

Standing Committee on Finance and Economic Affairs

Ontario on the Dole:

A Have-Not Province with a Have-Not Premier

2009 Pre-Budget Consultation
Progressive Conservative Caucus, Official Opposition
Dissenting Opinion

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EXECUTIVE SUMMARY

“Ontario is now one of the poor cousins of Confederation, grabbing a share of the equalization pie for the first time, and it is facing several years of significant budget deficits.”

-- Globe and Mail, 04 February 2009

“Middle-class communities disappearing”

-- Toronto Star, 08 February 2009

In advance of a budget widely expected to post a multi-billion deficit, Premier McGuinty has given a series of sombre interviews, warning Ontario has to restructure its economy or face a lower standard of living. It should be noted that as far back as the 2004 dissenting opinion, the Official Opposition has been on record warning the McGuinty Liberals of the long-term impact their reckless tax and spend fiscal policies would have on the provincial economy and the standard of living for Ontarians.

“The fiscal agenda of this government is one that will eliminate Ontario’s competitive advantage, and one that will drive business investment and jobs into neighbouring jurisdictions that offer lower tax rates and a more attractive business environment.”

“The tax system being created by the Liberal government will create a significant barrier to investments, and erode our ability to improve productivity and adopt new technologies. Rather than adopting policies that create a competitive advantage, the Liberal government is pursuing tax policies that create disincentives for investment.”

“The Liberal government will argue that higher taxes help pay for some important public services, but the inevitable loss of jobs and investment will far outweigh any short-term advantage gained through these reckless tax policies.”¹

Last year in their report entitled **“Once the Economic Engine of Canada. Now the Caboose: Are Dalton McGuinty’s Harmful Economic Policies Driving Ontario to Have-Not Status?”** the Official Opposition warned that Dalton McGuinty was driving Ontario toward have-not status. Sadly, our fear was realized. On April 1 of this year, Ontario will for the first time in its proud history accept equalization payments from the Federal government. In short: **under Dalton McGuinty’s watch, Ontario will be on the welfare roles of Confederation.**

It should be noted that Ontario was once eligible for these handouts in the past. However the then P.C. Premier, Bill Davis, refused to accept them. Dalton McGuinty on the other hand even seemed all too eager to take the dole; to date the McGuinty Government has produced no plan nor voiced any goal to grow Ontario out of have not status.

¹ ‘Maintaining the Ontario Advantage’, 2004 Official Opposition Pre-Budget Dissenting Opinion.

We are heartened that the Premier finally seems willing to listen to the advice of the Official Opposition. Unfortunately, in the interim, Ontario's economic competitiveness has declined considerably as we will detail below. We will also outline needed policy changes to help bring well paying jobs back to Ontario and restore our Province as Canada's economic leader.

We also remain guarded that the Premier's recent claim to focus on the economy does not signify a substantial shift in fiscal policy. Instead, it may simply be the the latest vacillation by a Premier who lacks an economic vision for our province, always reacting to events rather than motivating positive change.

CONSULTATION PROCESS

Mr. Robert W. Runciman: This is clearly a government adrift. They're not even willing to put the sail up because they don't know which direction they want to go in. They're cramming the finance committee's pre-budget process into one week before Christmas. We're told this is being done to accommodate an once-in-a-lifetime vacation for one of their members. We have a so-called emergency resolution sitting on the order paper dealing with the economy never being called for debate. I have to ask: What planet are you operating on over there?

*People need to know you have a real plan of action. Will you commit, Premier, to bringing in a budget no later than February 1 of this coming year that spells out a real economic action plan?*²

Normally, pre-budget hearings are held in late January and February each year. However Dalton McGuinty chose to move them up this year under the shadow of the Christmas holidays likely to discourage participation of local municipalities, businesses, associations and other interested parties and to avoid further public criticism of his job-killing economic policies.

Unfortunately, the Premier was successful: several Committee hearings adjourned at noon due to a lack of deputations and the lowest number of presenters appeared before the Finance Committee in recent memory. The Official Opposition regrets that more Ontarians were not given the opportunity to be heard during the pre-budget consultation process. This is not keeping with the spirit of the Liberal promise of a more open and accountable government, and denies access to the very people whom this government promised to bring to the table during the last two elections.

The Official Opposition hoped that by having hearings in December at least the government would bring in a budget early with measures to address the impact of the current economic crisis on Ontario. However, Minister of Finance, Dwight Duncan has indicated that the Budget will be introduced at the usual time, in late March. "I'd be leaning against it being early at this point," Mr. Duncan said.³

*"Can't budge on budget: Grits won't table recession-fighting document early."
-- Toronto Sun, 10 February 2009*

As such, it is the hope of the Official Opposition that this Dissenting Opinion captures many of the concerns of those who were denied access to the consultation process by the Liberals, and will be influence the Government as it drafts the 2009 Budget behind closed doors.

² Ontario Hansard, 25 November 2008

³ The Canadian Press, 11 February 2009.

ECONOMIC STIMULUS

*“Ontario shed 71,000 jobs in January - half in the manufacturing sector.”
-- The Canadian Press, 6 February 2009*

*“Ontario's unemployment rate is now eight per cent, the highest since November 1997.”
-- CTV, 6 February 2009*

While other governments in Canada and around the world are taking serious action to stimulate job creation, investment and consumer spending in response to the deepening recession, the McGuinty Government seems paralyzed by the growing economic crisis. The McGuinty Government's lack of action is in sharp contrast to the severity of the downturn in Ontario buffeting families and businesses. For example:

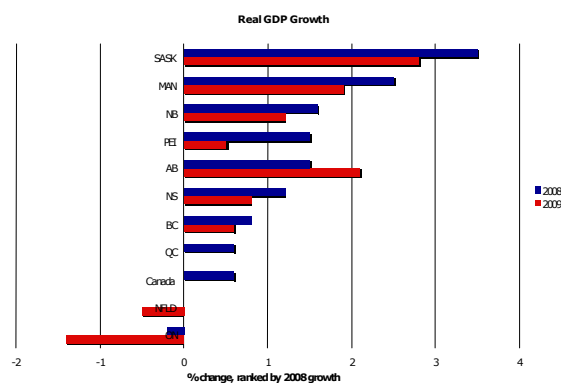
- **February 2008: U.S. Congress** passes a \$168 billion stimulus package consisting primarily of tax rebates
- **October 21, 2008: Saskatchewan Premier Brad Wall** announced the largest single-year income tax reduction in Saskatchewan history.
- **October 2008: B.C. Premier Gordon Campbell** proposes ten point economic plan, accelerating tax reductions and strengthening deposit insurance in B.C. credit unions
- **November 4, 2008: Quebec Minister of Finance Monique Jerome-Forget** announced measures to help Quebecers and businesses deal more effectively with the impact of the financial crisis.
- **November 28, 2008: P.E.I.** announces stimulus package with \$510 million capital budget
- **November 2008: British officials** announce \$30 billion economic stimulus package, temporarily reducing the Value Added Tax (VAT) rate to 15%, among other initiatives
- **December 3, 2008: New Brunswick Finance Minister Bourdreau** releases initial details on balanced fiscal stimulus package, including a comprehensive review of government programs and services to ensure that public resources are invested where most needed, and in a cost-effective and efficient manner
- **December 4, 2008: Nova Scotia Premier Rodney MacDonald** revealed the largest infrastructure program in Nova Scotia's history to see the province through the world-wide economic downturn.
- **December 2008: Then President-elect Barack Obama** proposes stimulus package of nearly one trillion dollars
- **January 8, 2009: Obama** further outlines details of American Recovery and Reinvestment Plan
- **January 27, 2009: The Harper Government** tables its budget
- **January 2009: Quebec** recalls its legislature for emergency session to deal with economy

ECONOMIC INDICATORS

“Hopes of escaping the recession vortex are disappearing fast in Ontario.”
 -- RBC Provincial Outlook, December 2008

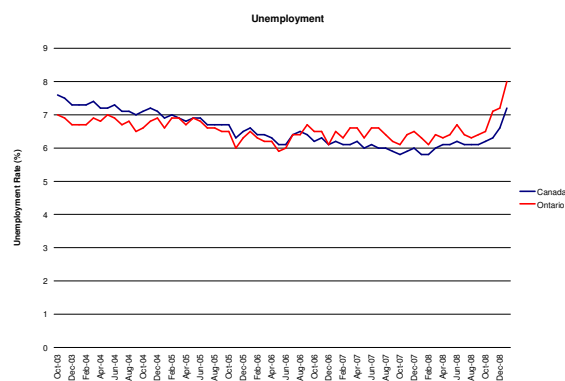
“Ontario’s economy will contract further in 2009.”
 -- BMO Provincial Monitor, Winter 2009

Ontario was always the envy of the country—the engine that drove the national economy. On Dalton McGuinty’s watch, Ontario has slipped to the back of the pack and become one of the consistently slowest growing provinces in Canada.



Slow growth: Ontario has reported growth below the national average since 2005—the longest string of underperformance in three decades. In 2007 Ontario’s growth was the slowest in the country, for the first time since the 1991 recession. Ontario’s growth in 2008 was again the slowest in the country. Ontario’s economy is now forecast to contract by 0.2% in 2008 and 1.4% in 2009 (revised lower from zero and 0.4%, respectively), which would represent the worst performance since the early 1990s recession.⁴

Unemployment: In September 2006 the unemployment rate in Ontario surpassed the national average for the first time in over thirty years and has remained at or above the national average ever since. The latest employment data unequivocally show that job prospects in the province are quickly deteriorating. Ontario’s employment drop of 71,000 in January was its largest in over three decades. This decrease pushed the unemployment rate up 0.8 percentage points to 8.0%, the highest since November 1997.⁵ Ontario’s unemployment rate is forecast to climb to an average of 8.3% from 6.5% in 2008.⁶



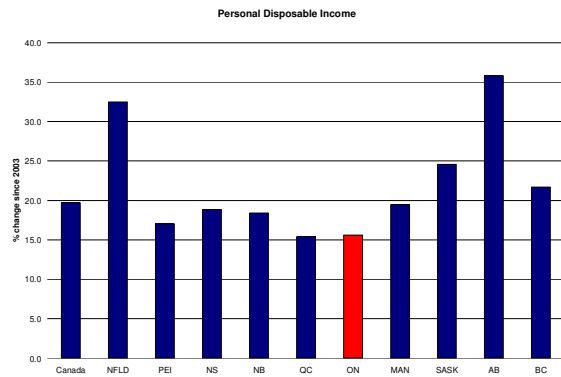
⁴ RBC, *Provincial Outlook*, December 2008.

⁵ Statistics Canada, *Labour Force Survey*, February 6, 2009.

⁶ RBC, *Provincial Outlook*, December 2008.

Retail sales and housing: As concerns about the economy and job prospects mount, households will be more cautious in their spending. This will slow growth in retail sales and cut into demand for housing. Housing starts in 2009 are forecast to drop to their lowest level in 10 years in the province. Housing is faltering, with sales down more than 30% y/y and prices down year-over-year for the first time in about a decade.⁷

Out-migration: Talented workers are leaving Ontario in record numbers. Nearly 100,000 people fled Ontario for other provinces last year - 29,302 people in the third quarter alone. Since 2003 Ontario has lost a net 81,540 people to other provinces and recorded consistently negative net



inter-provincial migration. During the preceding four years of PC government, Ontario gained a net 46,983 people from other provinces.⁸

Personal Disposable Income: Disposable incomes in Ontario are growing among the slowest in the country and trail the national average. Since October 2003 personal disposable income per person in Ontario has increased only \$3,743 or 15.6%.⁹ Only Quebec has witnessed slower gains in personal income.

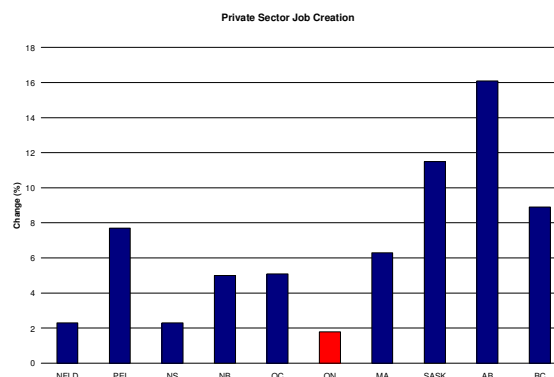
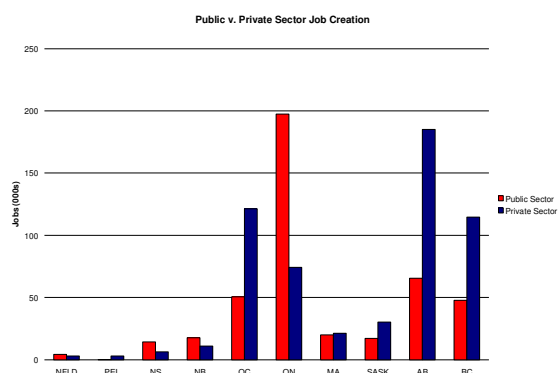
These trends are very disconcerting and further evidence of the need for a shift in the government's approach to the economy. Unfortunately, the concerns consistently expressed by the Official Opposition since 2004 and supported by many who presented to the Finance Committee have gone unheeded by the McGuinty Government. The McGuinty Government's punishing tax hikes, erratic energy policy and runaway spending have clearly taken their toll on the Ontario economy.

⁷ TD Economics, *Provincial Outlook*, December 23, 2008.

⁸ Statistics Canada, CANSIM, table 051-0018.

⁹ Statistics Canada CANSIM table 380-0050.

GOOD JOBS DISAPPEARING



Since the last election in October 2007, Ontario has lost a total of 61,400 jobs. Ontario has lost 72,700 full-time jobs, 85,900 private sector jobs and over 100,000 well-paying manufacturing jobs. The sole gains were in part-time and public sector employment. Since October 2007, Ontario gained 11,300 part-time jobs and 3,300 public sector jobs.

Since October 2003 when the McGuinty Government took office, the Ontario economy has gained approximately 361,000 net new jobs. Over half the new jobs created since October however have been in the public sector (197,500 to be precise) and well more than double the mere 74,400 private sector jobs created in the same period.¹⁰

Government jobs themselves do not create wealth. They are simply a redistribution of income by taxing private sector businesses and individuals. **The real test of an economy's performance is private sector job creation**, which has to date been considerably lacking.

Ontario has the slowest rate of private sector job creation in Canada and created almost as many public sector jobs as all other provinces combined. Furthermore, Ontario is one of only four provinces to create more public sector jobs than private sector jobs. Whereas Ontario's public sector has grown by a whopping 19% since October 2003, the private sector has grown a mere 2%. **That means public sector growth has outpaced private sector growth by nearly ten to one. This is simply unsustainable.**¹¹

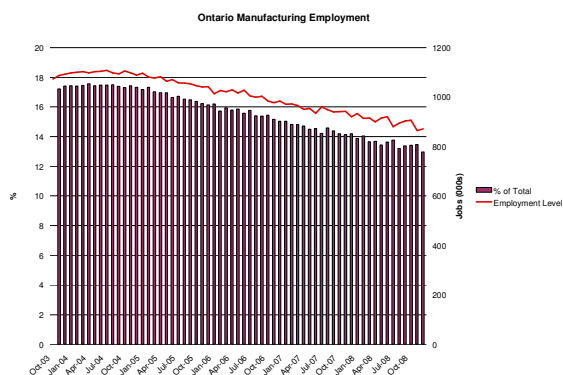
In contrast, across the eight years of PC government from 1996 to 2003, private sector jobs expanded by an average of 109,000 per year, while government jobs grew by an average of 6,000 per year; all this in a much smaller economy.

¹⁰ Statistics Canada, CANSIM table 282-0089.

¹¹ Ibid.

MANUFACTURING SECTOR CRISIS CONTINUED

Manufacturing is at the heart of Ontario's economy representing approximately 18% of total economic output. Manufacturing jobs tend to pay more, and have more generous benefits than jobs in other sectors.



of total employment when once it was as high as 17.2%.¹³

While Premier McGuinty has called Ontario's manufacturing job losses a "little bit of contraction."¹² The reality is that Ontario's manufacturing sector is in crisis. Since July 2004 Ontario has lost more than 270,000 well-paying manufacturing jobs – that is 22% of the jobs once in the manufacturing sector – and over 100,000 in just over a year since the last provincial election in October 2007. Not only has manufacturing employment declined substantially but the percent of total employment has declined too. Manufacturing now accounts for only 12.7%

Compared to other provinces, Ontario has been hardest hit by the manufacturing crisis. Since October 2003, manufacturing sales in Ontario have declined by \$1.4 billion or 6%. Ontario is the only province in Canada to record negative manufacturing sales in that time period.¹⁴



One of our biggest weaknesses is in under-investment in machinery in equipment. According to Statistics Canada, "investment in capital... was the most important factor in the growth in labour productivity in the business sector during the past four decades."¹⁵ In Ontario,

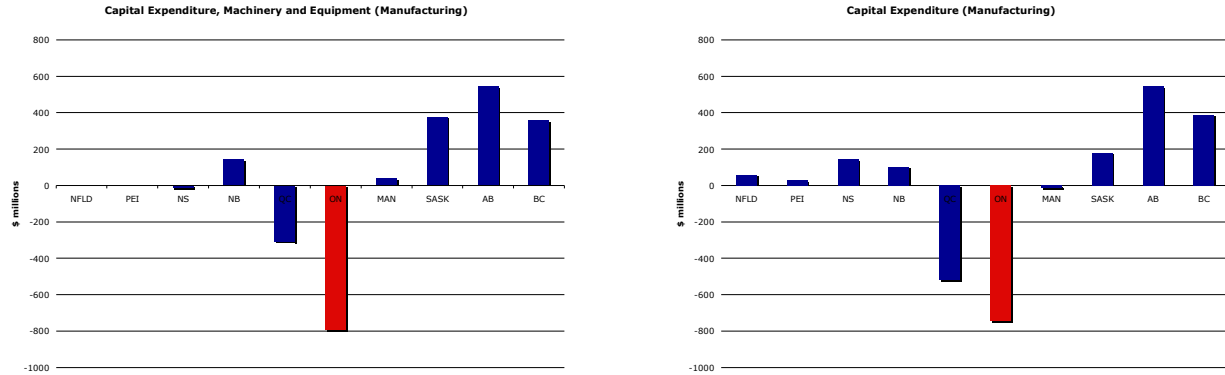
¹² Toronto Star, November 22, 2005.

¹³ Statistics Canada, CANSIM table 282-0088.

¹⁴ Statistics Canada, CANSIM table 304-0015.

¹⁵ Baldwin, J. R. and Gu, W. "Investment and Long-term Productivity Growth in the Canadian Business Sector, 1961 to 2002." *The Canadian Productivity Review*, Statistics Canada, June 2007.

however, annual capital expenditure in the manufacturing sector generally and on machinery and equipment specifically has decreased steadily since October 2003. The two graphs below show how Ontario capital investment in the manufacturing sector compares to other provinces. It is clear from these pictures that Ontario is falling behind other Canadian jurisdictions.



Capital expenditure in the manufacturing sector has dropped by \$745 million or 8% since 2003. On machinery and equipment, Ontario manufacturers spent \$800 million less in 2008 than they did in 2003. That is a 9% decrease in investment.¹⁶ The following section will explore one of the reasons why Ontario manufacturers are investing less and less than they once did.

¹⁶ Statistics Canada, CANSIM table 029-0005.

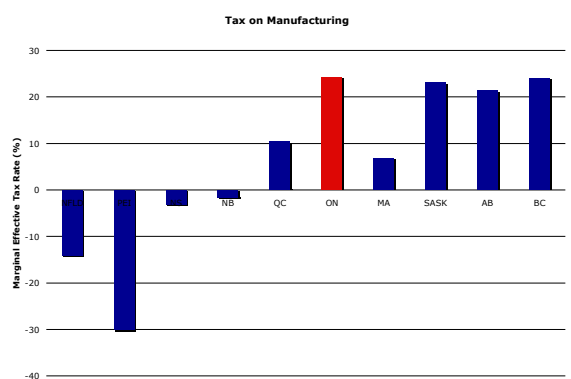
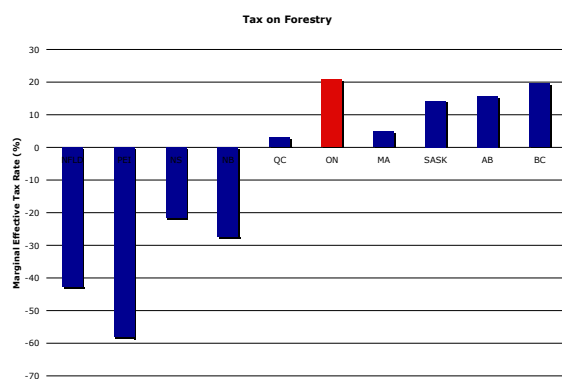
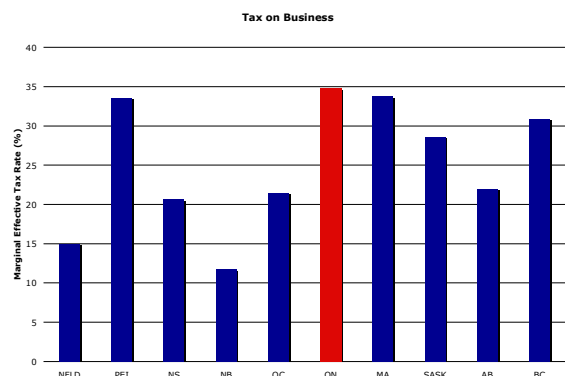
UNCOMPETITIVE TAXES

“In Ontario we have one of the dumbest tax structures on the face of the planet,”
 -- Roger Martin at the P.C. Caucus Roundtable on Jobs and the Economy, September 18, 2008.

A competitive tax environment is one of the key factors that will attract the scale and quality of business investment that Ontario requires. Today, as a result of the McGuinty government’s misguided tax hikes, Ontario has the least competitive business tax structure in all of Canada and one of the highest marginal tax burdens on business investment in the world.¹⁷

The Official Opposition warned in the 2004 dissenting opinion that the high business tax regime implemented by the Liberal government would create a significant barrier to investment and erode our ability to improve productivity and adopt new technologies.

Even Premier McGuinty acknowledges the impact of his harmful business tax hikes. In a recent speech to the Canadian Club, Dalton McGuinty said, “Ontario businesses spend 16 per cent less than they do in the U.S. on new productivity enhancing technologies.”¹⁸ A simple look at the marginal effective tax rate in the manufacturing and forestry sectors explains why. In both these sectors Ontario has the highest tax rate in Canada. That is one reason why our manufacturing businesses are investing less than their counterparts across the country in new capital, machinery and equipment.



¹⁷ Task Force on Competitiveness, Productivity and Economic Progress, Seventh Annual Report, “Leaning into the wind.” November, 2008, p. 40.

¹⁸ February 3, 2009.

Taxes have a dramatic impact on where businesses choose to locate. In short, an entrepreneur looking to expand or start a new operation in Ontario will be punished with the highest rate of tax on that investment in North America.

While other provinces are lowering their tax burden and seeking to become more competitive, Ontario is falling further and further behind. In fact, Dalton McGuinty increased the cost of doing business in Ontario.

Dalton McGuinty extended the job-killing capital tax: Ontario was on track to fully eliminate the capital tax by January 1st, 2008 in conjunction with the schedule of the federal government. Therefore, Ontario would not have a capital tax today had the McGuinty Government not reversed the policy and postponed reductions in the capital tax, initially until 2012. The federal government actually eliminated its capital tax in 2006, two years ahead of schedule and proposed incentives in its 2007 Budget to encourage provinces to do the same. After intense pressure from the business community, economists and the Official Opposition, the McGuinty government has finally promised to accelerate its plans to eliminate this job killing tax by 2010.

Dalton McGuinty increased corporate income taxes: Even after the capital tax is finally removed in 2010, Ontario will still continue to have the highest effective tax rate on capital. This unfortunate distinction will be the result of a high provincial corporate income tax (CIT) rate (14 per cent) and high retail sales taxes on capital inputs. In 2001, the P.C. government introduced measures to lower the CIT rate for all business to 8% by 2005. Again, in stark contrast to competing jurisdictions, the McGuinty government reversed this trend and increased the CIT rate and also froze the small business income tax rate at 5.5%, cancelling the scheduled rate reduction to 4%.

Governments reduce taxes on business to attract investment, strengthen our competitive advantage internationally, and help create high-paying jobs. The federal CIT rate will drop by 14% by 2012. This will make Canada's CIT rate the lowest among developed countries and create a significant tax advantage over the U.S. **The Official Opposition calls on this government to heed the call of the federal government and take immediate action to fix Ontario's uncompetitive tax structure.**

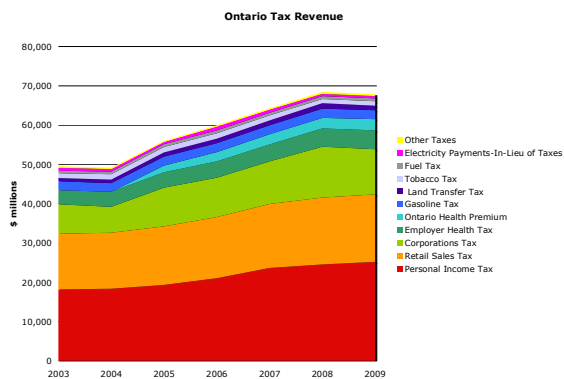
Several groups appearing before the Standing Committee on Finance and Economic Affairs called on the Ontario government to reduce the tax burden on both businesses and individuals. The Official Opposition recommends that the McGuinty government reduce the tax burden in order to make Ontario competitive again.

“Ontario will not be successful in retaining existing businesses and attracting new ones if its taxation system is not on sound competitive footing with other provinces and countries. The reality is that most other jurisdictions are lowering their tax burdens, particularly on business capital.”¹⁹

¹⁹ TD Economics, *Time for a vision of Ontario's economy*, September 29, 2008.

TAX AND SPEND

The McGuinty government has raked in unprecedented revenue from taxes – and this has fuelled runaway spending. Total taxation revenue has skyrocketed by over \$18 billion since 2003. That is a 37% increase in tax revenue in just six years. In fact, one of this Liberal government’s very first bills in the Legislature was the biggest tax hike in the history of Ontario. Despite campaign promises to the contrary, Dalton McGuinty hiked taxes on the backs of working families, hiked taxes on the backs of seniors, hiked taxes on the backs of businesses.

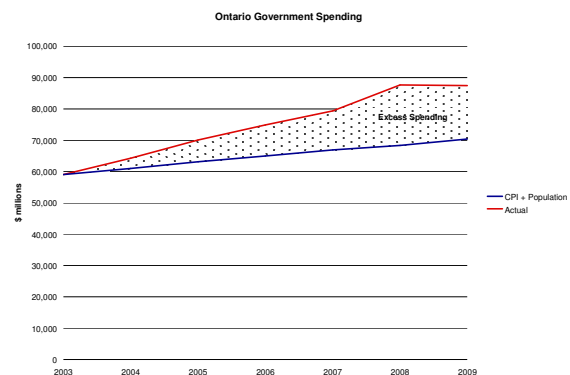


million range.²¹

Personal Income Tax revenues have increased 38%. Revenues from the Employer Health Tax have increased 54%. And revenues from the Land Transfer Tax have increased 43%. Yet revenues from the Tobacco Tax have declined 8%.²⁰ In its annual Canadian Tobacco Use Monitoring Surveys, Health Canada estimated that overall tobacco consumption in Ontario decreased by approximately 27% between 1999 and 2007. Assuming a 27% consumption decrease since 2001, **the potential tobacco tax revenue foregone for 2007 alone could be in the \$500**

The Official Opposition remains extremely concerned with the runaway spending of the McGuinty government. From Confederation to 2003—that’s 136 years—provincial government spending rose to \$68 billion annually. Under the Liberal government total spending has skyrocketed. Government spending has increased by \$27.5 billion since 2003. That is a 40% spending increase in six years. This level of government spending growth is irresponsible. And it is harmful to the economy.

The simple reality is, this government has a serious spending problem. Total program spending has increased by \$28.3 billion or a whopping 48% since 2003. Until this year, program spending grew at an average annual rate of 8%. McGuinty Government **program spending grew at four times the average rate of GDP growth over the same period and over two times the average rate of inflation and population growth combined.** In 2008 for example, program spending grew by 10.5%, nearly five times the combined rate of inflation



²⁰ Ministry of Finance, *2008 Economic Outlook and Fiscal Review*, Table 5, p. 14.

²¹ Auditor General’s Report 2008.

and population growth of 2.2%, and one hundred and five times real GDP growth of 0.1%.²²

One can see from the graph above where spending would have been had the government increased spending at the rate of inflation and population growth combined. The chart below shows excess spending each year since the McGuinty government was first elected.

Government Program Spending (\$ millions)							
	2003	2004	2005	2006	2007	2008	2009
Actual	59,080	64,279	70,028	74,908	79,297	87,608	87,411
CPI + Population	59,080	60,971	63,105	64,998	66,883	68,354	70,405
Excess Spending	0	3,308	6,923	9,910	12,414	19,254	17,006

The grand total of the excess spending is a whopping \$68 billion. Somehow the McGuinty government managed to spend nearly \$70 billion yet it did nothing to relieve the incredible tax burden on businesses and individuals or take action to prepare Ontario for the current economic crisis that the Opposition warned was to come. This year Ontario would have a cushion of \$17 billion if the McGuinty government had maintained spending at the rate of inflation plus population growth. Instead the province faces a significant deficit.

Not only has the government increased spending unsustainably and missed great opportunities to address key competitiveness issues but McGuinty also consistently spent above and beyond his budget plan.

Budget versus Actual Revenue and Spending (\$ Millions)							
	2003	2004	2005	2006	2007	2008	2009
Revenues							
Budget	66,544	66,544	78,360	81,687	85,730	91,503	96,920
Actual	68,891	68,400	77,841	84,225	90,397	97,122	96,002
	2,347	1,856	-519	2,538	4,667	5,619	-918
Expenses							
Budget	65,533	65,533	79,599	83,483	87,080	91,153	96,170
Actual	68,774	73,883	79,396	83,927	88,128	96,522	96,302
	3,241	8,350	-203	444	1,048	5,369	132

For years the P.C. Party has argued that this kind of spending is unsustainable, that the long-term result would be a level of spending that forces the province into more deficit and debt for years to come. Now we are starting to see the consequences of this irresponsible approach to government. As Ontario struggles against the challenges of unprecedented global economic turmoil it is more important than ever that this government get its fiscal house in order. As expenditures tend to outpace projections after the fact, reining in spending is going to be particularly challenging. Prudent fiscal management and careful spending are imperative. It is time to start spending responsibly.

²² Ministry of Finance, *2008 Economic Outlook and Fiscal Review*, Table 9, pp. 18-19.

FORESTRY CRISIS

“Your electricity is out of whack”

-- Jamie Lim, President Ontario Forest Industry Association, 18 December 2008

“I could drive over to Quebec, 20 kilometres to my nearest competitor, and they pay 40% less for electricity So it clearly is a boardroom decision with respect to which mill to keep open and who's going to be more competitive than us, and electricity is a major problem for us.”

-- Bob Fleet, Vice-President Grant Forest Products, 18 December 2008

As the manufacturing downturn in the auto sector has been dramatically impacted southern Ontario, the forest sector crisis has decimated northern Ontario communities. Since 2002, Ontario's forestry sector has shed 10,000 direct and 40,000 direct and indirect jobs.²³ Dryden for example is a very small community that has seen its employment in pulp and paper decline from 1,200 jobs to 330 jobs.

One reason for the decline of Ontario's forestry sector is the fact that our energy prices are, like our taxes, simply uncompetitive. **According to the Ontario Forest Industry Association, Ontario has the second highest industrial electricity rates among nineteen competing jurisdictions.** High prices have forced forest product companies to curtail production, shut down mills and lay people off.

To make matters worse, the Ontario Energy Board (OEB) recently approved a large increase in the regulated assets, effective December 1, 2008. Base hydro power, which is OPG's hydroelectric dams, will go from \$33 to \$38.78 a megawatt. Base load nuclear is going from \$53 to \$58.38 a megawatt. The OEB also approved an 11% increase to Hydro One transmission rates earlier this year. Hydro One is talking about another 9% or 10% increase next year.²⁴ These types of increases are particularly harmful in today's business climate.

This has had particularly devastating impact on the Northern Ontario where one industry towns depend on the forestry sector for both direct and indirect jobs. Even after the \$10-per-megawatt-hour rebate of the northern pulp and paper electricity transition program, which is scheduled to end in 2009, Ontario's net rates remain 45% higher than Quebec's and 65% higher than BC's industrial rates.²⁵

“Energy prices will most certainly increase.”

-- Premier Dalton McGuinty, 3 February 2009

“Prices are generally speaking under pressure to rise and energy prices are no different.”

-- George Smitherman, Minister of Energy, 23 January 2009

²³ Ontario Forestry Coalition, <http://www.forestrycoalition.com/closures.html>.

²⁴ Doug Murray, HANSARD, 17 December 2008.

²⁵ Brian Nicks, Domtar's Director of Forestry for Ontario, HANSARD, 18 December 2008.

RED TAPE

“We must, once and for all, dramatically slash the red tape that continues to impede business. Our survey earlier this month reinforced the businesses' belief that streamlined taxation and regulation would help them get through these economic times.”

-- Len Crispino, President Ontario Chamber of Commerce, 15 December 2008

“If you want growth in Ontario, then you have to make it easy for business to do business here.”

-- Merv Hillier, CEO of Chartered Management Accountants of Ontario, 4 December 2008

Businesses and entrepreneurs in Ontario have become increasingly concerned with growing government regulation and thickening red tape. According to the CFIB, two out of three businesses surveyed find that the overall burden of provincial regulations has increased over the past three years. **Provincial ministries currently have a total of 500,000 regulatory requirements on their books.**²⁶

Red tape is costing businesses billions. The CFIB's 2005 study, *Prosperity Restricted by Red Tape*, pegged the total regulatory cost in Ontario at \$12.8 billion, with smaller businesses shouldering an unfairly large share of the tab.

The Finance Committee heard from several groups about how the regulatory burden was negatively impacting businesses in their sector. Most interesting was the Ontario Road Builders' Association who showed how Ministry of the Environment regulations actually prevented their member businesses from recycling.

*Ms. Karen Renkema: The examples our members have over and over again told us about are, for example, moving and reusing our access construction materials which is just a common sense mechanism. But within the regulatory environment we operate under, with the ministry of the environment, we're finding that we're paying to dump our excess construction materials and landfill at this point because they are not being able to be reused because of the regulatory issues with the ministry of --the environment.*²⁷

In addition to the escalating costs of construction materials, businesses in this sector are also encountering increased regulatory burdens which in turn negatively impact the cost of infrastructure. Since the province has committed to match federal funding announced in the 2009 budget, it is imperative that the McGuinty government address the increasing burden of red tape and eliminate regulatory duplication and undue delays.

²⁶ Toronto Star, 04 February 2009.

²⁷ HANSARD, 20 November 2008.

CONCLUSION

Once the economic engine of Canada, Ontario under Dalton McGuinty is the slowest growing province in the country. Since this government was elected over 200,000 manufacturing jobs have disappeared and talented workers are leaving Ontario in record number. What was once a destination for people from across Canada and around the world, is now a point of departure.

The misguided economic policies of this government eliminated Ontario's competitive advantage and drove this great province to have-not status. This year Ontario will for the first time in its proud history be the recipient of equalization payments from the Federal Government.

Sadly, Ontario has been continually falling behind under the stewardship of the McGuinty Liberals. Action must be taken to improve Ontario's competitiveness through smarter and less onerous taxation, reduced red tape and more strategic investments to stimulate economic growth.

The Official Opposition submitted several motions to address these competitiveness issues, however the Liberal-dominated Standing Committee had no enthusiasm for a reduction of North America's heaviest tax burden and voted each of them down.

John Tory and the Official Opposition are extremely concerned about the present state of the Ontario economy. We have consistently encouraged the government to take bold and decisive steps to turn our economy around. Just as we have done in previous Official Opposition Dissenting Opinions, this document calls for an economic stimulus based on private sector job creation. More dithering and delay means more lost jobs, a further decline in the standard of living of Ontario families and more lost talent to other jurisdictions.

In the strongest possible terms, we challenge the McGuinty Liberals to take the following steps to restore Ontario's position as Canada's economic leader:

- eliminate the capital tax for all businesses immediately;
- commit to a schedule to reduce the corporate income tax rate to a competitive level including reductions in the tax burden for small business;
- set and commit to real targets to reduce the regulatory burden on all businesses including a substantive Red Tape Reduction Act to be introduced in this session of the Legislature;
- enhance energy supply to restore competitive electricity rates;
- build the infrastructure to enhance productivity and encourage private sector job creation;
- develop a training program that will actually help Ontarians who have lost their jobs.

Slower growth means fewer economic opportunities for hardworking Ontarians and their families. A slower growing economy also means less tax revenue for government to fund badly needed social services like health care and education. It is imperative that the government take the initiative to reverse the current economic trends in Ontario because remaining a Have-Not Province is not option.