F-44 F-44

ISSN 1180-4386

Legislative Assembly of Ontario

First Session, 39th Parliament

Assemblée législative de l'Ontario

Première session, 39e législature

Official Report of Debates (Hansard)

Monday 1 February 2010

Journal des débats (Hansard)

Lundi 1er février 2010

Standing Committee on Finance and Economic Affairs

Pre-budget consultations

Comité permanent des finances et des affaires économiques

Consultations prébudgétaires

Chair: Pat Hoy
Clerk: William Short

Président : Pat Hoy
Greffier : William Short

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:

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 :

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.

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.

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

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Monday 1 February 2010

Lundi 1er février 2010

The committee met at 0902 in room 151.

PRE-BUDGET CONSULTATIONS

The Vice-Chair (Mrs. Laura Albanese): Good morning. The Standing Committee on Finance and Economic Affairs will now come to order. We are pleased to start Toronto pre-budget consultations, and this morning we will start with the expert witnesses. Just for the people present, we will have 15 minutes for each presentation,

75

which will be followed by five minutes of questioning. We will start the rotation with the official opposition.

SCOTIABANK GROUP

The Vice-Chair (Mrs. Laura Albanese): Welcome. I would invite you to state your name for the purposes of our recording Hansard, and after that you may start at any time.

Dr. Warren Jestin: Thank you very much. My name is Warren Jestin. I'm chief economist at Scotiabank. With me is Mary Webb, who's a senior economist and our expert on fiscal policy.

What I'd like to do today is just briefly go through a slide show that indicates how we see the economy moving from recession to recovery. Our core message is that we are on the road to recovery, but we're not going back to the economy that existed before the recession began. There are some very fundamental changes going on.

The first one is a very broad slide that shows a variety of countries that have gone through economic setback and are on the road to recovery. As you will note, whether you're looking at Canada—and I've shown Ontario in this particular slide—or the Euro zone, Japan, Mexico or the US, there were big setbacks in 2009. These bars simply represent annual rates of growth. So when we look at 2010—and, in some countries, 2011—what effectively is happening is that these economies are filling in the hole that was dug during one of the most vicious recessions in our lives. In Canada and the US, much of the recovery phase will be completed by the end of 2010. What I mean there is, we'll get back to previous levels of GDP before the recession began. But in places like the Euro zone or Japan, the recovery process will not be fully completed this year; it's a multi-year project that may well extend into 2012.

The point I would like to make on this particular slide is that in good years and in bad years, the emerging world is performing at a much more rapid rate than the developed economies. The ones that Ontario depends upon, that Canada depends upon, effectively are the traditional economies of the US, Europe and Japan. But on a go-forward basis, sticking with those markets and with those industries that we have tended to rely on over the last decade or more and ignoring emerging markets, in my view, is a losing strategy. We have to adapt very quickly to the type of growth realities that exist in what I would call a substantial shift in the global environment.

This particular chart looks at industrial production in two key economies: the US and China. As I said earlier, the difference is rather astonishing in terms of performance. Both economies had a very substantial decline in overall rate of growth, and in the US a very substantial decline in overall activity during the recession. The bounce-back in both economies is very impressive, but on a go-forward basis, the actual price of commodities, whether it's oil, nickel, copper, zinc or aluminum—I've shown a variety of those on this particular chart—will increasingly hinge on the performance in the emerging world, because that is where all of the net increase in demand is going to be. We have seen oil, for example, during the depths of the recession, fall from $145 down below $34. Now that the recovery in industrial production is under way, it's moved back into the mid-$70 level. But on a go-forward basis, it will be the growth in China in particular and emerging markets in general that will determine its price path.

In our view, and as shown in the previous slide, with countries like China and India going to expand fairly rapidly at least over the next few years, the bias in commodity prices is going to be higher. Our view for the average dollar price of oil this year is around $90. Given its volatility, who knows whether that's bang on the mark or not. It could be significantly different from that level. But the risks are on the upside, not on the downside. With the emerging world growing very dramatically, inevitably I think you'll see upward pressure on commodities, and in many cases Ontario businesses, of course, are consumers of these commodities.

Another change that has occurred very substantially is in where we export goods. The pie on the left simply looks at our estimate of what was exported from Canada last year, and you will notice that it has a commodity component that represents nearly half of the total. If you went back to 2000, auto exports represented about 23% or 24% of total Canadian exports, and commodities represented a third. Now commodities are nearly a half, and vehicles and parts are down to about 12%. The market has changed very, very substantially.

On the right-hand side is simply market share of various countries in the US. You'll notice that Canada has been on a declining trend. In fact, if you subtract out Ontario and look at the rest of Canada here, the line shows a decline as well. If I were looking at what the components of that Canadian line have been, increasingly it has been on the commodity side. Excluding commodities, the decline has been much more significant.

The big gainer, obviously, is China. Do we expect that to continue? Yes. So, increasingly, I suspect we're going to see the US market as a slow-growing market, and market share by Canada in the US marketplace going down rather than back up.

Motor vehicle production, which is very, very important to the Ontario economy, has gone through a big transition. This chart here simply looks at sales and production globally. What I have here, and this is an important point to make, is not only cars and light vehicles—passenger vehicles—but also trucks. You can see not only the decline in North America and western Europe and Japan, but the enormous increase in China in terms of overall sales. Carlos Gomes, our auto analyst, has recently produced a report on the global auto sector that suggests a bounce-back in overall sales this year and next.

0910

At the end of the day, we're not going back to levels of sales in countries like Canada, the US, Europe and Japan that prevailed during the last good year before the recession began. At the same time, the strongest-growing markets in the world, with double-digit increases on a year-over-year basis, are countries like China, India, Brazil, Chile and Peru. Effectively, the global auto sector is faced with a very significant reality, and that is the markets that are growing are in the emerging world; the markets that will be going sideways, with not a whole lot of increase in overall demand on a medium-term basis, will be in the traditional markets such as Canada, the US, Europe and Japan.

On the production side, which are the bars on the right, you will notice that China has moved up very substantially on overall vehicle production. The US had a very substantial fallback—and this is production for 2009. The numbers that are in the shaded areas are very important. That shows the overall change in production between 2002 and 2009—again, making the point that the developed world has tended to be stagnant to declining at best, whereas the emerging world has shown growth rates that are absolutely astonishing.

So, on a go-forward basis, when we look at the Ontario auto sector, effectively what we are seeing is a production sector that will be depending on a fairly stable, perhaps stagnant, market on a longer-term basis, even though we are in a recovery phase right now. The big-growth dollars, the dollars that GM and Ford and Volkswagen and a variety of other manufacturers will be investing globally, will be offshore in the emerging world.

The US has hit bottom. We are on the road to recovery there. On the left-hand side, you can see that housing starts have stopped going down and inventories have begun to correct, but that market has a long way to go before it will be back to anything considered normal. In fact, on a go-forward basis, one of the key points of our forecast is that after we get by the initial recovery phase that is being dominated by inventory corrections and government spending, we will probably be into a slow-growth mode in 2011 and 2012, and the US housing industry probably will not be back to a healthier phase until at least 2012—so slow-motion revival in the US economy. On the right-hand side, one of the reasons for this, of course, is that while the housing market has tended to hit bottom, foreclosures, whether they're in the subprime area or prime, are continuing to rise. That is a lagging indicator, much like job creation. It tends to lag behind the overall turn in the economy.

So the good news is we're in the recovery phase, but the reality is it's going to be a very slow-motion revival over the next couple of years.

Inflation, in our view, is not something that is going to go materially higher. We have hit the bottom for inflation, but the rise in overall inflationary pressures is going to be fairly limited because we've got a lot of excess capacity in industries globally. Nevertheless, it is on the rise, and that will put upward pressure on interest rates.

Interest rates have been set at emergency levels in most developed economies. That is definitely the case in Canada and the US. Even in a slow-motion revival, we are going to see interest rates move off emergency levels and going higher. The current level of interest rates will not prevail a year from now. Both short-term interest rates and longer-term interest rates are headed higher. That will impact prime lending rates. That will affect mortgage rates, both variable and term. So one of the key messages I give to groups and to our clients is, don't expect the current interest rate environment to be around much longer. In fact, our view is that between the middle part of this year and the middle part of next year, short-term interest rates controlled by the Bank of Canada and Department of Finance will have moved up roughly two full percentage points—still low, historically—and the longer-term interest rates will have moved up at least one percentage point.

Canada has fared better in a wide variety of indicators than the US. On the left-hand side, simply looking at government budget balances, federal balances in Canada and the US, you can see the enormous discrepancy. Trade balances, the same sort of thing: Commodity prices going down dramatically reduced our trade surplus and moved it temporarily into deficit territory. But in this particular case as well, we have performed much, much better than in the US.

In a way, when you look at our comparatively better performance and remember that Canada is a commodity-rich country in a commodity-short world and go back to the statement I made with respect to the second slide that commodity prices are headed higher, the overall tendency is for the Canadian dollar to rise. The Canadian dollar moves very, very closely with respect to commodities. It fell sharply during the commodity price crash. It has moved up significantly since then. In our view, businesses and Canadians in general have to get used to a currency around parity. I would not be surprised if we test parity in the next 18 months and, in fact, move above parity over the next couple of years.

Again, Canada has performed much better with respect to the housing market and vehicle sales in comparison with the US. Canada is shown in the top panels of both of these diagrams. You will note, however, if you go into the provincial area, the setback in provinces such as BC and Alberta is much sharper, tending to be related to the commodity cycle, whereas, if you look at Ontario, the overall trend performance has been softer for some time.

One of the things that stands out in terms of the Ontario performance and overall economic activity is that, for the decade that we have just left, Ontario has tended to perform in growth below the national average. One of the things that we would expect on a go-forward basis is for Ontario to lag behind the national average over the next five years. The key issue on a go-forward basis is whether the current system of federal-provincial transfers, which drains over $20 billion from Ontario annually to support activity in other provinces, is realistic in the type of environment that we are currently living in.

The Vice-Chair (Mrs. Laura Albanese): You have about a minute and thirty seconds left.

Dr. Warren Jestin: Going forward in terms of national growth, I've already made this particular point in terms of overall performance, not only in the historical past but on a go-forward basis. During the 1990s, Ontario led growth; during the period from 2001 to 2008, it tended to lag the national performance; and for 2009 to 2011, this underperformance continues.

In summary, if we look at the overall outlook, Ontario, Canada and the developed world are on the road to recovery, but it's taking us back to a much different world than what existed before the recession began. That's my presentation today.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for that. I will now turn it over to Mr. Barrett.

Mr. Toby Barrett: Thank you for presenting this morning. I have just a very brief question. You mentioned stimulus funding. Is there much of an indication or is there any evaluation being done with respect to job creation, with respect to both federal and provincial stimulus funding? I'll just throw in my supplementary question as well: Is there any suggestion this should continue in the next budget year, this kind of spending?

Dr. Warren Jestin: It's a difficult question, whether it's a question asked in Canada, at the provincial level in Ontario, or in the US, the UK and the like. I believe that if we hadn't had stimulus from the governments in those economies—huge stimulus—we would not have been in a recession; we probably would have been in a depression. I think it was absolutely essential. In terms of support for the economy, I think we would have lost a lot more jobs if that stimulus wasn't there. Moreover, in Canada, we have turned the corner on job loss. We are back into a period of job creation, and the reality is the government is accounting for a very good share of overall recovery and, in fact, growth that we have seen in recent months.

That said, on a go-forward basis, as the economy recovers, we have to rely much, much more on the private sector. Government deficits have gone up to levels that, if they continue, are going to be very, very difficult to turn around because of the cumulative impact on the debt. So I think we are in, this year and next year, a transition year from pedal-to-the-metal stimulus to one in which we figure out how to cut down the growth in spending and to make sure that we're on a sustainable base in terms of revenue generation.

0920

Mr. Toby Barrett: Okay, thank you. We have some more questions.

The Vice-Chair (Mrs. Laura Albanese): Mr. Shurman.

Mr. Peter Shurman: Dr. Jestin, interesting presentation. I'm recalling from last week a presentation by the Canadian Manufacturers and Exporters Association, who told us that over the last decade, even two decades, Ontario's choice was quite different from some of the emerging countries in terms of manufacturing. Even in the States, manufacturing investments tended to be toward productivity—robotics and such—whereas Ontario's investments—Canada's in general, but Ontario's particularly—were in people, keeping unions happy to some extent, keeping people employed to another extent, but those were choices. If it were 10 years ago, would you have foreseen that and, looking 10 years out, what's the expectation with regard to the employment possibilities for the manufacturing sector?

Dr. Warren Jestin: Hindsight is always 20/20. You've got to remember that a decade ago the currency realities were very substantially different than they are right now. I think the forecast that we have of parity and perhaps above is holding many businesses' feet to the fire to adjust in terms of productivity levels and I suspect you're going to see that improvement.

In Canada, we tend to rely more on small and medium-sized businesses for job creation. I suspect, as we go forward, we're going to see the industry structure change. Industries that will be successful at least will be higher skilled, more mobile, more focused on global supply chains or niche markets. That shift by itself will lead to stronger productivity growth and an increasing reliance on productivity-enhancing investments.

Moreover, the change in the tax structure that we're seeing under way right now I think will support that; that and the fact that a higher Canadian dollar allows technology imports at a cheaper rate. All of those things should work to remedy the type of underperformance we've seen in the productivity level.

Mr. Peter Shurman: So is it fair, then, with that answer, to say that if people think along those lines, 10 years from now we should have a healthier situation, if we do it right?

Dr. Warren Jestin: If we avoid putting all our money in the familiar and the traditional industries and the traditional export markets and start focusing on the unfamiliar, where the growth opportunities really are, I think we will do very well. I should point out that the strongest-growing industry in the world, in my view, over the next 10 years is going to be one of these new industries, and that is the industry associated with improving environmental outcomes and energy efficiency. That sector by itself will create an enormous amount of jobs on a go-forward basis.

Mr. Norm Miller: Is there any time left?

The Vice-Chair (Mrs. Laura Albanese): We have 20 seconds left.

Mr. Norm Miller: Twenty seconds? Thank you very much for your presentation. I note that you're predicting that interest rates are going to go up and you also noted that government debt sounds like it's at the outer limit of what it should be. Am I correct in that?

Dr. Warren Jestin: We believe interest rates are going up; debt levels are not the issue per se. It is deficits which cause growth and debt at a rapid rate. The reality is, however, in almost any jurisdiction that the type of slow growth that we're predicting in the future is going to lead to a very long period of deficit turnaround. Doing it in five to seven years would be an extraordinary achievement in the type of growth environment we see.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much. We want to thank the Scotiabank Group for—

Interjection: The NDP still gets five minutes.

The Vice-Chair (Mrs. Laura Albanese): Oh, they still get five minutes? I'm sorry. My first time, so I thought it was—okay, then.

Mr. Michael Prue: Just going through a couple of your charts, on page 5 you have that Ontario exports have declined internationally between 2000 and 2008, but surprisingly you have interprovincial going up. Can we expect that is going to continue, or no?

Dr. Warren Jestin: The shift from international to interprovincial in Ontario in part reflected the pull of western Canada and the boom that existed in the resource sector. I think on a go-forward basis Ontario has an opportunity to have rapid growth in international as well, but what we have to do is look at new markets as opposed to traditional ones, and that includes the auto sector. If you look at Mexico, a share of auto sector exports from Mexico is going abroad. Our auto exports tend to go exclusively into the US market, which is slower growth. So I think you're going to see the shape of international exports go in a different way. I think there's equal opportunity to grow on the international side as there is on the interprovincial side.

Mr. Michael Prue: You talked about emerging markets. Everybody talks about China and India, but they don't talk so much about the markets in South America, those being Brazil, Peru and Chile, which are starting to move quite rapidly. Is that where Canada's future lies?

Dr. Warren Jestin: Well, you're talking to somebody from Scotiabank, and we have major investments in that region. We're very bullish on a longer-term basis. In fact, I think the point you're making is very important: While the rest of the world tends to be looking toward Asia in terms of the outlook—and that's important—we should also not forget markets that are in our hemisphere. We think that Brazil in particular, Mexico, Chile and Peru are economies that have enormous growth potential, because you effectively are creating markets in those economies as we speak.

Mr. Michael Prue: You have other charts that intrigue me. Let me get to them here. Toward the back, you show motor vehicle sales declining—but in 2011 going back up to periods approximating 2000-08. You have them at 1,605,000—and in 2011, going back to 1,570,000. That's a rebound almost back to where we were. What will we be buying? Obviously not made-in-Canada cars.

Dr. Warren Jestin: The point you're making is very important. We're going back to a longer-term average. We're not going back to the peak years that prevailed around the middle part of the decade. Moreover, most auto analysts will tell you that over the next five to 10 years—we're making cars that last longer, we're going into demographics that tend to be more cautious spenders. All of those things tend to keep stable but not growing markets. We're certainly doing a whole lot better than the US. If you look at exactly the same one, you're going to see that American overall vehicle consumption is not going back. That's very important for Canada because, of course, many of the cars we produce in this country are destined for the US market base. In Canada, we do have a lot of Canadian-made cars that are sold in Canada, but we have a lot of imports as well, and that will continue. We're not going to be producing the cars that Canadians consume, because it is truly a global market.

Mr. Michael Prue: On page 8 you have, in the short term, the Canadian dollar in the fourth quarter being worth $1.05—or the US—then down to $1.02 and then $1 in the second quarter, which is only a couple of months from now, and then I see right down to 95 cents within the year. Is this the forecast? I didn't quite hear that from you when you were speaking.

Dr. Warren Jestin: We have a quarterly forecast for the Canadian dollar that, given the volatility, is indicative only. We would expect rebounding commodity prices to bring the currency up toward parity and the like. As the US begins to raise interest rates and is performing better than Europe and Japan next year, we may even see the

Canadian dollar tend to level off and temporarily go back low.

You have to remember, in the last 20 months we've had the Canadian dollar as high as $1.04 and as low as 77 cents. So in any given quarter, the forecast has enormous risks in it. But I think the tendency, in our view, for the emerging markets to get stronger and commodity prices higher brings the Canadian up on a trend basis. I wouldn't put much stock in a quarterly estimation. We're just trying to get a general idea as to what the trend would be, based on our quarterly production forecast.

Mr. Michael Prue: Is this related—

The Vice-Chair (Mrs. Laura Albanese): I'm sorry, but the time has expired. I will now turn it to the government side. Mr. Flynn?

Mr. Kevin Daniel Flynn: Thank you very much for being here this morning. I think you spent the 15 minutes quite wisely, because you included an awful lot of information in that period of time.

What we are all looking for here is some indication as to what direction we should be going in, and if the trends we're seeing from a global perspective sort of mirror the actions that are being taken by the provincial government. I got the impression that you were saying that Ontario has started off on the right track and the recovery is going to be slow.

0930

The points that I heard you make were on the stimulus—that the stimulus had been a good idea, that the deficits that resulted as a result of the stimulus spending was money that was well spent. But if you're like everybody else in the province of Ontario, you're looking for the days when we return to the balanced budgets, and we need a plan to get to that point as well. That plan has got to be a realistic plan, and we shouldn't be fooling ourselves that we're going back to the economy that existed before, that our planning to get ourselves to a balanced budget is going to be in a different—those decisions will be made in a different economy.

There was a lot of debate last year about the tax reform that was implemented by the province of Ontario, and that included such things as corporate tax reductions, income tax cuts and the upcoming HST introduction on July 1. Some people have been critical of that; some people have been quite favourably disposed to that. Can you give us an indication of what the investment community, and especially in the international markets, makes of the tax reform package that has been implemented by the province of Ontario?

Dr. Warren Jestin: I think the tax reform package is seen as very constructive on a longer-term basis. I mean, whether it's looking at the business tax environment or the HST, which has a lot of controversy associated with it, on a longer-term basis it makes Ontario more competitive.

Moreover, we're not dealing in a static environment. If you look south of the border, many state and local governments are in crises that are substantially worse than we are seeing here. In fact, I wouldn't be surprised over the next three to five years if state and local taxes are on the rise and ultimately, because of the huge shortfall that Washington faces, that federal government taxes are forced higher as well. This suggests, on a medium-term basis, that Ontario may even improve its overall competitive position with respect to the tax front, and that is very, very positive for business.

On a balanced budget basis, the key issue, the key challenge, going forward in a slower-growth environment, is reining in the spending trends. Quite honestly, one of the key problems there is health care. As we have pointed out to numerous audiences, the simple reality is that when you're 60, the government is spending twice as much on your health care as when you're 20. When you're 70, they're spending twice as much as when you're 60. I'm on the vanguard of the baby boom here. I'm going to be moving from 60 to 70 over the next 10 years, and over that period of time, I'm part of the problem in terms of driving health care spending. We have to wrestle that issue to the ground or we will not have the money we need to spend on education and skills levels that are absolutely essential in a globally competitive environment.

Mr. Kevin Daniel Flynn: Two other points I'd like some brief comments on: You were saying that this could be a personal opinion of yours, or maybe it's an industry opinion, that the growth potential of the environmental and the energy-efficiency markets is something Ontario should be looking at, and perhaps—does the Green Energy Act that has been implemented assist in that regard?

Dr. Warren Jestin: I think those industries are seen as top choices in terms of medium-term growth potential, in part because of the emphasis on global spending amongst governments and in the private sector. We've got to be part of that.

Allowing a competitive tax environment to nurture growth in that sector, I think, is very important. I think it's also critical, though, that we don't try and pick winners and losers on a specific basis. We've got to establish a globally competitive tax environment, and the winners will rise to that particular reality.

Mr. Kevin Daniel Flynn: Final comment: I noticed—you may have mentioned it, but it's in the written part. You're saying that the transfer payments that are in effect between Ontario and the federal government no longer reflect the Canadian economic reality. Could you just pass a brief comment on that?

Dr. Warren Jestin: This is an issue that I've raised at this committee before. It's a very clear one. The transfer payment mechanism that was set up was set up when Ontario was Canada's growth leader, when it was having a very, very strong performance on a trend basis. Things have changed very dramatically.

When I look forward, the provinces that are going to tend to be growth leaders going forward are resource-producing regions. To the extent that Ontario is in a slower-growth mode, balancing the books requires enormously more adjustment, enormously more challenges, than if we had a transfer system that reflected the current growth potential and economic performance in Canada. I'm worried that, in going forward with the current transfer system, we have to cut back much more in areas such as social support and health care than we would otherwise.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much. The time, unfortunately, has expired. Thank you for appearing before the committee this morning.

Dr. Warren Jestin: It's a pleasure.

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Vice-Chair (Mrs. Laura Albanese): We now call the Canadian Federation of Independent Business to come forward. Good morning.

Ms. Catherine Swift: Once we get our technology organized, I'll introduce ourselves.

I'm Catherine Swift, president and CEO, Canadian Federation of Independent Business, and I'm accompanied by my colleague Satinder Chera, who is our vice-president for Ontario.

We have a little package that I believe you've received. There are a number of documents in it. As you'll see, we tried not to overload you too much. I'll be referring to them in the course of our overview presentation, in which a slide deck is also included.

Just a couple of brief comments about CFIB: Next year, we're going to be celebrating our 40th anniversary. We're currently the largest individual membership business organization in Canada. We have over 105,000 members across Canada and, of course, a good chunk—about 42,000—here in Ontario. We basically represent every sector of the economy. The commonality among our members is that they're all Canadian-owned companies and they're all privately held companies. Part of our interesting history is that RIM used to be a member of ours before they went public. But we do represent the small and medium-sized business sector of the economy.

All of our policy positions are based on input from our members; it's not what I or Satinder or anyone else cooked up that morning. We're 100% financed by our members, which is very rare among business associations; most of them accept money from large corporations or governments.

Just moving ahead to the demographics of the Ontario small business community: Naturally most firms in the province are very small, as you can see by this pie chart. That's pretty reflective of the country as a whole, so Ontario is fairly typical that way. What is interesting is, during our recent recession we actually saw employment in the small and medium-sized business community stable or increasing. Certainly some sectors got hammered—we have a lot of members in the manufacturing sector—but others picked up the slack. What you see with small and medium-sized businesses is that they're an amazingly stable part of our economy, so policies that help them tend to help with job creation and stability overall. Virtually all of the job reductions that happened over the recession came from large corporations.

"Business Barometer" is a survey we do monthly now; we originally did it annually and then quarterly, and then in June last year we started doing it monthly. It has turned out to be an immensely useful tool to gauge what the economy is doing. The last one was the end of last year; we'll be releasing the January numbers in the next few days. We saw recovery happening around the early part of last year. Although it's bopping around a little bit, as you can see, basically what this represents is the confidence level of business owners. Again, as you can see from the chart there, it tracks GDP very well. So we find that policy-makers and finance ministers, governments and private sector economists are using this as a very good gauge of the economy overall.

When we look by province, you can see that the Ontario number is virtually identical—it's off by a couple of tenths of a percentage—to the national numbers. Of course, Ontario is about 40% of the national economy, so that's not too shocking. It's kind of the middle of the pack in that sense.

When we look at the cost concerns of the small business sector, you can see that tax and regulation are clearly number one, and those are things that are very much within governments' control. Some things, of course, we don't have as much control over, but those we have a lot of control over.

0940

Insurance costs are bopping up again. We anticipate concerns. As you may recall, back in 2002-03 we had a terrible shock to the system with respect to insurance costs going up, and for small firms this tends to be a lot of the commercial cost. It's not necessarily auto-related.

When I heard Warren talking about the dollar—it's very interesting how the value of the dollar has kind of an interesting impact on small and medium-sized firms. We track this very regularly. At any given time, no matter how high or low the dollar is, we get a very consistent result, which is that about half of the small business community feels it does not have a direct impact on their business; about a quarter would like it higher; about a quarter would like it lower. So overall, it's kind of a wash. I know the large corporate sector is very acutely affected and certainly commodity markets are very acutely affected. But when we aggregate the impact across the whole small business sector, which is roughly half the economy in Ontario and nationally, we actually find it doesn't have that huge an impact. So when we see variations in the dollar, I think that's one reason we see the stability that we see in the small business sector.

Energy costs, not surprisingly, are also a major factor, and wage costs as well. Seeing increases in things like minimum wage, naturally, factor into that.

When we look at employment plans in Ontario over the next few months, which is the time frame we look at, as you can see, when we look at full-time employment, we've got a very significant portion of the sector saying that they will either keep the employment the same or increase it. Part-time is a little bit different. One thing we always see at the beginning of a recovery is initially you see part-time employment start to grow, and the reason is because when there's still instability, a business doesn't want to necessarily commit to full-time. Once we see recovery stabilize and people's confidence increase, that converts into full-time employment. A lot of people think part-time is not a good sign, but that's not true. It's often just the precursor to more full-time employment.

When we look at the issues that are most important to small businesses: Again, total tax burden is perennial number one, and government regulation and paper—again, two factors we have within our control.

Naturally, our small businesses are acutely concerned about debt and deficit levels. They know that just represents the need for future taxation and less money to spend on things that people want to spend it on: health care and so on.

Workers' compensation has certainly been a big problem and an increasing problem over the last little while, and I want to get to that later.

When we look at this chart, it's pretty stark that we've got a spending problem in this province. We track things like inflation and population growth to get a rough gauge—it's not perfect—and obviously, spending has taken off like a rocket, compared to those other two factors. Debt per capita, naturally, as well, has increased, and when we see large deficits we obviously see debt per capita at a higher level.

We asked our members recently, "In what time frame should the Ontario government balance its budget?" Just under 50%, I think, took a pretty measured approach: in the medium term, and we define that as about five to six years. That is very feasible. And again, although there was a certain proportion there that would like it to happen faster, I think they're being quite sensible in realizing that we have a very large deficit and it's not going to be done painlessly and overnight.

Again, this next chart, not surprisingly, really—I would think most Ontarians would probably have similar views as to their priorities that they want to see, if less spending is contemplated.

When we asked our members what they wanted to do to help Ontario address its deficit, cutting back costs in the public sector is a logical target. The public sector has grown in Ontario through the recession, which really is not a particularly sensible policy. You can see there the lists of possibilities.

The next chart speaks to some research that we have done which has been backed up by other organizations about provincial government wage advantages, and naturally we've done it across the country. The advantage in Ontario, just on comparable jobs in the Ontario public sector versus the Ontario private sector: There's a 13% wage advantage, but that advantage jumps to 28% when pensions are included. Of course, there has been a lot of discussion about pensions, something that we've done an awful lot of work on, as have others. The public sector, not just in Ontario but across the country, has been virtually untouched by what has happened in terms of private sector pensions, and that simply can't continue. You can't keep this reverse Robin Hood of asking low-income people in the private sector to subsidize very rich pensions in the public sector.

Politicians in Ontario, under the Harris government, actually got rid of the gold-plated pensions that prevailed here previously and have the same sort of arrangements that the rest of us private sector people have. So you would actually have the moral authority to talk to the public sector and say, "There has to be some reasonableness here." I think freezing would be an eminently sensible strategy to try to get things back into a bit of fairness for private sector workers.

Tax policy going forward: Again, the largest chunk in response to our survey said keep to current tax plans. It was definitely positive to reduce the small business corporate income tax and personal income taxes and to get rid of the surtax. Those were positive moves. There's always an appetite for cutting taxes further, not surprisingly.

It's interesting, when you look at the next slide, which shows what forms of taxation have the most negative effect, we find it's payroll taxes and sales taxes. Certainly there are federal payroll taxes and, of course, workers' comp and the health tax here in Ontario, as well as property taxes, in a way—that's not a payroll tax, but it is a profit-insensitive tax. And of course, sales taxes are a big impact.

When we look at the next slide, which deals with the HST in particular, our business members feel that by far the biggest challenge will be the reaction of customers. There's no question there will be administrative improvements; administering one tax instead of two is always preferable. Administering none would be great, but probably not realistic. Of course, the underground economy is also a big concern, and that would vary from sector to sector.

I think one interesting factor with the harmonization of the sales tax is the fact that we don't seem to see any efficiencies on the government side. Surely, if one tax is being collected instead of two, you should be able to downsize significantly what used to be a large, large bureaucracy administering the previous PST.

In terms of adjustment costs, on average we see just under $4,000 for a business. Naturally, the very smallest firms, because they don't have the administrative capacity, are the most the affected.

I just want to speak briefly on WSIB. What we've seen is some major deterioration, in a number of different respects, of the workers' comp system in Ontario. We have, of course, seen the move to mandatory WSIB coverage for the owners and officers of construction—a totally questionable policy at best—railroaded into law in record time. Clearly, there was something to hide there, or that process wouldn't have taken place like it did. We find the vast majority of our members who are in this position already have private insurance, and the private insurance is way better than what the WSIB provides. It tends to be 24-hour and so on. So we ask ourselves, if a firm can prove they have private coverage, why should they have to be forced to be covered under the very ineffective and mismanaged WSIB?

When we look to the unfunded liability—well, the chart speaks for itself. For some reason, benefits got indexed. That accounts, I would say virtually completely, for this increase in the unfunded liability. After we saw the auditor's report last year, which showed how very mismanaged the WSIB was, the minister snuck in—just before Christmas, I think it was—another piece of indexing, increasing the unfunded liability even more. The last thing we need right now is an increase in premiums, yet how do you account for this if you don't have an increase in premiums? We recommend some kind of outside review of the WSIB that's truly neutral to try to get at the serious problems there.

The next slide speaks to the regulatory burden. Again, workers' comp and occupational health and safety come up at the top, for those reasons. Our members are very pro-safety. They have been very proactive in so many areas, but the burdensome and very costly, inefficient oversight of that is the problem there. Again, down the list are sales tax and so on.

I just want to wind up with some general recommendations. In terms of the total tax burden, we believe if we could see a lower combined HST rate, that would go a long way toward improving both business and consumer acceptance of the HST. We'd also like to see an increase in the small business transition credit; there are some monies that are included there, but we don't believe they reflect the true cost. And refrain from increasing payroll taxes—again the most pernicious form of taxation for the small business sector.

Also, the minimum wage: Having minimum wage increases in the midst of a recession is very questionable policy. If you really want to help low-income people, the best way to do it is to lower income taxes on them. You can target lower-income groups. Minimum wage increases just tend to ratchet through the whole economy and not benefit the group that you are supposedly trying to target.

0950

Also, reject the proposed disposal levy on residences and businesses. Business already pays many, many times over through the property tax and through extra fees for things like waste disposal, so adding yet another cost is really dubious.

In terms of debt and deficit, we'd like to see a detailed plan to balance the budget over the medium term, five to six years, and address the accelerating pension benefits gap between private and public sector workers.

In terms of government regulation and paper burden, track and regularly report the number of regulatory requirements. We have seen this approach be successful in other provinces. We are pleased to see this Open for Business initiative that has been introduced, but we haven't seen any action yet. So talk is cheap, but we would like to see some follow-through with that.

In terms of workers' comp, we'd like to see an independent review of the WSIB and an amendment to Bill 119 to permit private insurance coverage in construction, because that would accomplish the goals that the government purports to want to accomplish. We have a summary of recommendations in the package for a little more detail.

At this point, I would welcome any questions or comments you may have.

The Vice-Chair (Mrs. Laura Albanese): Thank you for that presentation. I would ask the official opposition, Mr. Miller.

Mr. Norm Miller: Thank you very much for your presentation. It kind of agrees with the first presentation of Dr. Warren Jestin, where he said that the future is small and medium-sized business in terms of jobs going forward. He also said that the government shouldn't be picking winners and losers, and that's something that this government seems to do. Do you have any comments about that?

Ms. Catherine Swift: Yes. We've always said that government can't pick winners, but losers can sure pick governments. There's a whole subclass of businesses we call "grantrepreneurs." They're very good at extracting money from governments, but they're not too good at running a business. We all know the fiascos we've seen over years and years and years. So yes, get the environment right and the businesses will come. I think we have a lot of advantages.

I agree generally with what Warren said earlier with respect to where we're going to see the growth. We know a lot of our older industries, manufacturing and so on, are going to have to be a lot smarter. We are going to have to deal with the dollar at parity and all that. I certainly agree with that. But if we can—and I think some of the tax reductions we've seen recently are a step in the right direction. The HST ultimately will be a better tax than two taxes, but again, why can we not see other efficiencies brought to bear like downsizing the cost of collecting it and so on?

But no, governments are never successful at picking winners, and unfortunately they waste the good businesses' money to put it on the bad. I guess the auto sector was a pretty good example of that over the last couple of years.

Mr. Norm Miller: We have a record deficit in the province of Ontario right now, at $24.7 billion. Are you concerned that the government doesn't appear to have a plan to get us back to a balanced budget?

Ms. Catherine Swift: Well, that was why we included the recommendation we had. We've seen that if a plan can be put together—and a multi-year plan, because that's really the only way you're going to tackle it. You need the political will, obviously, at the outset, but if you can put a multi-year plan together—and we saw that it was successful at the federal level back in the 1990s. I would simple hope that the general public—and certainly our constituency usually has a more heightened concern over deficits than your average individual, but I think all

Canadians and Ontarians probably realize what we saw back in the 1990s, having to make some abrupt changes. Let's put in place a plan now so that a few years down the road we're out of it. Also, Ontario is in very serious financial trouble right now. We're going to be seeing downgrading of bonds, which increases your costs, and you get into that vicious cycle. The best thing to do is to put together that plan, which could well help forestall a lot of those developments because you've got a plan. Then, of course, you have to stick to it.

Mr. Norm Miller: Regulations and red tape are a big concern for your members, as demonstrated by your slide deck. What would you like to see government doing in terms of addressing that issue? You brought up the WSIB, and you mentioned Bill 119, where mandatory coverage is required. Does it look like the government is tackling that issue? What would you like to see?

Ms. Catherine Swift: I think on that one it's quite simple. The supposed objective in construction was to bring people out of the underground economy. The kind of farcical nature of that is that it's going to put more people in the underground economy. Imposing more rules and regulations and costs never has the impact of pulling people out of the underground economy—quite the contrary. If businesses can prove they are already insured, and the vast majority are, then why would they be forced under the poorer coverage of WSIB? That makes no sense. So what we're asking is—it hasn't been imposed yet; it's not going to be imposed for another year or so—if you're already covered, why can't that be a reason you don't have to come under WSIB? The coverage is better. It's even better insurance coverage at a lower cost.

On the red tape issue writ large, we've had some pretty good success with a few governments across Canada. It's serious work. We don't underestimate the work involved, but provinces have shown they can measure the burden, actually measure the amount of touches they do to a business. Sometimes it's as simple as something you do quarterly. Maybe you can do it annually. Sometimes you can remit something on a different schedule or whatever. There is the fact that Ontario and the feds are collecting corporate income tax together instead of doing it twice.

All those things can really add up to something significant, at a time, too, when governments don't have a lot of money to throw around in the way of tax reductions; I'm not talking about subsidies. This is a great way to improve productivity at low cost. I would say you would even reduce governments' cost if you could get this more efficient. You wouldn't need as many bureaucrats pushing paper.

So we do have a model that works. Like I say, we've seen the Open for Business initiative announced, but what we need now is follow up with action.

The Vice-Chair (Mrs. Laura Albanese): Thank you, and I would now turn it over to Mr. Prue.

Mr. Michael Prue: Yes, a few questions here, just on some of your charts. On page 11, "Provincial Debt per Capita," you show it going from $10,000 in 1997, or approximately that, to $13,013 today. Was inflation taken into account in this?

Ms. Catherine Swift: I'm not sure if it—

Interjection.

Ms. Catherine Swift: This is a budget paper, so this is real money. This would be real, so no.

Mr. Michael Prue: The reason I ask is, if it was $10,000 in 1997 and $13,013 today—I go back to the chart just before that, which shows inflation in that period was 27.3%—it is almost exactly the same as it was in 1997.

Ms. Catherine Swift: I'll have to look into that because I didn't do this particular table, but it's kind of tough to buy because we haven't had huge population growth in Ontario.

Mr. Michael Prue: I didn't do growth because it's per person—

Ms. Catherine Swift: It's per capita.

Mr. Michael Prue: Yes, exactly. I've taken that one out.

Ms. Catherine Swift: But I'm looking at the overall debt levels.

Mr. Michael Prue: Just the inflation, $10,000 and 27% on top of that, would take it a little over $12,800, approximately, and if it's at $13,000, that's only minuscule. Given everything that's happened in the last year, that's a minuscule increase.

Ms. Catherine Swift: But I don't believe Ontario ever paid anything down on its debt, did it?

Mr. Michael Prue: Okay.

Ms. Catherine Swift: It has just added to it. It wasn't like the federal situation. Ontario never paid anything down.

Mr. Michael Prue: Okay. The next chart, again—and I listened to what Mr. Jestin had to say. Seventy three percent of your members are suggesting that we should in the medium term, five to six years, or seven years or longer, try to balance the budget. I would take it they're looking at a five-to-10 year period to balance the budget. They're not asking that it be balanced right away; is that correct?

Ms. Catherine Swift: Absolutely, yes. They're businesspeople. They realize that it's very tough to eliminate such a sizable amount in a short period of time. I think they're being pretty commonsensical, actually.

Mr. Michael Prue: But your own comments were that we should be doing it faster.

Ms. Catherine Swift: No, they weren't.

Mr. Michael Prue: That's what I thought I heard.

Ms. Catherine Swift: I didn't mean to say that if it came out that way. No, I think they're actually pretty logical. I said in a perfect world everyone would love to see it disappear tomorrow.

Mr. Michael Prue: Maybe that's what—

Ms. Catherine Swift: But realistically, I think they're being quite sensible about it.

Mr. Michael Prue: In chart 15 your members talk about the wage differential and you talk about the pensions.

Ms. Catherine Swift: Right.

Mr. Michael Prue: Just to deal with the pensions: Public employees, both federally and provincially, pay enormous amounts of their gross—

Ms. Catherine Swift: I realize that.

Mr. Michael Prue: —into the pension. You can't take that away. They've paid it, some of them, for—

Ms. Catherine Swift: We're not saying take it away. We're saying freeze it. The federal and provincial employees—the taxpayer is required to match what is put in by the employee. I don't begrudge anyone saving for their own retirement. Knock yourself out. But you will never find a private sector program that is as rich as all of these public sector programs, and right now you are beggaring the private—and it's not just Ontario; I said it's right across the country and some are worse than others. You will never find a richer pension than you will get in the public sector, and you retire much earlier.

1000

We've done quite a bit of research on this. The public sector employee works fewer hours, makes more money now. It used to be the pension was a quid pro quo for lower wage levels, decades ago, but those wage levels have come up and exceeded the comparable private sector job, on average.

Any actuary you speak to—and we speak to them quite regularly—will tell you that something's got to give on the public sector pension front, because it has gotten way out of control and it's not even financially sustainable, even if you agreed that people in the public sector should get more than their private sector counterparts and should retire much earlier and so on.

The Vice-Chair (Mrs. Laura Albanese): Thirty seconds.

Mr. Michael Prue: But I don't understand what your members are expecting to happen with this—

Ms. Catherine Swift: Why can't things be frozen? Compensation levels could be frozen for a period of time. The private sector should be permitted to catch up. I mean, you want to help lower-income people. The best way to do it is reduce their tax burden. In the last budget—a lot of people didn't notice it; one of my actuary friends did and brought it to my attention—$2 billion was put in for the next three years, simply to cover off shortfalls in public sector pensions. And you know what? That's not even enough. So there's $6 billion in a three-year period alone to deal with this. It's milking everybody dry right now, and we're going to have a crisis in it.

Warren was referencing municipalities in the US going broke and having to increase taxes. You know the main reason they're going broke? Their public sector wage and benefit burden.

The Vice-Chair (Mrs. Laura Albanese): Thank you. We'll now pass it on to Mr. Sousa.

Mr. Charles Sousa: Thank you, Ms. Swift, for your presentation. I've always enjoyed your perspective and the things you bring forward.

Page 9 talks about two main issues, as I see it, one being the tax burden and the other being government regulation as the priority issues affecting small business.

In regard to the tax burden—on page 17—PST was an issue. Reduction in corporate tax is another issue; reduction in capital tax is an issue; and reduction in personal tax, all of which we're trying to address in the tax reform that we're bringing forward this year. So I think you agree that we're attacking those very issues.

On a point around the paper burden to small business, it too is something that we've heard loud and clear from your organization over many years. It's important for us, then, in terms of that harmonization, to minimize the impact with the collection. You've referenced already that it's going to be done by the feds. It immediately reduces the burden on small business by about $500 million, I'm told. The effective savings over time would accrue, given the attrition of those services by those individuals.

I've got a couple of questions. My initial question is, do you see us going in the right direction as a result of these reforms?

Ms. Catherine Swift: Yes. We would have preferred a little more consultation on the HST front. It was announced kind of fait accompli. I think some other groups would have appreciated that as well.

That being said, we do believe that having one tax is better than two. A lot of it is the actual transition situation. These are why we're talking about maybe some increase in transitional credits.

Right now, Ontario actually does compensate—it's not huge money—small businesses for collecting the tax. But we're talking to the feds right now. Can we have something happen there, now that we're combining these two taxes?

Mr. Charles Sousa: That's fair.

Ms. Catherine Swift: So there's a lot of detail—we haven't got time here to belabour it all—between here and when we actually do it in five months, I guess it is. We need as much information out of the government to convey to businesses generally, small and large, and consumers, and we'd love to see it come down a point.

One of the reasons we saw a pretty darned good success in the Atlantic region—and I know it wasn't identical; we were quite involved in that as well. Part of the reason that consumers were pretty neutral about it was the rates came down.

Mr. Charles Sousa: We have a situation where we also have these input tax credits that flow through, representing about another $4.3 billion in savings—

Ms. Catherine Swift: Right.

Mr. Charles Sousa: —which is aside from the tax cuts that we're giving corporates and consumers, which, by the way, we spoke about briefly. About 90,000 of those consumers will no longer even pay tax. So we are reducing the personal income tax substantially to those individuals at the lower end.

On page 10 you talk about the debt increase. We heard from Warren Jestin about the importance of the stimulus funding that governments around the world, for that matter, have done. Do you agree, then, that that was important for small business in order to achieve some of the situation that we're in? He mentioned the fact that we'd be in a depression, had we not actually done those stimulus funding and increases.

Ms. Catherine Swift: I don't agree with Warren on that one, but anyway—I mean, economists; right?

Mr. Charles Sousa: Fair enough.

Ms. Catherine Swift: I'm an economist, too, so we never agree with each other. You know that.

I said at the time, a year ago, when this was all being contemplated, and it was more directed at the federal government, that I didn't think we needed as much. I did think we needed some. And I guess, again, five years from now, we'll probably have the correct answer to that question.

Mr. Charles Sousa: Fair enough.

Ms. Catherine Swift: It's pretty hard to say right now, but I don't think we needed to go into deficit as much as we did, particularly at the federal level. But, listen, things like that home improvement tax credit were fantastic. That was a real focused—we still don't know what it's going to cost. I guess we'll see in this budget. Flaherty says he can't afford it again. Those kinds of time-limited, focused programs, I think, are the things that governments can very successfully do in a recession.

Mr. Charles Sousa: You also—two more questions.

The Vice-Chair (Mrs. Laura Albanese): Thirty seconds.

Mr. Charles Sousa: Okay. There is the discussion about the reduction in the HST. You're aware that the marginal effective tax rate in Ontario will be cut in half, will be lower than most of the OECD countries and lower than in the United States. How do you balance—I mean, you have value-added-tax systems in other parts of the world that are much higher than we have here. And on page 13, it's a necessity for a health care increase.

The Vice-Chair (Mrs. Laura Albanese): You're leaving no time for the answer.

Ms. Catherine Swift: I just think that we should always try to be the best and not just compare ourselves to the worst and say, "Look, those guys are worse off than we are, so whatever." I think—and Warren kind of alluded to this, too—going forward, we're competing with countries that have way different—you know, it's not Europe we're competing with; right? It's Asia and so on. So we need to do the best we can possibly do from government and the private sector. Those levers we can control: tax, regulatory burden and so on, though we can't control the dollar. It's going to—

The Vice-Chair (Mrs. Laura Albanese): Thank you.

Ms. Catherine Swift: —do what it's going to do. We need to take charge of what we can control.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for that, and thank you for appearing before our committee this morning.

Ms. Catherine Swift: Thank you for your time.

UNITED STEELWORKERS UNION

The Vice-Chair (Mrs. Laura Albanese): I would now call the United Steelworkers Union, national office, to come forward. Good morning. You will have 15 minutes for your presentation, and I would ask that you kindly identify yourself for the purposes of our recording Hansard before you begin.

Mr. Erin Weir: Thank you, Madam Chair. I appreciate the opportunity to appear before this committee. My name's Erin Weir. I work for the United Steelworkers Union's Canadian national office.

I'd like to focus this presentation on the question of the provincial deficit. Specifically, I will do three things: first, examine the significance of projected provincial deficits; second, comment on some things that the provincial government should not do in response to the deficit; and third, suggest some things that the government should do with respect to the deficit.

I would encourage members of this committee to take a step back from the hysteria that surrounds the provincial deficit and recognize that Ontario has experienced major recessions and large provincial deficits before. The history has been that within a few years the economy has returned to its long-term trend of growing at about 2% annually above inflation and the provincial budget has returned to balance.

The current recession is significantly worse than previous recessions, but current deficits are less worrying than previous deficits because interest rates are far lower. The recessions of the early 1980s and early 1990s were largely caused by high interest rates, which meant the deficits incurred during those periods greatly increased future debt-servicing costs. Conversely, interest rates are now at rock-bottom levels and will remain relatively low for some time, so today's deficits can be financed relatively cheaply.

The government's fall economic statement projects that between 2008-09, the last fiscal year, and 2010-11, the next fiscal year, the provincial debt will rise by 40%. However, it projects that over this same period, debt-servicing costs will increase by 23%. In other words, borrowing will increase interest costs by little more than half as much as the overall debt. Again, this reflects the benefit of low interest rates. Even after this increase in borrowing costs, the Ontario government will still be paying less next year in debt servicing costs than it did as recently as the 2000-01 fiscal year. All this to say that the provincial deficit is certainly not Ontario's worst problem—reducing the deficit is less important than reducing unemployment.

1010

The second issue I'd like to examine is what the provincial government should not do in response to this deficit. The government and some outside commentators have floated the ideas of reducing the deficit in the relatively short term by cutting provincial expenditures and/or by selling provincial crown corporations. Both policies should be rejected. If implemented, these policies would risk increasing deficits in the long term.

It is neither feasible nor desirable to balance the budget through expenditure cutbacks. As members of the committee will know, the projected deficits in the next couple of fiscal years are approximately $20 billion. Cutting that amount of money out of the provincial budget would involve completely closing down the Ministry of Health or eliminating the entire public school system as well as all social services. I simply do not believe that cuts on that scale are realistic. Also, as noted in chart 3 of the government's fall economic statement, Ontario has the second-lowest program expenditures per capita of any Canadian province. The Ontario government is already investing too little in many important public services, and there is certainly no room to cut back further. If the public sector were cut, the effect would be to compound the contraction that has already occurred in the private sector, prolonging Ontario's recession and jeopardizing the economic recovery that will increase provincial revenues and balance the budget in the long run.

Another proposal has been to raise money by selling provincial assets. This proposal would worsen future deficits by removing the more than $4 billion in annual revenues that crown corporations currently contribute to the provincial treasury. In exchange, as privatized enterprises, the crowns would pay about $400 million in annual provincial corporate income tax. They would pay a further $600 million in federal corporate income tax, leaving about $3 billion of after-tax profits for the private owners. So the net loss to Ontario's treasury from privatizing all of the crown corporations would be $3.6 billion per year. If we assume that provincial bonds pay approximately 5% interest, to save $3.6 billion in annual interest charges the Ontario government would need to reduce its borrowing by $72 billion. In other words, just to break even on privatizing its crown corporations, the government of Ontario would need to sell these enterprises for $72 billion. I would submit to this committee that it's unlikely that the government of Ontario would be able to sell its crown corporations for anywhere near this sum of money. In particular, it's unlikely that private investors would be willing to pay $72 billion to gain annual after-tax profits of only $3 billion. That type of transaction would imply a price-to-earnings ratio of 24, which I think people will recognize is extremely high for mature businesses.

Having talked about what the government of Ontario should not do in response to the deficit, I'd like to suggest a strategy for the government to balance the budget over the long term.

The first thing is to help the economy recover by investing in infrastructure, especially the green infrastructure that will be needed to reduce Ontario's carbon emissions going forward. These investments should be combined with proactive procurement policies to maximize the amount of investment and jobs that they generate in the province's private sector.

Second, it is very important for the government of Ontario to maintain appropriate tax rates so that provincial revenues will in fact rebound as the economy recovers. In particular, I would advocate maintaining a provincial corporate income tax rate of 14%, rather than cutting it to 10%.

Table 2 in the government document entitled Tax Plan for Jobs and Growth indicates that the corporate income tax cut will reduce revenues by $2.4 billion per year when fully implemented. The implication is that maintaining a 14% corporate income tax rate would increase future revenues by at least this amount. It would probably increase provincial revenues by more than that amount going forward, after corporate profits begin growing again.

I would note that this policy would drain very little money out of the provincial economy during the recession, because of course corporate profits are depressed and businesses are paying very little corporate tax anyway. So the effect of this measure would be to bolster provincial revenues down the road.

I would also emphasize that corporate income tax cuts are a very ineffective form of economic stimulus. In Finance Canada's last budget plan, it estimated that each dollar of corporate income tax cuts adds only 10 cents to gross domestic product this year and only 20 cents to the economy next year. By comparison, each dollar of additional infrastructure spending adds a dollar to gross domestic product this year and $1.50 next year.

These numbers do not come from me. These numbers actually come from the federal government that's cutting its own corporate income tax rate to 15%. So if Ontario were to keep its provincial corporate income tax rate at 14%, the combined federal-provincial rate in Ontario would be only 29%. By comparison, the United States' federal corporate tax rate is 35%, and American state corporate income tax rates typically bring the combined total up to about 40%. So Ontario does not need provincial corporate income tax rates to be competitive with the United States.

Another important point is that when American-based corporations repatriate profits from Ontario to the United States, they pay the American federal corporate tax rate minus the taxes that they've already paid in Canada. So the effect of reducing Canadian corporate taxes further below the 35% American federal rate is not to give more money to American corporations with operations in Ontario, but rather to redirect their tax payments from the government of Ontario to the government of the United States. Maintaining the 14% Ontario corporate income tax rate would retain more of these revenues in Ontario.

Finally, I would submit that Ontario should maintain a corporate capital tax for financial institutions. Table 2 in the Tax Plan for Jobs and Growth indicates that removing the capital tax from banks will cost about half a billion dollars per year. That's about one third of the total cost of eliminating Ontario's corporate capital tax. Most Canadian provinces have also eliminated their corporate capital taxes, but many have retained corporate capital taxes for banks.

1020

I would also point to the fact that south of the border, the administration of President Obama is introducing a new tax on bank liabilities. Other jurisdictions have therefore recognized that it is legitimate to tax banks somewhat more than other industries because government regulation provides banks with several special privileges and protections not enjoyed by other industries.

I would encourage Ontario to apply this principle, because it makes sense in principle, but particularly because the government of Ontario could use the extra revenue.

On that note, I will conclude my remarks, and I look forward to any questions the committee may have.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much. Mr. Shurman?

Mr. Peter Shurman: Thank you for your presentation. I noted with interest, as you opened, your justification for not rushing to reduce the provincial deficit, for a variety of reasons. But I want to quote directly from the last presenter, the Canadian Federation of Independent Business, admittedly, on all parts, the largest sector contributing to the Ontario economy. Ms. Swift said that we can't keep this reverse Robin Hood idea of low-income citizens subsidizing public sector pension plans, the idea being that that represents a significant cost to the provincial treasury. Do you agree with that?

Mr. Erin Weir: I would certainly agree with the empirical fact that there is a major disparity between public and private sector workers in terms of pension coverage. I would quite strongly disagree with the previous witness on the appropriate solution to that disparity. Essentially what the CFIB is saying is that because workers in the private sector often don't have good pensions, we should also take pensions away from public sector workers so that nobody has pensions.

Mr. Peter Shurman: No, she's not. She's saying we shouldn't subsidize them for those workers—

Mr. Erin Weir: Well, I would suggest a better solution is to recognize that, yes, a lot of public sector workers have very good pensions, and to try to enact a policy regime that makes it easier for more workers in the private sector to negotiate comparable pension benefits. I think the right approach is to bring workers in the private sector up to the standard of the public sector.

Interjection.

Mr. Norm Miller: Thank you. You more or less made the comment not to worry so much about the deficit, because interest rates are at historically low levels. The first presenter today, Dr. Warren Jestin, in his presentation stated that inflation is increasing, and what's going to come along with inflation are increases in interest rates. I would argue that that makes your concern about—the size of the deficit brings that into question. Have you any comments on that?

Mr. Erin Weir: I would certainly agree with Dr. Jestin that interest rates will ultimately increase, going forward. However, I think it's important to note that they're increasing from rock-bottom levels, so they are going to continue to be relatively low for some time to come.

By the way, the figures that I quoted from the fall economic statement actually are based on estimates of interest rates increasing somewhat. But the point is, they're so low, by historic standards, that current borrowing is going to increase debt-servicing costs by far less than it increases the total debt.

Mr. Toby Barrett: Chair?

The Vice-Chair (Mrs. Laura Albanese): Please go ahead, Mr. Barrett.

Mr. Toby Barrett: Thank you. When I think of steelworkers, I think of heavy industry; I think of mining. I recognize many of your members work in the public sector now.

With respect to primary industry, do you feel that the Ontario government—the Canadian government, for that matter—has an adequate strategy with respect to dealing with some of the very large foreign-owned companies? I think of US Steel; I think of Vale Inco. Both of those companies, at present, are having a tremendous impact, not only on workers but also on the production of steel and metals.

Mr. Erin Weir: Sure. Well, as I'm sure you're aware, my union is currently involved in labour disputes with both of the firms that you mentioned. I think that Canadian governments certainly do need to do more to come to terms with these large foreign multinationals that have taken over important sectors of the Canadian economy and that, certainly, more needs to be done to ensure that they live up to the commitments under the Investment Canada Act that were undertaken at the time of those takeovers.

The Vice-Chair (Mrs. Laura Albanese): Thank you. We have less than 30 seconds left. I will turn it over to Mr. Prue.

Mr. Michael Prue: A couple of things: the low interest rates, to go back to those. The first presenter suggested that they may go up from the present rock bottom, up 1% or 2% over the next few years. Will that, in any way, negate what you are trying to say about the deficit?

Mr. Erin Weir: No, it won't. I mean, I agree with that forecast that interest rates will increase a little bit, but they will remain extremely low compared to the interest rates at which Ontario was having to issue bonds in many previous years. So certainly I think the point stands that the costs of financing and borrowing in the next few years will be very low.

Mr. Michael Prue: He also said that the Canadian dollar is likely, because of commodity prices, to increase in value from its current level, which I think yesterday was around 95 cents, to above parity with the United

States, possibly going to $1.05 within the foreseeable next couple of years. Will that have any effect on our foreign—I know we owe a lot of the money to ourselves, but will that have any effect on borrowing elsewhere in the world?

Mr. Erin Weir: Certainly if the Canadian dollar increases, that reduces the relative cost of any funds that Ontario borrows in foreign currencies, so certainly a higher Canadian dollar would be bad for Ontario's economy, but it could actually be somewhat helpful in terms of Ontario's foreign borrowing costs.

Mr. Michael Prue: Now, he showed that both the Euro and the American dollar are going to be considerably weaker vis-à-vis our dollar within the next couple of years. Is that where we do most of our borrowing, the United States and Europe?

Mr. Erin Weir: Well, Ontario certainly does much of its borrowing within Canada, but in terms of external borrowing, the United States and Europe would be near the top of the list. Certainly the American dollar and the Euro are the two main global currencies.

Mr. Michael Prue: There has been a lot of speculation in newspapers and the like about selling off hydro, the LCBO and other—they've speculated getting I don't know how much; I've seen as high as $20 billion if it's all sold. You're suggesting we need to get $72 billion to make it economically feasible?

Mr. Erin Weir: Well, yes. That's right. Because essentially what you're doing is using the money from selling the assets to reduce current borrowing costs, which in turn helps defray future interest charges. So if all the crowns were sold for $20 billion and the province is borrowing money at 5%, that only reduces future debt servicing costs by a billion dollars. But in doing that, the province would have lost $4 billion of revenue from those crown corporations, so that would be a very bad deal for the citizens of Ontario, and it would certainly increase the provincial deficit going forward.

Mr. Michael Prue: Last week Gerard Kennedy—he's a Liberal in Ottawa—floated the idea of increasing the GST again 1%, 2% or 3%. Is that an idea that has any merit vis-à-vis your own idea of not reducing corporate taxes? What's the effect? I understand your argument, but what's the effect of his argument?

Mr. Erin Weir: Certainly increasing the GST would be a way of increasing public revenues, and certainly I would prefer that to cutting back public services. However, the GST is a regressive tax, and I believe that there is room to generate more revenue through things like not cutting the provincial corporate income tax and through maintaining the corporate capital tax for financial institutions. At the risk of stating the obvious, I guess it would be very difficult politically to increase the GST, given that that would involve raising the harmonized sales tax, which has been introduced amid much controversy in both Ontario and British Columbia.

1030

Mr. Michael Prue: You spoke about something which I had never heard before, I guess because I'm not familiar with American tax policy—

The Vice-Chair (Mrs. Laura Albanese): Mr. Prue, the time has almost expired.

Mr. Michael Prue: Okay. For every corporate reduction on a branch plant that we do here in Canada, the only net people who gain is the United States—not the branch plant, just the United States.

Mr. Erin Weir: That's right. As long as Canadian taxes are below the American federal corporate tax rate, any corporate tax reductions here have the effect of forcing that US-based company to pay more tax back to Washington. It's really a transfer of revenue from Canadian or Ontarian treasuries to Washington.

The Vice-Chair (Mrs. Laura Albanese): Thank you.

Interjection.

The Vice-Chair (Mrs. Laura Albanese): I'm sorry, but the time has expired. I will have to turn it over to Mr. Arthurs.

Mr. Wayne Arthurs: Chair, I'll be sharing the five minutes we have with Mr. Delaney, so if you want to turn it to him when I'm done, that would be great.

Erin, thank you for being here. I always appreciate your presentation on many committee matters. Typically, when we have expert witnesses, we get a little bit of a range, but not this year the range, I don't think, that we've seen in past years. I think there seems to be a higher commonality of approach on the broad issues in light of the economy.

We certainly heard very clearly from each of you the importance of infrastructure spending—yours probably more strongly than the CFIB's. We heard from both the CFIB and, maybe to a lesser extent, from Warren Jestin of Scotiabank about the issue of deficits and balanced budgets.

Comment, if you would, in a minute or so, on your infrastructure investments in the green economy as an important generator—I think I've garnered that from you.

Secondarily, on the issue of deficits, the other two presenters have certainly suggested—in the medium term, in one case specifically—that within a reasonable time we move back to balanced budgets. Last week, the Greater Kitchener Waterloo Chamber of Commerce—I can't recall whether they were there on their own or reflecting the views of the Ontario chamber—talked about moving to a balanced budget by the end of the decade. Do you have views on a balanced budget? Or do you see the government of Ontario continuing in a deficit, presumably more modest than it is today, as an ongoing strategy?

Mr. Erin Weir: I'll answer your second question first. Certainly, I was pleased to hear that even the CFIB was acknowledging that it would reasonably take several years to balance the budget. I don't believe that the key litmus test is necessarily a balanced budget. I think the key thing over the long term is to reduce the deficit to a point where it's not actually increasing the ratio of debt to gross domestic product. In a growing economy, it is actually possible to run small deficits for many years without increasing debt any faster than GDP. So I think the priority needs to be to reduce the provincial deficit at least to a sustainable level, and I think it makes sense and, in fact, is only possible to do that over several years as the provincial economy recovers.

To segue into your first question, one of the ways of ensuring that the economy recovers is to have more investment in public infrastructure to offset the huge loss of investment that we've suffered in the private sector. I think it only makes sense to invest in infrastructure that's useful and that we would want to have anyway. A major category of infrastructure that fits that criteria is public transit, renewable power and other facilities that we'd need to reduce carbon emissions going forward. I would like to see that infrastructure investment twinned with a procurement policy to try to have some of the inputs for renewable power manufactured right here in Ontario. I think that's good for the sake of short-term stimulus and also good for the sake of long-term development of these green industries of the future.

The Vice-Chair (Mrs. Laura Albanese): One minute left. Mr. Delaney?

Mr. Bob Delaney: Two quick questions, then—one that you can answer pretty much yes or no. Just a clarification: Are you stating that all Ontario has to do is wait long enough and economic growth will return and the Ontario budget will balance itself?

Mr. Erin Weir: No, I'm not saying that. I think that the Ontario government needs to help that recovery through public investments, and critically, I think it needs to maintain sufficient tax rates to ensure that that economic recovery translates into stronger tax revenues.

Mr. Bob Delaney: All right, then. Just to wind it up: Specifically where should Ontario find the capital it needs to make these investments that you've recommended, and how do you go about getting it?

Mr. Erin Weir: In the immediate term, Ontario gets the capital for making investments by borrowing. I think in the longer run, the way that you reduce that amount of borrowing is by not privatizing revenue-generating assets, not cutting the corporate income tax rate, and not eliminating the corporate capital tax for financial institutions.

The Vice-Chair (Mrs. Laura Albanese): The time, unfortunately, has expired. Thank you for appearing before our committee.

Mr. Erin Weir: Thanks for your time.

ONTARIO PUBLIC SERVICE EMPLOYEES UNION

The Vice-Chair (Mrs. Laura Albanese): I would now call upon the Ontario Public Service Employees Union to come forward. Good morning.

Mr. Warren Thomas: Good morning.

The Vice-Chair (Mrs. Laura Albanese): You will have 10 minutes for your presentation, and that will be followed by five minutes of questioning by parties in rotation. Please state your name, and then you may begin.

Mr. Warren Thomas: My name is Warren "Smokey" Thomas. I'm president of OPSEU. With me is Randy Robinson. He's our political economist. If I run out of voice, I'll just get Randy to read. I read fast.

Good morning. I'd like to, first off, thank the government for the opportunity to come here today and make a presentation.

OPSEU represents about 125,000 Ontarians who work in 500 bargaining units right across the province in every walk of life. Our members work in the OPS, health care, social service agencies, schools, community colleges, MPAC, the LCBO, and many other areas.

Some organizations can come here and talk about one or two specific issues that affect them directly, but we're different. The amazing diversity of our union means it is impossible, in the time we have today, to talk in any kind of detail about specific budget needs for specific services.

We try to keep in touch with the government to address issues in all of our sectors, and we will continue to do so. But in the few minutes I have now, I'd like to focus on the main principles that we think should form the basis of the government's thinking about the 2010-11 budget.

Ever since the October economic statement, most of the talk about the Ontario budget has been about the provincial deficit, which our Minister of Finance estimates at $24.7 billion for this year.

The first piece of advice we'd like to give the government is, "Don't panic." As a percentage of our gross domestic product, Ontario's deficit is in the same ballpark as past deficits. We've been there before, so we believe it's a manageable problem.

My second piece of advice is, "Cutting public services will not give you the results you are after."

Late last year, the government announced a new committee to review all public spending in Ontario. We don't have a problem with that. That's called management. But that committee is not going to find much to cut in our public services.

Everyone here will recall our last really big program review. It was called the Common Sense Revolution. It ended in the Walkerton water tragedy, the Aylmer meat scandal and a breakdown in public services right across the spectrum. Our public services still have not fully recovered from that.

What this means is that if the government decides to make major cuts, this will have two effects. First, it will not get rid of services that people don't need. On the contrary, it will get rid of services that are so important that no government has been able to eliminate them. It will get rid of services that people very much need.

None of the problems we are facing right now are because public spending is too high. As the government stated in its economic outlook last October, Ontario has the second-lowest program spending per capita of any province in Canada.

This explains why, when it comes to per-student funding in our public schools, Ontario ranks 54th out of 64 jurisdictions in Canada and the United States. That puts us just ahead of Mississippi but well behind Alabama and Kentucky. This explains why we are second from the bottom among Canadian provinces when it comes to per-student funding in our colleges. It explains why we are second from the top when it comes to university tuition fees.

1040

You could go around checking out all our provincial public services and you would find the same thing. There is nothing to cut of any substance, except of course the private consultants who have been dining out on our dollars for years—through several governments, I might add.

The McGuinty government has gone to great lengths to point out that it has made major investments in this or that public service in the last six years. That has certainly been the case, and we applaud that. But there is no case to be made that provincial spending is out of control. Indeed, it is not even adequate to the real needs that are out there in communities across this province.

I have heard it said by government spokespeople that health and education remain its priorities when it comes to funding public services. We support strong funding for health and education. Close to half our members work in health or education, and all our members depend on good health care and quality education, just like every other Ontarian does.

But when I hear that health and education are the government's priorities, that makes me worry about what must not be their priorities. I worry about women's shelters. I think about children's mental health, children's aid societies, daycare centres, administration of our courts, environmental protection, supervising criminal offenders, and road safety, just to name a few. I think of all the services our members provide, and to be honest, all of them play a vital role in the life of our communities. We need them; it's as simple as that.

The second point I want to make is about the economic role of public services in Ontario. Any cuts to public services now can only serve to undercut the government's efforts to kick-start job creation in Ontario through infrastructure investments and other stimulus spending.

In the 2009 budget, the government allocated $32.5 billion a year to infrastructure spending over the 2009-10 and 2010-11 budget years. The express purpose of this accelerated expenditure was to help the economy and create jobs, and we fully support that.

But if we're spending money to create jobs, it makes no sense at all to cut spending and eliminate jobs at the same time by attacking the public sector. From a stimulus point of view, it's like driving with one foot on the gas and one foot on the brake.

I want to emphasize the crucial role that public services and public service jobs play as economic stabilizers in communities right across this province, especially during an economic downturn. I'm not just talking about Windsor or Welland, Sudbury or the Soo; I'm talking about every community that has suffered through this economic downturn. Public sector jobs provide spending power that keeps local businesses and jobs alive.

This positive impact reaches right into families as well. These days it takes two people working full-time to bring a household up to the average household income. When one wage earner in the private sector loses a job, that whole family can keep going and stay off social assistance if the other wage earner is a public sector worker who remains employed. But if that other wage earner is a laid-off public sector worker, then everybody loses: the family, the community and the government. Cuts in the public sector will not help the private sector.

If you talk to regular Ontarians about the biggest issue facing this province today, it's not the provincial deficit; the big issue to most Ontarians is jobs and the health of the economy.

Ontarians believe that the deficit is an important issue that should be addressed, but in comparison with the issue of good jobs, the deficit just isn't a high priority for most people, who are concerned about getting by on a daily basis. The high priority for people now is jobs, not the deficit.

But the deficit is still real. The question is, how do these two issues relate to each other? We think it's pretty obvious.

If you focus on cutting spending to pay off the deficit right now, if you cut jobs and services, the economy will slow down even more, because people who are not working do not have any buying power. If people aren't buying, they are not helping to create jobs, and if people don't have jobs, they are not paying taxes. Instead, they are going back to school if they can and collecting EI or social assistance if they have to.

Unemployment increases deficits. That's a fact.

Employment has the opposite effect. If people have good jobs, they spend money. If they spend money, they help create jobs. People with jobs pay taxes and don't go on EI or social assistance. When people are working, deficits go down automatically.

At OPSEU we sum this up in what we believe is a pretty neat expression: "Paying down the deficit won't help create good jobs, but creating good jobs will help pay down the deficit." That is why OPSEU and all the unions in the Ontario Federation of Labour are united—actually, all the unions in Ontario, even the unions that are not in the OFL—in saying that the next Ontario budget must be a good-jobs budget.

What can the Ontario government do to deliver a good-jobs budget? First of all, let's get that stimulus money out the door for infrastructure spending. They can provide jobs while the global economy continues its slow recovery.

Second, let's do even more around green energy and create entry-level jobs in construction. The government's feed-in tariff for green energy production is a good thing, but on its own it is not enough to get businesses and homeowners to start saving and generating their own power. They need financing. In the United States right now, an idea called property-assessed clean energy is providing that financing at no long-term cost to governments. I believe we should go there.

Third, let's not cut public services. It's a really bad idea. I have heard lots of people in government, in all three parties, say they wish they still owned the 407 because it makes a lot of money.

Fourth, let's invest much, much more in training and retraining for laid-off workers and for our young people who are just starting out. An economic downturn is the perfect time for people without jobs to upgrade skills for tomorrow's economy, if we ever figure out what tomorrow's economy is.

Fifth, let's forget about corporate income tax cuts. The planned cuts will do nothing to stimulate job creation now, when we need it, and they will do next to nothing to make Ontario more competitive in the long run. Our tax rates are already competitive. Ontario's real competitive advantage is its strong health care system, its safe and livable communities and its educated workforce. In other words, our competitive advantage is rooted solidly in our public services.

Sixth, let's not sell off profit-making assets like the LCBO just because we're in deficit right now. They are important and reliable sources of revenue, and losing them can only hurt our public services and our communities in the long run.

The Vice-Chair (Mrs. Laura Albanese): Thirty seconds.

Mr. Warren Thomas: Lastly, I want to make a pitch that the government remember our poorest people and our poorest workers in this budget. If we have money to invest in corporate income tax cuts, we have money to invest in the 350,000 Ontarians who visit our food banks every month. To our great shame, many of these Ontarians are actually working; they just can't get by on the low-paid, part-time and temporary jobs that are out there. They need help.

Because of unscrupulous employers, many workers in low-paid, part-time and temporary jobs have to fight just to get paid. They need the government in their corner. One concrete thing the government can do is to keep its promise to hire more employment standards auditors to defend the legal rights of these workers, and we call on the government to do so.

Obviously, everything we think that should go into a $100-billion budget can't be explained in 15 minutes, by me or anybody else, so I'll stop there today.

I'd like to close just by saying one thing, though: I hope that the government and those lowest-paid workers and lowest-paid citizens will remember people on Ontario Works and ODSP. They could certainly use a raise.

Thank you. I'd be happy for any questions.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation. I will turn it over to Mr. Barrett.

Mr. Toby Barrett: Thank you to OPSEU for presenting this morning. I certainly agree that probably the highest priority is creating jobs, and you do call for getting stimulus money out the door—infrastructure spending. Are you talking future jobs when you advocate that or advocate continuing that? I don't know whether your organization has done any kind of monitoring or an evaluation to determine whether stimulus funding has actually created jobs or to what extent it has created jobs. It's paved roads, and there are footings being poured, but—

Mr. Warren Thomas: That's a good question. It has created, I believe, largely male-dominated jobs in construction—which is a good thing, because we're actually building the infrastructure and repairing infrastructure—but I believe some of that stimulus money should go into public services.

We've got an aging population. If the government was to focus some effort on what we're going to do for aging folks who have people who have developmental disabilities, who are developmentally delayed—there's a huge population out there of people who are getting old, and their sons or daughters have lived with them their whole lives. There's now a huge social problem. Children's aid societies are going bankrupt. So I think if the government were to put some more stimulus into public services, that in turn would not only create more spending in communities but would save the government, because people then don't end up in other parts of the system.

It's absolutely every bit as expensive to keep somebody in jail as it is to keep them on ODSP or on Ontario Works. They cost just about as much, but it's a lot more humane to have them out living in the community with enough money to live on than locked up in a jail.

1050

Mr. Toby Barrett: I'm wondering—I know the term "shovel-ready" is used, and it goes forward, shovel-ready or not. Time is of the essence. Certain projects that maybe normally would not have been funded get moved forward. Perhaps they were proposed to be funded in the future. But I'm just wondering if there has been a problem with a stampede, if you will. Much of the money has been essentially transferred to the municipal level to move forward with those projects. When you talk about construction jobs, I think, by and large, much of this would be short-term or temporary employment.

Mr. Warren Thomas: I think the idea, though—and I agree with the government—was to get some much-needed work done and keep people working. Do you have any thoughts on that, Randy? This guy's my economist.

Mr. Randy Robinson: Well, obviously, when you are in recession is the time that you want the money spent, and the problem with a lot of infrastructure projects, of course, is that they do take time to get up and running. So the ones that have gotten up and running were the ones, primarily, I understand, that were in the pipeline.

On the other hand, if you are trying to create economic stimulus through public services, basically you have the entire job infrastructure there in place already, and the difference between having 11 physiotherapists at a given hospital instead of 10 requires exactly no change in your infrastructure. You can very quickly put that money into services and the economy.

Mr. Toby Barrett: Thank you.

Mr. Peter Shurman: Mr. Thomas, you made quite a case for no cuts to the public sector at this time, and I've heard your message. I would like to hear what your ideas would be for a contribution by the public sector. Would you contemplate a freeze in hiring, for example?

Mr. Warren Thomas: Well, the government kind of has a freeze on right now. The last three or four jurisdictions—federally, provincially—that have taken a swipe at cutting public services, including the Common Sense Revolution, didn't really cut public services to a great extent, certainly not enough to save the kind of money you need to save. Simply put, there's not a lot left to cut.

If the government puts something in this budget around public sector wage packets, we'll deal with it at that time, but I'm not going to presuppose anything.

I was at that Ontario economic summit when the Premier very clearly said that he wasn't interested in Dalton days but the media tried to drag us all into a fight, which I'm not interested in. I'm interested in working with all parties to help us get through this. What form that would take, in terms of the public sector, I wouldn't want to—I don't have a crystal ball, I guess.

Mr. Peter Shurman: Thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for appearing before our committee this morning.

Mr. Warren Thomas: Can I just say one thing, though? I don't believe any one group or individual has all the answers. I really don't. I believe that somehow or other, the government has got to find a way to bring labour, business and government together to really talk about it, to talk about the things the steelworkers are saying and that Ken Lewenza says, and the building trades and the public service. That's what we believe, and we're hoping that we can get there with the government and the two opposition parties.

The Vice-Chair (Mrs. Laura Albanese): Thank you for the comment.

SERVICE EMPLOYEES INTERNATIONAL UNION

The Vice-Chair (Mrs. Laura Albanese): I now call the Service Employees International Union to come forward. Do we have anyone here from—

Interjection: We do, yes.

The Vice-Chair (Mrs. Laura Albanese): Yes, okay. So I would ask that you come forward, please. You will have 10 minutes for your presentation. That will be followed by up to five minutes of questioning, which in this rotation will go to the NDP. Please state your name for the purposes of our recording Hansard, and you may begin any time.

Mr. Jacob Leibovitch: Jacob Leibovitch, SEIU executive director.

Mr. Eoin Callan: Eoin Callan, public affairs, SEIU Canada.

Mr. Jacob Leibovitch: SEIU Canada appreciates this opportunity to make its submission to the standing committee. SEIU represents more than 100,000 members across the country. We are the fastest-growing union in Canada and have a track record of improving the lives of working people and their families.

As our submission this year will focus on home care, it is worth noting that we represent more than 46,000 health care workers in Ontario. Our members work in hospitals, nursing and retirement homes, and include nurses, health care aides and personal support workers, with women making up the overwhelming majority of this group. In the home care sector, we are by far the largest and most representative organization.

As the voice of Ontario's home care workers, SEIU has a unique and valuable perspective on health care. SEIU acknowledges that the government has significant budgetary challenges and needs to be innovative in order to deal with fiscal pressures. We recognize that this is an exceptionally challenging fiscal environment. There are tough calls ahead that demand prudent fiscal management; there can be no doubt about this.

But these challenges will also require creative approaches to ensure that our shared legacy of investment in public services is not thrown overboard due to a period of economic turbulence that will be temporary. Generations have invested in the system of public services we depend on today. We owe it to those generations and future generations to be thoughtful in our response to these challenges and not to settle for short-sighted or knee-jerk reactions. This is nowhere more true than in health care. The values that have underlined Ontarians' support for universal public health care that is accessible and of high quality must continue to be respected.

These are some of the challenges, but I am here today to talk about solutions. Fortunately, there is a clear path the government can follow that will allow it to constrain expenditure growth while achieving its goals in health care, including reducing wait times. The key to success is home care.

Home care is central to the government's efforts to deliver improved performance while containing costs in the hospital and residential care sectors. Home care is one of the least costly forms of health care. Providing accessible and high-quality home care allows individuals to avoid admission to acute-care facilities, where the costs for government are far higher. Home care also helps reduce wait times by facilitating shorter hospital stays and reducing demand for beds in care facilities. Home care also allows people to remain independent for longer and to continue participating fully in civic life, including as consumers and taxpayers providing much-needed revenues for government. To quote the Minister of Health and Long-Term Care, "People want to be at home and it costs less money."

For home care to fulfill its potential, the government must take some important steps to strengthen the sector. To get these steps right, SEIU has worked with front-line home care workers, employers, patients, seniors and officials at every level of government to develop concrete policy recommendations based on international best practices to improve care standards for Ontario patients.

To talk about specific recommendations, I'm going to turn you over to my colleague Eoin Callan.

Mr. Eoin Callan: I'm going to talk you very briefly through some of the solutions, some of the steps that will allow the McGuinty government to take maximum advantage of the opportunity that home care affords.

Firstly, we need to create standards for education, training and certification of personal support workers. Weaknesses in the system for training personal support workers were laid bare late last year by a Toronto Star investigation that some of you might recall. It chronicled how unaccredited private colleges were taking students' money and delivering substandard or no real training. The article, which read, "I am a certified personal support worker, and you have no idea how grossly unqualified I am," caused understandable public alarm. The revelations also underscored why a review of training, education and certification of personal support workers is long overdue.

Some of you will have heard this call before. Indeed, the Honourable Elinor Caplan made this recommendation in 2005. An advisory committee made this recommendation again in 2006. Now, SEIU and other major stakeholders in the sector have come together and are offering to partner with government on addressing this issue by creating an advisory group and establishing a registry for home care workers in Ontario. This would improve patient safety, and it is also critical to making the designation of "personal support worker" a desirable vocation, including for mature students and those who want to re-enter the workforce. At present there's an acute shortage of personal support workers. That is hampering the ability of the government to take advantage of the savings that home care offers.

Continuity of care is also weak. As the home care system stands now, instability and insecurity are the underlying operating principles. This instability and insecurity block the growth and development of career paths, while the absence of stable hours provokes men and women working in the sector to exit it. Stabilizing the home care sector and addressing human resource challenges require setting ambitious targets for full-time rates of employment. Steps to increase the stability of the sector are also of vital importance to clients, who place tremendous value on uninterrupted care relationships with their support worker, known as continuity of care.

1100

Continuity of care is also often undermined, particularly with the current system of competitive bidding for home care contracts in Ontario. For example, in a competitive bidding environment, it's possible to have every single home care worker in your constituency or a region of this province dismissed overnight. Studies following home care workers after the loss of a contract with a community care access centre through bidding rounds reveal some problematic trends. It has been observed that the uncertainty of the working environment provoked by this process causes many workers to leave the sector, exacerbating the human resource challenge and, again, compromising quality and continuity of care. This system also creates significant financial liabilities for the health system and government that arise because of the need to pay severance to workers who are displaced by the bidding process—and we'll hear more in a moment about severance liabilities. The extension of successor rights to personal support workers is one method of reducing these liabilities.

Another way to enhance continuity of care and the overall well-being of the communities you represent would be if home care policy did a better job of recognizing the value that the not-for-profit home care agencies provide by delivering additional community services like Meals on Wheels.

A more holistic approach to caring also requires a greater appreciation of the value contributed by informal and family caregivers. One in five Ontarians is a family caregiver, contributing to more than 70% of total caregiving needs. In 2011, there will be 1.4 million women in Ontario aged 25 to 44; of these, four in 10 will become caregivers at a time in their lives when they have to juggle work and family. It's estimated that the care provided to seniors by family and informal caregivers is worth $24 billion to $31 billion to our economy. This is a significant contribution to the productivity and growth potential of Ontario. As a member of the Ontario Caregiver Coalition, SEIU is calling for a cross-ministerial task force to develop income supports to benefit caregivers. You'll hear more from our coalition partners during the course of your hearings on this proposal, which we fully endorse.

We must take issue with one earlier submission that sought $7.8 million in this budget process as a handout for the for-profit home care sector. There are companies in that sector that are not compliant with basic Ontario labour laws. For years, these companies have been getting away with exploiting a loophole in the law to deny employees basic entitlements like paid public holidays. Most home care providers chose not to exploit this loophole, but some did. Now, those that bent the rules are asking you for a handout so they can cushion their profit margins once they begin complying with the law. This would unfairly disadvantage those that have been compliant all along. Effectively, you are being asked to reward bad behaviour and punish good behaviour. Compensation for providers that exploit a temporary exemption in the Employment Standards Act should not be extended. This money should go to front-line services.

The Vice-Chair (Mrs. Laura Albanese): Thirty seconds.

Mr. Eoin Callan: On that note, I'll hand it over to my colleague.

Mr. Jacob Leibovitch: Speaking of handouts, I want to turn to a matter you will have perhaps read about in the Toronto Star this morning; if not, I encourage you to do so. As the Star reports, while front-line hospital workers are being squeezed, CEO salaries have soared, outpacing spending on patients by a significant margin. I hope you'll agree that a pay freeze, at the very least, for the top-ranking hospital executives is warranted.

Once again, I want to thank you for the opportunity to make this submission to the standing committee.

The Vice-Chair (Mrs. Laura Albanese): Thank you. This round of questioning goes to the NDP. Mr. Prue?

Mr. Michael Prue: You talked about a pay freeze. I wonder how, even with a pay freeze, some of those wages could be justified. I saw $750,000; I looked right down the whole list to the lowest one I saw, which was around $445,000. I grant that most of the people are pretty competent individuals, but it seems like a huge amount of money. At the minimum, that's twice as much as the Premier makes. I have to question, why just a freeze? Why not a reduction?

Mr. Jacob Leibovitch: It's a very good question. We're definitely trying to find creative and innovative solutions to deal with the fiscal challenge that the province faces. Certainly, freezing in place is one way to find additional dollars for health care. I think other solutions and other suggestions would be welcome as well.

Mr. Michael Prue: Okay, just back to your recommendations here: The first recommendation is to "create standards for education and training of home care workers." What are you anticipating, a one- or two-year college diploma from a real school as opposed to the fake schools that have been used?

Mr. Jacob Leibovitch: I think that what we need is a coming together of those folks who are concerned about PSW certification. There needs to be involvement by the Ministry of Health, the Ministry of Training and other stakeholders, including the labour organizations that represent these folks and the providers themselves, to try and piece out how that might look. Eoin might have more details on what it could look like specifically.

Mr. Eoin Callan: Yes, indeed. Certainly, as a first step, eliminating some of the unaccredited training institutions around the province who have not declared themselves and are operating outside of the gaze of government is a priority, and then, creating a modern standard for education and training of PSWs is the next step.

Mr. Michael Prue: Okay. One of the recommendations you make is "extend the moratorium on competitive bidding for home care services." It has been a disaster. Why do you just want a moratorium? Why don't you just move to abolish it?

Mr. Eoin Callan: Indeed, I think, on the subject of the competitive bidding process, it is accurate to say that it has been seriously flawed, a fact that has been recognized by government at least twice when the Minister of Health moved, in previous years, to institute a moratorium. We think a moratorium is a first step—stopping the train before there's another train wreck is the first step—and then, looking at ways to bring, as Jacob has suggested, stakeholders together to look at sensible fixes and solutions like the ones we have outlined here is the appropriate way to proceed.

Mr. Michael Prue: On pages 9 and going over onto page 10, you talk about, "It should be attached to the nursing and personal care funding envelope (excluding incontinence supplies). It should reflect worked hours as opposed to paid hours. It should be subject to compliance and enforcement mechanisms."

I have heard from many personal care workers, especially in northern and rural Ontario, who are forced to drive long distances that they are not paid for, driving between locations. Sometimes they're an hour or two hours apart. They're only paid when they're actually in the house. This seems to me grossly unfair: a person's job is taken up in driving from location to location, which are often—

The Vice-Chair (Mrs. Laura Albanese): Thirty seconds.

Mr. Michael Prue: —far apart. Are you recommending that they get paid for the full day as opposed to just the time that they're in homes?

Mr. Jacob Leibovitch: Yes, the issue of payment of travel time for home care workers is one that SEIU has been speaking out about in any forum, and it certainly seems inconsistent with the format of compensation for other health care workers that these workers are singled out to have to essentially pay out of their pocket for the time that they use to travel from one location to another. Different agencies deal with that issue differently, and some are better than others, but certainly the province should take a stand in requiring adequate compensation so that we can help to stabilize that sector and make the profession of personal support workers in home care one that will be a career choice for many.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your presentation. Unfortunately, there's no more time for questions.

CENTRE FOR SPATIAL ECONOMICS

The Vice-Chair (Mrs. Laura Albanese): I would now call on the Centre for Spatial Economics to come forward. Good morning. You two will have 10 minutes for your presentation, and that could be followed with up to five minutes of questioning that, in this rotation, will go to the government side. Please state your name for the purposes of our recording Hansard.

Mr. Robert Fairholm: My name is Robert Fairholm. I'm a partner with the Centre for Spatial Economics.

Mr. Jerome Davis: And my name is Jerome Davis. I'm a staff economist at the Centre for Spatial Economics.

Mr. Robert Fairholm: I've given you all a handout, so I'll be talking to that handout.

Essentially what I want to present today—obviously, you have some difficult decisions to make, to make recommendations to the Minister of Finance about deficit reduction, in part.

1110

Part of my message is that when you take those deliberations, you keep in mind what the impact will be on the economy, because not all spending reductions or tax increases are created equal: Some have larger short- and long-term economic impacts than others. In my discussion, I'm going to look at the short-term economic impact and then some of the long-term implications.

When economists look at the short-term impact of fiscal measures on the economy, we talk in language called multipliers—that's the impact from changes in spending or taxes directly on the economy, in terms of the stimulus or contractionary effects that it will have. Just to keep things confusing, economists come up with several different ways to measure this. There are gross output multipliers, GDP multipliers and employment multipliers. My message is that you should focus on GDP and employment multipliers, because the gross output multiplier that is often used actually misstates what the impact will be on growth or the importance of different sectors to the economy. This is illustrated by Cross and Ghanem in their 2006 article for Stats Canada in the Canadian Economic Observer, where they essentially said that this multiplier has a lot of double counting because of inter-industry sales. It tends to magnify for certain industries, but the ultimate impact upon GDP is much less. Indeed, some of those sectors with large gross output multipliers are those with small GDP multipliers. My view is that GDP is more important—that's value-added in the economy—and, of course, the employment effects are also important. The employment multiplier is one of those things that you can look at that illustrates the impact on the sector where the changes occur, but also the spillover effects onto other sectors as well.

This is an unusual situation for multipliers. Typically, when we talk multipliers, economists break out in a cold sweat, because they tend to misrepresent how large a stimulus you'll have on the economy because of inflationary effects. So if you boost demand, you will tend to boost prices, which tends to diminish the impact on the economy. At this point, because of the global recession, this is an unusual situation. Those multipliers will be larger than they would be if we were at full employment. So from that perspective, we can take a look at some of these standard multipliers, because we don't have that same inflationary effect, diminishing the impact upon the economy at this juncture. You can't use these same multipliers later on, when we're at full employment, but at this juncture, it is relevant.

There are a number of aspects of the global shock that are causing this: certainly the recession in Ontario; an increase in output gap. And more slack in the Ontario economy means there's downward pressure on inflation, but some of the global aspects as well will impact the inflationary effects of the economy at this point. The global nature of the recession means that economies throughout the world have excess capacity, and that puts downward pressure on Ontario prices as well. The high-valued Canadian dollar, which has shot up by far more than what the economic fundamentals would suggest, also directly and indirectly puts downward pressure on Canadian and Ontario prices. Because of these factors, this is an unusual situation, so we can take a look at these multipliers, and they are relevant in the current situation.

On the fifth page of the handout, there's a table is taken from StatsCan: the multipliers for the direct and indirect effects. These are estimates from StatsCan that illustrate what the impact is on the economy. The far right column shows these gross output multipliers. You'll notice that sectors like manufacturing and construction tend to have fairly large gross output multipliers. That tends to reflect corporate revenues, so it tends to boost revenues significantly. Other sectors, more in the service sector, then tend to have smaller gross output multipliers. But when you look at the impact on GDP, the situation flips around, and some of those sectors that have less complex supply linkages have higher GDP multipliers, largely because the import leakages are less. So manufacturing—if you import a part from the States and it's put in place here, that's a leakage out of the Ontario economy, and so it doesn't have those same stimulative effects.

The other thing that is quite important to take a look at is the employment multipliers. So $1 million will have different effects on different sectors of the economy. These numbers have been combined with some research we've done recently looking at the child care sector, and it has a very high employment multiplier. Some of the other service sectors also have high employment multipliers such as education services and other services, for example.

So when you're looking at making suggestions about where to cut, it's important to keep in mind what these economic impacts will be. These are the short-term effects and, of course, these direct effects are the impacts on the industry itself that has experienced reduction. The indirect effect is the impact on the supplying industries and their suppliers as they cascade throughout the economy. But as there are job reductions, you also have a loss of household income, which is what we call the induced effect.

I promised to break things down into different component parts. The induced effect is quite relevant in the current situation because it will vary depending on the share of total expenditures by an industry that is made up of labour income, so the higher the proportion, the larger the effect is from the induced effect. Also, the wages that people earn will impact what we call the marginal propensity consumed. If you give somebody who has a low wage an extra dollar, they tend to spend it. If you give somebody who has a high wage an extra dollar, they save part of it. So the multiplier effect is larger for those who have lower wages, the tax leakage is less and the marginal propensity consumed is greater. So you have a bigger impact from the induced effect on those sectors that have relatively low wages, such as child care and non-profits.

I've illustrated on this chart some of the industries that we had in the previous table that show the direct and indirect effect as estimated by Stats Canada and my estimate of the induced effect, based upon the Ontario tax schedule and going through link by link in the multiplier chain looking at what those leakages are in terms of import leakages, assuming an average import leakage for each sector; the impact of different marginal tax rates; the impact of marginal propensity consumed. So when you're taking your consideration, please take this into account.

Of these sectors, it's also noteworthy that some impact human capital—child care, education. Construction also impacts physical capital. Those aspects are important for long-term growth. So human and physical capital are important. I applaud the recent move to an HST, which will have a positive effect on the marginal effective tax rate for businesses to put capital in place and also, therefore, improve machine and equipment investment. Capital deepening is one of those factors that improves medium-term economic growth, productivity and living standards. Also, in terms of some of the other factors that influence the long-term economy, we have—

The Vice-Chair (Mrs. Laura Albanese): Thank you. I'll turn it over to Mr. Flynn for questions.

Mr. Kevin Daniel Flynn: Thank you, sir. A very interesting presentation. I'm very familiar with your organization. Tom McCormack and I go back quite some years, back to the property tax reform days.

I think I understood the concept. I'm not sure if I understood the advice at the end of the presentation. If I can go through some of the implications you have at the end, you're saying that the human and physical capital is extremely important as we move forward. That would seem to tie into the Premier's determination that we're going to improve the education system in this province and post-secondary education is going to be improved, and that our strength is in our people. Is that what you're saying in that first line?

Mr. Robert Fairholm: Yes.

Mr. Kevin Daniel Flynn: Good, perfect. The recent moves—I think you said this outright—to the HST system, to things like income tax cuts, corporate tax cuts, are all positive moves in this environment.

1120

Mr. Robert Fairholm: Yes. Lowering the marginal effective tax rate on capital is critical in encouraging business investment, and that type of capital deepening helps productivity and living standard gains.

Mr. Kevin Daniel Flynn: You almost answered the question I was going to ask you next. I know what capital is, and I know what deepening is. I'm not sure I know what capital deepening is. Maybe you can expand on that.

Mr. Robert Fairholm: It means there's more capital per worker. If I buy a new computer and give it to Jerome, his productivity will improve. Giving more updated machinery to workers boosts their ability to produce goods and services that boost living standards in the medium term.

Mr. Kevin Daniel Flynn: In your last point I think you're saying that the economy of the future, or the environment that Ontario will be operating in, will have a large emphasis on R&D, human capital, hybrid models and I guess a global openness to trade. Is that true?

Mr. Robert Fairholm: These are the factors that research finds affect long-term economic growth. Human capital, machinery and equipment investment, openness to trade, research and development are the critical factors that research finds, time and time again, improve long-term economic growth and living standards for a region.

Mr. Kevin Daniel Flynn: Between the two charts—you've got a table 1 and then you've got one called "Focus on GDP and Jobs, Not Gross Output." The point I think you were making was that because you score highly on the table, you may not be as highly ranked on the chart. Is that right?

Mr. Robert Fairholm: The GDP column from the table is used for the chart for the direct and indirect effect.

Mr. Kevin Daniel Flynn: We were told—obviously, I'm from Oakville so I've got some interest in this, with Ford being there—the job multiplier effect is very high in auto manufacturing, and the concept was, for every one job that is created either privately or publicly on the assembly line, anywhere from five to seven jobs are created in the community.

The other thing they were saying is that a part could cross the border any number of times. You may make steel in Hamilton that gets turned into a screw in Michigan that gets put into a carburetor in Ontario which gets put into a car in Detroit that gets sold in Ontario. So it's crossing the border and there are import and export implications throughout the manufacture of that vehicle. Does that tie into the concept you're bringing forward here?

Mr. Robert Fairholm: It ties in in a number of places. Openness to trade is important for long-term growth, so having openness to trade investment is good for the economy. There are a number of economic arguments one can bring to bear to illustrate that, but essentially, if you're more open you can have the production at the place it's most effective, which tends to boost everybody's living standards. So that's one aspect.

I couldn't comment on the job multipliers in the transportation equipment sector. I didn't look at that particular multiplier. Certainly, Stats Canada would have job multipliers for that. The way it's phrased is different than the way this employment multiplier is phrased, because this is looking at jobs per million dollars. Auto workers tend to be more highly paid. Therefore, the direct effect from a million—

The Vice-Chair (Mrs. Laura Albanese): Your time has expired. Thank you very much for appearing before the committee this morning.

ONTARIO UNDERGRADUATE STUDENT ALLIANCE

The Vice-Chair (Mrs. Laura Albanese): I now call on the Ontario Undergraduate Student Alliance to come forward. Good morning. You will have 10 minutes for your presentation, and that will be followed by five minutes of questioning. If you could please identify yourselves for the purposes of our recording Hansard, you may begin.

Mr. Justin Williams: Good morning. My name is Justin Williams. I'm the vice-president of the Ontario Undergraduate Student Alliance and a student at the University of Waterloo. With me is Alexi White, our executive director. I'd like to thank the committee for having us here to speak to you about the future of higher education in Ontario today.

The Ontario Undergraduate Student Alliance represents the interests of over 140,000 professional and undergraduate full- and part-time university students at seven institutions across Ontario. The alliance's vision is for an accessible, affordable, accountable and high-quality post-secondary education system in Ontario. To achieve this vision, we've come together to develop solutions to challenges facing higher education.

This year, the government's Reaching Higher plan, one of the boldest investments in post-secondary education in a generation, comes to an end. Over the past five years, $6.2 billion has been invested into the system, a much-needed infusion after years of neglect.

Unfortunately, the desired income of the Reaching Higher plan was dampened by stronger-than-predicted growth in enrolment. To quote the Council of Ontario Universities, "While funding on a per-student basis has grown, it has not kept up with universities' actual growth in costs during this period. Our institutions have had to constrain costs that, in turn, have had an impact on the quality of programs that help students reach their potential to contribute to Ontario's success."

Students appreciate the commitment this government has shown to improving post-secondary education, but there's a great deal left to do if we are to ensure Ontario's future competitiveness and prosperity.

We must continue the significant investments of the past five years. Returning Ontario to a place of economic strength is no easy task, but there's one surefire way to ensure our long-term success: investing in post-secondary education.

The provincial government's own Task Force on Competitiveness, Productivity and Economic Progress has, since its inception in 2001, recommended in every annual report that the government must provide greater investments in higher education, and they were right to make this recommendation. It is clear that continued investment in higher education will pay significant dividends for the government and for citizens in Ontario.

The Canada Millennium Scholarship Foundation recently finished an investigation into the benefits of higher education and found that those with a university degree comprise only 22% of the population but contribute 41% of income tax paid and only receive 14% of government transfers. In addition to increased government revenue, data from Millennium and from TD Bank have shown that Ontarians with post-secondary degrees are more likely to live longer, be healthier, commit fewer crimes, vote in larger numbers, donate to charity and volunteer in their communities. Moreover, families headed by a university-educated individual are half as likely to live in poverty.

We have a unique opportunity to emerge from this economic downturn stronger than before, but in order to do this, we must continue to build on the significant investments of the past five years or else risk slipping further behind the economy of tomorrow.

For students, renewed investment means serious commitment in three areas: modernizing student financial assistance, investing in student success initiatives and ensuring the overall financial health of our institutions.

While significant investments are required to improve higher education in Ontario, the Ontario Undergraduate Student Alliance understands the government's fiscal situation, and our recommendations focus, then, on ways to realize the greatest improvements possible at the lowest cost to governments.

Students' first priority is to see a true modernization of the financial assistance programs in Ontario. After years of cutbacks, the Reaching Higher plan finally addressed some of students' long-standing concerns with the Ontario student assistance program, or OSAP. These changes meant that thousands of students were, for the first time, eligible for support.

That being said, there remain serious problems with financial assistance in Ontario, and students believe the time has come to finally modernize the system. This will require reforms to OSAP that bring it in line with the realities faced by students in the 21st century. To find the funds for this modernization, students recommend reallocating money from a program that currently does little to nothing to improve access in Ontario: the education tax credits.

This year, the Ontario government will spend nearly $300 million on the education and tuition tax credits. However, 60% of these credits go to families with incomes above the national median. This is an unfortunate reality that is pulling valuable and scarce funding from assistance for lower-income and otherwise disadvantaged groups.

In addition, students can only receive tax credits at the end of the year. This is many months after they need those funds to pay for tuition, books and rent.

The 2007 Liberal platform recognized these concerns and promised to eliminate education tax credits and use the savings to increase upfront grants. Students applauded this initiative then, but are still waiting to see it realized.

By diverting $300 million from education tax credits into the OSAP program, we can make a real difference for thousands of students who truly need the funding.

The Ontario Undergraduate Student Alliance suggests using these funds for three things. First, we must increase the OSAP loan limits from the current level of $140 a week to $175 a week, as was recommended by Bob Rae in his 2005 review of post-secondary education, and tie future increases to inflation. Providing the increase now would allow for much-needed changes to OSAP assessment formulas, such as increasing the living allowance, which actually expects students currently to live below the poverty line.

Secondly, we must shore up the Ontario student opportunity grant, which effectively caps student debt at $7,000 per year, by forgiving all loans above that amount. Maintaining this cap at its current level is crucial to protecting students from potentially crippling debt.

Third, this money should be used to fulfill another Liberal platform promise: to extend the grace period before students must begin paying back their loans from six months to a full year. In addition, students ask that this grace period be made a true grace period and interest-free.

1130

Taking the government resources currently going primarily to families with higher incomes through tax credits and redirecting them toward students who desperately need the money to access an education is just the right thing to do during a time of economic uncertainty. We wish to stress that much of what we are proposing would require only a reallocation of money rather than new investments, but would do a great deal of things to access education.

Mr. Alexi White: Students' second priority is to see real improvement in student success and the quality of the learning environment. The quality of education delivered to our students is directly related to the way the system is funded. We will tackle that issue in a moment, but first we wish to recommend three pilot programs, all at a very low cost, which students are certain will have a tremendous impact on student success.

The first is a program that would train Ph.D. students how to teach. Five such pilots could be created at a one-year cost of $1 million. Currently, university instructors are not required to be formally trained as teachers, even though they will spend countless hours in the classroom. High school teachers are expected to complete a degree in teaching, yet university instructors can teach without any prior experience. Students believe training university instructors is one of the most important changes that must take place to improve quality.

The second pilot program would see teaching chairs funded at six universities across the province, at a cost of $1.2 million a year. These teaching chairs will allow faculty to undertake research that will contribute to literature on teaching and learning.

The third pilot program would see early warning programs created at a few universities at a cost of $1 million a year. The goal of these programs would be to monitor students who are at risk of dropping out and proactively help them, thus improving retention and graduation rates. Recent research in the US and Canada has indicated that certain groups of students are more likely to drop out and that proactively helping them can make them more than twice as likely to persist—but universities don't have the funding to proactively track students. If this pilot program is successful, it could spread to campuses across the province and drastically reduce dropout rates.

For a total investment of just over $3 million a year, the students of Ontario believe these three pilot programs could eventually have a significant impact on quality and student success.

Finally, students are deeply concerned that our universities may not receive the funding they require to grow and improve. The Ontario Undergraduate Student Alliance believes strongly that the foundation of our university funding model must be fairness. Students recognize that they should contribute something to their education, but the government also has a responsibility to adequately fund the system. The Ontario government still spends far less than other provinces and peer jurisdictions on post-secondary education. In June 2008, the Council of Ontario Universities revealed that even after Reaching Higher, our province still ranks last in funding in Canada on a per-student basis, with operating grants per student of $6,052 versus a Canadian average of $8,500. What's more, tuition has continued to increase in the past five years, giving Ontario the dubious distinction of having the highest tuition in Canada. Students are paying. It's time for the government to step up and contribute their fair share.

The Ontario Undergraduate Student Alliance recommends capping tuition increases at the rate of inflation until government funding for operating budgets has increased to $2 for every dollar of tuition collected. To begin to get us there, the students of Ontario are asking the government of Ontario to add $300 million to university operating budgets in each of the next five years. This is a minimum amount which will cover enrolment growth and cost inflation, but it's very important to point out that it will not provide enough for meaningful improvements to quality. More funding above this must be provided if the student experience is to improve.

To sum up, it is critical that we continue to build on the successes of the Reaching Higher plan by improving financial assistance and student success and by properly funding our universities.

I'd like to thank the committee again for your time. We welcome your questions.

The Vice-Chair (Mrs. Laura Albanese): Mr. Barrett?

Mr. Toby Barrett: Thank you for coming forward this morning. I hear what you're saying with respect to teaching in university. That's one of the initial reasons why you attend. We've all had some good ones, and we've had some terrible ones.

Just a couple of quick questions: What percentage of a professor's time is spent teaching or lecturing; and secondly, how large are the lecture halls these days?

Mr. Alexi White: The second question depends completely on what year you're in. Classes can often range from hundreds of students in early years to quite small classes in later years.

In terms of the way that faculty spend their time, the accepted split is supposed to be 40-40-20—so 40% of time on research, 40% on teaching, and 20% would be on class administrative duties such as curriculum review. Unfortunately, a lot of students and a lot of other groups inside the sector believe this balance is off, that because of so many programs that have been created, especially by the federal government but also by the provincial government, there has been an added emphasis on research. In 2005, this government introduced $25 million for research chairs. There are no teaching chairs offered by the government, and that's one of the things we'd like to change and what we talked about here. We need to see leadership from the government to restore this balance.

Unfortunately, universities will always chase the money. If you put all the money in research, that's where the universities are going to go, at the expense of quality. If we see leadership from the government saying, "No, quality of teaching is just as important as research and we need to restore this balance," then that's where the universities will go. But we need to see that leadership.

Mr. Toby Barrett: And there's probably a system in place where you can, as a group, grade your professors as far as who's a good teacher and who isn't? Do you vote with your feet? Do you put a course out of business?

Mr. Alexi White: There are, I believe, in every course, at least at our universities, evaluations that are completed by the students. Because of collective bargaining agreements, very few of the results of those are released to students because they have to do with hiring, promotion and tenure decisions and therefore are not part of freedom of information or any sort of—so students basically have no ability to access those. They vote and they have no idea what the results of those votes are, and they can't use that to make choices afterwards. That's one of the other things we're working with the universities to try to change.

Mr. Toby Barrett: You must have your own system, though, on the website, like an informal system that—

Mr. Alexi White: Some universities do. There's also ratemyprofessors.com, which you can always use, but it's very—you have no idea which classes, which universities have different systems. It's all piecemeal.

Mr. Toby Barrett: Okay. One thing we're hearing in these deliberations is that the economy's changing pretty fast, the job market's changing pretty fast. Is there still a problem where a student would sign up, say, at Brock and get locked into a four- or five-year program, and then they find out all the good teachers are at another university? Are there barriers to essentially prevent students from moving, taking their package from university to university? It's all paid by taxpayers' dollars.

Mr. Alexi White: There is credit transfer from university to university.

Mr. Toby Barrett: Is there anything to prevent you from transferring?

Mr. Alexi White: Yes, there certainly are barriers. A lot of the discussion happening right now in this sector is more along the transition from college to university. University-to-university credit transfer is certainly an issue that's on a lot of students' radars as well. It's something that the government has signalled they're going to be looking into, so we're eager to start consultations on that.

A lot of the barriers just have to do with a lack of a consistently applied set of rules across the board. When you transfer from one school to another, you submit a list of your credits. The school you're transferring to decides which of those credits they're going to transfer. The experience that most students have had is that if the administrator looking over this has had a very good morning, you're going to get a lot more credits than if they haven't had a very good morning, and someone who applies the next day could get a very different answer for the same things. So that's the main problem that students see: It's completely arbitrary when they try to transfer from school to school.

Mr. Toby Barrett: I think it should be more centred on the student rather than on any administrator. I'm sure universities or colleges don't want to lose students. I just wonder if artificial barriers have been put up—like, once they get you in first year, it's to their benefit to keep you for three or four or five years.

The Vice-Chair (Mrs. Laura Albanese): Please be brief in the answer

Mr. Alexi White: I wouldn't say that universities are doing anything to prevent people from moving.

Mr. Toby Barrett: So it's pretty easy just to transfer? A semester here, a semester there?

Mr. Alexi White: The problem is, you can't take your credits with you, so you're starting again from scratch. But it's not the institution you're leaving, it's the one you're going to.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your submission this morning.

WELLESLEY INSTITUTE

The Vice-Chair (Mrs. Laura Albanese): We'll now call on the Wellesley Institute to come forward. You will have 10 minutes for your presentation. If you could identify yourselves for the purposes of our recording Hansard, you may begin.

Mr. Rick Blickstead: Thank you. My name is Rick Blickstead. I'm the CEO of the Wellesley Institute and an adjunct professor at the University of Toronto. I'm joined by one of our research analysts, Cristina Plamadeala.

I'd like to address very quickly a few things and put them in context.

First of all, we understand the tremendous budget constraints that governments are facing today. As an independent, non-partisan think tank working in population health, we try to be as pragmatic as possible, so our recommendations are within that context.

Secondly, we're trying to do this within what we call Vision 2020. We believe it's very important that all governments begin to articulate a 10-year planning horizon, for which we've recommended 2010 as a transition year and then three three-year cycles, which recognize what we expect will happen in the economy over the next three years, finally coming out of this at the tail end of 2018, 2019 and 2020.

1140

We'd also like to indicate that the gap between those who have and those who haven't is widening. It's nothing that you don't know. We're getting more and more of a dumbbell curve as we lose more and more middle-class jobs or what were originally called middle-class jobs. As we go forward into the intellectual or creative economy, this is becoming more and more difficult because we have almost 80% of the population who live with less than two paycheques of savings.

The rise of what we call the "precarious class," which used to be called the lower middle class and the working class, is a very significant issue facing us in terms of population health. We know that self-reported health is about three times poorer for those of low income than high income. We also know that the incidence of chronic disease is twice as high for those of lower income than higher income. If we were to close the gap, we believe and our research shows that an estimated 318,000 fewer people would report their health as poor, there would be 231,000 fewer people who are disabled, and we would have approximately 3,373—that's a pretty approximate number, isn't it?—fewer deaths each year.

We'd like to start talking about creating a vision for a triple-bottom-line economy, one that would lift the burden of poor health, deliver needed social benefits and provide significant economic stimuli. Therefore, we're proposing three major recommendations.

I say this within the context—and for those of you who may not know this, the third sector or the not-for-profit sector is six times the size of the automobile industry. The core not-for-profit sector is three times the size of the entire automobile industry. That's not to say that the auto industry isn't important, but it is to say that the third sector is very important to society.

First of all, we'd like to suggest that we lay the foundation for an affordable housing strategy. We very much applaud the stimulus packages that have occurred this year as they relate to affordable housing, but we're suggesting that we add an additional 4,000 homes per year, which would cost $289 million. Given the size of the Ontario budget, that's a very small percentage of that spending. We know from our research with the Dream Team that it costs $150 a day to keep someone with mental health issues in affordable housing compared to between $800 and $1,000 a day for use of the medical system.

Secondly, we believe that we need to move forward—and Ontario is the leader in Canada of this and can be the leader in the world—regarding health equity, and that is to reduce the disparity gap between those who have better access to health care and those who don't. As a result of that, we are suggesting and proposing that Ontario invest $43 million, which would go into three parts, primarily to create health disparity/health equity programs, then to involve evaluations and then to create knowledge transfer. Those would be divided by the 14 LHINs in the province.

In addition, we believe it's incredibly important to take a multi-sectoral approach to the budget and to building Ontario. This means that we have to encourage access to capital for the third sector. We have many, many social entrepreneurs who would offer businesses that would provide triple bottom lines, hiring people at the margins—there are many examples in the United States, in Canada, in the UK—but there is not the access to capital. Therefore, we are recommending that the government invest $30 million. As you may recall, there was a $20-million fund that was floated as part of the poverty reduction strategy. This is money that would be paid back. As a result of that, you would get interest rates on it. The problem is, they just can't get it from the banks now. While we've saved the banking structure, and we're very happy about that, they're not flowing those funds back into the communities that need them.

Those are our recommendations. I thank you very much for your attention and your consideration.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your presentation. This round of questioning will go to Mr. Prue of the NDP.

Mr. Michael Prue: In terms of housing, we heard on the road last week around Ontario, and I'm sure we're going to hear, that the need for social housing in Ontario is huge. There are tens of thousands of families on waiting lists in most of the municipalities. Today, our very first presenter, from Scotiabank, gave us some chilling statistics in terms of housing starts. They were averaging 77,000 in Ontario up until 2008 and then they fell precipitously to 49,000, and they're not likely to recover in the future. Is this an opportunity, in order to put construction workers and others back to pre-existing levels, to have them build social housing? Is that something we need to do?

Mr. Rick Blickstead: The answer is yes. There would be two or three major benefits. There's a huge multiple, as we know, in the construction business. It's the same logic that was used for the home renovation program. There is a huge need, because we've only built approximately 10% of the promised affordable housing that was supposed to happen in the last decade.

In addition, as of December 2009, there had not been one dollar spent of the $242 million that was promised through the federal affordable housing program. Again, the opportunity to use the money that has been allocated and secondly to build these programs, which save tremendous money—and let's remember that for the people who are only two paycheques away from losing their homes, affordable housing takes on a whole different meaning. I would highly recommend that.

We also have to look at the issue of repairs and affordability because there are a lot of households that can have repairs. Unfortunately, in the new program, the renovation tax credit, you really had to spend $10,000 or have $10,000. These people don't have $10 for groceries. In short, I would answer it in that context.

Mr. Michael Prue: You gave us your first recommendation: an estimated cost of $289 million. Many people who advocate for social housing are talking about the 1% solution, which in Ontario would be $1 billion. Yours is much more modest; can you tell me why?

Mr. Rick Blickstead: The thing is that we go on the basis that Ontario will continue to meet its commitments, so this is an incremental $289 million. I think the reality is today, with reprofiling—if we could just get this moving. We also believe that through the social innovation fund, you will get organizations who can then tap into that and bring in the private sector—we're looking at a third, a third and a third contribution—so that the private sector would be incented to use that. A billion dollars is a great number; the thing is, I don't think it's pragmatic in this particular situation.

Mr. Michael Prue: When you talk about the private sector coming into the housing market—I was down in Regent Park about two weeks ago when the Premier was brought around, but I tagged along just to see what was being said. Is that the kind of thing you're looking at, that kind of innovation where the private sector combines in social housing projects?

Mr. Rick Blickstead: Absolutely. It's Regent Park. It's the ability of an organization like Street Health to tap into social innovation funds, to find a partner who's from the private sector and therefore to bring that capital together. Part of the challenge the private sector has is that they can't get access to capital for social housing. So it just continues to be a dynamic that's just not acceptable.

Mr. Michael Prue: In terms of the—have I got time?

The Vice-Chair (Mrs. Laura Albanese): Forty-five seconds.

Mr. Michael Prue: Okay. If you could expand a little bit on the health equity innovation fund—you say it's $43 million. What exactly do you expect to get for that?

1150

Mr. Rick Blickstead: We expect that within every LHIN there would be approximately $900,000 to invest in programs that ensure equity. We've helped to write the health equity strategy for the Toronto Central LHIN, which is being used in all the LHINs, and we've helped to develop the health equity tool, which is being used in the hospitals. That really says: How do we ensure that we are, at the beginning, developing our plans to ensure that we have equitable access, cultural diversity etc.? So there would be $900,000 for that, there would be $100,000 for the evaluation program in all 14 LHINs, and then there would be roughly about $100,000 for an overall knowledge transfer, because part of the challenge is sharing that information amongst the LHINs to make them more effective.

The Vice-Chair (Mrs. Laura Albanese): Thank you.

Mr. Rick Blickstead: Thank you very much for your time. I appreciate it.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your time.

CANADA'S VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION

The Vice-Chair (Mrs. Laura Albanese): I now call on the Canada's Venture Capital and Private Equity Association. Good morning. Please come forward. You will have 10 minutes for your presentation. That could be followed by up to five minutes of questioning. If you could please state your name for the purposes of our recording Hansard, and you may begin at any time.

Mr. Mark McQueen: Thank you. Good morning. My name is Mark McQueen and I'm on the executive committee of Canada's Venture Capital and Private Equity Association. I'm also president and CEO of Wellington Financial, which is Canada's most active venture debt fund. With me is Richard Rémillard, who is CVCA's executive director of many years' standing.

The CVCA is the sole national association representing the venture capital and private equity industry in Canada. Its 130 member funds have approximately $75 billion in capital under management, primarily held in pension funds. A significant proportion of its members are Ontario-based. The industry provides the bulk of the financing for Ontario's high-technology industries—information and communications technologies, life sciences and clean tech.

Venture-capital-backed companies are high value-added to our economy as they are export- and R&D-intensive and, most importantly, they are fast growers. A venture-backed company grows five times faster than the economy as a whole, and that has a significant impact on job creation. Throughout Ontario, however, we are in crisis. Investment in these industries is down dramatically over the last several years.

According to the CVCA's Q3 data, which is tracked by Thomson, in the 2009 third quarter only $24 million was invested in Ontario venture-capital-backed companies. This took Ontario out of the top 20 states and provinces in North America for dollars invested in its economy in the third quarter. This is a multi-decade low for the province.

During that same period, the Ontario VC industry was able to raise only $1 million of new venture capital to replenish its coffers, which means that three, four or five years from now, the entire industry would only have that $1 million to invest in companies. Ultimately, the industry's ability to invest in promising start-up companies is driven by its success in raising new capital.

We are finalizing our investment statistics for 2009, and they'll be released in perhaps 10 days. These data show that venture capital investment fell approximately 50%, to less than $300 million and, depending on how you categorize certain investments, $128 million in Ontario relative to 2008, so potentially down by half at least, if not three quarters, in one year.

By contrast, venture capital investment in Quebec was up 6% to over $416 million in 2009 versus 2008. So it's not like the global economy or the global financial crisis was having an impact specifically on our sector, or certainly not on the province. Barely more than one quarter of all VC disbursements in Canada were made in Ontario in 2009 despite almost double that population figure. That is our lowest share in over a decade. Clearly, Ontario is punching below its weight.

We recommend that the forthcoming budget contain measures to address the capital shortfall in our industry, and not just policies but actually implement policies that are already in place. We have a capital shortfall that is constraining our ability to fund the high-tech, high-growth, high-export, job-producing companies that Ontario needs and to commercialize the very technology and life science ideas that are being developed on campuses. We've got a huge amount of money going into R&D, and then you have perhaps less than 1% of that turning into commercializable and job-creating companies. That is a flaw that is, I appreciate, not a new concept, but when combined with the rest of the collapse in the sector, it now becomes quite stark.

Here are our recommendations, some of which have a neutral cost and some of which have a cost that is quite modest compared to previous investments:

Put more money into the Ontario venture capital fund, the OVCF, to ensure that this capital is actually deployed into funds. In 2007, $205 million was committed, $90 million of which was by the provincial government. Not one of those dollars has gone into a fund as of yet, two years later. There has been approximately $3.5 million invested over two years into two companies, which would be less than the fees paid to manage the money and the legals to arrange to set the fund up.

Secondly, revisit the decision to phase out the retail fund tax credit. The governments in five other provinces are enhancing their labour-sponsored fund industry credits just as Ontario is closing its door on our own.

Thirdly, introduce incentives for major contractors with government to invest in venture capital funds in lieu of other offsets in industrialized economy.

Fourth, allow corporations to treat their investments in VC funds on the same basis as they are allowed to treat R&D expenditures. If you have a 20-person team in Ontario, at EnCana, doing R&D, and that's deductible, why would that very investment in a science-and-technology-backed venture capital fund not also be deductible for tax purposes? Why are we forcing big companies—Inco and whatnot—to in-house their R&D when they could probably do it more cost-effectively at arm's length?

Lastly, the SR and ED program is a great success, and existing public service comfort with that—CFOs and VCs understand how it works. Without question, it's very popular and, compared to the United States, a competitive advantage for us. Let's find ways to improve that so that what today would be an 82-cent-on-the-dollar rebate might get up to $1 or $1.25.

I know several of you have spent some time thinking about these issues over recent months and years.

We'd like to stop there and invite questions, given our time. Thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for your presentation. Mr. Flynn?

Mr. Kevin Daniel Flynn: Thank you for that presentation. It was very interesting.

You were talking about, I think, the third quarter of 2009 and how we sort of bottomed out.

Mr. Mark McQueen: We hope we bottomed out.

Mr. Kevin Daniel Flynn: I'm hopeful of that; I'm sure we all are around this table.

We've had a few people in to see us this morning. We started off with some expert witnesses. They were talking about seeing a potential increase in interest rates, that perhaps we'll see out the year at these sort of rates, but we may not see these rates again, and that we should all anticipate that interest rates should climb. Talking about our performance here in Ontario vis-à-vis other jurisdictions—the ones we compete with in the Great Lakes area, for example, and other jurisdictions on a global basis—I think we all got the impression that it's going to be a long and bumpy sort of recovery, but the recovery is coming, and the moves that we are making in Ontario, as far as things like tax reform, corporate tax cuts and income tax cuts, are the way to go; that people are looking for a planned movement away from deficit budgets and a return toward balanced budgets, but in a strategic way.

As a venture capitalist, as somebody who is looking for places to locate their money, which I'm assuming are in high-risk investments with higher yields at the end of the day, hopefully, where is Ontario? You said that we dropped out of a list of 20. Do you see a continued drop? Or do you see Ontario, with the moves it has made recently, re-entering that list of 20?

Mr. Mark McQueen: You shouldn't confuse investments with Samsung or with French-based gaming companies—anything at all to do with clean tech, biotech, information communications technology and life science. These are global players who are going to go and do discrete job hirings for their own reasons. I think what you're asking about is in Ottawa, in Hamilton, in Waterloo and around Toronto, in places that have established—Kingston Technology, life science ecosystems—on campus, off-campus, around, with VC funds in those regions, to help stimulate those companies, seed them and grow them, along with angel investors and others. There's no evidence to suggest that what has been a multi-year drop—2004 till today—will end this year. It's separate from the economy, frankly. In 2007 we were in a crisis, and the economy couldn't have been doing better. So this is separate from that.

Mr. Kevin Daniel Flynn: Presumably, a venture capitalist who has some capital to locate chooses to put that somewhere else, as opposed to into some of the investments you're talking about. Where is that going now? Just sitting in a bank?

Mr. Mark McQueen: No. If only they had the money to invest, right? The folks who have portfolios today are clearly trying to shepherd those portfolios to some success. The folks with new money—Ontario doesn't have that luxury because, frankly, in the last three years, none of the Ontario-based funds other than our own has raised new capital. Quebec has had about $2 billion of new VC raised for their funds in the last 30 months. For Boston- and New York-based funds, they're coming in for series C or series D rounds—so think $5-million revenue and up. That's not the scariest part of the investing period or the part where local VCs in North America or Israel or anywhere would have the biggest impact.

Mr. Richard Rémillard: If I could just add to what Mark has said: We may or may not be in the top 20 once our fourth quarter statistics are released. It looks like we'll be somewhere around 18th or 19th, perhaps, when the dust finally settles—but not a great place to be. Traditionally, Ontario has been somewhere around ninth to 13th, that sort of band. So it won't be great for 2009.

One of the obstacles to getting investment into this province, as well as into the country, is an interesting little quirk of the Canadian federal tax legislation called section 116. We have an active campaign in Ottawa to get them to change the provisions of this tax ruling, which makes it more difficult than it should be for foreign capital to come into the country. Foreign capital has been declining in the last couple of years, below the historical levels.

You asked where the money is going right now. In the third quarter of 2009, $24 million was invested in Ontario and $17 million in Newfoundland.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much. Unfortunately, the time has expired.

We will recess until 1 o'clock sharp.

The committee recessed from 1203 to 1305.

UNITED STEELWORKERS UNION

The Vice-Chair (Mrs. Laura Albanese): The Standing Committee on Finance and Economic Affairs will come to order for our afternoon session.

Our first submission will come from the United Steelworkers Union national office. Welcome back.

Mr. Erin Weir: Thank you, Madam Chair. It's great to be back. I was starting to miss this committee already.

I'm Erin Weir from the United Steelworkers Union's Canadian national office. This morning in my role as an expert witness, I explained why the budget deficit is not the most urgent problem facing Ontario. This afternoon in my role as a witness for the United Steelworkers, I will focus on the more pressing problem of unemployment and policies to create jobs.

I'm sure that throughout this committee's deliberations you will hear many depressing statistics about the grim state of Ontario's labour market. I will share only two numbers that are particularly important from my union's perspective. Since October 2008, when the financial crisis really hit the labour market, Ontario has lost 116,000 manufacturing jobs. Since manufacturing employment peaked in November 2002, Ontario has lost a grand total of 327,000 manufacturing jobs.

The appropriate policy response is for government measures that are directly targeted towards creating jobs. In this context, I would like to examine Ontario's Tax Plan for Jobs and Growth. It includes investment tax credits through the harmonized sales tax of $4.5 billion annually. It also includes a corporate income tax rate reduction of $2.4 billion annually.

Provincial policy-makers must ask whether these tax cuts are the best possible use of nearly $7 billion per year. I will argue that these across-the-board tax cuts are not the best way to create jobs. A more targeted use of nearly $7 billion or even less money could have created many more jobs. In particular, I will make the case for tax credits for new investment and the hiring of new workers in Ontario. I will develop this case with reference to three different concepts of targeting: first, targeting the economic outcomes that we want; second, targeting new or incremental economic activity, as opposed to economic activity which would have happened anyway; and, third, targeting the industries that are most vulnerable to international competition and most able to move to other jurisdictions.

Ontario's Tax Plan for Jobs and Growth provides tax breaks for the use of inputs and for the generation of corporate profits; however, the goal of public policy is presumably not to encourage the use of more inputs or to increase profits. I think all members of this committee would agree that the goal of provincial policy is to increase investment and employment in Ontario. So why not instead institute tax credits that are directly related to new investment in Ontario and/or the hiring of new workers in Ontario?

1310

The second concept of targeting that I'd like to focus on is the importance of concentrating on new economic activity rather than things that would have taken place anyway. I think it's fair to say that most of the $4.5 billion of input tax credits provided through harmonization will reduce the cost of inputs that Ontario businesses would have purchased in any case. Similarly, most of the $2.4 billion of corporate income tax reduction will be on profits that would have been generated in Ontario anyway. Very little of this funding will go to inputs for or profits from new investments.

Now, I have to acknowledge that tax credits for new investment or hiring of workers would of course provide some money for investments that would have been undertaken anyway or for workers who would have been hired anyway, but at least these types of targeted tax breaks would go to new investment and new workers rather than flowing to businesses for existing facilities and existing employees.

The final concept of targeting that I'd like to discuss is the notion of targeting those industries that are most vulnerable to international competition and that are most able to move to other jurisdictions. Some industries, like manufacturing, are completely exposed to foreign competition and very mobile between different parts of the world. For example, it is possible for a factory to close down in Ontario, reopen in China and continue selling its output into the North American market. On the other hand, other industries, like construction, are much more sheltered from international competition and are inherently based in the local economy. For example, it is impossible to construct a building in China, put it on a barge and then move it to downtown Toronto.

I would submit that economic policy should be most concerned about the first type of industry. If Ontario can retain a good share of internationally mobile industries like manufacturing, then the provincial economy will be prosperous and the more locally oriented industries will also do quite well as a consequence.

From this perspective, Ontario's Tax Plan for Jobs and Growth is quite poorly targeted. I would draw your attention in particular to table 1 of that document. It indicates that a majority of the input tax credits through the harmonized sales tax will go to the construction industry. Specifically, construction is going to get $2.3 billion out of the $4.5 billion of input tax credits. So most of the harmonization benefit for business is actually targeted at an industry that is not very exposed to international competition and that has very little capacity to relocate itself to other jurisdictions.

Much has been made about the notion that these input tax credits will be a boon to manufacturers, who often use inputs multiple times throughout the production process. But again, I would draw your attention to the same table, which shows that manufacturing will get $510 million of input tax credits. That's only about 11% of the total amount being spent on input tax credits. By contrast, the most recent available Statistics Canada figures indicate that manufacturing accounts for fully 17% of Ontario's gross domestic product. So the input tax credits being delivered through the harmonized sales tax will provide disproportionately little support to manufacturing, an industry which I would argue is disproportionately in need of support from provincial public policy. In fact, manufacturing would have actually been better served had the provincial government simply taken the $4.5 billion and distributed it equally according to shares of gross domestic product.

The Vice-Chair (Mrs. Laura Albanese): One minute left.

Mr. Erin Weir: Thank you, Madam Chair. I will simply close by pointing out that the corporate income tax reduction in this same tax plan is also very poorly targeted in the same respect. Most of the money being lost by cutting the corporate income tax will not go to manufacturing or other internationally mobile industries. In fact, the single biggest beneficiary of this corporate income tax reduction will be the financial services industry, excluding insurance—in other words, banks.

I will close my remarks on that note and look forward to any questions that the committee may have.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your presentation. I will turn it over to Mr. Barrett for questions.

Mr. Toby Barrett: Thank you, Chair. Thank you, Erin. Can I call you Erin? We were speaking a lot this morning.

Mr. Erin Weir: You may, yes. We're old friends now.

Mr. Toby Barrett: You've changed hats a bit, to talk a bit more about the labour market and employment. Certainly in the short run, this is all about jobs. I hear what you're saying as far as tax credits for new jobs, for new investment, and to target those industries most vulnerable to foreign competition.

I had alluded earlier to a situation where we have a company in Canada that purchased Canadian plants, and those Canadian plants are now vulnerable to foreign competition from plants owned by the same company. I'm referring to US Steel and what has happened to the Hilton Works and Lake Erie Works. Of course, the company would indicate that they've got to wait for the economy to come back and the price of steel to return, and whether this goes back to Obama's Made in America and why steel is being shipped up from Gary for Canadian use. But as a result, as far as employment, Local 8782 has 1,100 laid-off workers and 157 locked-out workers. For those laid off, EI runs out this spring. Those who are locked out never did get EI.

There's a problem here. My colleague with the third party, Paul Miller, has a private member's bill, Bill 239, that deals with the Ontario Employment Standards Act, but it's going to have to relate to the federal level as well. If you're locked out, for purposes of EI, it's not counted as an excluded week. You don't exist, essentially.

I don't see the difference, in many ways, as far as government support or trying to maintain a labour market or keeping people to stay around until the mills open up, between being locked out or laid off. Any comments on that, or the bigger picture?

Mr. Erin Weir: Yes. Certainly, I think we in the labour movement are prepared to accept that if we vote to go on strike, then we wouldn't be entitled to employment insurance. But we do tend to take the view that if the employer chooses to lock us out, that's analogous to being laid off involuntarily, and the workers in that situation should receive employment insurance benefits. I would note that in many American states, locked-out workers would receive unemployment benefits, so I'm very glad that you and others are making the case for that kind of reform in Canada.

I would share your concern and surprise that US Steel has closed down the Lake Erie Works. Certainly, I think that was seen to be one of the more efficient and cost-effective facilities in North America.

In terms of vulnerability to international competition, that could be heightened by having the company also owning facilities in the United States. But I would argue that purely Canadian-owned manufacturers are also quite exposed to international competition, and that this rationale for targeting support for manufacturing holds up whether the industry is foreign-owned or Canadian-owned.

Mr. Toby Barrett: Again, at first blush, we're concerned with the jobs themselves, but by the same token, so many of the people—as with Paul, we're down at the plant gate regularly—don't see a future. US Steel would be losing potential employees who give up. Especially with no EI, you've got to move on; you've got to pick up another job elsewhere. You've got to make a commitment to your new employer. You're not going to go back to the steel mill if things change. So I feel it's counterproductive, as well, with a government policy like this.

1320

You do talk about manufacturing jobs. We know a significant amount of money went to the auto sector, and a significant amount of money is flowing through the municipal sector in stimulus funding. Granted—

The Vice-Chair (Mrs. Laura Albanese): Thirty seconds.

Mr. Toby Barrett: —if we build cars, we produce steel, but I don't see the direct kind of grants or funding, say, for the primary industry, for the steel industry. We see it for auto. Is this a trickle-down theory? What's the idea behind this?

Mr. Erin Weir: I think that's an accurate observation, that there has been quite extensive support for the auto industry. Certainly, I'm in favour of that support, but it would be nice for the government to recognize the importance of having steel manufacturing in Ontario to sustain all of the other manufacturing industry, including autos, that is built on that. I think steel is often regarded as a kind of homogeneous commodity that could be produced anywhere and used in Ontario, but in fact there's very much an interactive process between the auto industry and the steel mills, where they're going back and forth. The steel mills are producing quite specialized products for the auto industry. So I think that having the steel industry in the province is quite important to having an auto industry here. I think you're absolutely right that the province should probably pay a little more attention to supporting the steel sector as well.

The Vice-Chair (Mrs. Laura Albanese): Thank very much. The time has expired. Thanks for appearing again in front of the committee.

Mr. Erin Weir: Thanks again for your time and for the opportunity to appear.

CANADIAN HEARING SOCIETY

The Vice-Chair (Mrs. Laura Albanese): Now we call on the Canadian Hearing Society to come forward. You will have up to 10 minutes for your presentation. If you could be so kind as to identify yourself for the purposes of our recording Hansard, you may begin any time.

Mr. Gary Malkowski (Interpretation): Good afternoon, Madam Chair and the rest of the committee. I very much miss my time sitting on this committee, years ago. But let me first introduce next to me Denis Morrice, who is the interim president and CEO of the Canadian Hearing Society. I'm Gary Malkowski. I'm special adviser to the president, public affairs.

Denis?

Mr. Denis Morrice: Thanks, Gary. When I started working for the Canadian Hearing Society many, many years ago, I didn't know any sign language, and I found out that just because you know some sign language, it doesn't mean you can communicate with deaf people or the deaf community. But one thing the deaf people did teach me was my sign. They always give someone a sign, and mine was D for Denis. Rather than spelling out "D-E-N-I-S M-O-R-R-I-C-E," they put it up here: "You're the boss. So it's Denis." Then I realized that, as some of the meetings went on, this D started to move over, and this means stupid. So you had to watch how it flowed all the time.

But I would really like to congratulate all of you in terms of the partnership that has been built with the Ontario government and the Canadian Hearing Society, and it's been with all three parties. It's not very often one gets to congratulate all three parties over a single issue, but it has been with all three parties that we've worked. Also, a thank you and congratulations to the senior civil servants and bureaucrats who have worked with us to develop the services, because deafness—in this whole field, it comes down to communication, and deaf people are cut off services that you and I take for granted every single day.

What we've been able to build together—and that's with the Ontario government and the Canadian Hearing Society—we now have 28 offices across the province. The one thing we do is stay in contact with our stakeholders, and that's with the hard-of-hearing associations across the country, with the deaf organizations and with the parent organizations. So we're identifying their needs, not ours. We're working with them as they identify them and move on them.

A lot of the people that the hearing society deals with are very marginalized. A lot of the people are on the street. People have been evicted from their apartments. They're having difficulty coping. Also, in terms of employment: We all want a job, we want to provide for our families, and there's a lot of discrimination that goes on in the workplace and a lot of things that deaf people are cut off from—instead of having an interpreter in the workplace at times for that interview, for that promotion that goes on and how to find that new job.

Mental health services: The Ontario government has picked up the issue of mental health services and is doing something about it. The only way that can be done is working with the Canadian Hearing Society, and we're certainly looking forward to seeing that develop so that they are not left out in the cold, so to speak.

For a lot of deaf and hard-of-hearing people, going to college and university, if they don't have interpreters and if they don't have real-time captioning—and the technology has just moved leaps and bounds, and it's pretty phenomenal to see what has happened. A lot of these deaf and hard-of-hearing students who didn't have access to a lot of those programs and a lot of those classes now have access to them. Again, it's because of our partnership. And it's navigating that system, as we all know. Filling out any government form—you're all used to it—becomes very cumbersome: the pink form, the yellow form, the blue form, and in triplicate and so on. Because literacy is an issue, that's what the Canadian Hearing Society does.

I'm going to stop there because I'd like Gary to really explain what goes on with deaf people.

Mr. Gary Malkowski (Interpretation): I actually just have a few stories I'd like to share with you and they're consumer stories—stories that I think really tell the story of many individuals in the community.

There's a 14-year-old girl who was suspended from school. She was told that she needed to get mental health counselling services before she could return to school. She's still out of school because there's no service available to her. There's no accessible service; she's not able to access it, so the school will not permit her to go back. I think that's something we really do need to address for people who are deaf, deafened and hard-of-hearing.

Another example: A lady, 40 years old, very skilled, was an alcoholic and at that point decided she wanted to stop being an alcoholic, wanted to move forward with her life. She sought out addictions counselling and was not able to find anywhere to support her because of the communication issues.

Another example: a 44-year-old woman who is deafened. She lost her hearing and, as a consequence, lost her job; she was laid off. She should not have lost her job just because of the mere fact that she had lost her hearing. She could have been given accommodations, but she didn't know her rights; she didn't know that there were accommodations available to her. She went to a mainstream service provider that tries to find individuals work, an employment service, and they weren't able to work with her. They weren't able to help her save her job. They didn't know what accommodations they could put in place for her either because they didn't have the expertise.

Another individual: an eight-year-old child with a cochlear implant, who had severe behavioural issues and was very difficult to manage at home and at school. His parents were trying to find him assistance, but there was no assistance that was able to work with him in the communication necessary. They weren't able to do psychological assessments with him because nobody could communicate with him. So we need to see specialized services that are able to work with these individuals.

We at CHS understand the tough economic times very well. We provide essential services and programs which assist our CHS consumers and Ontarians in these difficult times.

Services offered by CHS, such as employment services, general support services, Connect mental health services and Ontario interpreting services, are all funded by the government of Ontario and are a lifeline to our consumers. I just ask: Imagine not having the services that you have available to you on a daily basis.

Often we have deaf, deafened and hard-of-hearing individuals who are just not able to access the services in the province of Ontario. We want to work with you, the government of Ontario, to be able to provide the services necessary to those individuals and allow us to move forward towards our mutual goal of a more equitable social and economic participation.

The nature of hearing loss itself and the reality of living with hearing loss in a hearing world are fundamental to understanding our consumers' psychological health and daily living needs.

The deaf, deafened and hard-of-hearing community use CHS's services because we understand the communities and culture. We have in-house accessibility and we have expertise in accommodation and devices to overcome barriers. At CHS, we're the only open door to our consumers.

We have specialized services, such as employment services. Employment Ontario and ODSP must recognize and fund specialized services like CHS because it will provide services to job seekers who are not successfully served by the mainstream providers. Employment, in turn, pays a dividend in reduced social assistance, reduced health care costs, reduced barriers to housing and increased tax revenues. Working together, we can do this.

1330

We also have the Connect mental health services, where, together, the Canadian Hearing Society and the government of Ontario, can deliver accessible, integrated mental health services to the deaf and hard-of-hearing communities. We've been able to offer these very important services since 2006, and we've come to ask for $4.2 million to assist our customers.

Visual fire alarms are a third priority. Visual fire alarms and carbon monoxide detectors are essential to the safety of culturally deaf, oral-deaf, deafened and hard-of-hearing Ontarians—quite simply accessible. We've had several deaths of individuals who didn't have the technology in their home to know that a fire was happening. Landlords should be required to install fire alarms—whether it be in homes that are being purchased or that are being rented—at no cost to those individuals.

Denis?

Mr. Denis Morrice: I just want to thank you. I'm sure you've got an appreciation of what it is—and I don't know many other areas where they've actually elected a deaf person as an MPP. As you know, Gary was an MPP, and it really hasn't happened in many places. So in terms of the accessibility, you did it, and Ontario can be very proud of the things that we have going. I just want to thank you for the continued support and the partnership we have built. I think, together, we'll just keep going. So thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for that presentation. I will now turn it over to Mr. Prue for questions.

Mr. Michael Prue: Thank you very much. And, yes, we in East York are hugely proud of Gary Malkowski.

A couple of questions here. In terms of ODSP, it is said that the majority of people who are disabled in Ontario, and that's all disabilities, live in poverty. That includes people in the deaf community. The government continues to claw back half of all the money that people earn if they are lucky enough to get a job. Do you think that that policy works for the deaf community in order that they go out and find jobs?

Mr. Gary Malkowski (Interpretation): I think the ODSP policy is ineffective. According to the MCSS, the ODSP statistics have seen that there are 4,200 deaf and hard-of-hearing Ontarians who depend on ODSP regularly. That is a huge number. To look at the amount that would be, it would be $4 million a month, and there's no revenue coming in from that. I think if you invest in job training, you invest in work experience for these individuals, you invest in trying to allow them every possible chance to get employment; you're going to see a lot of results from that.

I think we need to go back and revisit the old rehabilitation services program. I think that model was the most effective program that we had in history.

Mr. Michael Prue: You talked about the fire alarms, and it makes huge sense to me, in terms of fire alarms, that they be provided to people who are deaf, that they be visual fire alarms. What is the cost? What is the cost differential between a sound fire alarm or a sound carbon monoxide alarm and a visual light carbon monoxide or fire alarm? What is the difference in cost?

Mr. Gary Malkowski (Interpretation): The fire code states that it's mandatory that all households in Ontario purchase a fire alarm—an audible alarm. It costs probably anywhere from $25 to $30. So, as a deaf individual, I need to purchase this, put it in my home, but in no way does it benefit me. I can't hear it. What needs to happen is that you need to have the visual alarm as well, and that's at a cost of about $100 to $150 for the unit itself. But it needs to be hardwired, so that means the drywall needs to be removed and there are labour costs. You're looking at about $300 or $400 for the labour costs. It's about $500 in total. Then, of course, you'd have the carbon monoxide as well as the fire detector, so I'm going to say about $500. It depends, also, on the apartment, the condo, and any associated costs.

Mr. Denis Morrice: I think that's the difference, that type of retrofitting that we went through many years ago with ramps and so on. If we pass a building code where it's just a given that that's what you install, then that's what happens. If we look at the number of hard-of-hearing people now, as many of us getting to that age are losing our hearing, we will need it also.

If you even look at the subway system, on the subway system, when the doors open and close, you see the light flash. People know the door is about to open or close. It's the same with the sound: The bing-bong on the subway is at a different frequency. It's done deliberately so that a person with a hearing aid can hear it. The technology is here today.

Mr. Michael Prue: I was asking that question because the recommendation is that all builders and landlords should be required to install the visual fire alarms, so it will cost. I'm worried about landlords renting a facility to a deaf person because it's going to cost them an extra $475 right off the get-go. Would it be better to recommend that the government subsidize the landlord in every case, because there are only 4,000 or so?

Mr. Gary Malkowski (Interpretation): If landlords have the ability to prove undue financial hardship, then in that case, yes, I do see that there should be some assistance. I would suggest that that be through the assistive devices program, ADP. That also could be for individuals who may be homeowners who can't afford it. They can use the ADP as well.

There should be a tax incentive for landlords. That could be the other option, having a tax incentive in place. I think there are lots of different benefits that are available to landlords in that type of situation.

Mr. Michael Prue: Thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much. The time, unfortunately, has expired.

Mr. Denis Morrice: Thank you for the opportunity, and we'll get out of your way very quickly.

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

The Vice-Chair (Mrs. Laura Albanese): Now I call on the Ontario Confederation of University Faculty Associations to come forward. Good afternoon. You will have 10 minutes for your presentation, and that will be followed by up to five minutes of questioning. Kindly identify yourselves for the purposes of our recording Hansard, and after that you may begin.

Mr. Mark Langer: Madam Chair and committee members, I appreciate the opportunity to speak to you today on behalf of the Ontario Confederation of University Faculty Associations, representing more than 15,000 professors and university librarians in Ontario. I'm Mark Langer, the president of OCUFA and a professor of film studies at Carlton University. With me today are Henry Mandelbaum, OCUFA'S executive director; Mark Rosenfeld, the associate executive director; and Graeme Stewart, our communication and government relations manager.

Ontario has had an excellent higher education system; however, our universities face a series of challenges that endanger the quality of post-secondary education in our province. The people of Ontario need well-funded, high-quality universities to overcome the current economic downturn and achieve our potential in the new knowledge economy. Universities are essential to the success of our province, from training a skilled workforce to creating the innovations that will drive our competitiveness. Unfortunately, chronic underfunding makes it difficult for universities to play their vital social and economic role.

The results of this underfunding are easy to see: Class sizes are growing to unprecedented levels; students have less access to full-time professors; labs, libraries and classrooms are deteriorating; and tuition fees are climbing ever higher. Ontario now has the highest tuition in Canada. If we allow these trends to continue, we will be shortchanging our students and compromising the future of our province. OCUFA has developed a series of recommendations to address the underfunding of our universities. We believe that additional government funding is the only way to ensure the quality of higher education in Ontario while preserving the accessibility of the system.

One of the most serious challenges to the quality of university education is a lack of full-time professors and rising student-to-faculty ratios. Students need access to their professors to be successful. Ontario currently has the worst student-to-faculty ratio in Canada. To fix this problem, Ontario needs to hire 5,000 new faculty by 2014. This will require an investment of $80 million in additional operating funds in 2010-11, rising to $400 million by 2014.

1340

Ontario's universities also need to renew aging infrastructure. One-time infrastructure project funding is an excellent and very-much-appreciated way to increase campus space. However, existing facilities need to be upgraded to ensure that every student benefits from top-quality labs, classrooms and libraries. To achieve this goal, OCUFA recommends that an additional $73 million be added to university operating grants in 2010, rising to $365 million in 2014. Of this new funding, approximately 48% would go to facility renewal, 37% will be used to upgrade information technology and computing resources, and 15% will go to enhance libraries.

It is also important to invest in the affordability and accessibility of our university system. Ontario's students currently pay more both in terms of absolute dollars and as a proportion of operating revenue than students in Canada and peer jurisdictions in the United States. These high tuition fees make it difficult for many middle- and lower-income students to afford higher education, even with government financial assistance. High fees also leave graduates with high levels of student debt. Students already pay more than their fair share. To ensure that our university system remains open to every willing and qualified student, OCUFA recommends tuition in Ontario be frozen. It will also be necessary to provide compensatory funding to universities for lost projected-tuition-fee revenue.

Full details on these proposals can be found in our submission.

OCUFA recognizes that these recommendations are expensive. We are also aware of the serious financial realities facing the government of Ontario, but it's important to realize that increased public funding is not a cost. It is an investment in the people of Ontario and the ultimate success of our economy. Study after study shows that a region's economic competitiveness and social vitality depend on a well-funded, high-quality post-secondary education system. Given the government's stated objectives—job creation, education and economic growth, and I'm thinking of Erin's previous presentation mentioning the hundreds of thousands who have lost jobs in Ontario who need the new skills taught at universities—we can ill afford to under-resource our universities. A well-funded university system equips students with the skills they need to succeed in the knowledge economy, it drives the research and innovation that will build our economic competitiveness, and it produces the citizens and leaders we need to achieve our potential as a province.

In 2005, the government of Ontario invested billions in our province's higher education system. It was a bold, forward-thinking move. Now is not the time to abandon this commitment to our students. Investment in universities is economic stimulus funding. By equipping universities to train a new workforce and supercharge our economy, you provide a way out of the current recession and an end to the provincial deficit. More importantly, it is a strategy to ensure that we avoid the next economic crisis altogether.

I thank you for giving us the opportunity to appear here, and I'm very happy to take any questions that you might have.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your presentation. I will ask Mr. Leal to move forward with the questioning.

Mr. Jeff Leal: Thank you for your presentation today. We are, indeed, in the last year of the Reaching Higher program. If you were to provide some advice today, what elements would you like to see in a successor initiative to the Reaching Higher program or, for want of a better term, Reaching Higher II?

Mr. Mark Langer: OCUFA is requesting that the 2010 Ontario budget contain $153 million in additional university operating funds. Of this, $80 million would go to hiring new, full-time faculty, and $73 million would go to infrastructure renewal, information technology resources and libraries. If Reaching Higher II follows the OCUFA plan, which I fully expect will happen, the total additional operating funds will increase to $765 million in the 2014-15 school year, and that would be $400 million for additional faculty and $365 million for infrastructure.

Mr. Jeff Leal: I'm from Peterborough, the home of Trent University, so I'm very familiar with some of the issues. This morning we heard from the Ontario Undergraduate Student Alliance with some suggestions. They talked about establishing five pilot sites throughout Ontario for teaching chairs. I'd just like to get your comment on that.

Mr. Mark Langer: OCUFA does not really support—first of all, I'm not entirely sure what they're asking for in terms of teaching chairs. Is this for research into teaching?

Mr. Jeff Leal: This would be the equivalent of—we have established the research chairs in the province of Ontario. Their recommendation is to establish five pilots at universities across Ontario to develop teaching chairs.

Mr. Mark Langer: Are these to be teaching-only positions?

Mr. Jeff Leal: That's the way I'm hearing it. Teaching professors to teach the teachers.

Mr. Mark Langer: We certainly don't object to studies in education, if that indeed is what's being proposed. On the other hand, the reason that I wanted to be clear on this is there have been proposals that there be teaching-only positions, and OCUFA is very much opposed to this because study after study has emphasized the importance, in delivering quality of education, to have students taught by people who are actively engaged in research, so students are always being exposed to the cutting edge of research and faculty have the ability to bring their research skills fully into the education of students.

Mr. Jeff Leal: Good. Thank you.

The Vice-Chair (Mrs. Laura Albanese): That concludes, I guess, our questioning. Thank you for appearing before our committee and for your submission.

Mr. Mark Langer: Thank you very much, Madam Chair.

ALZHEIMER SOCIETY OF ONTARIO

The Vice-Chair (Mrs. Laura Albanese): I now call on the Alzheimer Society of Ontario. Please come forward. You will have 10 minutes for your presentation. If you could please state your name before you begin for the purposes of our recording Hansard, that would be appreciated. Thank you.

Ms. Gale Carey: Thank you. My name is Gale Carey. I'm the CEO for the Alzheimer Society of Ontario. With me today is Jacquie Micallef who is our coordinator, public policy and chapter relations.

Madam Chair, members of the committee, ladies and gentlemen, thank you for providing the Alzheimer Society of Ontario the opportunity to present to you on the issues related to dementia in Ontario. We appreciate that last week you heard from the northern Alzheimer Society chapters. As well, in December 2009, we presented to Minister Duncan during his pre-budget consultation sessions on the issues related to caregiving.

Minister Duncan responded that he is obligated to look at the issue of caregiving; the rising rates of dementia are precisely the problem in terms of rising health care costs. He agreed that we need to keep people at home and understands that to do this people need to be supported. The focus needs to be on leveraging existing programs and strategizing for long-term solutions. He asked that the Alzheimer Society of Ontario demonstrate the costs of caregiving and how any proposed interventions would curb spending.

Today, our presentation builds on Minister Duncan's recommendations to leverage existing programs and outline the costs of caregiving and on how our proposed interventions will curb future spending in Ontario.

Also, in the November 29, 2007, speech from the throne, this government made a commitment to provide caregiver grants to those caring for elderly family members. In 2010, we have yet to see this commitment fulfilled. This submission will demonstrate the increasing need for this and other supports for caregivers in Ontario.

The Alzheimer Society of Ontario, founded in 1983, supports a province-wide network of 39 chapters to:

—improve service and care;

—fund and advance research;

—educate the communities it serves; and

—create awareness and mobilize support for the disease.

Our society's vision is a world without Alzheimer's disease and related dementias. We are affiliated with the Alzheimer Society of Canada and with Alzheimer's Disease International. In spring 2011, the Alzheimer Society will proudly welcome people from 71 countries to the 26th Alzheimer's Disease International conference in Toronto.

1350

Alzheimer Society chapters provide a range of services, including group supports, counselling, information, public awareness and dementia-specific education for front-line health service providers, those diagnosed with the disease and their families and caregivers. Some chapters also provide day programs and longer-term respite care.

The Alzheimer Society of Ontario and the chapters work in partnership with health service providers, primary care practitioners, long-term-care facilities and clients. We have a long history of working together to improve access to services for clients, promote best practices in dementia care and raise the profile of dementia-related issues.

In Ontario, 26 Alzheimer Society chapters offer the First Link program, which provides recently diagnosed individuals and their caregivers with comprehensive and coordinated services by reaching out as early as possible in the disease process. First Link collaborates with the diagnosing primary care physician, other members of the primary care team, diagnostic and treatment services, community service providers and the Alzheimer Society.

In addition, the Alzheimer Society of Ontario is a leading member in the Ontario Caregiver Coalition. This coalition is dedicated to bringing issues related to family caregiving to the policy table.

Family caregivers care for spouses, children, parents and other extended family members in need of support due to age, debilitating medical conditions, chronic injury, long-term illness or disability. Family caregivers are the foundation of Ontario's health care system, yet they are largely invisible. They are overlooked by health service providers and seldom acknowledged in public policy.

The focus of our presentation is on the following: prevalence and impact of dementia; critical needs for moving forward to better support people living with dementia and their caregivers and, at the same time, curbing the increasing health care spending in Ontario; and Ontario's leadership in championing national solutions.

Dementia is a large class of disorders characterized by the progressive deterioration of thinking ability and memory, including eventual loss of memory, judgment and reasoning, and changes in mood, behaviour and communication abilities. These symptoms may affect a person's ability to function at work, in social relationships or in activities of daily living.

Alzheimer's disease, the most common form of dementia, is a progressive, degenerative disease of the brain which causes thinking and memory to become seriously impaired. After Alzheimer's disease, vascular dementia is the second-leading cause of dementia.

More than 180,000 people in Ontario have dementia, and in less than 25 years, the number will double. Dementia is the leading cause of disability in Ontarians over 60, causing more years lived with disability than stroke, cardiovascular disease and all forms of cancer.

Most Ontarians with dementia today are supported outside of institutions, in their homes, with their families.

Studies have shown that caregivers are under considerable psychological, physical and financial stress, despite enjoying the inherent satisfaction of caring for their loved ones. Caregivers of people with dementia report stress levels three times greater than those caring for persons with other chronic diseases, and depression is nearly twice as common.

In 2008, informal caregivers of people with dementia in Canada provided 231 million hours of care. By 2038, that will increase to 756 million hours. In 2001, it was estimated that about three million Canadians were informal caregivers, delivering about $5 billion worth of service to Canada's economy and saving Canada's formal health system as much as $2 billion per year. Caregivers provide more than 80% of the care needed by individuals with long-term health conditions.

In Canada the economic burdens of dementia will double every decade, increasing from $15 billion in 2008 to $153 billion in 2038. In partnership with the Ontario government, we have the opportunity to curb this spending to ensure that investments are effective and multipurposed.

Today we will highlight two key areas of support needed by caregivers. The first is increased access to respite care and support of the First Link program. The second is financial support.

Respite services offer temporary relief from caregiving. They include in-home respite, where an alternate, usually paid, caregiver comes to the home for a few hours; secondly, adult day programs, where the person with dementia is taken to a community centre for a specified number of days in the week; and thirdly, overnight respite, which is usually in short-term beds of a long-term-care home or in purpose-built respite homes, of which there are only three in Ontario. These are owned and/or supported by local Alzheimer societies.

The Vice-Chair (Mrs. Laura Albanese): You have about two minutes left for the presentation.

Ms. Gale Carey: Thank you.

There are four key issues with respite in Ontario: Caregivers are unaware of available services or often act too late; there is an insufficient supply of respite, especially short-term; the services that are offered do not fit with family needs; and the cost of in-home respite is too high for already-strained caregivers.

I'm going to move to the next page, directly to financial support.

In a study of family caregiver needs, it was found that financial issues are a major concern for two major reasons: Caregivers who are in the workforce and choose to care for their relative give up salary, career and pension prospects for many years or retire early; additional expenses related to providing care for a person with dementia include fees for home care services, transportation costs for medical appointments, drug dispensing fees, technical aids and equipment, and home modifications.According to caregivers, the financial strains of caring for a person with dementia and providing adequate financial compensation for their work was critical.

Caregivers asked for caregiver compensation, such as caregiver tax credits, subsidies to pay for equipment, medications and other needed caregiving supplies, direct payment for care and accommodation/travel grants if they have to travel to receive care; affordable services regarding the cost of care, particularly services and programs; self-directed funding options; and caregiver job, pension and benefit protection, as well as adequate caregiving leave policies.

The last page is our summary of requests: that Ontario develop a comprehensive strategy for dementia and Alzheimer's disease; expand the First Link program in order to maximize to existing services; invest in financial supports for family caregivers; and provide leadership to the federal government on caregiver policy.

By continuing to leverage existing programs and committing to new investments for caregivers, we have the opportunity to curb increasing health care spending.

The Vice-Chair (Mrs. Laura Albanese): Thank you for that presentation. I will now turn to Mr. Barrett for questioning.

Mr. Toby Barrett: Thank you for presenting to the committee. On Thursday, this committee received a deputation, as well, from the North Bay Alzheimer's society, speaking for a number of chapters in northern Ontario.

With respect to allocating resources, not only through the Alzheimer societies but through the health system and the health care system, I can see a bit of a tug of war perhaps between care versus cure versus disease prevention. I know in North Bay the testimony concluded with a call for more resources for prevention, as well as other things—case management and things like that.

Where are the resources going? I'm assuming mainly to care. That's where most of the dollars are going. Where should they be going, if we look at those three?

Ms. Gale Carey: Overall, funds that we're raising go to research, because currently there is no cure for Alzheimer's disease—we're hoping that there will be one day but currently there is not—and then in terms of programs and services. Funds are raised for both of those areas.

Mr. Toby Barrett: Certainly. I think in your report, as far as prevention, I was surprised—I didn't know obesity was linked to Alzheimer's and, of course, the suggestion is the merit of diet and physical activity to prevent or I suppose, at minimum, to delay the onset of Alzheimer's. Has research gone into that as well?

Ms. Gale Carey: Yes. Actually, there was a recently released report from the Heart and Stroke Foundation indicating an alignment between dementia and Alzheimer's, along with the same kinds of things that would cause heart problems, heartstroke or cardiovascular disease. The same types of things that would remedy cardiovascular disease in terms of physical activity, healthy eating, those kinds of things, we have found to be correlated with Alzheimer disease as well. In addition, with Alzheimer disease, of course, there has to be brain health—healthy brains—and ways to keep the brain active and so on.

1400

Mr. Toby Barrett: We know case management has value. I think you used the term "navigator." Is there a danger of this being seen as just another level or another job position? Would this proposal be for Alzheimer societies to hire case managers or would CCACs do this? I would think they would be doing this anyway—wouldn't they?—in their present role.

Ms. Gale Carey: The program that we mention, the First Link program, actually is one that is utilized by the 39 chapters across the province. The chapters that are utilizing the First Link program—we currently have 22 First Link coordinators across the province in the chapters. What we need for all of the chapters, all 39, to have support would be an additional 38 First Link coordinators—a total of 60. Currently, there is a cost of $3 million for those 22 coordinators.

For us to move to full capacity in terms of the First Link program, which is where we have the primary care physician who originally does the diagnosis—they recommend directly to the Alzheimer society in their local community. We'd like to see that happen in every community at full capacity, and that is the greatest intent of our presentation, to have the First Link program enhanced and then to have caregivers being provided with financial support so that caregivers can maintain their family members in the home as long as possible, and they can with the proper supports. But that entails some financial investment.

Mr. Toby Barrett: As far as disease prevention or health promotion, is the Ontario Ministry of Health Promotion involved in this at all with Alzheimer's?

Ms. Gale Carey: Yes. Our funding comes through the Ministry of Health, through the LHINs, to our chapters. Currently, about 57% of the funding is coming through the LHINs at this point, but we are not at full capacity across the province. But the ministry—

Mr. Toby Barrett: I was wondering about the Ministry of Health Promotion.

The Vice-Chair (Mrs. Laura Albanese): Sorry, but the time is almost up. A brief answer.

Ms. Jacquie Micallef: Okay. No.

Mr. Toby Barrett: No?

Ms. Jacquie Micallef: The brief answer is no, and that is a concern that we have, that we do have the focus on prevention. Currently, the Ministry of Health Promotion has priority areas, priority populations, and even seniors are not included in that. So that is an area where we've been trying to work with a group, but the short answer is, no, they're not.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for that and for your presentation.

ONTARIO COMMUNITY SUPPORT ASSOCIATION

The Vice-Chair (Mrs. Laura Albanese): We'll now ask the Ontario Community Support Association to come forward. Good afternoon. You will have 10 minutes for your presentation. That will be followed by up to five minutes of questioning. Could you please state your name before you begin your presentation?

Ms. Susan Thorning: My name is Susan Thorning. I'm the CEO of the Ontario Community Support Association. I'd like to thank you for the opportunity to appear before this committee today to provide the perspective of the not-for-profit home and community health sector on the 2010 provincial budget.

The members of the Ontario Community Support Association, a network of over 500 organizations, provide home care services through contracts with CCACs and LHIN-funded community support services to more than 750,000 Ontarians every year.

I want to begin by recognizing the challenging fiscal situation that the province and our government is in. As a not-for-profit charitable organization, it's a situation that we at OCSA are very aware of, and our members, also charities and not-for-profits, are keenly aware of the difficulty of making hard financial decisions which impact services that people receive. But in health care, the challenge of tough financial decisions is inseparable from the demographic changes occurring in our community and province.

The population is aging, while, at the same time, we are living longer. Chronic diseases are becoming more prevalent, and smaller families are often scattered across the country, which makes caregiving more challenging. In addition, there are many people living with chronic conditions who are not seniors. Many families care for medically fragile children at home, and many people like you and I may require help to remain independent. Home and community support is not just about seniors; it's about care in the community.

People need care. They want to be in their own homes, not hospitals or institutions. Health outcomes and overall quality of life improve when comprehensive home and community support services are available to them. But the key to all of this is that a more cost-effective means of health delivery can be found when services are delivered in the community than when they are provided in institutions.

Investing in home and community care frees up hospital beds and unclogs emergency waiting rooms. There are also decreases in the length of long-term-care wait-lists, and less need and less demand for long-stay hospitalization. There is less demand for chronic care hospitals. All of these things come at lower costs to the health care system when care is provided in the community.

Our first recommendation to you is that the government of Ontario stay the course on funding support for home and community care, particularly the aging-at-home strategy. Maintaining and enhancing funding levels for home and community support services is consistent with consensus opinion that these services are an effective and affordable means of delivering health care. We urge you to maintain funding to the LHINs and support new funding initiatives to help people continue to live at home.

It is also our recommendation that strategic investments be considered in the 2010 Ontario budget. One such investment is to support the development of a strong information management infrastructure in the home and community support sector. This work was started with the implementation of the MIS in community support services.

The next step will be the implementation of a common assessment instrument. The selection process of the tool is under way and will be complete by March 31, 2010, and this is a year early. In last year's pre-budget submission, we requested this and we thank you very much for following through.

However, there have been few resources dedicated to information management in the home and community support sector in the past, and the implementation of a common assessment tool must recognize this. The data that the tool generates will be extremely valuable for decision-making at the service delivery level but also for funding and policy development purposes.

We encourage you to invest sufficient resources so that the community support providers can implement the common assessment instrument and begin building on a robust and comprehensive information management infrastructure that can integrate the well-developed systems that are already in place in other parts of the health continuum.

Home and community support is a complex system, and we interface with all other parts of health care—with primary care, CCACs, hospitals, mental health, emergency departments and even seniors' centres—so implementation will require resources to allow all of those connections to be made.

Our health care resources have continued to flow to more expensive and well-developed parts because hospital-based services have had systems in place and data to demonstrate their value. We need systems as robust as these in the community to truly understand how our health care system works and how to appropriately allocate resources.

Another concern is the shortage of home and community health workers in all areas of the province. One of the reasons for the difficulty in recruiting and retaining workers is the disparity in compensation and working conditions between the community health sector and institutional health sector. We urge the government to look at this disparity, including the absence of a pension plan for workers in the community sector, which is a tremendous barrier to the mobility of workers moving across from one part of the system to another.

We also need data on what the workforce looks like. HealthForceOntario recently has funded OCSA to get some of this data about the community support side, but because of the contracted service delivery model in home care, we have no knowledge of the workforce demographic of home care workers, though we do have good knowledge of the CCAC human resources.

1410

Personal support workers are extremely important to our sector. These workers provide 70% to 80% of the care in the community. There has been concern recently for the quality of the training provided to these workers. Public confidence and the confidence of employers have been undermined by media reports of abuse situations and inadequate training. We urge you to provide resources for the monitoring of the training organizations to ensure quality training, and we ask that you resource the development of a worker registry to track training and employment of personal support workers. We'd also like a campaign which would help people understand how wonderful PSWs are, because we know they are very special people providing very special care. There aren't very many bad apples, but unfortunately those bad apples make far better press and they get way too much attention. A registry and tracking the training institutions would assist employers and it would also help restore public confidence.

The creation of the harmonized sales tax will provide the home and community support sector with challenges.

While we recognize that steps have been taken to ensure the impact on charities will be fiscally neutral, we ask that you monitor the situation as the HST is implemented to identify and address any unanticipated consequences.

The Acting Chair (Mr. Kevin Daniel Flynn): Susan, just so you know, you've got two minutes. I didn't want to interrupt.

Ms. Susan Thorning: Yes, thanks.

We also ask that home and community support agencies, regardless of their registration status with the GST, be provided with transition funding. Community providers will have additional costs as they make changes to their processes and accounting systems. In fact, the new HST may have a more complicated reporting requirement.

In closing, we encourage MPPs to think strategically. Investing in home and community services now will save the government money in the near future and will improve the health of Ontarians. Your committee has heard from OCSA members in different parts of the province, all taking similar positions but representing key components of the future of delivery of health care. Over 750,000 Ontarians of all ages and their caregivers depend on organizations such as these, and many more Ontarians will in the future. We must ensure the stability of the home and community care sector so that it will be viable and vibrant for all Ontarians who may need access to it.

Thank you for your attention, and I'd be pleased to answer any questions you might have.

The Acting Chair (Mr. Kevin Daniel Flynn): Great. Thank you very much, Susan. The questions this time around go to Michael.

Mr. Michael Prue: A few questions, first of all, about PSWs. Right now there's no training regimen that I'm aware of. There's no diploma or course other than those which are offered by—and I use the term advisedly—fly-by-night operations.

Ms. Susan Thorning: Training for PSWs is done by four different types of organizations: community colleges—

Mr. Michael Prue: That I wasn't aware of.

Ms. Susan Thorning: —boards of education, private vocational schools, and not-for-profit organizations, and there are training standards. The Ministry of Health asked OCSA about 15 years ago to work to develop standards for the PSW, and at that time it brought together the health care aide who worked in long-term care and homemakers who worked in the community to bring those two jobs together with a single training forum that would make a portable worker.

There's nobody watching to see if anybody is following those training standards, and that's what we are asking for resources to do. We need to keep track of who's teaching and what they are teaching and make sure that it's what our health system needs.

Mr. Michael Prue: I'm referring back to the Toronto Star, which on September 17, 2009, quoted a woman who said, "I am a certified personal support worker, and you have no idea how grossly unqualified I am." Now, she went through one of these private colleges—

Ms. Susan Thorning: She very well may have, and this is why a two-pronged approach would be really effective. We need to keep track of who's teaching what. We need more PSWs. In fact, we're probably losing more PSWs every year than we are gaining, so we don't want to reduce the number of organizations training; we just want to make sure that they are training up to the PSW standard that was recognized by the Ministry of Health.

Mr. Michael Prue: In the community colleges, how long is the course to be a PSW?

Ms. Susan Thorning: The course is about a year. It's quite a bit longer than the standard. The community colleges have their own standard that they have developed; they have a one-year program which has rules that are in place because of the community college requirements.

Mr. Michael Prue: Should that be the standard? It seems to me logical that if you're going to have somebody go into a frail elderly person's home and do what is necessary, they should have training commensurate with that. I would think a one-year course is pretty much the minimum.

Ms. Susan Thorning: The community college program includes quite a number of hours of study that aren't directly related to their job. They have added general education requirements. Their standard is actually not as robust as the Ministry of Health approved standard.

We can send you an analysis of the standards, and we'll do that. We'll send it to the whole committee, if you like.

Mr. Michael Prue: Okay.

The Acting Chair (Mr. Kevin Daniel Flynn): You're down to a minute, Michael.

Mr. Michael Prue: Okay. In terms of the costs—and I think we all understand that the costs in hospitals can be exorbitant, and if you can keep people in their homes, you can undercut that by a great deal—we've seen examples of savings of 4 to 1 or 5 to 1 in keeping people in their homes. Would you tell us in the 45 seconds that are left how much money this is likely to save the government if they agree with what you're asking?

Ms. Susan Thorning: I'm not an accountant; I have no idea. I can't give you an exact number. I think we don't know because we don't have the systems yet in place to know what services people need. The greatest cost savings will come when we can target the services to people's needs. The work around the common assessment instrument will be very helpful with that. It will also rationalize the service provided by community supports, by CCACs and by other parts of the system. We're making good steps.

Mr. Michael Prue: Thank you.

The Acting Chair (Mr. Kevin Daniel Flynn): Thank you, Susan, for your attendance today.

CARP

The Acting Chair (Mr. Kevin Daniel Flynn): Our next presenter this afternoon is Susan Eng, VP of advocacy for the Canadian Association of Retired Persons, if you'd like to make yourself comfortable, accompanied by someone who is no stranger to these walls.

Ms. Susan Eng: Yes. I thought maybe it would be better if she gave the presentation.

The Acting Chair (Mr. Kevin Daniel Flynn): She's famous.

Ms. Susan Eng: It would be a much more receptive audience, I suspect.

The Acting Chair (Mr. Kevin Daniel Flynn): It's all yours. You have 10 minutes, which will be followed by five minutes of questions from the government side.

Ms. Susan Eng: Thank you very much for having us.

First of all, who we are: CARP is a national, non-partisan, non-profit organization which is committed to advocating for Canadians as we all age. We have about 350,000 members across the country, of whom about 200,000 live here in Ontario. We have 34 chapters across the country and now 21 chapters here in Ontario. We focus on Canadians 45 years of age and older, who number about 14.5 million, of whom 5.6 million live here in Ontario. That's about 42% of the entire population of both Ontario and Canada.

Seniors represent an increasingly larger proportion of the population. Some 4.6 million Canadians are over the age of 65, and 1.8 million of them live here in Ontario. In fact, 39% of all Canadian seniors live here in Ontario. By 2030, Ontario's population aged 65 and older will almost double to 3.7 million, and seniors will account for about 21% or 22% of the Ontario population, almost twice their proportion now.

This is also the demographic that is most politically engaged and votes most regularly. Some 70% of them vote regularly.

The challenge for us right now is to deal with what the economic crisis has put in front of us. It has focused attention on the proper role of government to deal with the economy, and so we have seen a rash of corporate bailouts and stimulus spending, which are all aimed at pulling the economy out of its nosedive, but very little is any kind of adequate measure to provide a soft landing for those people who are most affected and who are least able to change their circumstances.

The health care budget, I know, is going to become a particular concern, not only because it represents over 40% of most provincial budgets, including here in Ontario, but also because the federal funding of health transfers is soon to expire. So the challenge before us is what to do about that, what kind of structural changes are necessary.

1420

The important point there is to remind ourselves that we have to get past the myth that it is on account of an aging population that our health budget is actually burgeoning. In fact, any number of health policy analysts and even the Health Council of Canada have attempted to put that myth to bed by pointing out the evidence that, in fact, our health care budget is increasing because of increasing prices and uptake rather than the fact that people are aging.

The challenge here is to find structural changes to our budgetary planning so that we can actually address the burgeoning demands but at the same time try to do things differently. If we continue to do things exactly as we have been, of necessity the budget will continue to increase. The choices that are in front of us today are to find ways for people to look after their own retirement, for example, to provide opportunities for people to stay at home while they age and deal with medical challenges so as to divert demand from the formal health care system. These are options that are in front of us, and as we are facing an economic crisis, indeed, and a budgetary crisis, we have to look at these options rather than simply tinkering around the edges.

In sum, our recommendations focus on two of our major advocacy pillars: financial security and health and well-being. The first focus is in regard to financial security. We have three points there to make. First, there is the need to reduce poverty among seniors here in Ontario, the need to provide some kind of redress for the disproportionate impact of the HST and to institute immediate pension reform to allow people to better save for their own retirement. Under the health area, we are focusing on support for family caregiving. I'm pleased to note that from your previous deputant, you will have been focused upon the need for caregiving, the economic and health impacts, and the important service to the public good that family caregiving can present.

Going into specific detail, on poverty reduction, one of our concerns is whether or not we realize how big the problem really is. According to measures like LICO, there might be 90,000 people who are living under LICO here in Ontario over the age of 65. That might seem a small number, but these are people who are living on under $12,000 in smaller communities and under $18,000 in even the largest communities like metropolitan Toronto. A more accurate measure of the number of seniors living on just OAS and GIS and a little bit of CPP might be the figures that indicate the people who are living on these public pensions. When you look at those numbers, they are much more dramatic. Here in Ontario alone, some 896,000 Ontario seniors receive GIS. That means that it's already been determined that they need support, as against whatever they might have from CPP or OAS.

If we look at that kind of massive number of people who are living at the edge, we also have to consider that many of these people are one major expense, accident or unfortunate circumstance away from moving under the poverty level. The need to address poverty in Ontario is great. What we recommend in that regard, of course, is to increase your own supplementary systems, GAINS, and to work with other levels of government to increase OAS and GIS, which, by the way, was just announced to have absolutely zero increase for 2010. These are important elements of the government role in preventing poverty in old age. When we come to talk about pension reform, it is important that specific measures are taken in respect to the low-wage sector.

I think you've heard a great deal about the HST and its differential impact on various people. Our particular focus is on the impact for older Ontarians, people on fixed incomes who can ill bear any further increase to necessary services. In this area, we focus on home energy costs. They are unable to avoid spending on that, and we have estimated that this will have a very serious impact on their living standards if they are obliged to pay the additional costs.

Other provinces have already acknowledged this. When the harmonization took place in Nova Scotia and Newfoundland and Labrador, those provinces sought and decided to provide rebates or tax grants that mitigate the impact of their harmonization, which has the net effect of adding a new provincial sales tax burden to certain costs. In British Columbia, attendant with its announcement that it will follow suit with harmonization, they have announced that they plan to provide a tax credit for low-income seniors as well as a home energy rebate. The precedent is already there, and CARP would be recommending that you follow suit.

In pension reform, you have also heard us speak frequently about the need to help people save for their own retirement, as well as about changes in the current pension regulatory system to rebalance the interests of employers and employees.

The Vice-Chair (Mrs. Laura Albanese): You have about a minute and half left.

Ms. Susan Eng: Our Premier has already indicated a need to engage the debate immediately with a pension summit. I encourage the government to press further and adopt and support the need for a supplementary retirement savings vehicle.

In the area of health and well-being, our focus is on support for family caregivers. You've heard other people before me who have told you how many people are involved. Our numbers show that there are 1.3 million caregivers here in Ontario providing an important service. For those people who improve the health outcomes for people who are given this care in their homes, we are asking that there be some kind of financial assistance, some kind of workplace protection so that their jobs are waiting for them when they get back, and integration with the formal health care system that provides both training and respite care.

Thank you very much.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your presentation. I will now turn it over to Mr. Sousa for questions.

Mr. Charles Sousa: Ms. Eng, it's nice to see you again. I appreciate once again your submission and your concern for seniors. It is a shared concern for all of us. Pretty soon—some of us are there already.

I appreciate two issues that are coming to the forefront. One is pension reform, which we agree is something that needs to be dealt with, and we are taking measures to do that. As you know, we already came out with phase one of that reform, but we do need a national strategy.

The other one is health reform: in essence, dealing with the caregivers. That too is going to impact our costs. Notwithstanding what you mentioned, the increase in costs is not just relative to age; it's relative to increased prices. But we know and recognize that, as we get older, there is going to be more demand and more need for those services.

You talked about our tax reform. You have acknowledged our tax cuts, and I'm going to refer it to my colleague in a moment to go over some of those tax cuts and grants that are being used to mitigate the effects of the HST.

As we put these health costs in perspective, do you not agree that we need more revenue going forward?

Ms. Susan Eng: There is always a need for more revenue. There's no question about that. We just know that there's a finite amount of revenue that the taxpayers will bear.

Obviously, we would focus on re-prioritizing the money that you already have in play towards the kind of priorities that we have articulated. The importance there, of course, is that we think about being much more efficient with the money that we do have. We have actually surveyed our members in this regard, and none of them support putting more money in the health care system. They do, however, talk about restructuring the budget and refocusing on priorities, doing things in a smarter way. Part of the health care reform of the last, I guess, almost 10 years now has been to do exactly that: restructure how we spend our money.

There isn't any kind of appetite from our members, and certainly not from me, for there to be more money put into the system. However, we do believe that the money that is there—41% of what is a significant budget here in Ontario—is more than enough to address our needs, but they need to be re-prioritized.

The Vice-Chair (Mrs. Laura Albanese): Mr. Delaney.

Mr. Bob Delaney: You talked a little bit about HST credits. I'm wondering whether or not you've told your members that their personal taxes are down by about one sixth, effective immediately, and that if they earn $39,170 per year or less, they are no longer subject to tax.

Looking at this year, where your seniors' property tax credit is doubled—in other words, it pays the taxes on $3,125 of, let's say, home-related expenses that had not been hitherto taxed—and that a senior couple would qualify for a permanent sales tax credit of $260 each, which pays the taxes on some $6,500 worth of items not hitherto taxed—which, added to the transitional grants during the first year, when some 80% of the cost savings of harmonization are passed through, gives seniors some

$22,125 per couple of paid taxes on items not hitherto taxed.

1430

With regard to your suggestion on an energy tax credit, which is already there—it's the doubling of the seniors' property tax credit—what exactly did you have in mind?

Ms. Susan Eng: Just to be clear, we have seen those numbers, and the numbers from the Ministry of Finance have indicated very clearly that the tax credits, all in, add up to a net inadequate mitigation of the full amount of the impact on all seniors. They are absolutely relying on the pass-through of savings from business. The problem with that analysis is that the hope that business will pass through the savings, which may occur, is something that our members in particular do not see as believable. Consequently, they see in the government's own numbers that there is a net deficit. There will be an additional tax burden, which is not relieved by any of the credits that you have added up.

We have made a point of giving our members exactly all of the details. After getting all of the details, they are still of the opinion that there is a need to do better than what has been offered. Of course, the people who are in the lower income brackets and who have fixed income are the ones who have no way out of this additional burden. They will still have to pay for heating. That is why we are recommending that there be a credit targeted to low income and targeted to those kinds of essential services that cannot be avoided.

Mr. Bob Delaney: Okay, some—

The Vice-Chair (Mrs. Laura Albanese): Thank you. I'm sorry, but the time has expired.

Mr. Bob Delaney: Okay. Thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you very much for appearing before the committee this afternoon.

25 IN 5 NETWORK FOR POVERTY REDUCTION

The Vice-Chair (Mrs. Laura Albanese): I will now call the 25 in 5 Network for Poverty Reduction to come forward. Good afternoon. You will have 10 minutes for your presentation, which will be followed by up to five minutes of questioning. This round will go to the official opposition. If you could kindly state your name for the purposes of our recording Hansard before we start.

Ms. Jacquie Maund: Good afternoon. My name is Jacquie Maund. I work with Campaign 2000 and I'm here today on behalf of the 25 in 5 Network for Poverty Reduction. We're a province-wide network of over 1,500 individuals and organizations who are committed to eliminating poverty in Ontario.

In October 2008, Canada was plunged into one of the sharpest recessions since the Great Depression. That same month, an Environics poll showed that 81% of Ontarians believe it is more important during recessions for their governments to make helping the poor a priority, and 89% of Ontarians said that they would be proud if their Premier took the lead in poverty reduction.

A few months later, in December 2008, the Ontario government took that leadership and committed to reduce child and family poverty by 25% by 2013. We're calling on the Ontario government today to continue taking leadership in these tough economic times. We're here to urge the standing committee and members of this committee to ensure that bolder leadership is taken now to prevent falling short of that target of cutting child poverty by 25%.

The world looks very different today in 2010 than when the government made this poverty reduction commitment in 2008. Ontario has been hit harder than most provinces by the global recession, and hundreds of thousands of contributing members of our province have lost their jobs. The majority of those people don't have EI to fall back on.

The World Bank has already warned that the global economic recovery could wilt if governments pull back on their stimulus efforts too quickly.

If we look back at the 1990s, we see some of the actions that were taken to deal with the recession, with the downturn, and those were to slash public spending, to declare war on the province's poor and vulnerable, and to sell off crown assets.

So what are some of the lessons that we can learn from the way that the government dealt with recession in the early 1990s? The war on Ontario's poor then left lasting scars, with no real solution to sustained poverty. We learned that when you cut and run as government, you prolong the pain of recession and weaken an economic recovery. But when you invest in people and communities, the economy recovers faster, and our communities remain safer and healthier.

So what we would like to do today is to recommend seven priorities for action in the upcoming budget that will not only help to meet the commitment to reduce child and family poverty by 25% by 2013, but will also guide Ontario through to a stronger and healthier economic recovery.

Specifically, we're calling on the standing committee to recommend that the Ontario child benefit be increased to $125 a month, to protect families and their children during the economic downturn. That's a maximum of $125 per month, per child.

We're calling on you to address problems in the social assistance system by introducing a $100 monthly healthy food supplement to help adults on social assistance buy healthy food.

We're calling on you to provide funding to fix counterproductive social assistance rules. We list a number of them in our submission. For example, we're calling on you to increase asset levels so that people don't have to strip all of their assets, get rid of all of their assets, in order to be eligible for social assistance.

We're calling on the committee to advise the finance minister to make a down payment of $250 million on the

10-year provincial affordable housing strategy that is due to be released later this year.

We're calling on you to invest in child care, to invest at least $64 million to save 7,600 subsidized child care spaces that are relied upon by low-income families in order to be able to get training or take work. We're looking for at least $64 million to maintain those subsidized child care spaces.

We're looking to you to poverty-proof the minimum wage by continuing to raise it, raise it to $11 by 2011 and index it permanently to inflation.

As part of a step to address the problems of precarious work and temp work, we're calling on you to recommend the hiring of new employment standards officers and improving Employment Standards Act compliance through an additional $5-million investment.

As one of many steps needed to address the racialization of poverty, we're calling on the government to establish an equity and anti-racism directorate which would ensure that employment equity is implemented across all ministries as well as the broader public sector.

We want to emphasize that investing in poverty reduction benefits everyone and needs to be an integral part of Ontario's economic recovery plan. We know that when dollars flow through to low-income people, they spend them. They have to spend most of their income in order to survive, and they spend that money locally. Every dollar that's provided through the Ontario child benefit and through new HST tax credits ends up with local retailers and local grocery stores, helping to prevent a longer and deeper recession and to get Ontario back into the recovery mode faster.

We also know that policies to tackle poverty lay the foundation for a stronger, better-equipped workforce where all hands are on deck, ready to take on the challenges of a 21st-century global economy here in our province.

Thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your submission this afternoon. I will now turn it to Mr. Barrett.

Mr. Toby Barrett: Thank you for presenting. We've had a number of presentations from various poverty groups in Kingston, Ottawa, and London, and some of them may be part of your umbrella organization; I'm not sure.

I appreciate the fact you've set out priorities for the upcoming budget. You made mention of a $100 monthly healthy food supplement, and this was presented one or two times to this committee, as well.

In your deliberations in coming up with that approach, I wondered—certainly in the United States, they've had a food stamp program for many, many years—do you have any information on that program and how that has worked out? I think it goes state by state, as far as the level of involvement.

Ms. Jacquie Maund: What we're calling for is basically an increase to social assistance rates by $100 a month. What our research has shown is that as a single person, for example, you can't survive on $570 a month, which is what you get as a single person on social assistance. We know that people who are on low income, of course, have poor health, so what we're looking for is an increase in social assistance rates by $100 a month, and that money could be used to buy healthy food.

1440

Mr. Toby Barrett: But it's not tied to food, then?

Ms. Jacquie Maund: Not necessarily, no. It's an increase, and we're calling it a healthy food supplement because, clearly, if people can afford to eat properly, it will improve their health. It will improve their ability to get training and to seek the work that they may be able to take on.

Mr. Toby Barrett: Sure. Any progress on this social assistance review? Have they had any consultation?

Ms. Jacquie Maund: As we understand it, the social assistance review advisory committee is now looking at recommendations. They're focusing on rules that may be changed in the upcoming budget, so we outline seven potential rules here that we think should be focused on—for example, the requirement that, again, if you're a single person, you must have only $570 maximum in the bank in order to be eligible for social assistance. That really traps people, because if you have no money in the bank and you're able to actually get a job, how can you afford to buy a decent set of clothes, to invest in transportation or the kinds of the needs that you might have to take on a job?

So we're looking for an increase in those allowable assets to $5,000 for a single person and to $10,000 for a family.

Mr. Toby Barrett: You talk about asset stripping. I hadn't heard it described that way before. I agree in general, and we've heard this from a number of groups. People on ODSP, for example, are not allowed to have beyond a certain level of money in the bank or perhaps build up some GICs.

Now, is this the reason for that, the history? Is this a way of trying to get around fraud rather than attacking the fraudsters directly? Why would they have a system like that?

Ms. Jacquie Maund: You'd have to ask the people who designed social assistance in Ontario, but I think it's basically a way to penalize people, to make sure that you absolutely have to get rid of everything in order to be eligible for public support. But what we're saying is that that is counterproductive, because if you're not able to save any money at all while you're on social assistance, you have no cushion; you have no recourse to fall back on if you're able to get a job, if you're able to get training. It traps people in poverty—literally.

So when we have people who are running out of EI—and only 30% of unemployed people in Ontario now actually are eligible for EI—and people who are not able to get EI, they're living off their savings. They're selling any assets they have. If they're that poor that they fall on social assistance, they have absolutely nothing left to rely on. We're calling for a change in those asset rules, which is, indeed, what other provinces, like Newfoundland, which has a poverty reduction strategy in place, have done. They have made this kind of change. We're looking for Ontario to do the same.

Mr. Toby Barrett: I see the rest of your recommendations—just on number 2—primarily as bureaucratic red tape: the documentation that's required; family or friends are apparently not allowed to assist with dinners or groceries. I find that hard to believe. Does this have to be documented, if someone takes you out for dinner or helps you with groceries?

Ms. Jacquie Maund: We know of cases where case workers have discovered that people are receiving small gifts or donations, and those funds have been deducted from a person's social assistance cheques.

Mr. Toby Barrett: So the local administrators are mandated to do that? They don't have the discretion to take a pass on some of this stuff?

Ms. Jacquie Maund: I think in some jurisdictions they can. As long as they know of the information, they can make a decision to absent that, but in other cases, people have experienced clawbacks off their cheques, yes.

Mr. Toby Barrett: Okay, thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you.

ONTARIO HEALTH COALITION

The Vice-Chair (Mrs. Laura Albanese): I will now call on the Ontario Health Coalition. Good afternoon. You will have 10 minutes for your presentation, and that will be followed by up to five minutes of questioning. If you could please identify yourself for the purposes of our recording Hansard, you may begin.

Ms. Natalie Mehra: Thank you. My name is Natalie Mehra. I'm the director of the Ontario Health Coalition.

We wanted to highlight three key issues in our budget submission this year: one which is a cost item about spending on hospitals and the costs of hospital cuts, and two that are actually about finding savings through another look at infrastructure investments and introducing accountability in the long-term-care homes sector.

In terms of hospitals, I actually came here from a meeting in Ottawa where a patient advocate said, "What does medicare have in common with a hospital gown?" She said, "You only think you're covered."

In terms of hospital cuts in Ontario, increasingly—

Mr. Michael Prue: It took me a second.

Ms. Natalie Mehra: I figure it's been a long day for all of you.

Increasingly, we're finding that the restructuring that is happening now is at a depth that is resulting in services actually being offloaded from hospitals and not replaced anywhere in the community, so that the scope of publicly covered services under medicare is in fact, in measurable ways, shrinking in Ontario. This, despite the fact there is not a case to be made for hospital funding being unsustainable.

I'll direct your attention to page 3 of our brief where you'll see a chart which shows hospital spending as a proportion of health care spending over the last 30 years. You can see that over the last 30 years, hospital spending as a proportion of health care spending has shrunk from 52% to 37% of our health care dollars. On a per capita basis or on a per person basis, similarly, hospital spending as a proportion of health care spending has been shrinking, not growing. If you look at total government health care spending in Ontario as a proportion of GDP or as a proportion of economic output, from 1990 to the most recent years measured, around 2006 or 2007, it really has been running in a fairly narrow range, in the high 5%—5.8% or 5.9% to 6.5% or so of GDP.

Taken all together, this data, which is government data, does not present a case for either major cuts to hospitals, to needed community hospital services, nor does it make a case for rhetoric that hospital spending is out of control or would eat up the budget or is somehow unsustainable. In fact, hospital spending, as a proportion of health care spending and as a proportion of the provincial budget, is shrinking. In fact, hospital cuts, when they simply result in new user fees for patients, are a false economy, as Roy Romanow famously said in the Romanow commission. The people of Ontario actually don't see savings from those cuts.

I heard on the radio this morning travelling in that the Ontario Hospital Association has characterized the cuts across Ontario in hospitals as moderate. I would respectfully take issue with that characterization. If you were to ask the people of Guelph, for instance, who have lost their pain clinic, whether that was a moderate cut now that they have to travel into Toronto to access pain management, I think they would disagree; or those in Hamilton who've lost their fertility clinic; or those who've lost birthing services in their communities in Niagara Falls, Welland, Haliburton, Dunnville and many others; or the women who've lost local access to mammography; the in-patient beds that have entirely been closed in Wallaceburg or Burk's Falls, forcing patients to travel down the highway to the next town to access in-patient beds; emergency department closures in Port Colborne and Fort Erie; the urgent care centre closure in Burk's Falls; the operating room closure in Cornwall; the neonatal ICU closure in Windsor; the IV therapy cutbacks in London; the physio cutbacks all across Ontario, including, recently, Kincardine, Strathroy and Deep River; the laboratory closures all across the province in public hospitals; and then the additional reduction of hours in the private laboratories that have replaced them in communities.

For two successive years, hospital funding in Ontario has not kept pace with inflation, and this has resulted in up to 80% of hospitals facing deficits. The consequences of the types of cuts hospitals have engaged in in order to eliminate their budget deficits have included new user fees for patients and their families. I've travelled almost incessantly for about 10 years, and I'll tell you, hospitals have the most expensive parking of anywhere in town in every community that you go to. Hospitals have gone to extraordinary lengths to force patients to pay for parking in their hospitals, including working with municipalities to close down all the parking meters along the streets close to or adjacent to the hospitals and buying up nearby parking lots, such as in Strathroy—the church parking lot across the road—and erecting walls so that people cannot park for free in those lots and cross the street to the hospitals.

1450

I recently went to Lakeridge Health for about two and a half hours for a family member's day surgery. The parking fee was $16 to visit the hospital. There's nowhere else to park.

As you're requiring patients to travel, those fees amount to user fees for seeing doctors. There's no question, there is no alternative for patients except to park at these extraordinarily expensive parking lots.

That is not the only expensive user fee. All of the patient user fees have gone up in recent years, and if you add them up together they comprise a significant user fee for hospital services.

In addition to those types of user fees, there are new user fees as physiotherapy, chiropody, speech pathology and other services are cut from local hospitals. The measure for LHINs is not whether or not the services are accessible somewhere in the community, but whether they are available somewhere in the community. That means that if the only place to get physio is a private clinic where you have to pay $70 to $100 for the visit, that is deemed "available" and the service can be cut in your local hospital. Also:

—high, sometimes dangerous levels of hospital occupancy;

—long ER wait times;

—cancelled surgeries;

—downloading of heavy care patients, in the most egregious examples into retirement homes which are fully for-profit and private. They are not even accredited. They are not under any health care legislation in Ontario. They're treated as a tenement, as an apartment building. Hospital patients are being moved into them. It's a liability issue that is serious;

—unnecessary hospital readmissions;

—requirements for patients to travel increasingly long distances for care, increasing the risk for patients travelling for services like ERs or birthing;

—new municipal costs for ambulance services;

—loss of access to vital services;

—privatization of formerly public and non-profit services, something this government ran two elections against;

—loss of services as privatized labs cut their hours;

—increased risks of poorer outcomes for patients;

—cuts to vital patient support programs such as social workers and patient advocates; and

—increased workloads.

The Vice-Chair (Mrs. Laura Albanese): You have about two minutes left.

Ms. Natalie Mehra: Thank you.

I'll stick with hospitals. Just as an example of a couple of increased user fees, as hospitals cut services, there's physiotherapy. When outpatient physiotherapy is cut, as it has been now almost all across Ontario, the new user fees for patients are $75 to $100 for the first assessment and $50 to $70 per visit. Similar fees are charged for foot care for people with diabetes. As local community hospitals and services are closed, ambulance fees ranging from $50 to $100 are charged to patients now taking ambulances to ever-more-distant towns. For example, a woman in Burk's Falls told us just a few weeks ago that she had to pay $68 in the last month, each way, to take a taxi to Huntsville after her local hospital closed and she needed to seek care there. There is no public transportation system between these towns where hospitals are being closed and care is being shifted. And I gave you the parking example.

Our concern is not only that the restructuring of hospitals is causing new costs for patients, but the restructuring itself is causing new costs for government. Under the Harris government restructuring, the Provincial Auditor found that the restructuring commission's estimated costs would be $2.1 billion to close down hospital beds, lay off staff and move services around. In the end, it actually cost $3.9 billion just for restructuring, much of which has had to be reversed.

If you look at the case in Niagara, you can see the same scenario playing out. Two hospitals closed. The new costs for ambulance services in the Niagara Peninsula are $3 million, more than was expected to be saved from the closure of the emergency departments in those two hospitals. In addition, there are renovation charges and a host of additional restructuring costs.

The Vice-Chair (Mrs. Laura Albanese): Thank you.

Ms. Natalie Mehra: It's unclear whether that move saved any money at all. Most likely it cost more than it saved.

Thank you.

The Vice-Chair (Mrs. Laura Albanese): Thank you for that. I will now turn it over to Mr. Prue.

Mr. Michael Prue: Thank you very much. You gave us a lot to think about.

A whole bunch of really short, I hope, questions and answers. Hospitals and boomers: We expect that there's going to be a whole lot more people using the hospitals out of necessity in the next 20 years. Have we adequately planned? Cutting back now: Does that make any sense?

Ms. Natalie Mehra: No. One of the most significant problems we see is that retirees have located in towns in part to be near a hospital, and then those hospitals come under threat: beds, wards, whole floors are closed. Emergency.departments are closed. So people have no certainty when they're locating for their retirement years that the health care that they expect is going to be anywhere near them. So (1) there's a geographic problem with that, and (2) there's a lost capacity.

As you close down services, those who are nearing retirement tend to retire, and so you lose all of that mentorship, all of those health professionals, and you end up in a vicious cycle. If you lose an emergency department, for example, in a community, it's very hard to attract physicians, because they want to practice to their full scope. Rural physicians are generalists, and without a hospital they can't do that. So you end up not having primary care either, in addition to having lost the hospital services.

Mr. Michael Prue: We've had a lot of people come forward with home care saying that they can save money, and not spend it on the hospital, by keeping people in their homes longer, looking after them in their homes as opposed to a more expensive hospital. Is that an answer?

Ms. Natalie Mehra: Well, there are two answers to that. One is that there are significant cuts to home care that are happening right now. Just at the same time as physio and other therapies are being cut in hospitals, they're also being cut in the same health regions in home care. So the therapies, specifically, are seeing major cuts in home care. They maybe could be provided at home if there was actually the funding for that, but there is not.

In terms of other patients, such as ALC patients, the number that could be moved to home care would be the smallest. Most likely, most of those patients either require complex continuing care beds in a hospital or they require long-term-care beds. Their care levels are quite high, they're quite complex and would require significant care.

Mr. Michael Prue: I've read in the paper over the last couple of weeks that the hospitals have been told to prepare for either zero, 1% or 2%, and that as a result of that, hospitals across the board are starting to cut services. In my own community, Toronto East General Hospital announced the closure of its physiotherapy, and I know others have announced other similar closings. Are the hospitals sustainable at either zero, 1% or 2%, or do we anticipate a whole downturn?

Ms. Natalie Mehra: We've had two years now of hospital funding that's less than the rate of hospital inflation, and what that means is that as that funding gap grows, hospitals have no choice but to cut services. So yes, there will be continued cuts, and ever-deeper cuts, as the gap between hospital funding and inflation continues.

Mr. Michael Prue: Which brings me to parking: What a horrible thing that is. When I go to Toronto East General Hospital I can find parking on the street, because they still have the meters, but if I go up to visit someone at Sunnybrook, which is also in my community, it costs $16 or $18 to park there to go in for an hour visit. Is there anything that the government of Ontario can do? Or have they simply washed their hands and turned it over to the LHINs?

Ms. Natalie Mehra: Actually, the government of Ontario directed the hospitals to do that. In their seven-stage cut/revenue-increasing process over the last several years, the first stage is to increase user fees for patients, increase your revenues through things like parking fees and other user fees for patients.

Mr. Michael Prue: Because at a place like Sunnybrook, which is right in Toronto—and there's land all around it—they could build other parking lots, but they don't. They do this in order to increase the revenue and, quite frankly, with all deference to them, to gouge people going in because there's no other alternative. Should the government be setting a limit on the amount that they can charge for parking, as one example?

Ms. Natalie Mehra: The policy document from the government says that the parking rates should be at market levels, but in every community that I've been to, they're the highest rates in town. Enforcement of market levels would probably be fine. In many towns, you don't pay for parking anywhere except at the local hospital.

The Vice-Chair (Mrs. Laura Albanese): Thank you.

Mr. Michael Prue: That's it? Okay, thank you.

The Vice-Chair (Mrs. Laura Albanese): Ten seconds left.

Mr. Michael Prue: I got a lot in.

The Vice-Chair (Mrs. Laura Albanese): I know, you did. Thank you.

ONTARIO HOME BUILDERS' ASSOCIATION

The Vice-Chair (Mrs. Laura Albanese): We'll call now on the Ontario Home Builders' Association. Good afternoon. You'll have 10 minutes for your presentation, and that will be followed by up to five minutes of questioning, which in this rotation will go to the government side. If you could please state your name before you begin.

Mr. James Bazely: Good afternoon, members of the committee. My name is James Bazely, and I'm the president of the Ontario Home Builders' Association. I'm the past president of the Greater Barrie Home Builders' Association and am president of Gregor Homes, based in Barrie, Ontario. We specialize in green building, green renovations and accessible housing across Simcoe County.

1500

Joining me is Bob Finnigan, who is the first vice-president of the OHBA. He is a past president of the Building, Industry and Land Development Association, BILD, and is also the COO of housing for Heathwood Homes, where he oversees a diverse group of communities across the GTA.

The Ontario Home Builders' Association is the voice of the residential construction industry in the province. Our association includes 4,000 member companies involved in all aspects of the $37-billion industry, and we are organized into 29 local associations across the province.

Our industry has been through a very difficult year since the bottom fell out of the housing market in late 2008. Sales activity has since begun to pick up over the past few months, especially in the GTA, but we are concerned that there are still pockets of weakness in other communities, such as my own in Barrie. In a recent survey of our membership, over 80% suggested that 2010 would be the same or better than 2009, so there's certainly some optimism and positive momentum for our industry going forward.

Now I'm going to turn it over to Bob.

Mr. Bob Finnigan: As James noted, we're in a situation where confidence in the housing market is leading to the recovery of sales, especially in the GTA. The record-low mortgage rates and the pent-up demand are helping, but sustained housing strength is typically tied to strong employment. We are very concerned that, unless we start to see a broader stabilization in job numbers, the housing recovery could be short-lived.

That's why our industry is recommending that the upcoming provincial budget focus on job creation. The province needs to continue with economic stimulus funding, with a focus on major infrastructure projects. This will yield significant benefits: jobs in the short term and productivity gains in the long term.

Right now the government has the opportunity to address the infrastructure deficit and to build further on last year's investments towards enhancing border crossings, funding the infrastructure that supports the growth plan, updating our aging water and waste-water systems and supporting the Metrolinx regional transportation plan.

For years, governments of all political stripes have only paid lip service to the infrastructure that supports our economy and quality of life. Finally, we have seen a real commitment by this government to make bold investments, and we recommend this continue until a solid recovery has taken hold and prior to putting the brakes on any stimulus funding.

Mr. James Bazely: The shift to a single sales tax has not been without controversy, and I'll state clearly that the Ontario Home Builders' Association recognizes the long-term economic benefits of this major change in tax policy. We have, however, been consistent in our message that both new housing and residential renovations require specialized tax policies that recognize that housing is different.

To give the provincial government credit, new housing was given specialized tax treatment in the 2009 provincial budget. The initial harmonized sales tax proposal was based on a regressive tax structure with dual thresholds that the federal government implemented when the GST was introduced. We immediately recognized some major flaws in the tax policy and were pleased by the willingness of the Ministry of Finance to work with us to identify aspects of the tax structure that could be improved. In June, a progressive tax structure was introduced, and this tax structure has since been adopted by BC when they announced that they, too, would be harmonizing sales taxes.

I should note that while we support positive measures taken to improve the tax structure, it still represents a net taxation increase for new homes valued at over $400,000 and will weigh on the future performance of our industry in terms of job creation. Therefore, we strongly recommend that the province review the $400,000 threshold on a regular basis to ensure that as average new home prices inevitably increase over the long term, the threshold also increases to protect housing affordability.

Mr. Bob Finnigan: Further to that, with respect to the HST and the residential renovations, this area of the tax still requires some serious thought and modifications to what has been tabled.

The problem can be summed up in a nutshell: Today, an estimated 37% of contractor renovations are taking place in the underground economy, as consumers pay cash to avoid paying the 5% GST. On July 1, when the sales tax jumps from 5% to 13%, it's pretty obvious that the estimated $5.2 billion in unreported activity is going to grow substantially.

There's lots of work out there, and because of the consumer demand, more renovators are just going to go underground and earn a living tax-free. The consumers that choose to go this route, i.e., under the table, will have little or no recourse in the event of shoddy or unsafe workmanship, no warranties, and increased exposure to financial liability or other issues should an accident occur.

The other big losers are going to be the taxpayers and the provincial and federal treasuries. The Altus Group recently estimated that the increase in sales taxes from 5% to 13% will result in significant government revenue losses, such as a loss of up to $298 million in GST revenue annually and the loss of up to $1.6 billion in annual income tax revenue. Add to that the hundreds of millions of dollars in lost revenues for CPP, WSIB and employment insurance premiums and you can see clearly that something needs to be done to the current legislation.

It is not just the province. The federal government clearly has a role to play as well, given that the GST is already a major problem contributing to the cash transactions and tax avoidance in the renovation sector.

OHBA, in conjunction with our national association, has proposed a joint solution involving both the federal and provincial governments. The federal government should expand and make the new home renovation tax credit permanent, and we recommend that the province implement its own renovation tax rebate directly to consumers. This would encourage the use of legitimate contractors and, through the collection of receipts, there would be a paper trail for the tax collection agencies that could be shared with other government agencies such as WSIB. It's a proposal that represents good tax policy and good public policy.

Lastly, we'd like to briefly touch on an initiative launched by the provincial government called Open for Business. This program was created to fulfill the province's commitment to create a stronger and more prosperous Ontario by making it easier to do business with government and reduce the regulatory burden. The residential construction industry is one of the most heavily regulated businesses in Ontario. Many of these regulations have clear purposes and value, but there are opportunities to improve procedures and processes, as well as eliminating duplication and redundancy. OHBA looks forward to working with the provincial government to take a hard look at many aspects of the regulatory environment and seek improvements.

We must mention our support for the Good Government Act, which includes measures to combat illegal building. Spearheaded by OHBA, working in cooperation with the Tarion Warranty Corp., municipal building departments will now be required to share permit information with Tarion, which will facilitate investigation, enforcement and prosecution of illegal builders. This is a big step in the right direction.

Mr. James Bazely: I'll conclude our presentation today by reiterating the need for the province to continue to make infrastructure investments to ensure this is a sustainable V-shaped recovery, as we do not want that dreaded W-shaped second dip. Residential construction is helping lead a recovery through increased activity, which is creating new jobs in communities across Ontario.

I caution you that this is a very fragile recovery, and our industry is very sensitive to any increases in taxes and regulations. We are concerned about our overall employment numbers, taxation changes on July 1 and anticipated increases in mortgage rates. We hope to continue to work with all of you to ensure that the new housing and renovation industries continue to support job growth, and we will work with you to combat illegal activity.

I'd like to thank you this afternoon for your attention, and Bob and I look forward to hearing any of your comments or answering any of your questions.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your presentation. I would ask Mr. Delaney to begin his questioning.

Mr. Bob Delaney: Thank you very much for the very interesting presentation. I visited the headquarters of some major retailers who have all made it very clear that they intend to flow through both the costs and tax savings from their suppliers through to their customers, and to do it as quickly as is feasible. In looking at the structure of your industry, the firms in it, depending upon their size, are going to benefit from the elimination of the capital tax, the elimination of the small business surtax, the reduction of your operating costs through input tax credits and, in addition to higher gross profits, a lower tax on your net profit.

My question to you is, how are you going to flow through these, particularly in your sector, enormous cost savings to the purchasers of homes?

Interjection.

Mr. Bob Finnigan: I'll take that one, sure.

We figured out that our average cost of producing a house will probably drop in the 1.6% to 2.4% range, depending on where you're building in the province—on the hard cost. A major component of the housing cost today is land, which has no tax on it today. The net increase on a $500,000 house, including the $24,000 rebate, is going to be in the vicinity of an additional $8,000, so there is no cost saving to a consumer in this situation. That $8,000 is a true tax cost. The cost that we would save in our business operations is minimal vis-à-vis the per-unit savings that we would have on a house, so 2%. So there's a significant cost.

As we said in the program here, it's a different product. With an average price of a house approaching $500,000—and that's not a rich man's house—the tax burden is increasing by $8,000 per $100,000 in excess of $400,000.

1510

As a builder myself, whatever the cost of my input is will bear out into the price of the house. The price of the house is driven by the market. So prices will be going up, affordability will be going down, and there is no net savings to the consumer.

Mr. Bob Delaney: Numerous of our presenters have said exactly the opposite to us and pointed out that, based upon their analyses, somewhere in the range of $2.5 billion to somewhere close to $3 billion of the some $4.5 billion that Ontario will leave on the table in taxes no longer collected will rest with the home building industry. Who's going to take this $2.5 billion to $3 billion and take it home?

Mr. James Bazely: I guess I'd have to dispute that it's going to be left on the table for the home builders to take home. Currently—and Bob's already made it all very clear—we've done the math on it and there is no gain on our half.

We currently can't keep up with the cost of housing. Every time there's an additional tax or charge applied, whether it be a DC charge or WSIB, we can't increase the cost of homes enough to even recapture some of that. So, quite frankly, I don't agree with that math.

Mr. Bob Delaney: Okay. Let's move to another topic. How much time have I got?

The Vice-Chair (Mrs. Laura Albanese): Two minutes.

Mr. Bob Delaney: Two minutes? Okay. You've talked about the underground economy, a concern that all parties here share. What measures do you take, as an entity and among your different builders, to work with the trades to teach them that the most profitable and most responsible course of action in conducting their business is to actually declare everything?

Mr. James Bazely: I'll grab that one. I can speak for myself. I can't speak for every member. Typically, our trades are members of our association, so they would share the same attitude or the same philosophy we do, that we're going to run a legitimate business. I don't think our concern is with our subtrades. Quite frankly, it's with all the firefighters that work 24-hour shifts and they're off five, six, seven days and they're running renovation businesses for cash; electrical firms for cash; irrigation businesses—cash; landscaping companies—cash. It's not our trades that are our concern; it's those people, or an up-and-coming business person who decides not to get legitimate, ever, who says that they've finished school and they're going to get into the renovation business and they're going to start doing it for cash. They can buy a pickup truck and a hammer and call themselves a renovator.

What we have done as an association is we adopted the get-it-in-writing campaign. Also, most of the associations in Ontario have adopted, or are in the process of adopting, the RenoMark campaign, which gives a sort of accreditation to the renovation business.

It's tougher to do a cash deal on a new home, but it's very, very simple to do it in the renovation business. Quite frankly, the renovation business, financially, is larger than the new home industry in Ontario.

Mr. Bob Delaney: Thank you very much for your time.

The Vice-Chair (Mrs. Laura Albanese): Thank you. I'm sorry, but the time has expired.

ELEMENTARY TEACHERS' FEDERATION OF ONTARIO

The Vice-Chair (Mrs. Laura Albanese): We'll now call on the Elementary Teachers' Federation of Ontario to come forward. Good afternoon. You will have up to 10 minutes for your presentation, and that will be followed by five minutes of questioning. If you could please state your name for the purposes of Hansard.

Mr. Sam Hammond: My name is Sam Hammond, and I'll see how I can do in 10 minutes.

I'm Sam Hammond, president of the Elementary Teachers' Federation of Ontario, which represents 73,000 teachers, occasional teachers and educational support workers across the province. With me today are Gene Lewis, ETFO's general secretary, and Vivian McCaffrey, our government relations administrative assistant.

ETFO welcomes the opportunity to participate in these pre-budget hearings. The 2010 provincial budget will play a key role in determining how well Ontario continues to recover from the recent recession. The budget will also determine to what extent the province will be able to sustain public services and address the needs of those most adversely affected by the economic downturn.

ETFO recognizes that the province is predicting an annual deficit of $24.7 billion and that this figure could increase if the pace of economic recovery is slower or shallower than anticipated. We commend the government's decision to incur a budgetary deficit last year rather than cut public services that are essential to Ontario's general welfare and future economic prosperity. We also applaud the government's increased investment in education at a time of declining enrolment. This investment is necessary to ensure that Ontario continues to graduate students who have the knowledge and skills to support an increasingly knowledge-based economy. At the same time, ETFO recognizes that a responsible government must be mindful of the size of the budgetary deficit.

ETFO has some suggestions as to where the Ministry of Education can make cuts without negatively affecting the quality of programs offered to students.

To date, the government has wisely rejected the notion of targeting public sector salary compensation for restraint measures. Such a move would represent a flagrant disregard for collective agreements and for decisions made by the Supreme Court on the issue. Furthermore, it is simplistic to suggest that public sector employees have been sheltered from the economic downturn. While they have not suffered the severe job losses that have hit the auto or forestry sectors, for example, public sector employees have family members affected by private sector job loss, their savings have been depleted by the severe stock market slump, and many have faced job loss or had their hours of work cut back.

In the education sector, as the result of a number of factors, we have experienced a modest reduction in the teaching force. ETFO members have been particularly singled out. The economic decline, which peaked last fall in the midst of our provincial framework discussions for collective bargaining, resulted in our members being forced to accept lower salaries than their secondary, Catholic and French colleagues over the next four years. As a result, our contracts are providing annual savings to the government of approximately $45 million.

The decision to move ahead with full-day kindergarten is the right one for Ontario. Once fully implemented, the program will bring the province closer to jurisdictions in most industrialized nations which have well-established early childhood education programs that are recognized as critical for healthy development, improved student achievement and supporting workplace participation on the part of young parents, especially women. Full-day kindergarten will also contribute to economic growth and stability. A strong economy and rebuilding the tax base depends on the creation of good jobs.

By 2015-16, this program will create an estimated 3,800 additional teaching positions and 20,000 positions for early childhood educators. These will be good jobs, supporting every community across the province. The new program should also assist in keeping some elementary schools open that otherwise might face closure. The program should also lead to schools with available classroom space becoming community hubs for children's services, a development that should mean cost efficiencies and more effective use of public dollars.

If the Ministry of Education is being obliged by government-imposed restraint measures to find efficiencies, ETFO believes the focus should be on spending not directly related to classroom programs and resources. ETFO recommends that the ministry look for cost savings within the operation of the Education Quality and Accountability Office and the various initiatives administered through the ministry's literacy and numeracy secretariat.

Classroom teachers across the province report that the ongoing push for assessment data takes important time away from classroom instruction and that it leads to a disproportionate time spent on literacy and numeracy, to the detriment of other subjects. It is clearly time to take a break from the current assessment practices and allow teachers to apply what they've learned to date.

1520

ETFO recommends that the government consider a number of options to find savings from the EQAO's $34-million annual budget, including:

—adopting a two-year moratorium on the tests;

—eliminating the grade 3 or 6 tests;

—testing on a two- or three-year cycle; and

—moving to random sample testing whereby only students in a few randomly selected schools participate in the tests each year.

Scaling back on EQAO assessment would also place Ontario in line with other jurisdictions with a history of administering large-scale assessments. Scotland and Wales abolished their national assessments in 2001 and 2003 respectively. In 2008, Northern Ireland cancelled the assessments its students wrote for acceptance to grammar school, and England ended its national assessment for 14-year-olds.

Within Canada, Manitoba abolished its grade 3, 6 and 9 tests beginning in 1999, and New Brunswick cancelled its secondary provincial assessments in 2005. In Alberta, the government is working with the provincial teachers union to develop classroom assessment tools to replace its grade 3 tests. It's time for Ontario to follow suit and dramatically scale back on EQAO assessments.

The Ministry of Education allocates $77.5 million to the work of the literacy and numeracy secretariat. The secretariat has been engaged at the school level for over five years in a number of initiatives aimed at boosting student achievement scores on EQAO tests. The ministry could achieve considerable savings by eliminating, temporarily suspending or dramatically reducing the various LNS initiatives.

The ministry allocates $14.1 million to support more than 80 student achievement officers who are sent into the field to work with school boards and schools. ETFO believes these individuals duplicate work done by school board consultants and that the positions should be eliminated. Ministry staff should be working at the provincial level, not the school level.

A major part of the literacy and numeracy secretariat budget, more than $33 million, goes to a program entitled Ontario focused intervention partnership, OFIP. This program targets schools where results on the EQAO tests have been low or have remained static over time and provides intensive support to the areas of literacy and numeracy. The program has been in place for three years. Now is an appropriate time to end the program and a similar program, Schools in the Middle, and give teachers in these schools the opportunity to apply what they've learned without the interruption and intrusion of the intensified intervention.

On behalf of 73,000 members, ETFO also recommends that the Ministry of Education eliminate the school effectiveness framework to achieve savings of $11.4 million.

The Vice-Chair (Mrs. Laura Albanese): You have about 30 seconds left.

Mr. Sam Hammond: In conclusion, ETFO commends the government for avoiding the mistakes made by previous governments faced with an economic recession. Cuts to public services or targeting public sector compensation will do nothing to rebuild the economy.

Ontarians are relying on the government to sustain essential services, assist those most severely affected by economic dislocation and invest in ventures that will produce the highly skilled, well-paying jobs the province needs to prosper.

Thanks for the opportunity to present.

The Vice-Chair (Mrs. Laura Albanese): Thank you for that submission, and I will turn it over to Mr. Shurman for questions.

Mr. Peter Shurman: Good afternoon, Mr. Hammond. Thank you for the presentation—interesting listening. I suspect that we can't cover very much in five minutes. We could probably talk for a few hours on some of the things that you've said.

Many submissions over the past week, as we've travelled around Ontario, have talked about the need for all manner of things. I'm thinking particularly of one woman in Niagara Falls who, faced with the choice that I gave her, an imaginary choice of additional funding for her son, with severe mental handicaps, and her daughter, who is qualified to go to all-day kindergarten, said, "In a New York minute I would go with the increased funding for my son's ailment and for other kids like him. We don't need junior kindergarten at this point."

You have said very specifically that you think going ahead with that is important. In these budgetary times, how can you make that case?

Mr. Sam Hammond: The government is going ahead with the early learning program. I would agree with you that the situation and the example that you put forth is also extremely important to parents across this province. Because the government is going ahead with early learning, we have been and we continue to be extremely supportive of that program. We think it is a good short- and long-term investment in students and four- and five-year-olds in the short term, and in those same students as they progress throughout the education system. The foundation that will be set by that program going forward with a teacher and an early childhood educator in those classrooms will be an extremely valuable asset to four- and five-year-olds.

Mr. Peter Shurman: In a perfect world I'd agree with you, but it's not a perfect world, as you yourself have said. This is a time of restraint. You don't want the restraints to hit your membership. That's perfectly understandable, but something's got to give when you've got $25 billion in deficit and not very much behind that for the ensuing year or two years. It's hard to make the case for going ahead with new programs if you can't fund the ones that are already there.

Mr. Sam Hammond: I think going ahead there is a very good case to be made, as we've made here, and in our submissions to the government on full-day learning we have made a very good case for going ahead with the early learning program for four- and five-year-olds in this province.

Mr. Peter Shurman: But the recommendation of Charles Pascal himself was that we not use full-fledged teachers, that we use early childhood educators, and we wound up with a full program involving your members.

Mr. Sam Hammond: I'm sorry?

Mr. Peter Shurman: The Charles Pascal recommendation that was the precursor to this didn't require full days taught by fully qualified teachers such as your members.

Mr. Sam Hammond: We agree and have advocated very strongly that the right model is the model that has been introduced, with a teacher and an ECE professional in those classrooms. Would it have been cheaper to go the other way? Absolutely. But the best model in terms of what needs to happen in those classrooms for four- and five-year-olds is the model that the government has put forward.

Mr. Norm Miller: Thank you for your presentation. We had a presentation earlier in the day from the Canadian Federation of Independent Business and one of the statistics they were talking about was that there's a 28% differential between private sector wages and the public sector. Obviously we know that we're facing a $25-billion deficit. Do you think the public sector has a role in helping the province address that $25-billion deficit?

Mr. Sam Hammond: Yes. We all do, as taxpayers, as government; we should all contribute to find solutions to that deficit. We've done that in our submission in terms of where we see government can immediately make cuts or find cuts, reductions in their budget across the board—

Mr. Norm Miller: I know I don't have much time. On that point you're suggesting cuts to the Education Quality and Accountability Office and the literacy and numeracy secretariat. Some members of this committee were with me in Philadelphia this summer and the keynote speaker at the National Conference of State Legislatures was Bill Gates. The key of his speech—and I won't be able to get through it in a minute—was that teachers are the most important thing to improve the outcome of a student, that one good teacher can make a 25% difference in one year in improvement in a student. So what you need to do is have longitudinal data that follows the particular teacher and you reward the teachers that are doing well and get them to mentor other teachers. You seem to be going away from that, going in a completely different direction than trying to develop better teachers and reward the best teachers.

The Vice-Chair (Mrs. Laura Albanese): Brief answer.

Mr. Sam Hammond: I don't agree. I absolutely don't agree. ETFO and the other teaching affiliates in Ontario have spent a great deal of time in terms of professional development for our members, supporting our members and making sure that teachers have what they need in those classrooms to do the best job and to benefit every single student in classrooms.

1530

Just to go back to your other question, ETFO, as I said in the submission—when you talk about public sector employees contributing to the deficit, my members across this province have already contributed $45 million to this government with the reduction of 2% salary compared to their colleagues across the province.

The Vice-Chair (Mrs. Laura Albanese): Thank you for your answer. The time was expired.

Mr. Sam Hammond: Thank you.

ONTARIO ASSOCIATION OF CHILDREN'S AID SOCIETIES

The Vice-Chair (Mrs. Laura Albanese): I would now call on the Ontario Association of Children's Aid Societies. Good afternoon. You will have 10 minutes for your presentation, and that could be followed with up to five minutes of questioning. This rotation will go to the NDP and Mr. Prue at the end of your presentation. Please state your name before you begin.

Ms. Jeanette Lewis: Thank you, Ms. Albanese. My name is Jeanette Lewis. I am the executive director of the Ontario Association of Children's Aid Societies, and with me is my colleague Virginia Rowden, director of social policy at the OACAS.

Good afternoon to all members of the committee.

You have a copy of our submission, and I would ask that you follow the copy in the presentation, beginning on page 4, where you'll note that the Child and Family Services Act gives children's aid societies the exclusive mandate to protect children from abuse and neglect. The legislation, regulations, directives and standards prescribe specific and detailed requirements regarding what CASs must do, how they must do it and the timelines in which critical and mandatory protection and prevention services must be provided.

On page 5, we describe the impact of the recession on families, and this impact is being seen by CASs. Last year in our presentation, we noted that the economic downturn would result in higher demand for certain CAS services. Unfortunately, this prediction that higher rates of poverty, unemployment and other effects of the recession would affect children, and thus increase demand on CAS services, is being realized.

More than one in four children in Toronto live in poverty. The percentage of poor children in the 905 region is also increasing, and the incidence of poverty has consistently increased across Ontario. We know that research shows that there's a direct link between poverty and child abuse, mental health issues and woman abuse, all of which affect the demand for CAS services.

OACAS supports the government's efforts to address poverty, and we support the announcements related to the Ontario child benefit, early learning and tax fairness for low-income Ontarians, but we remind you that the critical safety net of child protection services has been eroded.

With an increase in unemployment by 43% since 2008 and the utilization of public welfare increasing by 17% from November 2008 to November 2009, we also have seen an increase in CAS investigations and assessments.

Meanwhile, in this past year, CAS resources have decreased. The Ministry of Children and Youth Services rolled back funding in 2009-10 for CASs with in-year funding cuts, including disproportionate cuts in funding to the most vulnerable communities, such as aboriginals' CASs in northern, remote and urban areas, as well as cuts to CASs in some of the high-growth urban communities, such as York, Durham and Simcoe. There was a rollback of the amount provided in 2008-09 and a zero increase for 2009-10. The government also applied a retroactive infrastructure cap. In total, the 2009-10 cuts to CASs totalled $54 million, and this is money that should have been available to serve the most vulnerable children and families.

If you look at page 8 and consider the track record of children's aid societies in Ontario, Ontario has the second-lowest rate of children in care in Canada, which is remarkable. In fact, the child welfare program evaluation report done in 2003 by the government stated in its cross-jurisdictional review that there was no more cost-effective alternative to the model used in Ontario and that no jurisdiction was more efficient.

In the past months, CASs have been told that their spending was growing too rapidly. Now, the facts are that the CAS rate of expenditure growth is slower than the overall rate of expenditure growth in Ontario. In fact, CAS expenditures have declined as a percentage of provincial spending.

In the backdrop, it's important to consider that changes in how CASs do the work of child protection have been continuous during the past 12 years. There have been two major government change agendas—child welfare reform and child welfare transformation—and these agendas have resulted in more Ontario children being kept with their families. But much of what the CAS does is not funded by a funding model that has a two-year lag in the calculation of agency allocations, allows no true adjustment for inflation, and does not support keeping children safe within family homes.

The current measurement systems count CAS work by the number of children who are out of their family homes and in care, and this is a good thing, but let us remember that services to children in care account for only about 10% of the cases served. Most of the hard work of keeping children safe in their own families is time- and resource-intensive and is not reflected in the current funding model or the numbers that are quoted.

If you go on to page 11, the solutions proposed by CASs and other experts are outlined, and on page 12, some important numbers are presented to you.

First, child protection calls increased by 3% in 2008-09, and these calls resulted in 156,650 referrals and investigations.

Secondly, the number of children in care is stable, and this is a good thing because it does prove that some of the reform and transformation initiatives are working. On any given day, there are slightly more than 17,800 children in care, and through the year the number cared for is about 27,000.

But, as stated previously, the in-care cases account for only 10% of CAS work. The other 90% involves supporting and helping vulnerable families with multiple challenges, including child neglect, which accounts for about 61% of the referrals, and emotional harm resulting from domestic violence and mental health issues, which is the second most common reason for calls. Supporting these families requires a professional response that is time-consuming but is better for children and saves hundreds of thousands of dollars per child in the long run, because taking a child into care is expensive and can last for years, until the child grows up.

When critics comment on CAS work, they tend to look at two lines: the number of children in care and the funding received. But, as stated previously, they ignore 90% of the work done to prevent admissions. Here it's important to consider an analogy to crime prevention. Police forces aren't cut when the number of crimes goes down. In fact, these data are used as indications of success for community policing. I posit to you that it's the same for child welfare, and without proper investments, good outcomes for children in care and children served by children's aid societies in Ontario are in jeopardy.

Let's turn quickly to some targeted solutions. On page 17 we note that aboriginal children and their families are over-represented. We recommend a specific funding model for aboriginal CASs that would allow Ontario to take full advantage of the 1965 Indian welfare agreement with the government of Canada and would allow both governments to meet funding obligations as set out in treaties with the First Peoples of Canada.

We also recommend that children needing permanent families, including those waiting for adoption and legal custody, be supported through consistent funding allowances for kinship service, subsidies for adoption and subsidies for legal custody.

As well, we recommend that youth who must leave foster care at 17, and who age out when they are just 20 years old, should receive better supports for a successful transition to adulthood. Given the high needs of these young people, their delayed maturity and their lack of natural support networks, the strategy of early emancipation is a recipe for failure. There are some comments on that on page 19.

If I can finish by noting the changes that are needed, I'd invite you to look at page 25.

First, CASs need adequate funding to meet the child protection mandate. This includes volume adjustments, a link to inflation, and true funding for the real costs of child protection services, the 90% of work that is like community policing and that is not related to children in care.

1540

Second, the government should create incentives and spend smartly for better results by maximizing federal cost-sharing for aboriginal CASs and creating a funding model that meets the needs of providing services to aboriginal children while getting the full 93% rebate from the government of Canada.

The government should also invest proactively in adoption and legal custody that will result in children having permanent families, rather than remaining in long-term foster care paid for by the government of Ontario.

To assist youth transitioning to adulthood, young people should be allowed to stay in their homes to finish school and should be provided with health and dental supports to age 25.

As well, gaps in other services must be addressed. These gaps include the lack of services for children with exceptional needs who stay in the system past the age of 18 due to lack of available services in the adult sector, and lack of services for children who enter child welfare due to shortages of placements and services in other sectors, including developmental services, children's mental health and youth justice.

The Vice-Chair (Mrs. Laura Albanese): Thank you. The time up.

Ms. Jeanette Lewis: My time is up? Thank you.

The Vice-Chair (Mrs. Laura Albanese): Yes. Sorry about that.

Mr. Michael Prue: Well, it's my question, so please continue. Please finish, and then I'll ask.

Ms. Jeanette Lewis: I'm just about finished, Mr. Prue, and thank you very much. I was just going to finish by saying that no Ontarians need the support of this committee more than the children served by CASs. Their voices aren't heard in the polls. Their private pain is remarkable. So robust and effective child protection is important and necessary in the best interests of these abused and neglected Ontarians. We need to work very, very hard to continue to assist these children and ensure their safety.

The Vice-Chair (Mrs. Laura Albanese): Mr. Prue.

Mr. Michael Prue: My first question relates to prior-year child welfare costs. You've listed them as $16.7 million. Is that for all of the CASs across Ontario?

Ms. Jeanette Lewis: That's for all of the CASs.

Mr. Michael Prue: Has the government indicated whether or not those monies are going to be picked up or taken out of this year's funds? What's going to happen to them?

Ms. Virginia Rowden: The $16.7 million that is sitting on the table as prior-year deficits is an accumulated deficit from across the province from prior years. So in answer to the question of whether the government has indicated what it will be doing, I can say that the government has said it will not provide any additional relief to children's aid societies. There has been no specific answer as to how they will deal with these deficits, nor the in-year deficits that are existing in this current year, which are in the range of $65 million. A very clear message from government was that they would not provide additional assistance.

This is a mandated, open-ended program. CASs can't hold waiting lists. As you're likely aware, there are a number of agencies that have indicated that they will cease providing services before the end of the fiscal year. Already we've seen one of the larger aboriginal agencies provided with some additional assistance, but there are quite a number of agencies across Ontario that are forecasting that they will not be able to pay staff, foster parents and other service providers beyond the beginning or middle of March.

Mr. Michael Prue: So there's an $80-million deficit and the government has said they're not going to cover it?

Ms. Virginia Rowden: Yes.

Mr. Michael Prue: The government has told the hospitals to expect 0%, 1% or 2%. Have they told you to expect 0%?

Ms. Virginia Rowden: They've told us to expect 0%.

Mr. Michael Prue: So you've got an $80-million deficit and been told to expect 0%.

Ms. Virginia Rowden: A $65-million deficit this year, $16.7 million prior-year, a rollback on previous inflation and a freeze, and a message of 0% in the future.

Mr. Michael Prue: And up on the James Bay, 13 kids have killed themselves.

Ms. Virginia Rowden: And 80 have tried.

Mr. Michael Prue: Eighty have tried. They came up with a few dollars to keep it open till March.

Ms. Virginia Rowden: Yes, and that's only one agency in a small community.

Mr. Michael Prue: Now, on page 11—and I've tried to do this as fast as I could—concerning the aboriginal youth, you note two reports. The Barnes Management Group asks for a separate model for aboriginal CASs and an immediate investment of $25 million above the 50th parallel. That was done during the mandate of this government. Was anything done about that?

Ms. Virginia Rowden: No. That's right: It was done during the mandate of this government, and no, nothing has been done.

Mr. Michael Prue: And the 2008 federal Auditor General's report on aboriginal CASs talked about funding based on the real cost of service delivery so that they could meet provincial standards. Was anything done with that report?

Ms. Virginia Rowden: No, nothing was done with that report.

Mr. Michael Prue: Okay. What is it you need this year? This is the finance committee. What kind of recommendation can I make? I don't know whether my colleagues will vote for it, but I'd like to try.

Ms. Virginia Rowden: First of all, our recommendations are not all about money. In fact, some of them are about spending money in a better way.

In terms of financial support, what the agencies are asking is for the real costs of the services to be addressed, for the prior-year debts to be covered, and for there to be a management approach for the unaddressed spending from this year. We're very optimistic about a collaborative working relationship with the sustainability commission that's been appointed by the government and working forward through into the next fiscal year.

I think that the agencies as much as the government have a difficult time forecasting needs and expenditures, and as I think Jeanette Lewis has said, the agencies' caseloads are very much influenced by the economy. We're only just starting to see the impact of the economy on caseloads. There's generally an eight- to 14-month lag between a dip in the economy and a sharp increase in child welfare referrals. We've identified research reports to substantiate that. The reason for that is that it takes time for someone to be notified that they're going to lose their job, lose their job, go through their unemployment benefits, and then end up on welfare. The family stress that's involved in that directly affects child welfare cases, and we do expect that there will be many families caught in the economic recovery that will not be able to manage parenting during the next few years.

The Vice-Chair (Mrs. Laura Albanese): Thank you for that. I'm sorry, but time is what it is. Thank you for appearing before our committee this afternoon.

Our committee is adjourned until 9 a.m. sharp tomorrow morning, and I encourage some of our members this evening, during their free time, to review the definition of "sharp."

The committee adjourned at 1546.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Chair / Président
Mr. Pat Hoy (Chatham–Kent–Essex L)

Vice-Chair / Vice-Présidente
Mrs. Laura Albanese (York South–Weston / York-Sud–Weston L)

Mrs. Laura Albanese (York South–Weston / York-Sud–Weston L)
Mr. Wayne Arthurs (Pickering–Scarborough East / Pickering–Scarborough-Est L)
Mr. Toby Barrett (Haldimand–Norfolk PC)
Mr. Kevin Daniel Flynn (Oakville L)
Mr. Eric Hoskins (St. Paul's L)
Mr. Pat Hoy (Chatham–Kent–Essex L)
Mr. Michael Prue (Beaches–East York ND)
Mr. Peter Shurman (Thornhill PC)
Mr. Charles Sousa (Mississauga South / Mississauga-Sud L)

Substitutions / Membres remplaçants
Mr. Bob Delaney (Mississauga–Streetsville L)
Mr. Jeff Leal (Peterborough L)
Mr. Norm Miller (Parry Sound–Muskoka PC)

Also taking part / Autres participants et participantes
Mr. Paul Miller (Hamilton East–Stoney Creek / Hamilton-Est–Stoney Creek ND)

Clerk / Greffier
Mr. William Short

Staff / Personnel
Mr. Larry Johnston, research officer,
Legislative Research Service

CONTENTS

Monday 1 February 2010