we watch what Minister Ramsay says, that the industry has turned around—not so. The truth is that the lack of significant action by the Ontario government has left these communities wondering if they will survive, and at what cost.

Mr. Angus: Although he said it during a February 22, 2006, announcement to forestry sector stakeholders, the Premier's words that "much more remains to be done" are as true today as they were a year ago. Forestry is an economic cornerstone for all of Ontario, and we need to ensure that companies operating in Ontario have reason to invest and remain in this province. This is particularly true in the north, where forestry-dependent communities have been left with no significant employers and severely devalued real estate. You can buy a home using your credit card in northwestern Ontario today, and you don't have to have a very high limit on that credit card. There's little prospect of recovery without significant provincial policy change that will restore forestry sector competitiveness, and with it prosperity for not just the north but all of Ontario.

So how do we get there? The following recommendations have been carefully selected for implementation and integration into the government's policy structure and regulatory regimes. Furthermore, the recommendations were chosen with the economic responsibility that the government must exercise on behalf of the citizens of Ontario uppermost in our minds.

Stumpage adjustment: Forestry in Ontario currently pays to all orders of government \$2.3 billion in taxes. Divide the taxes by 100 mills operating in Ontario, and the annual tax contribution per mill is about \$23 million. If a stumpage adjustment contributes to just three Ontario mills staying open, the investment is recovered.

With made-in-Ontario challenges continuing to hamper recovery of the forestry sector, the government is urged to maintain the 2006 stumpage adjustment of \$70 million for another year.

Red Tape: Burdensome, business-killing red tape is delaying the transformation of the industry. The time lost in processes weakens the value of capital projects. The uncertainty in the process drives investment elsewhere and it unnecessarily drives up delivered wood costs and mill operating costs, going against all that we've achieved so far.

The Ontario Forestry Coalition recognizes—and this is important—that in no way does this suggest reducing environmental restrictions or removing accountability. This is an issue of eliminating cumbersome and unnecessary processes to ensure that the forest industry runs as efficiently as possible. If you talk to the industry and

their organizations, they will point out, chapter and verse, how well they have done in terms of protecting the environment and being transparent.

The government has committed to reducing red tape and must now expedite initiatives that will lower costs and increase efficiencies. The government must ensure that all ministries work to ensure that new regulatory burdens that provide disincentives for investment in this province are not introduced.

As Michael Power referenced a few moments ago, this is particularly important as the species-at-risk act is finalized. Depending on how it is worded, there is danger that the majority of the forest operations in the north will be shut down until such time as new rules are worked out. I urge you to take a look at that act and those specific details.

Ms. Krassilowsky: Electricity: Ontario's electricity rates are, in many cases, still up to 40% higher than in competing jurisdictions. Steps that provide limited assistance to a segment of the forestry sector have been taken by the government of Ontario, but, in jurisdictions around the world, industrial rates are established as an important economic development tool.

Ontario must have an affordable, competitive and reliable energy supply. Notwithstanding programs introduced November 20, 2006, that provide limited assistance to some members of the pulp and paper sector, at present our electricity supply is not affordable nor competitive. Ontario's electricity prices continue to rank near the top of the list of competing jurisdictions.

High prices continue to force forest product companies to curtail production, shut down mills and lay off people. Government must continue to seek means to lower costs and ensure industry a stable and affordable supply of electricity.

Ontario's forest industries require an industry-wide rate of all-in delivered power at \$45 per megawatt hour—\$45: I think we've said that so many times, and I hope you can hear what we have to say—to be competitive and to use the electricity rate as an economic development tool.

Mr. Angus: Mr. Chairman, members of the committee, when the government of Ontario announced their solution to the energy crisis that was facing the forest industry, it came with the caveat that this was all we were going to get, that the government had done all it could for the industry and that Minister Ramsay could not go back to cabinet one more time.

We in the Ontario Forestry Coalition are here to tell you and the government that we do not accept that response. We are not aware of any time in the history of Ontario, regardless of the party in power, when the very important automobile manufacturing sector has been told, "That's it, boys, don't come back. There is no more money for you." Yes, the auto sector is vital to Ontario's economy and to many communities in Ontario, but so is the forest industry. We would argue that many more communities scattered across this vast province are tied to a healthy forest industry.

Mr. Chairman, the Ontario Forestry Coalition has not gone away, nor will we until such time as our Ontario forest industry is once again competitive and once again sees private sector investment being made here in Ontario instead of in the United States or elsewhere in the world.

This is an election year, and we challenge each of the parties who will be seeking our vote to come up with a forest industry-friendly platform. I believe strongly that after all we have been through in every forest industry community across this province that all other issues will be on the sidelines during this campaign. The very survival of many of our communities depends on it. Mr. Chairman and members of the committee, thank you for receiving our presentation. I'd be more than happy to take any questions.

The Chair: Thank you very much. This round of questioning goes to the government. Mr. Arthurs.

Mr. Arthurs: Thank you for the presentation. It certainly articulates quite clearly some very specific types of recommendations that you would like to see the government acting on in the coming months. In the 26 recommendations that were part of the work that's gone on to date, a few of those, you've acknowledged, are co-operatively moving forward, but others need to be moved on more quickly. My question is a follow-up to Mr. Prue's question earlier. Although we're going to get a document later from the folks at Weyerhaeuser on the red tape initiatives, can you, from your experience—I see there's an appendix here—be a little more specific for me in regard to what some of the red tape bureaucratic nightmares are that frustrate the ability of industry to move quickly when it has to?

1210

Mr. Angus: I may not be the best one to provide you with the right kind of detailed answer on that. As chair of the coalition, my role has been sort of the broad tactics as opposed to the nuts and bolts, and we do rely on the industry spokespeople. I'm not sure if Dennis or Anne have any specific information from their experience. Anne?

Ms. Krassilowsky: No, but if you look at what it takes to get a softwood licence, I think you can look at a stack of books as high or higher. I certainly couldn't read from that, but I know the experts can, and we could certainly get you that information. It's a massive red tape industry, acknowledged by everybody as such.

Mr. Angus: Actually, a lot of it tends to be a repeat, just regurgitating what was done five years ago without any changes. I think we need a process that ensures that, where the agreement is acceptable, there are quick re-approvals as opposed to lengthy and expensive re-evaluations.

Mr. Arthurs: I think all of us who have experienced an environmental assessment process probably can, in a generic way, empathize with the specifics, even, say, getting a timber licence, let alone anything else. We'll look forward to the detailed documentation as well. I think that will be helpful for government. Certainly

things like environmental assessment processes are ones that we're prodding at constantly, asking how we can expedite them, how we can move these processes more quickly.

Mr. Angus: It does become a balancing act between the legitimate need to protect the environment and species and the needs of the forest industries and their communities. We're looking for process, not necessarily harsh responses.

Mr. Arthurs: Michael Power was asking in his presentation for public hearings on the Endangered Species Act proposals, something you would support, I presume, as well.

Mr. Angus: Very much so, yes, and it's important that they be held up here in the north. We appreciate the fact that this committee has, over the years, kept coming back to the northwest in different communities, and that's important. But today there's another hearing in Sudbury that's the only one in northern Ontario dealing with long-term care. There need to be hearings throughout the north, not just a city in the northeast and a city in the northwest. The committee has to go into the smaller communities so that they understand first-hand the ramifications of the proposed legislation.

Mr. Arthurs: Would energy be the highest on your list of priorities for action?

Mr. Angus: Very much so. Without a change in Ontario's energy policy, we will continue to see mills downsize or close, because it's very, very expensive. Even with all of the processes that have been put in place, energy shedding and things like that, it just is not working to the extent that is needed in order to make the industry competitive and a place to invest.

Mr. Arthurs: Thank you.

The Chair: Thank you for your presentation.

Mr. Angus: Thank you, Mr. Chairman and members of the committee.

CITY OF KENORA

The Chair: Now I call on the city of Kenora to come forward, please. You have 10 minutes for your presentation. There may be five minutes of questions following that. I would ask you to identify yourselves for the purposes of our recording Hansard.

Mr. Rory McMillan: My name is Rory McMillan. I'm a councillor for the city of Kenora and chair of the finance committee. On my left is Karen Brown, manager of finance and administration. On my right is Bill Preisenzanz, chief administrative officer with the city of Kenora. One of my council colleagues, Wendy Cuthbert, is here to hear the presentation as well.

The Chair: You can begin.

Mr. McMillan: I'm here before you today on behalf of the city of Kenora to speak with you about the various issues currently being faced by Kenora. 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 situ-

ation. Key recent events include the permanent closure of the Kenora Abitibi-Consolidated mill, with a corresponding loss of 365 full-time permanent jobs and \$61 million to the local economy; the permanent closure of Devlin Timber, with a corresponding loss of 45 full-time permanent jobs; the recent announcement by iLevel Weyerhaeuser that it would be temporarily laying off 100 staff and permanently laying off 41 staff due to the decreased demand for wood products in the US; and the recent changes in provincial funding under the new Ontario municipal partnership fund, resulting in significant related long-term annual funding cuts for Kenora.

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 the Waterfront Ratepayers After Fair Taxation, for tax concessions like area rating.

We are here before you today to tell you that there is no question the city of Kenora needs your help. Our only question is, what can you do to help the city of Kenora at this time of crisis?

The first issue, and one of the most critical currently before the city of Kenora, is the decision by Abitibi to permanently close their Kenora paper mill. We lost two mills in less than one year, and a third one is starting to experience significant layoffs. The city has already begun to lose tax dollars as a result of these closures, and these losses will continue to grow over the next few years, with actual anticipated losses being, in 2005, \$61,000; 2006, \$544,000; 2007, \$688,000; and 2008, \$825,000.

These losses are based on a phase-in agreement between Abitibi and the city of Kenora. Recent discussions with Abitibi indicate, however, that they intend to demolish the majority of buildings on the main mill site during 2007, which will escalate the anticipated tax losses. Property tax losses projected for 2008 are an annual loss for 2008 and beyond. In addition, the city has also lost \$623,000 annually in revenues to the various city utilities.

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

(1) Support the city in working with Abitibi to pursue an adaptive reuse of the Abitibi mill site.

(2) Work with the city of Kenora economic development committee, which you heard from earlier this morning, on projects such as downtown revitalization and value-added forestry to help mitigate the significant impacts to our local economy.

(3) Pursue footloose government activities and initiatives for use in the Kenora area to help rebuild the local economy.

The next critical issue before us is the provincial promise that was made to municipalities in 1998 as part of the local services realignment, or LSR, and the related downloaded services costs. Despite the provincial promise that the LSR would be revenue neutral, the province made changes to its funding formulas. The province

discontinued the CRF and the related annual reconciliation and introduced the new Ontario municipal partnership fund, or OMPF, resulting in significant impacts to some municipalities, such as the city of Kenora.

It is worth noting that the city's 2005 entitlement under OMPF was based on the final 2002 CRF entitlement as reconciled by the province. In 2006, the city estimates that this funding level represents a shortfall of over \$0.84 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 2007 and beyond.

What can you do? From a municipal perspective, it is critical that the province implement the following changes in the 2007 provincial budget:

(1) The province must end this continued downloading to municipalities and take back responsibility for the social and health programs that so heavily burden municipalities and their taxpayers, and that will continue to do so.

(2) 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 property 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 replacement of the CRF with the new OMPF leads us directly to Kenora's next issue.

1220

Key issues with the OMPF funding announcement for Kenora include: The 2006 and 2007 approved funding level was based only on the 2002 reconciled CRF level and did not account for the anticipated deficit of over \$0.84 million in downloaded services; an anticipated loss of up to \$1.7 million in unconditional funding annually by 2011 from the approved 2007 level; and an additional \$0.9 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 applied an RSCM of 100%, as was done with our sister municipalities, projected 2011 funding would have been \$4.9 million, with no stabilization component, as opposed to \$2.9 million, which includes a stabilization component of \$0.9 million, the long-term viability of which is currently unknown.

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.

Escalating policing costs: The projected 2006 budgeted gross costs for policing services have jumped from a combined actual of \$3 million in 1999 to an estimated \$5.4 million, an increase of about 80% in only seven years. Some major factors that have resulted in this increase include increases in calls per service, new adequacy standards and the downloading of courthouse security. Karen can provide further information if questions arise on this topic.

The infrastructure deficit: As with most municipalities, the city has a significant infrastructure deficit. The entire outstanding obligation is not currently known. The most significant portion of the non-utility infrastructure deficit is represented by the city's road and bridge infrastructure. In 2006, the budget included an estimated expenditure of close to \$1.6 million on city roads and the storm sewer combined. In comparison, the city's entire tax levy allocation to capital spending is only \$2 million for 2006. In contrast, the city estimates that annual capital spending on road and bridge infrastructure should be closer to \$6.8 million. The province must either reinstate a funding program towards major roads and bridges to municipalities to help offset this escalating infrastructure deficit or take back responsibility for these.

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 and your serious consideration of the issues we have brought before you today and that of other municipalities and organizations. We look towards a partnership in implementing the many recommendations contained within our presentation in the 2007 provincial budget.

If I could ask you to just look at page 6 of the package that was handed out. Near the bottom—I believe it's the third paragraph from the bottom—could you please change that figure to \$4.9 million as a correction, as was outlined in the speaking notes? It's contained within the speaking notes. I just want to make sure that—

Ms. Karen Brown: It's the second paragraph under the RSCM measure, on the second line close to the end. It says "\$4.48 million." It should be \$4.9 million. Sorry for interrupting.

Mr. McMillan: Okay. Thank you very much.

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

Mr. Hudak: Thank you very much for the comprehensive presentation and supporting documents from the city of Kenora. You make an excellent point that when the community reinvestment fund was eliminated and OMPF was brought in its place, what was lost in the spin was the severing of the relationship between escalating costs to municipalities and the amount of funding they would receive. The old CRF reconciliation was eliminated, and you point out what a significant impact that has been on the city of Kenora's finances. You would have received a special circumstances grant or special funding, but that's on a one-year-only basis.

Ms. Brown: That's correct.

Mr. Hudak: How do you think we should address that? Should a reconciliation be brought back into OMPF? Should that grant be permanent? What's your suggestion on the reconciled costs?

Ms. Brown: I would suggest that those services should be re-uploaded to the province, the services that municipalities really have no control over: the social programs, the health-related programs. We have no ability to affect those programs and we have no ability to control the costs on those programs. If those were taken back by the province, you could strip those out of the CRF or the new OMPF funding and it would no longer be an issue.

Mr. Hudak: Consistent with that, you recommend that the province take over land ambulance costs. Do you also suggest that the land ambulance delivery then should be completely run by the province, or would municipalities or service boards still have a role to play?

Mr. McMillan: The short answer on that, Tim, would be yes.

Mr. Hudak: That the province should completely run, manage and pay for ambulance costs.

Mr. McMillan: Yes. Thanks for asking the questions. I think you asked us questions in Atikokan a couple of years ago as well.

Mr. Hudak: Well, I always enjoy Kenora. They treat me well here and it's a beautiful community. It's nice to be back. I'm sorry to hear about the devastating job losses. As I said earlier, it's like comparing losing the auto sector in southern Ontario, what's happening here in the northwest.

You recommend as well, with respect to the rural component of the grant, that Kenora should be included as rural. I guess Thunder Bay would be the only other exception in all of northwestern Ontario that doesn't receive a rural subsidy.

Mr. Bill Preisanz: Yes. I believe that's correct. We're the only other community in the northwest that has been identified at the same level as Thunder Bay, I guess.

Mr. Hudak: No doubt we'll hear a similar argument in northeastern Ontario, I suspect. There are probably some other communities around the 10,000 mark that are in this unfortunate situation.

Mr. Preisanz: I believe there are some in that same category.

Mr. Hudak: The other item that the forest industry, the Northwestern Ontario Municipal Association and such, brought forward was the energy pricing issue and the situation that we're in where we actually have much lower-priced power in northwestern Ontario and a surplus of supply. Does the city of Kenora similarly believe that there should be a special pricing mechanism for energy in the northwest?

Ms. Brown: It has certainly been one of the positions that we've put forward for consideration to the province in the past because we know we have excess power in the north and we know there's no way to transport it effectively to the southern region and we know the power generation is cheaper in the north. We have proposed that.

Mr. Hudak: If that had existed, would the mill that had closed down in the community and in the area have been saved?

Mr. McMillan: I don't know if I can give you a clear answer on that, Tim, but it definitely would have assisted the community and other municipalities, as has been eloquently stated by NOMA and Mr. Angus, that we would have been in a better position to negotiate with these companies with a lower cost—a significantly better position.

Mr. Hudak: My last question: Kenora is a bit of a poster child for the provincial land tax issue, with some very nice homes that are outside of the municipal boundary and, as a result, don't pay taxes commensurate with the services they would receive if they were in the

city. While the province has brought forward legislation to modernize provincial land tax, there's no guarantee in the bill that that money would be spent in northern Ontario. The minister has said he would, which is good, but we had suggested and brought forward a motion that would mandate that it do so. First, would you support that change to the legislation and, secondly, what's the best mechanism for ensuring that that money is appropriately spent? Should it be done through the municipalities, through service boards, or would you trust the province to distribute it appropriately?

Mr. McMillan: My short answer on the first part is that I would definitely support the fact that the funding should come to northern Ontario. That's where the land base is. I believe that municipalities—I won't speak for other municipalities, but we could clearly work with NOMA and the new document they've released that Mr. Power spoke to and look at avenues and opportunities for channelling the funding to the municipalities. Please support that recommendation that funding come to northern Ontario. Bill or Karen?

Mr. Preisanz: I'd just like to point out that in addition to the policing costs, which are up over \$800 per household, Kenora can more than justify, in my mind, anyway, part of that funding coming back to the municipality directly. I don't care how it gets here as long as we can see some of that money back in Kenora.

The Chair: Thank you for your presentation. That concludes the presentations today here in Kenora. We have enjoyed being here. We are now adjourned.

The committee adjourned at 1231.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président

Mr. Pat Hoy (Chatham–Kent Essex L)

Vice-Chair / Vice-Président

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. Ted Arnott (Waterloo–Wellington PC)

Mr. Wayne Arthurs (Pickering–Ajax–Uxbridge L)

Mr. Toby Barrett (Haldimand–Norfolk–Brant PC)

Mr. Pat Hoy (Chatham–Kent Essex L)

Ms. Judy Marsales (Hamilton West / Hamilton-Ouest L)

Ms. Deborah Matthews (London North Centre / London-Centre-Nord L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mrs. Carol Mitchell (Huron–Bruce L)

Mr. Michael Prue (Beaches–East York / Beaches–York-Est ND)

Substitutions / Membres remplaçants

Mr. Tim Hudak (Erie–Lincoln PC)

Mr. Bill Murdoch (Bruce–Grey–Owen Sound PC)

Clerk / Greffier

Mr. Douglas Arnott

Staff / Personnel

Ms. Anne Marzalik, research officer,
Research and Information Services

CONTENTS

Tuesday 23 January 2007

Pre-budget consultations	F-701
Northwest Catholic District School Board	F-701
Mr. Chris Howarth	
Pinewood Court	F-704
Ms. Cheryl Grant	
Kenora District Child Care Committee.....	F-706
Ms. Barb Jackson	
Thunder Bay and District Humane Society	F-708
Ms. Judy Decicco	
Weyerhaeuser.....	F-710
Ms. Bonnie Skene	
City of Kenora Economic Development Committee.....	F-712
Mr. Dennis Wallace	
Mr. Jeffrey Port	
Town of Fort Frances	F-715
Mr. Roy Avis	
Ms. Tannis Drysdale	
Town of Atikokan	F-717
Mr. Dennis Brown	
Mr. Charlie Viddal	
Community Living Sioux Lookout.....	F-719
Ms. Barbara Hancock	
Mr. Michael Hibbert	
United Steelworkers, Local 1-2693	F-721
Mr. Joe Hanlon	
Ms. Nathalie Belair	
Northwestern Ontario Municipal Association.....	F-724
Mr. Michael Power	
Ontario Forestry Coalition	F-727
Mr. Iain Angus	
Ms. Anne Krassilowsky	
City of Kenora	F-729
Mr. Rory McMillan	
Ms. Karen Brown	
Mr. Bill Preisentanz	