ISSN 1180-4386

Legislative Assembly of Ontario

Second Session, 37th Parliament

Assemblée législative de l'Ontario

Deuxième session, 37e législature

Official Report of Debates (Hansard)

Thursday 28 February 2002

Journal des débats (Hansard)

Jeudi 28 février 2002

Standing committee on finance and economic affairs

Pre-budget consultations

Comité permanent des finances et des affaires économiques

Consultations prébudgétaires

Chair: Marcel Beaubien
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Hansard Reporting and Interpretation Services
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Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario

Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

COMITÉ PERMANENT DES FINANCES ET DES AFFAIRES ÉCONOMIQUES

Thursday 28 February 2002

Jeudi 28 février 2002

The committee met at 1001 in committee room 1.

PRE-BUDGET CONSULTATIONS

The Chair (Mr Marcel Beaubien): Good morning, everyone. I'd like to bring the standing committee on finance and economic affairs to order. I don't have any announcements, unless anyone has got anything to put on the floor this morning.

CANADIAN MANUFACTURERS AND EXPORTERS

The Chair: Our first presentation this morning will be from the Canadian Manufacturers and Exporters. I would ask the presenters if you could come forward and state your names for the record, please. On behalf of the committee, welcome. You have one hour for your presentation this morning.

Mr Ian Howcroft: Good morning. My name is Ian Howcroft and I'm vice-president, Canadian Manufacturers and Exporters, for the Ontario division. With me is John Allinotte. John is director of corporate taxation for Dofasco and he's also chair of CME's taxation committee. On your attendance list we also had shown Joanne McGovern, but unfortunately, Joanne is ill and won't be able to join us this morning. But we do appreciate the opportunity to be here and we will be following up with written comments and a formalized brief after our presentation today.

Canadian Manufacturers and Exporters is the voice of the province's manufacturers and exporters. Our member companies account for over 75% of total manufacturing output in the province and they produce approximately 90% of Ontario's exports. We're a unique organization. We are a horizontal organization with membership that encompasses all sectors of manufacturing and all regions of the country. It's also important to note that the majority of our members are from small and medium-sized enterprises. It's not just the large companies that are members of CME.

Our tax committee has identified and prioritized several key areas in Ontario's tax system that are necessary for the government to pursue in order to help build a healthy economy and an improved competitive climate. This is even more important given the current economic slowdown that we continue to experience and foresee for the medium term.

We've divided our tax reform recommendations into two sections: targeted tax reform, and we've also included some important non-direct tax recommendations to address issues such as the skills shortage, innovation and productivity, infrastructure, the new electricity market and national environmental policy implications, particularly relating to the recent discussions on Kyoto. In our written brief, we will also be providing some comments with regard to tax administration matters, but we won't be talking about them specifically this morning.

To provide some overall context for CME's budget recommendations for 2002, we'll provide a brief review of the previous 2000 and 2001 Ontario budgets in our written submission. We have positioned our recommendations this year accordingly. Before I address the budget issues, which John will deal with in more detail, I'd like to make a few comments with regard to CME and our priority issues.

About 10 years ago, many were ready to write off the manufacturing sector. It was viewed as an old economy and not one with a future. Those people were wrong. Manufacturing is still the engine that drives the economy. I'll be the first to admit that things are far different today then they were five or 10 years ago, but to paraphrase Mark Twain, those who proclaimed the death knell of the manufacturing sector were somewhat premature, if not outright wrong.

In Ontario alone over a million people are directly employed in the manufacturing sector and almost two million more people have jobs directly dependent on the manufacturing sector. Manufacturers directly account for about 22% of Canada's GDP and drive slightly more than half of all economic activity in the country. Canada's manufacturers offer mostly full-time jobs at wage rates approximately 25% higher than the national average. Manufacturing accounts for 75% of private sector research and development in Canada and about 30% of all business investment that's made annually. Manufactured goods account for about 70% of Canada's total exports of goods and services.

Last year, CME's board of directors highlighted several key priority issues that we as an organization would focus on, and they continue to be our priority issues this year. They included taxation, environmental issues—again particularly relating to climate change and the Kyoto Protocol that's been much discussed lately—trade and customs issues, and skills issues and other human resource issues that continue to be a priority for us, including health and safety, occupational issues and workers' compensation. The final issue is the broad issue of innovation, which encompasses many of these issues, particularly skills.

Our issues didn't really change with the tragic events of September 11. Rather, the issues we chose to focus on became even and more pressing for us to pursue and work to deliver solutions for. Everyone here will recall the tie-ups at the border that brought trade to a halt. Canada is a nation that depends on trade more than almost any other country in the world: 87% of our trade goes to the United States—over $1 billion a day, and that's in real dollars, US dollars. CME took the lead on this issue and created a coalition of business organizations to work with the governments to develop strategies and solutions. Much has been recently discussed on innovation, another one of our key priorities, and I would like to highlight some of those points because they directly relate to the tax policy in Ontario and Canada.

Our intent was to set a framework to move discussions forward. It didn't contain all the answers, but our recent paper, which I brought copies of—The Business Case for Innovation—productively helped to outline the debate on innovation. So I'll leave these with the clerk of the committee for your ready reference.

I'd like to say why the innovation agenda is essential for Canada and for Canadians. We're experiencing a serious productivity gap with our main competitors, particularly those of the G7 and especially with the United States, our largest trading partner, as I noted. The world today is in the midst of a powerful upheaval brought on by internationalization and the intensification of global competition, and we're in danger of losing because of our failure to keep on top of the new global economic realities. The irony of this is that, on the one hand, there is almost complete agreement among Canadians that we face a major task in significantly improving the ability of our country and our industries to improve our productivity and innovative capabilities and compete around the world. Taking actions to improve our global competitiveness remains highly contentious. There is little consensus on how these goals should be reached and there now exists the danger that the issue could become politicized.

We wanted to provide this context before we talked about the significant tax issues that we feel need to be addressed, because you can't approach government policy in silos. We've done that in the past, I think, too much. We have to better coordinate our efforts between what one ministry and one organization are doing. As I mentioned, the skills issue is inextricably linked to the innovation issue and they're both tied to Ontario's fiscal tax and government policy.

I also just wanted to highlight the importance we're placing on the energy issue. We do support market opening. There has been some media attention to this issue recently and we thought we should clarify this for the finance and economic affairs committee. While we do support market opening and we also support competition, there are certain steps that have to be taken to ensure that we have true competition to make sure that when the market does open that we do have a viable and ongoing market.

We also want to do what we can to promote manufacturing. Manufacturing still has a negative image in many people's minds, notwithstanding that it's still the economic force that drives the economy. What we need to do is create opportunities for young people to understand the need to support manufacturing. We're looking for ways to partner and work with government to raise the profile of the manufacturing sector and to raise the profile of careers in manufacturing, particularly in the skilled trades. As many of you are aware, we will experience through demographics a major outflow of employees over the next 10 to 15 years. In fact, by 2020, 50% of those working in Ontario will leave the workplace and there's not the pool of skilled workers to fill those positions. That will leave us, when the economy picks up, in a very difficult position if we want to continue to maintain the standard of living we have.

So these are real issues that we have to deal with and, again, they're tied to Ontario's tax policy. We feel that we need to support tax measures through incentives in other areas that will allow for more people to train, to recognize those that do train and to create more of an incentive for those to continue to positively train Ontario's youth for the future.

We just wanted to provide those comments to set the context for the specific recommendations we're going to make with regard to the pre-budget. I'll turn over to John Allinotte to talk about some of those recommendations.

1010

Mr John Allinotte: Thank you very much, Ian. Mr Chairman and committee members, I appreciate the opportunity to be here today to highlight for you some of the CME issues with regard to tax legislation, tax policy in the province of Ontario.

First of all, we would commend the government, particularly in the last budget, having announced the proposed reduction in corporate tax rates in this province from 15.5% down to 8%. It was viewed by the business community as a welcome sign that Ontario is open for business. In the last budget the timetable was brought forward and that was one of the issues that CME had discussed on many occasions, and doing that has added a lot of certainty in business planning into the future. Consequently, I think we've already started to feel some of the economic effect. Even though we haven't seen the cash reductions in our taxes, we certainly have seen an opportunity to look forward.

We have several recommendations with regard to targeted tax reforms. One thing I would put before the committee is that we appreciate the fact that there is an economic downturn in the province, in this country and in fact across the world. Some of these proposals are policy-driven, and also there is a certain amount of perception by the outside world, outside of Canada and outside of Ontario, that some of the tax policies in Ontario discourage investment in Ontario, and a lot of times it's just a perception.

Some of the issues that we would like to bring forward to you are specifically in the areas of debt reduction—though not a specific tax reduction, it is an area we are concerned about; capital tax; the capital cost recovery system in the province of Ontario; and the corporate minimum tax.

Regarding debt reduction, although, as I say, it is not a targeted tax reduction, this government has over the past few years been reducing the debt in Ontario. CME certainly supports those efforts. I think that we have mortgaged quite a bit of our future through increasing the debt and we certainly encourage you to continue to reduce it. Along with targeted tax reductions, we also suggested expenditures. Are you getting value for the dollars that you are spending on the programs? This should be encouraged to be reviewed.

In the area of capital tax, in the 2001 budget the government made a commitment to begin eliminating the investment-unfriendly capital tax. The first measure introduced in 2001 was to increase the taxation threshold to $5 million, from its current $2 million, of capital tax. This immediately assisted a very limited percentage of small businesses, primarily in the retail, commercial or service sectors. Due to the capital-intensive nature of the manufacturing sector, this small threshold movement did not assist the manufacturing sector at all.

Therefore, CME strongly encourages the government to take the next step and legislate the full elimination of the capital tax quickly and completely so that Ontario business can benefit. The government must recognize that it is the manufacturers and exporters that are most negatively impacted by this tax, due to the fact that the tax acts as a direct deterrent to the investment necessary to increase Ontario's productivity. As mentioned, many of the OECD studies consistently illustrate the direct relationship between productivity losses and the lack of capital investment.

Furthermore, the very nature of capital tax as a regressive tax, a fixed cost and a punitive measure, is completely at odds with the overall message of the Ontario government. This is one of the points from a perception standpoint. Our counterparts in the United States—none of the states have capital taxes. You are penalizing people for investing hard assets in your jurisdiction. When our friends south of the border look to Canada and do the equations as to what the after-tax return is going to be, capital tax certainly becomes a part of that calculation. The fact that you can lower the effective tax rate or the corporate tax rate is one measure, but when you add on our capital tax you take us back to a level that is equal to or sometimes greater than that of our counterparts south of the border. It's a serious consideration for Ontario.

Also I would point out that your counterparts in the province of Alberta and in the province of BC are in the process of either repealing their capital tax legislation or, alternatively, have already repealed it. They have recognized what capital tax is doing. So from CME's position, we strongly recommend that you take a look at it. You don't have to take it all out in one year, but you should certainly make a move to encourage the reduction of it.

Capital recovery system: the capital cost allowance—CCA—system in Ontario was comparatively advantageous to CME members up until the late 1980s or early 1990s. However, the current system no longer provides benefits to capital-intensive industries such as the manufacturers and exporters sector from accelerated CCA rates.

I can take you back to the early 1970s when Ontario had put in major accelerated write-off rates. There were billions of dollars spent in this province on hard capital assets that are still here today and are still producing for our economy, and that was partially driven by the accelerated write-off in the CCA. Take a look at it.

The tax measures to enhance the capital recovery system we believe would result in increased employment and a greater economic growth in Ontario. This can be evidenced only by looking at the province of Quebec, which offers manufacturing and processing capital assets a 125% CCA write-off in the year that they're acquired.

We recommend that the government introduce a capital recovery allowance for new production machinery. This would be similar to the former Ontario current cost adjustment, which was repealed by the previous Ontario government.

As an alternative option, we recommend at minimum that production machinery be granted a two-year write-off through the existing CCA system. This was in place in Ontario in 1972 and was removed in 1987. Hence, we recommend that the capital cost recovery system introduce an allowance such as the former current cost adjustment or at a minimum introduce an accelerated write-off for new manufacturing equipment.

Corporate minimum tax: this again goes back to the perceived tax policy in this province by outsiders. A minimum tax is only paid when you're not making any money, which doesn't make an awful lot of sense. Companies that aren't making any money can't afford to pay a minimum tax.

CME continues to view the corporate minimum tax as a strong disincentive to potential industrial investors in Ontario. This tax is a clear disincentive to investment in the province of Ontario.

The corporate minimum tax raises little revenue except during economic downturns such as Ontario manufacturers and exporters experienced in 2001 and 2002. It is a nuisance tax. It is a strong disincentive to potential industrial investors in the province. The tax sends a negative message to those who make the corporate investment decisions. Ontario should abolish the corporate minimum tax because it is a highly visible disincentive to investment.

On the administration side, and as a tax administrator for many years, we have always found that we spend too many dollars having to administer a tax system. The members of CME continue to rank the administrative compliance burden of taxes, in general and in Ontario in particular, as a continuing increase to their costs. The following recommendations are administrative in nature. We encourage the government to consider these recommendations in order to improve the effectiveness of the existing tax system.

Value-added sales tax: let me just go offside here and say that one of the things that business encouraged this government, the previous finance minister in this province and several before him, is that we should have only one direct taxation system. We have encouraged Ontario to harmonize with the federal sales tax system. We go into Europe and that is the way taxes are levied on direct purchases.

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As an alternative to harmonizing with your friends in Ottawa, CME believes that the government of Ontario should replace their Ontario retail sales tax with an Ontario value-added tax, a VAT tax. The introduction of a VAT will improve the overall domestic and export competitiveness of industry in the province. The current sales tax situation not only weakens the competitiveness of Ontario goods in the domestic market, but also in export markets against those competitors located in jurisdictions that have a value-added tax. Implementation of a VAT would also have the secondary benefit of simplifying compliance and administrative requirements due to its alignment with the existing federal goods and services tax, which is also a VAT. So we strongly recommend that you take a look at it. It can be structured in a manner that it probably will not cost Ontario any dollars, but it would be much easier to administer. It would put the manufacturers that export goods out of this country on an even playing field with our competition—and we do have competition outside the province of Ontario.

Municipal and property taxes: as someone who was involved in the 1970 changes that were made in this province when they moved the assessment process from the municipalities to the province and all the promises of fair value taxation, I was greatly encouraged in 1997 when I heard that we were going to fair market value assessment. We got the legislation. The previous legislation, I believe, came before this committee and before this House in 1971 and every year it was stayed; it was never brought forward. There's something to say for that. In 1997 we were encouraged when we heard about fair market value assessment, particularly for the commercial industries in this province. Property tax continues to be a key factor in the production allocation decisions at companies that CME represents. Government must continue with meaningful reform of the property tax system to fix the current problems and provide a municipal tax system that is simple, competitive and predictable.

Although numerous government efforts have been undertaken to address these inequities, an unfair and unequal tax burden persists. Businesses in Ontario have been waiting since 1970 for the inequities within this system to be eliminated. Don't you think it's time that we did something about it?

The industrial and commercial assessment classes in Ontario continue to pay a disproportionate share of property taxes relative to the residential class. This differential has averaged 235% higher for commercial properties and 350% higher for industrial properties.

In addition, CME continues to have concern with the capping provisions. We encourage the government to eliminate the requirement that tax reductions be used to fund capping of tax increases and address the overall increased tax burden on industrial and commercial properties.

Furthermore, in order to stimulate investment in Ontario, the province should require all municipalities to reach the provincial bands of fairness ranges within five years.

There is one other issue of administration that has been a burden to many of the large manufacturers and exporters in Ontario that do research and development. The superallowance, the R&D allowance that is provided in the province of Ontario, is working well. There are a lot of research dollars spent in this province. With respect to the administration of the Ontario superallowance, CME members believe that the allowance is complex for the taxpayer to calculate and difficult for the Ministry of Finance to administer. These difficulties could be addressed by changing the superallowance into a single-rate, non-incremental allowance, while simultaneously making the allowance rate effective so that the full benefit flows through to the members. Again, that won't cost the government any more. It will certainly take a lot of time out of my staff's hours; we can do some other productive work. We're still trying to sort out our 1991 superallowance with the staff of the Ontario Ministry of Finance.

Thank you very much.

The Chair: That completes your presentation?

Mr Howcroft Yes, it does.

The Chair: We have approximately 11 minutes per caucus.

Mr Gerry Phillips (Scarborough-Agincourt): Thank you very much. Mr Howcroft, I thought you mentioned that we were going to hear something on the tax side for employees. I'm not sure whether I heard that or not, for training.

Mr Howcroft: It will be part of our written submission, just to have a more workable tax incentive system for training, to better reward employers who train and as a further incentive to do more training. The skills issue is one of our key priorities, as I mentioned, and with the demographics and the skills shortage we're currently experiencing, even in a slow economy, it's going to get worse. So we want to have a tax policy that better supports and promotes skills training.

Mr Phillips: One of the challenges we all face is trying to balance priorities and where we have our competitive edge. On the corporate tax front, the numbers we have say that corporate income taxes are now at roughly

30% for manufacturing, and for our competitors they're at roughly 40%, our competitors being Michigan, Ohio and New York. Do we need to have corporate taxes seven percentage points lower than New York and Illinois for our manufacturers to compete?

Mr Allinotte: The statutory rates are—I would argue with 40%.

Mr Phillips: That's what the government presented to us yesterday.

Mr Allinotte: I would have to see the basis of it.

Mr Phillips: What number do you use?

Mr Allinotte: We look at something in the range of 33%.

Mr Phillips: Really? For the US?

Mr Allinotte: For the US.

Mr Phillips: That would be interesting information for the committee.

Mr Allinotte: The federal tax rate in the US is 35%, its statutory rate. You mentioned Michigan. Michigan does not apply an income tax. Michigan has a system called a Michigan single business tax, which is virtually a franchise tax, which I would point out to you is deductible for federal income tax purposes in the US. So you can't just add the two rates together. Consequently, if you look at a manufacturer in the state of Michigan who is paying a 2.25% franchise tax and a 33% federal income tax, and you take the Michigan single business tax as being deductible, that ends up as something just short of about a 34.3% or 34.5% effective statutory rate. Combined with that are, naturally, all the differences between their accounting income deductions and their book income deductions. So I would start with a rate, for argument's sake, somewhere between 33% and 35% in the US.

Mr Phillips: Really? We have completely different information than you, which shows it at 40%. I would like to see those numbers, because just yesterday they spelled it out, the state rates and the federal rates. I'm sure the manufacturing association can give us those numbers.

Mr Allinotte: Most definitely. I would refer you to a report that was published by some of our associates from the Conference Board of Canada who did a comparison on four or five major industries, all of which have counterparts here in Ontario, with states such as Michigan and Ohio. I can't say for sure with regard to New York.

Mr Phillips: We have completely different information, then, in the numbers that have been presented to us. By the way, I've seen these numbers broadly used, suggesting that the corporate tax rates in the US are roughly 7% to 8% state-wide, and federally 35%.

Mr Allinotte: I would point out to you that if that study is showing a Canadian federal tax rate for manufacturers of 21% and hasn't factored in the large corporation tax, that takes it to an effective rate of something close to 25% at the federal rate.

Mr Phillips: Maybe that's in your report to us, then. What differential do you think we need to compete here in Ontario? How much lower do our corporate taxes have to be?

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Mr Allinotte: The combined statutory income tax rate that we will eventually have here in Ontario will be 29%: 21% at the federal level and an 8% rate here in Ontario. That presumably will be an acceptable, effective rate. However, when you start adding in the capital tax at the provincial level, the capital tax at the federal level and the surtaxes at the federal level on corporations, our rate will be somewhere between 35% and 37%—all rates in, a statutory effective rate.

Mr Phillips: I'm looking forward to your report on that. That will be very good. Are you therefore saying that because there are capital taxes, we should have lower corporate income taxes?

Mr Allinotte: You should have one or the other.

Mr Phillips: What would you suggest to us?

Mr Allinotte: One of the things that happens is that when you have a non-Ontarian doing a financial after-tax analysis of an investment in Ontario, the thing that keeps coming up is that in the first four or five years in a start-up operation they don't make a dime of profit but, depending on the size of the organization, they may be paying out $6 million, $7 million, $8 million in capital taxes.

Mr Phillips: But you see, the challenge for us is, your recommendation is to have corporate taxes at 29% and eliminate the capital tax. I'm just saying, what is your priority? What is the Canadian Manufacturers and Exporters' priority here for us?

Mr Allinotte: The priority from this standpoint is to eliminate capital taxes.

Mr Phillips: As opposed to reducing further corporate income tax?

Mr Allinotte: Well, we certainly hope that you would go forward with the reductions that have been announced.

Mr Phillips: OK, that's useful.

Mr Howcroft: We do recognize that there are challenges and priorities and balances that have to be made, particularly in the economy that we've experienced lately, but what we want to do is try and have a system and an environment here in Ontario that are attractive to investment, to both retain and bring in new investment.

Mr Phillips: Should our goal be to have taxes that are competitive with or equal to our major competitors? Should that be what we're targeting?

Mr Howcroft: I think at a minimum we have to have tax rates that are competitive with our major competing jurisdictions. What we want to do is have a system that attracts investment, retains investment and helps foster economic growth that benefits the province and ultimately benefits the revenues that we all need for the programs, the education and health care that Ontarians are all concerned about.

Mr Allinotte: If I may just point out to you, Mr Phillips, your comparisons are to the US. As you are well aware, for the steel industry—I can speak of that—and for the major part of our manufacturing and exporting members our competition isn't coming from the US; our competition is the world. There are a lot of tax jurisdictions across this world that don't pay any income taxes on exported goods. Does your study show that?

Mr Phillips: This is the government's study. I rely on the government to give us accurate information, that's all. It's not my study. The government's document here says that US manufacturers pay on average more than $3,100 per employee for the kind of health care coverage provided by Canada's publicly supported system, whereas Ontario employers pay about $540 per employee; in other words, about a $2,500 per employee cost advantage in the way we fund health care. We've chosen to do it through taxation and whatnot.

Again, this isn't my study, this is the government's study, just to put you at ease. Is that reality? Is it $2,500 cheaper per employee to provide health care coverage than it is in the US?

Mr Allinotte: I can't comment on that.

Mr Howcroft: I don't have the exact numbers, but the health care system in Ontario does give us a competitive advantage in that area from what companies have to pay for similar coverage in the United States. When companies are making their investment decisions, that's certainly an important factor that they look at. What they look at, though, is the whole amalgam of all these tax issues: the health care costs, the tax costs, the labour rights etc, and that's what they make their decisions on. We have to also look at that. We want to make sure we have a competitive tax rate that encourages that investment. We do have some advantages with regard to health care and we want to maintain a strong health care system in Ontario.

Mr David Christopherson (Hamilton West): Thank you for your presentation. My apologies for missing the initial part.

Last night the news reported that the German economy has now fallen into technical recession; Japan is in their third recession in a decade; the British economy is extremely soft and maybe also heading for technical recession status. What's it going to take? This week there have been some indicators: Greenspan's comments yesterday; everybody sort of went over the top. I heard his comments. I didn't think he was all that positive. He watches his words more carefully than we do and they certainly have greater weight. But I didn't sense from him that he was announcing that all the bad times are over and it's full steam ahead. He's acknowledging there are a few good indicators, but the word "risk" is still in there, writ large in his comments.

You talked about the world, and obviously there are your markets. How much of a turnaround does the Canadian manufacturing part of our economy have to see in these major economies around the world before we are truly back on the same footing we assumed we were on 18 months ago?

Mr Howcroft: We're quite cautious in our forecast as to what we expect. We don't expect significant growth in 2002. We're hoping things will pick up by the third or fourth quarter of 2002 and hopefully we'll have more significant growth in 2003. We compete among the world with those other economies, but the reality is that most of our products go to the United States, so we're more closely tied with the economy of the United States; 87% of our exports go there. So it depends on what happens in the United States. Until we see pickup there, we're not going to see major improvements in Ontario. We're hopeful; we listened to Mr Greenspan as well and hope for more encouraging comments, but we're still concerned as to how things will proceed for the rest of this year.

Mr Christopherson: By extension, of course, the American economy, then, if you want to shift the focus from ours to theirs, because there's a lot of reality in that: it would seem to me that they still need to have these other economies that they trade with take off. There's only so much you can do with the world economy when the second-largest economy in the world, Japan, remains mired in a decade of recession. And now Germany, the engine of the European economy, is technically in recession and the British economy has gone so soft. So it would just seem to me that at some point those economies have to turn around before the North American economy, let's call it, can pick up. Is that fairly accurate, or are they self-contained enough that they can really do well and these other economies can still stay mired in recession?

Mr Allinotte: I don't believe that the European markets—they are softening, and the Japanese economy, as you say, for a decade has been going the wrong way with negative growth, I think in the last eight or nine years, which has not had a major impact on the North American economies.

One of the things I can tell you from our industry's perspective, and I think it's true of all our manufacturing, is that as the European or offshore economies start to find that they are softening, they then turn to the North American market for shipment of their products which they can't sell in their own home markets and consequently bring into this country. We in the steel industry have been devastated by dumping action by these economies that are starting to weaken themselves. We would sooner see them going full blast because, if that's the case, then we don't have to compete against dumped steel in this country.

Where do we see them going? We are very cautious in our projections. I think the last projection was 1.5% to 2% growth for the economy in Canada in 2002. I think Mr Greenspan was talking 2.5% to 3%. That's kind of aggressive from our vantage point, but maybe he's right; I can't tell. A weak economy, not for a long term but a short term, in the European markets can affect us here even though we have some strong growth. That's from our vantage point.

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Mr Christopherson: Given that you've mentioned steel a couple of times—I'm from the steel town of

Hamilton and we had the auto industry in yesterday. There was a major presentation on the auto industry and the impact of the restructuring that's happening there: the job losses; the manufacturing job losses at that. How do you feel about the idea of saying, given the current economy around these two areas, that the provincial and arguably the federal government have an obligation to put together a made-in-Ontario steel strategy, and the same with auto, so that we're focusing on these two areas given their critical importance to our economy, not for the sole purpose of necessarily putting money in, although I'm sure that would be a part of it, but that's not the sole purpose. The sole purpose would be to bring to bear all the advantages we have in this province and in this country, focus government assistance on it, working with the industry, working with the unions that represent the workers there, so that we're maximizing our ability to be competitive. Does that make any kind of sense to you or do you think that's the wrong way to go?

Mr Allinotte: I think any participation between the governments, the provincial and the senior level, working with industry is beneficial. It's beneficial to the industries, it's beneficial to our employees and it's beneficial to the residents of this country.

We would caution any thoughts of putting money into industry. Our friends south of the border, particularly in the steel industry, are lobbying their government to do that. That would make us very uncompetitive. I don't think we would encourage you to invest money. Anything that can be done to assist us in the training aspect of it; some of these disincentive tax measures and policies that discourage us from putting investments in this country and also discourage others to come in and invest in Ontario or in Canada in general—we shouldn't have policies like that. We are a very small portion of the North American economy. Let's face it, the dog is south of us, we're just on the tail end of it, so let's not fool ourselves here. We need investment in this country and we need it in Ontario. I'm quite sure that the manufacturing, exporters, the industries and our members would support collaborating with the Ontario government and the federal government on any initiatives that would help us improve our situation.

Mr Howcroft: I would agree with that. There's a lot more that can be done. These are very complicated issues, and the more we have at the table talking about it and trying to solve it, that would be for the betterment of Ontario and Canada.

You missed one of my earlier comments, Mr Christopherson: we're trying to deal with issues from a broader perspective, not just dealing in the silos. We see that in Ontario and we see that we're dealing with federal and provincial issues. Our members say we have a problem and we have to solve it. It doesn't matter what the Constitution says as to who is ultimately responsible for it; we have to work to come up with solutions, so a collaborative approach would go a long way to deal with some of these issues.

John had mentioned the skills issue. Ontario is the only jurisdiction in Canada that still doesn't have a labour agreement with the federal government. We're encouraging Ontario and the federal government to work together so that the companies and the individuals here in Ontario can benefit from leveraged co-operation between Ontario and the Ottawa government.

The Chair: We have two minutes left.

Mr Christopherson: You talked about not fooling ourselves. I think one of the concerns some of us have in focusing solely on tax cuts is that it is also part of that race to the bottom. We can also be more competitive by having the weakest labour laws; we can be more competitive by having the weakest environmental protection laws; we can be the most competitive by having municipalities have the ability to start giving bonusing, as we call it, which no one is contemplating, but it's another measure. If the only thing that matters is competitiveness, there are lots of things we can do.

From our perspective in the New Democrats, rather than seeing some of the disadvantages we have—and, no question, there are things we have to work on, and tax rates have to be at least competitive; nobody is arguing that point either. However, if we're racing constantly to be the cheapest in every area, ultimately we're going to be asking Ontario workers to work for wages that would compare with Mexican workers, which of course is never going to happen. But if you listen to some people, they'd like to see us take a big, huge step in that direction. Already in northern Mexico they're losing jobs because workers in southern Mexico are willing to work for less money than their brothers and sisters in northern Mexico. So the whole game of race-to-the-bottom is even happening within a nation, not just nation to nation.

It seems to us that quality of life is a huge issue. That's a distinct advantage we have over most of our competitors around the world. You mentioned having that labour agreement, but having that ready-made skilled workforce and every facet of life that business has to deal with is a distinct advantage. Certainly our health care system means we have healthier workers. Smarter workers—the education system itself provides those workers. And yet, if we focus solely on tax cuts, they erode our ability to maintain those advantages. I guess what I'm getting at is that I'm looking for some comment that acknowledges the fact that taxes alone aren't going to decide whether someone invests big or small and whether we succeed. A lot of it has to do with the quality of life and the advantages we have—our geographical advantages, our resource advantages, our sophisticated financing systems. There are a lot of things going for us. We don't have to allow ourselves to be exploited on the tax front as our only means of survival. Would you agree with some or any of that?

Mr Howcroft: I agree with most of what you say. That's the view we take. We think Ontario and Canada have a lot to offer, but we find ourselves falling further and further behind the United States with regard to our standard of living and our productivity. What we want to do is create a system here in Ontario that allows us to address that. We want the quality of life to increase.

We're not looking for low-end jobs and low wage rates that you'd find in Third World countries. What we want are value-added jobs. In attracting investment and investing more in companies, you're going to get the higher jobs, the jobs you need the skills for. So we agree with the direction you've stated. We may not agree with all the ways of getting there, but our goal is to deal with some of those issues.

I have brought copies of our paper, the Business Case for Innovation, which talks about what Ontario and Canada need to do and need to discuss to allow us to move forward. We do an analysis every year, an excellence gap comparing us to other G7 countries. Four years ago we were in fifth place; last year we were in seventh place. We're falling further behind, so we have to deal with some of these issues. Tax is one important area, but there are other issues we have to deal with—skills, innovation, the culture we have here—if we're going to be able to maintain the standard of living we have, let alone improve it.

Mr Christopherson: Right. Thanks very much, gentlemen.

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The Chair: I'll go to the government side.

Mr Ernie Hardeman (Oxford): Thank you very much for your presentation. I want to share our time with all the members on this side. I just have a couple of quick questions. The first is on property assessment and the change to market value assessment. John, you spoke about that and that it's a giant step in the right direction to pay fair taxation. You did suggest that more needed to be done, and I just want to make sure I understood that the more that needed to be done was based on the tax rates on that assessment as opposed to the actual assessment, or whether you see a major problem yet with how the value of industrial-commercial property is assessed.

Mr Allinotte: Under our system, the tax base is the assessment process. The 1997-98 implementation of the change spoke about fair market value assessment. Had that fallen in place the way that terminology in the legislation was written and the mathematics worked out to be, we'd probably have industrial and commercial properties in Ontario back to an area where the taxes were not being disproportionately paid by those two groups. Unfortunately, we found that the residential areas were going to have to pick up the shortfall.

Then we introduced capping. The introduction of capping, whereby the industrial and commercial areas that otherwise would have achieved a certain amount of benefit from the new system—it was never achieved. I don't think it's planned to be achieved in the very near future. That is a problem. I know the current Ontario property corporation, OPAC—

Interjection: MPAC.

Mr Allinotte: MPAC—whatever they call themselves these days—is talking about introducing a new cost system for assessment purposes in 2003. One of the problems with those types of systems is that there is a lot of subjectivity in them. It all goes to value. When you look at our friends south of the border, property taxes, realty taxes, personal tangible property taxes are based on financial statements on a cost basis, and that is how it's levied on industries; it's done the same way.

Your question about taxes has always been a sore point on my side of the table, because no matter how hard you work to get the assessment right, the municipalities raise the taxes. They spend the dollars. I've always been an advocate that industry, commercial, even as a residential homeowner—that every time the municipality spends a dollar, some portion of that dollar is my money. I want a little more say in it. Industries such as my own employer make up anywhere from 8% to 10% of the municipal tax dollars that go into the city of Hamilton. Sometimes we question whether they should have spent that money. I think that is on the other side of it.

Mr Hardeman: OK. The other one very quickly: Ian, I think you mentioned the association's support for opening the market for hydro. We've heard a number of times in our consultations that one of the larger corporations in your municipality was saying they think that's bad for the manufacturing industry. I don't think it was Dofasco.

Mr Allinotte: No.

Mr Hardeman: Could you explain to me why there would be some who think it's not a good move, and yet everything I see—and the minister announced yesterday that he's projecting we're going to have considerable savings across the electricity industry over the next number of years because of opening the market.

Mr Howcroft: For one thing I think there's been a lot of misunderstanding about the issue and I've seen some conflicting media reports. We have been working for many years to have a more competitive energy market. We support the market opening. We'd like to see more competition than we currently have and we'd like to see it accelerated more than what the plan is. But overall, from what we're hearing there is still vast, widespread support for the market opening. There's support for more competition in that area, which we believe will lead to lower energy prices, competitive energy prices, than if we continue the way we have in the past.

Mr John O'Toole (Durham): Thank you very much for your presentation this morning. I'm looking to see the printed version of it, John, because your expertise in taxes is refreshing.

The chart Mr Phillips was referring to was supplied by the minister in his presentation yesterday. I've asked staff to verify the 40.9% number he used for Michigan. Really, Mr Phillips has been arguing every day I've heard him for the last six months or since the budget: "Why should Ontario be so much less than other jurisdictions?" I agree with your analogy. It's got to be an all-in number.

There are three levels of government with taxing power here. The municipal one makes up the size of the pie. Whether in the assessment or in the tax rate—they juggle the number—it doesn't matter. If they lose it in tax rate, they get it in assessment. Then at our level—and to harmonize with the feds, who ultimately don't really want to deal with the capital tax issue; they'd like to hide behind it. You know the argument going back to the 1990s on capital tax. I just think that if we harmonize—we've each got the numbers—there will be more tax on the people of Ontario. Of course, there are those who say they'll harmonize with the federal government. Their agenda is to increase taxes, not reduce them.

So Mr Phillips relentlessly argues against any tax reduction for business. He can respond in his own time, in his own press conference.

Mr Phillips: I have no time.

Mr O'Toole: No, he has no time left. But the point is, we are clearly on record as reducing capital tax and corporate tax. I've heard you say it's the right thing to do to remain competitive, otherwise ultimately we lose the jobs. And as Mr Christopherson says, we lose them to other competitive jurisdictions. Japan is in an economic crunch in terms of its banking system and Mexico is exempted from Kyoto. As these big marbles move around the table—it's a complicated arena, complex beyond the tax regime.

I'm just going to ask you one question because Mr Spina may have one. It's the response to the Kyoto investment. Although it's a federal jurisdiction, it's going to affect the heartland of manufacturing in Ontario. What's your position with respect to that? I've read conflicting reports. The federal report says it's going to have about a 0.5% impact on the GDP. There are other reports ranging in the order of 1.5% to 3.5%, maybe even higher once you complicate it with emissions. Our trading regime includes some of the countries that are exempted from Kyoto. I have no problem with them sharing in the wealth of the world and I think we should exempt them under certain kinds of—but ultimately, if the same amount of CO_2 is going into the atmosphere, whether it's here or there, let's measure the efficiency. Do you understand? Do you support the Kyoto regime by the federal government currently and its potential impact?

Mr Howcroft: We do not support the federal government signing the Kyoto Protocol. In fact, the other—

Mr O'Toole: But we want a clean environment.

Mr Howcroft: So do we. I brought our Kyoto Alert to leave with you today because I think, as Mr Christopherson said, we can't just look at the tax issues on their own; we have to look at all these issues. Kyoto has been viewed as an environmental issue, but there are broad-ranging implications that cut across all ministries and will affect all people of Ontario and Canada.

There are major concerns. We issued a report yesterday about the pain and no gain if we go ahead with Kyoto as it currently stands. I just e-mailed everyone here yesterday the executive summary from our report and would refer you to that. I'll provide anyone who wants it with a full copy of that report.

Mr O'Toole: I'd appreciate getting a copy of that.

Mr Howcroft: It shows that if we go ahead and have to meet the Kyoto requirements, we would risk losing 450,000 jobs in the manufacturing sector by 2010, I believe it is, and that doesn't include the jobs that are supported by this strong manufacturing sector. So there are real major consequences in going ahead with Kyoto right now and there would be, as you point out, no gains to the environment that—

Mr O'Toole: What are the implications here if it's the globe and we're pumping so many tonnes of CO_2 into the globe, so I reduce mine and somebody else increases theirs? Who are we kidding here? It really is an economic policy run by some world bank about re-disposing the wealth of this world. I think we should have some say in that, specifically when our economy hinges on all the fundamentals that make you competitively disadvantaged with Mexico, for example.

Mr Allinotte: Let me just talk as an accountant. The dollar cost of achieving the reduction in CO_2—I have been on several committees and talked about carbon taxes. Carbon taxes were going to be directed at carbon producers or users. The steel industry uses a lot of carbon in our coke houses and, unfortunately, a smokestack industry is a smokestack industry no matter where it is. But the dollars that have been spent in this country and in North America to reduce carbon emissions within the steel industry have exceeded our counterparts in Japan. All you have to do is travel through some of the Ruhr Valley in Germany and see some of the steel production there and the coke oven batteries and what they are producing.

For us—for Canada, for Ontario—to say we are going to meet whatever the bottom line is going to be years ahead of our competitors is going to cost us money, money that we don't get five cents of return on. Our shareholders are going to kind of think we're crazy.

The Chair: With that, Mr O'Toole, I have to bring it to an end, as we've run out of time. Gentlemen, on behalf of the committee, thank you very much for your presentation this morning.

Mr Phillips: Mr Chair, just while we're changing, I wonder if we could get the research staff to give us the study on the relative tax—

The Chair: Statutory rates?

Mr Phillips: The relative tax rates. I found what they did two years ago very helpful, because they included other provinces as well as the States. What we heard today I think was the need to look at the capital tax as well, to make sure it isn't just the income tax. I was kind of relying on the information presented to us yesterday.

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SCOTIA ECONOMICS

The Chair: Our next presentation will be from Scotia Economics. If you could please state your name for the record, and on behalf of the committee, welcome. You have one hour for your presentation this morning.

Ms Mary Webb: I'm Mary Webb. I'm a senior economist and manager at Scotia Economics.

Mr Aron Gampel: I'm Aron Gampel, vice-president and deputy chief economist at Scotiabank.

As usual, we're honoured to come here and give you our views on the economic outlook shaping the global economy, and Canada and Ontario. We've provided you with a summary of our outlook. That is hot off the press. Mary and I will do our usual tag-team match here of reading into the record our report, and then we'd be more than glad to answer any questions you have.

Ontario: Back on the Road to Recovery. Ontario is expected to generate increasing economic momentum as the year progresses, with the broadening US recovery leading the way. Because growth will be back-end-loaded, the 2002 advance in provincial real GDP is expected to be 1.4%, broadly similar to Ontario's performance in 2001. Next year, a gain of over 3% is forecast, with stronger growth encompassing more regions and sectors of the province. Overall, the economic takeoff that Scotia Economics expects this year and next is comparatively slow, averaging only about half the 5.5% advance during the boom period from 1997 to 2000.

A number of growth-restraining factors are expected to weigh against the typical snap-back in provincial activity that follows an economic slowdown. Consumers in both the United States and Canada will be hard-pressed to maintain the marathon shopping spree of recent months that has prevented an even steeper economic downturn from materializing in the aftermath of the terrorist activities in New York and Washington. The profit slump and overcapacity that characterize most industrial sectors on both sides of the border will limit capital spending plans. Commodity prices are in a bottoming phase, suggesting that global industrial production has yet to rev up. Growth in the Euro zone is minimal at best, while Japan's economy has firmly slipped back into recession.

There is, however, light at the end of the economic tunnel. More and more indicators are beginning to signal that the economy is emerging, albeit gradually, from the slowdown that began in mid-2000, roughly two years ago. Confidence and other leading economic indicators have been moving higher on both sides of the border over the past few months, encouraged by very accommodative monetary policy settings. Factory orders are beginning to turn higher as businesses begin to restock inventory. In the United States, the perpetual global economic locomotive, employment conditions are beginning to stabilize after almost a year of private sector job cuts totalling 1.8 million workers to date.

Ontario should benefit from the improving prospects in the United States. Although Canadian businesses have been less aggressive than their US counterparts in paring back employment and rising inventories, the increasing economic interdependence of the two countries suggests that Canadian output and exports will gradually build momentum as the year progresses, with a significant assist from a weaker Canadian dollar.

Monetary officials are expected to keep record-low short-term interest rates unchanged for the time being, a development that will continue to underpin the economic revival. The resilience of shoppers in both the United States and Canada owes much to the sharp slide in borrowing costs, in addition to heavy price discounting and sharply lower energy costs. The massive amount of mortgage refinancing that has enabled Canadians and Americans to tap their rising home equity values has also been a major factor in fuelling the spectacular resurgence in big-ticket purchases.

At the same time, fiscal policy is also helping to stabilize the North American economy. Washington's tax cuts and ramped up defence-related expenditures are offering important support. In Ontario, provincial and federal multi-year tax cuts are helping to underpin domestic demand. Significant public sector infrastructure spending should assist the construction sector as commercial and industrial projects are deferred.

However, a number of factors will at the very least cause this recovery to fall short of past revivals, even while inventory swings pump up growth for one or two quarters. The relentless squeeze on corporate profits in both the United States and Canada resulting from substantial global excess capacity in most industries will limit productivity-enhancing expenditures, a development borne out this week by the decline in corporate investment intentions reported by Stats Canada. The inability to pass on price increases in either domestic or export markets this year will force further corporate restructuring, delaying new hiring.

In the intensely competitive environment anticipated for the next couple of years, Canadian industry will continue to strive for higher productivity. Since the spring of 2001, Canada has witnessed a modest increase in private sector employment while US businesses were slashing payrolls. If profit margins remain squeezed, then layoffs could be expected to rise in Canada. In addition, trade irritants with the United States pose some risk for several Canadian industries.

In the early stages of this recovery, there will be little boost from the release of pent-up housing or consumption demand. In fact, household spending, already at or near record levels, will likely moderate in the months ahead before accelerating later this year. American motor vehicle sales, for example, have begun to pull back as a new round of cash rebates replace 0% financing. Canadian sales are forecast to follow suit, following record sales levels in January.

In contrast to Washington's ongoing stimulus, US state and local governments have embarked on cutbacks to help balance their books. In Canada, renewed federal and provincial fiscal restraint is anticipated as governments focus on steering a prudent course.

Ms Webb: Ontario industry prepares for a turnaround. Ontario industry faced significant challenges in 2001: motor vehicle production cutbacks early in the year, a steep high-tech correction and the substantial trade, transport and tourism adjustments that followed September 11. Growth in Ontario's manufacturing shipments, that averaged 8% from 1997 to 2000, faded to a 6%

decline last year, with only British Columbia recording a sharper drop.

The motor vehicle assembly and parts sector, which accounts for over 45% of Ontario's exports, is forecast to witness a further modest correction in 2002 as North American vehicle sales retreat from recent record highs. The forecast drop of about 5% in assembled units amounts to roughly one third of last year's decline. The announced closure of Ford's Oakville Ontario truck plant will trim Ontario's capacity by only 3%, and virtually all the remaining plants are productivity leaders. Right now, as production begins to pick up in 2003, Ontario boasts a 5% advantage in the number of worker days per vehicle assembled.

Ontario's auto parts manufacturers are also well positioned. The industry witnessed only a 5% fall in shipments last year, and the Canadian parts content in North American vehicles is expected to climb toward $2,200 per vehicle by mid-decade, up substantially from less than $1,000 in the early 1990s.

Ontario's aerospace industry has faced softer markets with the reduction in air travel in a post-September 11 environment. For steel, intense competition from imports drove down prices for some products during 2001 to the lowest levels since World War II. However, extensive consolidation in the North American industry has tightened supply, suggesting somewhat firmer prices going forward.

In telecommunications and information technology, restructuring—that includes further mergers and acquisitions, spinoffs and employee-led buyouts—is expected to continue through much of 2002. The substantial office and industrial space released in Ottawa's western suburbs and in the GTA over the past year indicates the extent of the high-tech sector's reversal. Growth prospects, however, are positive for areas such as biotechnology, and a gradual recovery in high-tech investment is anticipated, given ongoing pressures to trim unit costs.

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Expansion in Ontario's services sector over the next couple of quarters will be constrained by the second- and third-round impacts of corporate restructuring and renewed public sector restraint. Beyond the services directly related to manufacturing production, such as transportation and warehousing, are a range of business and technical services that are also affected. Toronto's prominence as an air transportation hub and the importance of overseas visitors to the tourist industry increased the province's sensitivity to the events of September 11. However, the province's outsized share of US travellers and the low-valued Canadian dollar, combined with Ontario's stepped-up tourism marketing, should safeguard the travel industry this year.

Ontario consumers, after curtailing expenditures through last summer and into September, posted a 6% jump in retail sales in the September to December period, powered by motor vehicle purchases. A moderate pullback is anticipated over the next couple of quarters as weak job creation pushes the provincial unemployment rate into the range of 7.5%, but several factors should limit the downside.

Ontario households entered 2001 with substantially higher real incomes. The impact of wage and salary growth, averaging a robust 6.6% annually for the four years to 2000, was enhanced by declining federal and provincial tax burdens. Offsetting the effects of financial market volatility was a pickup in housing prices. In just the past two years, the average MLS residential transaction price in Ontario has climbed over 10%. Stronger population gains, second only to Alberta, are also fuelling spending.

There are, however, fiscal challenges ahead. As the Ontario economy geared down in 2001, the province's spring budget responded with increased debt repayment and a schedule of personal tax cuts weighted toward 2003. Now, in 2002 and looking ahead to fiscal 2003, the Ontario economy is softer than last spring's forecast and government revenues will lag the recovery. The recent decline in inflation, though helpful in lowering costs for households, business and the public sector, will also dampen income growth. As a result, some difficult trade-offs likely will be required for Ontario to stay in the black.

Ontario's revenues in fiscal 2002, according to its third quarter update, will be more than 1% below year-earlier levels, with a 3.5% drop in own-source revenues overwhelming the 20% rise in transfers from Ottawa. Federal estimates of tax revenue remittances continue to ratchet down, and another small revenue decline is probable in fiscal 2003 as the province's own-source receipts slip again. Indeed, with a strong revival in taxation revenues probably not materializing until fiscal 2005, this year's fiscal planning should address the province's structural budget balance for both fiscal 2003 and fiscal 2004.

Corporate income taxes, a major source of revenue weakness this year, will slide again in fiscal 2003, given the further double-digit decline in pre-tax profits forecast for calendar 2002 and the planned cuts in the general, manufacturing and small business CIT rates for January 2003. In fiscal 2004, even with some earnings recovery, CIT receipts will be slow to rebound, reflecting loss carry-forward provisions and further scheduled rate cuts.

Personal income tax receipts are also expected to weaken further in fiscal 2003, given minimal employment growth and, in January 2003, the rate cuts scheduled for the low and middle brackets and the elimination of the first tier of Ontario's surtax. The outlook is more positive for retail sales tax revenues, with moderate increases anticipated over the next few years.

At the same time, the province faces a range of pressing expenditure demands. Of paramount concern is the health care budget, an area where all provinces are attempting to contain spiralling costs. An important consequence of the current fiscal squeeze is that it is forcing consideration of more substantive health care restructuring. Education, in addition to the demands of the upcoming double-cohort year, requires ongoing attention as a key building block of the province's competitiveness. Ontario must accommodate its steady population gains, fuelled by the province's role as the first destination for the more than one half of Canada's immigrants. Federal cost sharing programs currently pose a window of opportunity for Ontario's catch-up infrastructure investment.

The good news is that the province's debt service should fall well below $9 billion in fiscal year 2003 for the first time since fiscal 1998. Though Ontario has a relatively low percentage of variable-rate debt, limiting the benefits of current low short-term interest rates, it does have relatively large high-coupon maturities over the next year that can be refinanced with substantial savings. As well, the government's policy of directing the proceeds from asset sales and privatization to debt repayment should accelerate the unwinding of Ontario's debt that is key to Ontario's longer-term competitiveness.

Since 1995, the provincial government has achieved notable fiscal repair that better positioned Ontario to weather the current economic downturn. While the momentum of fiscal repair will ease during this slowdown, other provinces and neighbouring states are facing similar fiscal restraints and their progress has also stalled. The challenge, therefore, is for Ontario to keep its longer-term competitiveness goals in focus as it designs current fiscal trade-offs.

Mr Gampel: Let me conclude by alluding to the risks to the outlook.

The global recovery envisaged over the next year could stumble for a number of reasons. American consumers, for instance, could significantly retrench, weighed down by less buoyant income prospects and considerable debt. Japan's restructuring may not succeed and a sharp depreciation of the yen could hamper the recovery of other Asian economies. Latin America's economic situation remains fragile at best.

In addition to the potential impact of further terrorism incidence on consumer and corporate confidence, Ontario is particularly sensitive to the achievement of secure, efficient Canada-US border crossings. Over 90% of the province's international exports are routed south of the border and over 90% of these shipments are transported by rail or truck. Visible progress in addressing border issues must continue to maintain investment interest in southern Ontario, where the production of so many goods and services is tightly integrated with the United States.

Mexico is a growing force within NAFTA, building upon its favourable production and cost positions. The composition of Mexican exports to the US is similar to Ontario's, namely motor vehicles, electronics and machinery. In all three of these industries, Mexico increased its American market presence over the past decade. Canada outpaced Mexico in only six of 24 major industries in the 1990s and its share of US imports remained stable at 19%, compared to Mexico's share, which doubled to 11%.

Ontario's robust growth from 1997 to 2000 was built upon corporate restructuring during the first half of the 1990s, productivity-enhancing investment during the latter half of the 1990s and provincial efforts to reduce the tax and debt burdens. In this decade the same corporate and public sector focus on competitiveness will be required.

Thank you for listening to our commentary. We'd be more than glad to answer any questions.

The Chair: Thank you very much. We have approximately 12 minutes per caucus. I'll start with Mr Christopherson.

Mr Christopherson: Thank you very much. I always enjoy your presentations.

On the first page you mention the slowdown that began in mid-2000. As clear as you can get on this, what sparked that? We're humming along nicely, everything is going along great, and everybody now sort of refers back in generalities much like this. I can understand why, but I'm trying to get a sense of what sparked it. What was the turning point? Everything so far seems to be symptoms. Everything was a symptom of this and a symptom of that rather than what caused it to go from sunny days to cloudy days.

Mr Gampel: I believe that history is always good to be able to look back upon to try to get some answers. I think there's a variety of factors that contributed to the slowdown that did emerge in mid-2000. This downturn is different. They're all different, but this one in particular is different because it wasn't really caused by excessively high interest rates or consumer pullback. It was caused by the business side of the equation which came under strain, primarily in the United States but of course globally as well, because of the overcapacity that was being built into the technology sector. That sector is relatively small in terms of its overall size in the overall economy but had been contributing at an exponential rate to the growth rate of the province, of the country and of the economies around the world.

That overcapacity, combined with the lack of profitability that was being made in industry, forced a major retrenchment to occur in capital spending, and so what you had was an investment-led slowdown. That was one factor and one of the large factors that contributed to the stumbling of the US economy which, in turn, being this locomotive of the global economy, began to have repercussions throughout the world. That's largely because, when the US technology bubble burst, although the US may be the leaders in software and intellectual property, of course it's all interconnected. A laptop computer may be derived, or a lot of the software designed and built, in the United States, but the laptop was assembled in Mexico with components from Southeast Asia and Canada. So because of the concentration on technology, the global economy began to skip a very, very quick beat and pulled down almost every region around the world.

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The second part of the equation is that because of that economic interdependence, even economies which don't trade all that much with the United States were affected because of the increased globalization that had been going on. So if the US slowed, Southeast Asia and Canada slowed and Mexico slowed, then of course Europe, which thought it would be immune to some of these problems internationally, came a cropper as well because of their ties to other regions of the world. So the connectivity of these economies, because of trying to outsource production around the world, led to a steeper slowdown that encompassed many more economies.

I think another factor that goes unnoticed but I think is very, very critical is the fact that energy prices were moving substantially higher at the end of the 1990s and that certainly contributed to a tremendous drag on overall economic activity as it basically pinched the pocketbooks of consumers and businesses. And then of course we were snugging monetary policy; we were pushing interest rates up in order to guard against inflationary potential. These economies are still inherently inflation-prone and it may be coming from low levels and moving modestly higher, but policy was in a restraining mode.

I think those are the factors that essentially tipped the economies over. Of course America for a variety of reasons began to cut back employment very quickly in 2001 as the profit numbers would not revive and any other efforts to restructure were not meeting with success, and that just led them into a much steeper downturn. Other nations around the world have not cut back as much on the employment. Domestic demand has held up reasonably well. There was not a consumer-related slowdown; it was much more business-related.

So I think that those, in a nutshell, are the main factors which triggered this slowdown. Again, these slowdowns then breed recovery as well and that's what we're seeing right now.

Mr Christopherson: You talk about that nice word, "correction," the lovely, soft, nice little word that for a lot of folks means absolute devastation. But I'm going to talk about the whole tech side of things now.

The market side of things has gone into the dumper, but on the other side the major indexes—the DOW, the TSE, the equities—held by and large and there's a lot of discussion around the P/E ratios. First of all there are questions about how solid the numbers are to start with, which is its own thing. What are they calling it: Enronitis? Anyway, is it your sense that that could still cause a problem if everybody started to believe that those ratios are too high, that those profit margins aren't going to be there in the out years? It seems to me that one shoe fell when NASDAQ did what it did and the rest of it sort of held there, particularly housing, which in my mind is in a bit of a bubble. Once you start setting records like that, it's hard to sustain. Your thoughts on some of that?

Mr Gampel: Clearly, the stock market valuations, which in many cases were led by technology, as reflected in the NASDAQ, and of course even with the reweighting of indices, whether it's the TSE or even the Dow, they're all down. They're all much lower than they were a few years ago from their peak. Right now, obviously, I think the market is factoring in probably lower P/E ratios going forward. It's going to be hard to match the valuations that we saw just a few short years ago. That calls into question the ability of companies to make money in a very, very competitive world. I think you're getting a revaluation going on, which is obviously complicated by accounting issues now in the marketplace, but we've had those before in other decades as well.

I think the key here is that the economies globally, which were running, basically, at a very high rate of growth, have gone from high rates of growth to low rates of growth. That has caused a major period of indigestion. That's what it is. The question is, how long will it take to get some relief? I think it's a workout period. The technology sector right now is in the process of going on a fundamental compression and consolidation, so the ability to generate renewed earnings is down the line. It still will probably be a very strong area, but we're in a period of adjustment. The long and short of it is that whether or not we can expect that the gains in stock market activity will affect, let's say, consumer income or corporate performance, I think it's going to be a factor that will limit the wealth creation ability of individuals and their spending power. But we're offsetting that, as we've seen through other areas: lower interest rates, price discounting that has been going on, and of course the return to lower energy costs. All those factors have been supportive and have kept consumer spending power up there at a time when we really have not seen as many job layoffs as one might have anticipated, so that the income gains from wages and salaries have not really slowed down significantly.

So I think the stock market is a factor that could limit how fast we regenerate growth. But right now what we're seeing is a classic inventory cycle where, through a combination of I think very fortuitous factors, we've just run down the stocks on the shelves to bare-bones levels. We have to go in and produce. The question is, how sustainable is that production turn? We really don't have a good answer on that. We're on the more cautious side in terms of the extent of the rebound because of the problems that we still see on the industrial side of the economy, trying to get out from this overcapacity that exists in many sectors, whether it is the auto sector, the technology sector, or other transportation equipment.

Ms Webb: On the housing side, we agree. This is another reason for our forecast that this recovery is going to be a bit more gradual than past recoveries and may disappoint some expectations. It will be tough to build substantial growth on housing starts and motor vehicle sales that are already at record levels and possibly ahead of themselves, given the relatively weak employment and labour market outlook that we do have embedded in the forecast.

Mr Christopherson: And if there's any kind of downturn, you're saying here that the Canadian economy could face a quick job loss, because we didn't see it in the last little bit.

Ms Webb: That's right. We did not have it.

Mr Christopherson: Two quick questions, if I can get them in. You mention that in the United States, we've got Washington doing stimulus, with Bush actually prepared to go into deficit. Then you're noting that states and local economies are pulling back. Your thoughts on the fact that they're both going in different directions? Is that good? Bad? Should one be doing what the other's doing? Your thoughts on that?

Then, just any comment on long-term sense of inflation. Suddenly, there's a lot of stimulus going on from the feds, a lot of defence spending. I haven't checked it, but I think they're probably adding money into the system. All these things can lead to inflation down the road. Although everybody's saying, "Don't worry about it," that's usually when I start worrying. Your thoughts on those two things?

Mr Gampel: I think that the United States has a different agenda than most other countries face. Right now, as being largely the military protector of the free world, they are in the process of ramping up defence expenditures. That's all there is to it. It's huge. They are willing to do it. The question is, how tolerant are they of big deficits going forward? I don't know. I don't think anyone has a good answer to that right now, but I would think that over the next year or two the size of the military expenditures that are going through the system will be very large and will have an impact on their overall economy.

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The inflationary potential of it is there, there's no question about it, when you get into cranking up the deficit machine. However, there are enough checks and balances in the global economy right now that I don't think we are going to see any significant rise in overall inflation at this particular time. If you ask me if inflation will be higher a year, two years or three years down the line, I would say yes. I think inflation is pro-cyclical. If the economy is expanding, we will probably see inflation begin to move up. I don't believe we're going back to high rates of inflation. I think high rates would be anything in excess of 4% to 5%. I do think that when you're in the range of 1% to 2%, where we are in North America right now, we're probably at the bottom with a potential to go higher.

Upon saying that—again, this is how wonderful economics is at the moment with all of your advisors both internally and externally—there are a lot of deflationary pulses going around the world. Japan is one of the classic examples. Japan is in a very tough position right now. If there are major failures there beyond what has happened with their inability to get their economy going, then it sends a deflationary pulse through the world, because as their currency weakens, it forces other countries to adjust. It means that the pricing conditions in Canada and the United States become that much more trying.

I would think the near-term risk right now is for stable, low inflation, but the bias may be even lower just because of the working through of the global deflationary pressures. But longer-term, with the US being the leader and for us the most important, there are always inflationary risks. We know that costs are going up in the health care area. We know that costs are going up in the security area. We know they are going up in the defence-related areas. So there are underlying—insurance is a classic example now in the post-September 11 era. There are inflationary tendencies that are still out there, that are probably built upon the demand conditions that have changed, at least temporarily.

The Chair: I have to go to the government side.

Mr Joseph Spina (Brampton Centre): Thank you for the presentation. The challenge that is being faced by the government, as you have indicated—and we can take some comfort, I think, in your comment that we've been able to, as a province and the government of the province, better manage the sort of wave and cycles that we're going through in some of the other jurisdictions. As to your sentence about how some difficult trade-offs likely will be required for Ontario to stay in the black, we're trying to juggle that element, of course, with other elements of trying to manage through that and still maintain some degree of incentives so that the economy can respond more quickly.

I'd ask about page 4, the paragraph where you talk about PIT, the personal income tax receipts, that they are "expected to weaken further." I'm not going to read it out. I'm trying to understand that. You've indicated that with minimal employment growth, you expect—this is what I'm reading into it; correct me, please, if I'm not understanding it properly. Because of lower employment, you've got lower personal tax revenue. On the other hand, because of the tax rates for the low and middle-income brackets and the elimination of the first tier of the surtax, then you're saying that the outlook is more positive for revenues, with moderate increases. So it almost sounds like a paradox. There is less revenue anticipated. The receipts are expected to weaken further in fiscal 2003, given minimal employment growth. Then you're saying that the rate cuts are going to generate more tax revenue. I'm trying to understand that.

Ms Webb: I think the intent of what we were saying is actually that the rate cuts would further erode the revenue. Although certainly longer term, over a number of years, it will stimulate and support growth, near-term, as you have the economy emerging into this slow recovery, it will be a cost.

What is built into the forecast is not just minimal employment growth but also some deceleration in wages. The fact that individuals can carry both back and forward capital losses that they've sustained in 2001 and 2002 is going to be another significant factor that plays into personal income tax receipts that we really don't know the magnitude of. Capital gains escalated so rapidly in 1999 and 2000 that we know that factor is very substantial both for federal tax remittances and in Ontario, because a relatively high percentage of Ontarians do own financial assets. We're simply going to have to see the numbers before we know how big that is.

Mr Spina: The other side of it—and Mr Christopherson understands that. I understand where he's coming from. The CAW yesterday recommended that the province, in fact the country as a whole, create a very specific strategy for the steel industry and the automotive industry. I think those were the two categories. Right, David?

Mr Christopherson: Yes.

Mr Spina: Earlier, the Canadian Manufacturers and Exporters—I know you heard part of their presentation—talked about an accelerated capital write-off that was introduced 20 years ago, and some of that equipment is still there now. That was a great incentive for investment into our economy.

I look at the comparison of perhaps my own city of Brampton, which has a large Chrysler plant, has the head office of Nortel, and is also where the Canadarm is being produced and made for the aerospace industry. We have other companies that are involved in a broad base of industries. When the third shift got eliminated at Chrysler, fully 1,300 workers, and with the layoffs that took place at Nortel, I look at my city and I'm thinking, "Something is going to happen here." The only thing I was seeing was record housing permits, record industry building permits, just breaking all records of investment and growth and expansion. I look at another community, where I was born and raised originally, Sault Ste Marie, a two-industry town—one and a half, essentially—the steel mill and the paper mill. I look at the decisions this government is trying to make and I'm wondering whether it's better to do as CAW and others are recommending, where you develop a strategy for specific industries, or is it better maybe to develop broader-based initiatives that would benefit a number of businesses across the board to give you a better cushion, if you will, when it comes to weathering downturns and also giving appropriate incentives for growth and job creation?

Mr Gampel: You've asked some very good questions. Some of them are related and some of them may not be related, but between Mary and myself, we'll try to give you our best feeling for it.

Personally, I would believe that the latter choice is the best, going toward your last question or last supposition that it's better to create incentives for the economy as a whole as opposed to select industries. It's a very complicated area but I think we are setting and have set the stage in this country and this province for better times and we were reaping the benefits of it. I would say we maintain that focus going forward. I think that means we have to obviously create incentives to make this a much more competitive place to work and also one that is much more productive. That affects not only the big industries but also smaller ones as well, because to a great extent this province and this country as a whole have a lot of small businesses out there that need to be classified as much more competitive and internationally focused as well.

I personally would think that is the way to go, as opposed to creating specific targeted industry incentives. Obviously in this environment where international events may force your hand, those are the types of issues that require decisions at that particular time, but I think from a national as well as a provincial perspective, we're on the right course.

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We've seen it in terms of the performance of the economy in that we went through quite a significant global slowdown, yet even during that, as you mention, we can still maintain fairly good expenditures on the consumer side in housing and automobile sales—an unbelievable performance and one which reflects the improving fortunes of Canadians and Ontarians and our confidence in the future for the province, for the country and for the global economy.

I believe that not only have companies made significant inroads and become much more productive, and that of course has helped to protect workers during this slowdown, but it has also given governments that had moved into surpluses that capacity to help out the economy during the period of slow growth.

I think by and large it all works over time and the benefits are there. It may not be reflected in the Canadian dollar, but that's not the issue. The point is that we have developed increased flexibility both on the monetary side and the fiscal side, nationally and provincially, in order to assist during these times when the economy doesn't go as well as it probably should.

To a great extent, we are so focused on our trade side as a province and as a nation that we cannot escape the vagaries of the business cycle internationally, nor can we escape the pricing conditions that are imposed upon us by international factors, whether it's the commodities side or the manufacturing side.

I think by and large we've done well. I know when we came here last year, we were very concerned about the economic outlook. In fact, we thought we were very negative at that time and lowered our growth forecast, but it obviously came in even lower than we had anticipated. But the mix has changed and the mix is even better than what we would have thought. I think that goes a long way to showing that substantial work and progress have been made in underpinning consumer confidence and spending power and the ability of businesses to withstand the vagaries of the business side.

The Chair: Mr O'Toole, you have two minutes.

Mr O'Toole: Just quickly, I have a couple of questions. Your article on February 25 in the Financial Post indicated that the government—this is Ms Webb. She said that "the measures could be enough to let the provinces squeak by until 2004 with only small deficits."

The other one is, what is the impact of US military spending ultimately going to be on the economy? They are spending huge money on two issues: the September 11 cleanup and foreign terrorism. How is that going to affect both the—it's going to affect our dollar because they're not buying anything. They are not buying anything; they are spending huge amounts of money. How is it going to affect our economy? Ultimately we're tied to the US economy. They are going to go in the tank. They are going to have huge debt.

Ms Webb: Two points here. You're absolutely right: possibly the most effective stimulus that can be provided in Ontario is from Washington and there should certainly be benefits to a number of Ontario industries. That being said, yes, Washington is going to not only stop retiring much of its publicly held debt but in fact having to start borrowing significantly again. The crunch from that is probably not going to materialize until much later this decade, as you get people retiring and as you no longer have as large a workforce to support a retiring population. So for now there is no near-term crunch. The capital flows into the US have more than indicated that they can easily finance the projected deficits.

In response to the Financial Post article, the question that had been posed to me was, "Well, we got through fiscal 2002, or you think we will, so why do you think things are going to be intensified in 2003?" Part of my answer was that, unfortunately, government revenues always lag in economic recovery. We still have fairly modest growth in central Canada for 2002 and, really, we won't see a significant pickup in revenue growth till fiscal 2004. Therefore, we must make structural adjustments, we can't tinker at the edges, because there's in fact a multi-year period here where we've got softer revenues.

Mr Phillips: I'll just follow up on that. I appreciate your presentation. At the risk of getting the Conservatives angry, I really think the material you provided us, and the other banks, is material we should have provided by the Ministry of Finance. We have no revenue forecasts, no job forecasts; we've got nothing. In my opinion, this committee should be given that information and we should be determining whether your concern, which is that there's a lag and this is not going to be a one-year challenge—you have to deal with it structurally, not with short-term decisions. We should have the information to deal with that. Anyway, that's my little rant. I think all members of this committee should be demanding that information from the government. But that's for another day.

Let me start with your forecast on employment over the next two years, which is on page 2. You're suggesting this year, 2002, virtually no job growth. I think 0.1% is maybe 5,000 to 10,000 jobs, and next year maybe 40,000 jobs. The government had been anticipating, I think, 165,000 jobs a year being created. How did you arrive at that forecast, and is that to be expected or is that an overly pessimistic view?

Ms Webb: It's our base case. It does, however, reflect our concern that employment has stayed remarkably buoyant in Ontario, but also in all of Canada, during the various challenges of the past year and in fact the challenges going into 2002. Therefore, the risk which we have built into that forecast is that we will have companies that held on to skilled workforces because they didn't want to lose workers that they valued but, after a number of quarters of earnings compression, can simply no longer avoid layoffs.

Also, because we look for a very competitive environment in this slow recovery, there will be a constraint on hiring, a constraint on major business expansions, because of the emphasis on competitiveness.

Mr Phillips: If that is true, if your numbers are true—I remember here at one stage several years ago the Ministry of Finance said that job growth occurs at the rate of real GDP minus one percentage point. In other words, if you have 4% real growth, job growth occurs at a factor of that, because GDP growth is a function of productivity and labour growth. So if we have job growth like those numbers, I think we have for at least two years a fairly significantly rising unemployment rate. I think you said a 7.5% rate in 2002.

Ms Webb: Yes.

Mr Phillips: And it would go up more than that. It would go up again next year with these numbers.

Ms Webb: No, in 2003 we think it will move back toward 7.3% and so by year-end 2003 we'd be down in the 7% range.

Mr Phillips: But didn't the labour force grow more than 0.7%?

Ms Webb: The labour force is larger and, yes, we think you will see the participation rates ease up a little bit as workers become discouraged. Nevertheless, I think it's a fair assessment because 7.5% is still not that high as an unemployment rate. Ontario witnessed far higher rates of unemployment during much of the 1990s.

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Mr Phillips: I appreciate that. I was looking at the number of unemployed in Ontario in January, which was 476,000. I think that's the highest it's been in three years or so.

Ms Webb: Yes.

Mr Phillips: If that number keeps going up, which your numbers suggest it will, at least over the next 12 months—

Mr Gampel: We're also cognizant of the fact that a lot of layoffs have already been scheduled for this year in some key sectors. Obviously that affects especially the auto sector. Those effects ripple down the supply chain as well, so that a lot of that for 2002 is essentially built in. What we're saying is that this rather sluggish period is hopefully on the verge of ending, but it's going to take until 2003 until you see some material results that employment should be coming back strongly at that time.

Mr Phillips: On the revenue forecast, which I really appreciate you preparing for us: have you done a revenue forecast? You've got it here in—I guess I'm asking whether you can provide the committee with your revenue forecast for at least the next year.

Ms Webb: For each province, we do a revenue forecast. Because of key factors—such as, how large is a reversal of potential capital gains going to be?—on this year's forecast I would attach more than a normal degree of uncertainty simply because we want to see the data play out over the next five months. Much of what we can expect in Ontario we will see from federal revenue collections. So the short answer is, I do attach a greater degree of uncertainty at the current time. I would be certainly willing to provide the committee with my revenue forecast.

Mr Phillips: That would be very helpful. In the absence of anything else, that's the best we've got—not that it isn't very good.

One of the more concerning comments in your commentary was that we shouldn't expect a strong revival in revenue until fiscal 2005. Is that three years from now or four years? I'm just not sure what you use for—

Ms Webb: That statement assumes that the scheduled tax cuts are implemented, which is what the government has indicated they are committed to doing. So that has the corporate tax cuts as well as the very significant personal tax cuts that are scheduled for January 2003.

Mr Phillips: By the way, you mentioned the federal recalculation. We asked the ministry staff yesterday what that number is, the miscalculation on the capital gains from mutual funds, because I'm led to believe that it was as much as $700 million a year in 1999.

Ms Webb: That's right.

Mr Phillips: Has the bank done any calculation on what you think the impact might be in Ontario on an annual basis?

Ms Webb: Yes. It has sort of played into our estimates, but I think there's still a huge amount of uncertainty. First of all, that wasn't what I was referring to. I was more referring to how tax receipts were coming in at the federal level, because in the fiscal fourth quarter we see a lot of corporate tax adjustments, we see persons starting to file and what they're doing in terms of capital losses. So that was what I was referring to.

For what you're referring to, which was the accounting error that has arisen, the total amount is some $3.3 billion and the estimates seem to be that over $2.5 billion of that is in Ontario. I think there's a huge amount still to be determined there. Right now, we still have the federal auditor going over the books, and the provincial auditors all have to agree that what is determined is equitable. Then, in fact, it's back in Ottawa's court about how this eventually works out, and Ottawa does have the ability to extend the adjustment, if there is indeed an adjustment, over a number of years.

Mr Phillips: I'm sorry, I'm not talking about any repayment of that. I'm talking about the impact on revenue this fiscal year and in forward years. If they overestimated the revenue in Ontario by, I'm told, $700 million a year and that's built into the numbers, if you take the $700 million out—not repaying it, but just out of the base—

Ms Webb: It won't be that large, either for fiscal 2002 or fiscal 2003, because we haven't had the capital gains we had in 1999.

Mr Phillips: I understand that, but the minister indicated yesterday that it might be as much as $500 million annually.

Ms Webb: The estimates are still so broad that the ministry probably has far more information than I would on that.

Mr Phillips: You've indicated something that I'm told is reality; that is, that there's a lag. In other words, when the economy begins to pick up, it takes a while for the revenues to come in, and when the economy is slowing down, it takes a while for the revenues to slow down. You've indicated here, I think, that this year what you call the own-source revenue is about 1% lower than in previous years. Have you any sense of what the decline for own-source revenue in total might be for the next fiscal year?

Ms Webb: For fiscal 2003?

Mr Phillips: The one that's starting April 1, 2002.

Ms Webb: The Ministry of Finance is now looking for a 3.5% decline for fiscal 2002. I don't think it will be quite as deep as that in fiscal 2003. I'll forward my revenue numbers to you.

Mr Phillips: Right. I hadn't heard that number before. They're looking for a decline of—

Ms Webb: The numbers they released yesterday afternoon, the third quarter—

Mr Phillips: I'm thinking for next fiscal year.

Ms Webb: They have not released 2003. What they said for 2002 was that the numbers work out to a 3.5% decline in own-source revenue.

Mr Phillips: And as you look ahead to next year, you think own-source revenue will be down again.

Ms Webb: But not by quite as much.

Mr Phillips: Not by 3.5%, but by some other number.

Ms Webb: I'll forward the numbers to you.

Mr Phillips: Great.

On the job front, once again then, am I right to assume that if these numbers turn out, job growth this year would be maybe 5,000 to 10,000 jobs, and might be 40,000 jobs next year? Is that what you figure?

Ms Webb: Again, I don't mind giving you the actual levels of employment we're forecasting. I can include that in the material I send you. The numbers that are quoted in this table are annual averages. We usually look at the increase fourth quarter to fourth quarter, and I'd have to go back and refresh myself.

Mr Phillips: Mr Chair, I really look forward to the report. I think it would be one, in the absence of somebody else providing us—

The Chair: As soon as we receive it, I'll make sure all members receive copies.

Mr Phillips: Thank you.

The Chair: With that, I have to bring it to an end as we've run out of time. On behalf of the committee, thank you very much for your presentation.

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ONTARIO ASSOCIATION OF COMMUNITY CARE ACCESS CENTRES

The Vice-Chair (Mr Doug Galt): Our next presentation is by the Ontario Association of Community Care Access Centres. Twenty minutes have been set aside for you. After your presentation, whatever time is left will be divided equally among the three caucuses. As you begin, please state your names clearly for the record.

Ms Susan Donaldson: Good morning. Thank you for the opportunity to speak with you, Mr Vice-Chair and members of the committee. I'm Susan Donaldson, the chief executive officer of the Ontario Association of Community Care Access Centres.

Mr Wes Libbey: I'm Wes Libbey, a board member of the Ontario Association of Community Care Access Centres.

Ms Donaldson: I'm going to first relay to you our presentation, and then we'll have time for questions at the end of that.

The Ontario Association of Community Care Access Centres acts as a provincial voice for Ontario's 43 community care access centres. The 43 CCACs were created almost five years ago to provide streamlined and coordinated access to a range of community and facility-based services. In addition to providing individualized case management and arranging home health care, CCACs also manage placement in long-term-care facilities, provide health care services to children in schools, provide information about other community services and refer clients to these services when appropriate.

There was a shared statement put out in July 1999 from the Ministry of Health and Long-Term Care and the CCACs. It stated: "Community care access centres are key to the planning, management, delivery and evaluation of community-based services and, in their unique position as the major broker for long-term-care services, exercise a leading role in the health care system. CCACs coordinate the efficient provision of high-quality, client-centred services for people of all ages."

CCACs contract annually with over 800 provider agencies and individual health care professionals across the province through a managed competition process that is designed to ensure the highest-quality provision of services at the best price.

OACCAC believes that CCACs play a pivotal role in the sustainability of health care in Ontario by enabling people to come home from hospital as soon as possible; delaying or preventing the need for more costly facility-based care; managing access to long-term-care facility beds and ensuring that eligible people with the highest needs have access to beds first; facilitating referral to the lower-cost community service when that's appropriate; ensuring that people receive the right level of home care services for as long as needed, while ensuring timely discharge when services are no longer required; and, finally, by playing a leading role in developing and integrating new technologies, management tools and best practices to ensure high-quality, cost-effective care and service management.

There are certainly challenges facing CCACs. By the year 2006, 1.65 million Ontario citizens will be aged 65 years or over, and this will make up 13.2% of the province's population. There will be 445,700 Ontario citizens aged 80 years and over, and this will be 3.6% of the population. Even with the government's significant investment in adding 20,000 new long-term-care beds in Ontario, it's estimated that at least 368,700 people aged 80 years and over will continue to live in the community. Many of these people and their family caregivers will need home care services and other community supports to maintain their ability to live at home.

At the same time, hospitals will continue to discharge people quicker and sicker. Between the fiscal years 1996-97 and 1999-2000, the number of referrals from hospitals increased by 26%. Referrals directly from emergency rooms increased by 58%.

In the February 2002 interim report from the Romanow commission, it was stated: "Advances in medical technology and in drug therapies often mean shorter hospital stays and more treatment for many medical problems at home, at a significantly lower cost to the health care system."

There is no doubt that the Ontario government has made a significant investment in long-term-care community services, including home care, over the past seven years. In 1994-95, the province spent $750 million on home care and placement services. By 2001-02, spending grew to $1.14 billion, a 52% increase. This investment was planned to respond both to the demands of a growing aged population and to health care restructuring, including an overall reduction in the number of hospital beds in the province.

In 1998, the provincial government announced that $550 million would be invested over an eight-year period to strengthen community-based, long-term-care services and address historical funding inequities across the province. As of 2001-02, approximately half of this commitment has been invested.

At the time of the announcement, per capita funding for home care services varied significantly across the province, with some areas receiving up to four times the per capita as others. By the year 2000-01, the funding inequities were reduced but not eliminated. In 2000-01, raw per capita funding to home care varied from a low of $64 to a high of $152, with an average of $98 per capita, which can be seen in chart 1.

If we take a look at funding for the population 65 years and over, funding varies from a low of $606 to a high of $1,022 per person for those aged 65 years and older across the province. You can see that in chart 2. Finally, looking only at the population over 75 years, and that's the population group that uses most of the home care services, there is almost a twofold difference in funding across the province, from a low of $1,311 to a high of $2,428 per person. This inequity continues to provide a significant challenge to the provision of comparable services from one area of the province to another.

Over the last year, the Ministry of Health and Long-Term Care and CCACs have been working collaboratively with the Centre for Health Economics and Policy Analysis at McMaster University to develop an improved formula for targeting investment to underfunded areas.

As a result of the downturn in the Ontario economy last spring, the government advised CCACs that no new funding would be provided in the fiscal year 2001-02, in spite of the multi-year funding commitment. In addition, CCACs were told that one-time funding provided to cover deficits in the previous year would not be available. At the same time, in order to compete with the pay scale in hospitals and long-term facilities, contracted service provider rates have increased.

CCACs met the challenge and took steps to bring their spending in line with the available funding. The vast majority of CCACs are projecting balanced budgets, and the remaining few with deficits are working hard to bring their spending in line with their funding.

In order to achieve balanced budgets, a significant reduction in services was necessary. From November 2000 to November 2001, the number of clients receiving personal support and homemaking services was reduced by 13.5%, and the number of hours of service was reduced by 24%. The number of clients receiving in-home nursing care was reduced by 23%, and the number of nursing visits was decreased by 18%.

In the fall of 2001, the Minister of Health and Long-Term Care acknowledged that predictable multi-year funding would promote stability and effective service planning in the hospital sector. The OACCAC believes the same arguments apply to the community sector, including CCACs, long-term-care facilities and other community service providers. We acknowledge that multi-year funding commitments may not be feasible in the current economic climate, but we recommend that stable multi-year funding be a longer-term objective for the health care system.

I would like to move to the challenges we're going to continue to face and new ones that are upcoming in the 2002-03 fiscal year. A number of new challenges will face CCACs in the coming year. With the anticipated opening of approximately 7,500 new long-term-care beds this fiscal year, CCACs will have the responsibility of managing access to the beds, coordinating timely assessments and ensuring efficient placement of individuals.

At the same time, these new facilities will be competing with the home care sector for scarce human resources, including nurses, personal support workers and therapists. To attract and retain an adequate supply of skilled personnel, we anticipate that CCAC service providers will be increasing their rates again this year. If CCACs are required to manage within existing resources in 2002-03, further service reductions will be necessary to manage these increased costs.

With the passage of the Community Care Access Corporations Act in December 2001 and the requirement for CCAC board members and executive directors to be appointed by the Lieutenant Governor, there has been significant upheaval in CCAC boards and senior management. At this time, 11 of the 43 CCACs have vacancies at the executive director level; that's 26%. In addition, there are a significant number of new board members, and many boards do not have a full complement of board members. A significant investment in orientation and training will be required over the next year. The OACCAC has been working with the Ministry of Health and Long-Term Care to share best practices to assist in the development of a provincial training program for board members.

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The CCACs are meeting these and other challenges in a number of ways. There has been significant work regarding a common assessment tool, and last year, in partnership with the Ministry of Health and Long-Term Care, there was a comprehensive review of assessment tools in order to select one for all of the CCACs. It was mutually agreed that the MDS home care tool will be implemented province-wide to ensure consistent assessments. As a first step, the MDS tool will be implemented to ensure consistent assessment for placement in long-term-care facilities. In addition to the MDS home care base tool, additional models will be developed to address assessments for short-stay/post-acute care, pediatrics, palliative care, rehabilitation and mental health.

There is work being done on a resource allocation tool for case managers, along with the Ministry of Health and Long-Term Care, in order to develop a system to allocate and monitor resources by individual case managers to assist them in managing scarce resources and promoting comparable service delivery across the province.

The C3 Council, or Community Care Connects, is in the process of developing a comprehensive information management system for CCACs. The new system is linked to the development of smart systems for health and will assist CCACs in real-time management of services and resources, and provide information to facilitate system-wide planning.

A review of community care access centres was completed by PricewaterhouseCoopers in December 2000. The association continues to meet regularly with the Ministry of Health and Long-Term Care to ensure the implementation of the recommendations of the final report of the provincial review.

Work is being done, building on the success of Ontario's hospital report card, on an accountability framework for CCACs. We're moving forward with the development of a province-wide accountability framework. Like the hospital report card, the proposed framework will use a balanced scorecard approach to measure and report on the performance of individual CCACs on a variety of dimensions, including financial management, patient care outcomes and client satisfaction.

The recommendations we would like to make are:

That there be a continued commitment to the $551-million multi-year investment in community long-term-care services to ensure that the community system can respond to growing pressures from population aging, health restructuring and cost escalation, and to address historical funding inequities across the province;

If new funding will not be available for community-based services in 2002, that this message be communicated as soon as possible to enable CCACs to plan for necessary service reductions;

Over the long term, that there be a move to a predictable multi-year funding plan for hospitals and community-based services to promote stability in the health care system and facilitate system-wide planning;

That there be continued support for the development of a comprehensive information system for CCACs to ensure effective service management and planning;

Finally, that a period of stability be allowed in order that CCACS can consolidate structural and leadership changes as a result of the Community Care Access Corporations Act.

Thank you.

The Vice-Chair: Thanks very much for your presentation. We have approximately a minute per caucus, maybe slightly over.

Mr Hardeman: Thank you very much for the presentation. I wanted to just quickly, with only a minute available, go to page 3 of your report where it refers to the variations in cost per capita from $1,311 to $2,428, and then to your suggestion that we need to look at the areas where we are underserviced. Obviously at $1,300 and below, people must not be getting the quality or the types of services that they require. The question, though, really does become, is the right amount somewhere between the two, or would it be your contention that the only way we can go is to provide $2,428 per capita for home care services across the province?

Ms Donaldson: I think there are two parts to answering that. One is that we believe that if the remainder of the multi-year funding were to be applied to the areas which are seriously underfunded, that would go a significant way to addressing the difference.

The multi-million dollar question, and that's one we're struggling with and would like to be part of a discussion about, is whether in fact instead of red ringing, there be some reallocation of dollars within the system. Once those equity funding dollars are in, the picture takes on a slightly different look. I don't have those figures exactly in my head, but we do have that available in a macro look. Of course, we don't know ourselves where those will be applied, so that would need to be a joint discussion, I believe.

The Vice-Chair: Mr Phillips?

Mr Libbey: May I answer the question as well?

The Vice-Chair: If you can very quickly. We're way over time.

Mr Libbey: If we were to average it out, and I examined it from my CCAC, which is eastern counties, I feel that the level would be too low. So I believe we have to add some money to get the consistency. To just average it and play Robin Hood on a gross basis, I think we'd get the wrong answer. I think it would be just too low a level of service to meet the needs.

Mr Phillips: I get more complaints about this than anything else in my area. I don't know what's going wrong, but something is going terribly wrong. I've had some recent dealings with the CCAC in my area, with some considerable concerns. I'd just let you know that, the high level of dissatisfaction, at least in the area I represent, which is the Scarborough part of Toronto.

Just so I understand what your request is, there was a $555-million commitment, and I gather roughly half of that has already been allocated, so you suggest another what?

Ms Donaldson: What we're suggesting is that we understand how the rest of—no dollars were flowed during the past previous year. We don't know how those dollars are going to be flowed out within the rest of the period of time. Not knowing in some circumstances often until quite a considerable way through the year what those additional dollars are going to be makes planning for the provision of services more difficult than it needs to be.

Mr Christopherson: Thank you for your presentation. I must say I share the sentiments of Mr Phillips as an individual member. Also, I've got to tell you straight up, you've got to be one of the tamest provincial umbrella organizations to come in and talk about health care in terms of what you've reported and the recommendations. It's nice that you're very polite and kind, but it's pretty tame given some of the nightmare stuff that's going on out there. I would have hoped you would be a little clearer, but that could be for other reasons.

I want to point out that this whole notion of what happened between November 2000 and November 2001—it talks about "the number of clients receiving personal support and homemaking services was reduced by 13.5%, and the number of hours of service was reduced by 24%. The number of clients receiving in-home nursing care was reduced by 23%, and the number of nursing visits has decreased 18%." From everything I can see in my community, those numbers reflect real people who lost services, and they aren't just efficiencies or cutting out the fat or playing with numbers. Every one of those percentages represents real people who are getting less care than they were getting before.

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Ms Donaldson: Or no care.

Mr Christopherson: Or no care. Exactly. That is why I made the comment about a tame presentation. Given what's out there, my opinion is you should have been in here pounding the table, almost, with your shoe, saying that this is totally unacceptable and something's got to give. Because the level of service—

The Chair: What is your question? We're running out of time.

Mr Christopherson: The question is, do I understand this correctly, that the government promised you multi-year funding and then just cancelled that and said no?

Ms Donaldson: There was none rolled out last year. We want to be sure that that equity funding is continuing to roll out, and know how it's going to roll out.

Mr Christopherson: But all you've said is in future years they should have stable funding. You really need the multi-year funding, announced now.

The Chair: On behalf of the committee, thank you very much for your presentation.

CAMPAIGN AGAINST CHILD POVERTY

The Chair: The next presentation will be from the Campaign Against Child Poverty. I would ask the presenters to please come forward and state your names for the record. On behalf of the committee, welcome. You have 20 minutes for your presentation.

Ms Caroline DiGiovanni: My name is Caroline DiGiovanni.

Mr Gerald Vandezande: My name is Gerald Vandezande. I'm the volunteer spokesperson for the Campaign Against Child Poverty.

Brother John Buckingham: I'm Brother John Buckingham.

Mr Charles Seiden: I'm Charles Seiden; I'm the executive director of the Canadian Association of Food Banks.

Mr Vandezande: Thank you, Mr Chairman and committee. This is not the first time that we are appearing before this committee. As you know from previous occasions, we are deeply concerned about the well-being of Ontario children and their families, particularly those who are quite vulnerable and often voiceless.

I listened carefully yesterday to the presentation made by the Minister of Finance, and also sat in on the press conference. Last night and early this morning, I carefully went through the materials that were tabled by the minister and his deputy, Dr Christie. I checked every one of their statistics, because by background I'm an accountant. I followed with fascination some of the questioning that was going on this morning and yesterday around growth rates and all that. What really struck me is that the speech by the minister and the documents filed by the minister and his deputy make no reference whatever to any of the people who should be near, if not at the top of, the agenda; namely, those people whose families are very vulnerable, those children who are voiceless. There are 6,000 living with their mothers in Toronto shelters alone every night. There's no reference to the homeless. There is no reference to the unemployed. There is no statistic of any kind by the minister or his deputy about any of these needy neighbours in our province who often face desperate situations. Their daily struggle for survival is really tough.

I think it would be very wise for this committee to strongly recommend to the ministry that accurate statistics describing the actual situation of these vulnerable citizens be part of future presentations by the minister, so that advocacy groups like our own can appear—can not only appear, but also engage the minister and this committee in the plight of people who often have to spend their lives on the street.

We have also tabled with the committee the copy of the Globe and Mail that you have. We have a complete set here of all the advertisements that have been run in the Toronto Star and the Globe and Mail, for the use of the committee. We don't have the money to make a copy available to each member. They are available, I'm told, for $10 each.

If you look at the ads, you'll see that 400 faith leaders across Canada, many of them in Ontario, signed this appeal, which was at that time primarily addressed to the Prime Minister, asking for his official help with respect to the plight of children. We extend that same challenge to you, saying that without your help as a standing committee, without the government's help, without the opposition party's help, these children and their families indeed won't have a prayer. The faith leaders deeply believe—and many of them are involved in Out of the Cold programs and other community services—that in our prosperous country we can make a united effort to make sure that these vulnerable people do have a chance.

I want to make a brief reference to the speech that was given by the minister yesterday. I refer you to the section on page 8. After reciting all the good things about Ontario, the minister refers to his consultations with the people of Ontario. I notice that throughout that section of his speech, only positive comments are made that support the government's particular stance with respect to deficit and debt reduction etc. No reference is made, as I already indicated earlier, to what I call Canada's forgotten people—Ontario's forgotten people—because they're being abandoned, increasingly, and we are prepared to say more about that. We just hope that the minister, in future presentations, not only in these documents but also in his speeches, expresses some serious concern for the plight of fellow Canadians. Not a word of it was said by him during the press conference.

I now turn the mike over to my colleague Caroline, who will address the benchmarks that we propose.

Ms DiGiovanni: Thank you to the members of the committee for hearing us today. I'm employed by the Catholic Children's Aid Society of Toronto, so I became involved with the steering committee of the Campaign Against Child Poverty in order to advocate for the families who are served by child welfare. These are the families who really are struggling with actually maintaining their households.

Over and over again the overwhelming reason that there is an involvement with child welfare is a lack of resources to just put food on the table, to maintain stable housing and to be able to be good and supportive parents. While there has been a considerable amount of attention on child welfare services in the province and protection for children, the lives of the families affected by the economy continue to deteriorate. It's important for all of us who work with families touched by these serious issues that we can come forward, come together and work with you. You'll hear in a little while from the food banks also and from a drop-in centre on Queen Street.

What we've done, though, in working with governments over the last several years is to bring forward actions that we think are doable, things that you can consider and put into your planning. We did meet with Minister Flaherty and specifically brought forward some of our issues several months ago. I'll be reiterating some of those things for the committee members.

Benchmarks are always useful, so we have a set of those in the policy paper that we've brought forward. The first benchmark is that the provincial budget present a five-year social investment plan for Canada's children with clear national objectives and targets. If you give yourself five years, you can work toward incrementally reducing the level of poverty that affects children—especially children under the age of 12, but all children, of course.

Budget benchmark number (2) is that there be a provincial government commitment to redirect at least 1.5% of the projected GDP in 2005 to investments in children and families to meet your core objectives. This gives you a mechanism to work into budget planning that we think can produce good results.

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(3) That there be a provincial government commitment to improve child benefits for all low-income families to achieve a 50% reduction in the depth and level of child poverty by 2005. A little bit higher up on the page there are statistics about the increase in child poverty levels. Even families with jobs, often part-time jobs or jobs that are easily disposed of by companies, struggle to maintain some kind of reasonable family life. If there can be some support mechanism for families in the low-income category, in particular those who are working and trying to have some dignity, and also those who are on welfare, trying to regain their place in the larger community, overcoming whatever crisis has put them in that situation—some dependable support to assist in keeping the family together is really what we're asking for. We think the mechanism of a provincial budget can identify this and find ways to meet it.

Of course, we have given the same message to the federal government, because they must work together with the provinces. We have called on them to give substantial leadership to anything that needs to have a national program.

(4) That there be a provincial government commitment to invest in a basic foundation of early childhood development services for all families. You've done a great deal of work talking about the information you got from the Fraser Mustard and Senator McCain report. Now it's time to put those pieces into action.

(5) That there be a provincial government commitment to invest in increasing the availability of affordable housing. We can't emphasize enough how important this is for family stability. If the housing market is squeezing them out, where will they go? You have to ask yourself that. If they move every month, there is no stability in their life and it begins to deteriorate. So housing is extremely important for families and for children.

(6) That there be a provincial government commitment to substantial improvements in the base child tax benefit for modest- and middle-income families, in addition to improvements in the child benefit system for low-income families as proposed in benchmark (3).

(7) We want also a federal government commitment to national investments, in co-operation with the provinces, in programs that freeze and lower tuition fees for post-secondary studies. This is the way people can improve their skills and their availability for the high-tech and information job market.

(8) That there be a federal government commitment to establish, in co-operation with the provinces, a national commission to develop strategies to improve the availability of jobs, because housing and support for families require also assistance and attention to developing jobs. There needs to be a national strategy in which the provinces work together.

That's my input in today's presentation, but I'm happy to answer questions when the question period comes.

Mr Vandezande: Just for your information, connected with benchmark (6), we've filed with the committee—and each of you should have a copy—a copy of the report that was issued the other day at a two-day conference at the University of Toronto, where I participated, which describes the concerns of the Housing and Homelessness Network in Ontario.

John Buckingham will now share with us some of his experiences.

Brother Buckingham: I thank you for giving me this opportunity to speak. I am working among the poor. I'm working at a small service centre, called St Felix Centre, near Spadina and Queen. I speak to you from the experience of every day, my own experience. I'm going to give you three incidents out of my experience, just to share with you what is happening from my viewpoint.

I have carried in my arms a two-year-old child for over a month, following a single mother around. The single mother was looking for a place to stay. She had a limited amount of money. She was on her own. She was concerned about things like, "How close am I to a laundry? How safe is it where I am going to live with my child?" Also, whenever she mentioned that she was on welfare, there was a reaction among the people she was seeing, the landlords she was seeing. Out there right now, landlords do not want welfare recipients in their buildings.

In the area where I am working, I'm on the edge of a large low-rental housing complex with 420 housing units in two apartment buildings. Most of the people who are there are of immigrant backgrounds. Some 70% of those in that area are single parents and 63% are on assistance.

I am hearing of a number of cases where the single mother has brought over from her country, whether it's India or China or whichever country it is, the grandparents or the parents of the particular single mother. They leave the country in six months following that and they take their grandchildren with them, because the single mother cannot get out to work. So we're sending children to Third World countries so that the mother in this country can work and find ways to bring back her children. This astounds me, but it's happening. There is so little subsidized daycare out there right now.

I want to give you another example of daycare. A woman I was speaking with recently told me that she had twins. When the twins were two years old, she applied for subsidized daycare. She received a phone call a month before their eighth birthday to say that the agency had room for the children.

I told the people today that I was coming to speak to you. They are saying they can't wait to hear my report tomorrow about how I was received by you. Thank you.

Mr Vandezande: Charles Seiden is the spokesperson for the Canadian Food Bank Association.

Mr Seiden: Thank you for the opportunity of presenting. I distributed the report HungerCount 2001, and on page 6 it talks specifically about Ontario. Despite a period of tremendous economic growth in the last few years, the numbers are tragically similar for the last three years. On page 11, if you go through the report, a serious thing has happened in the last few months as a result of the economic downturn, in that some of the food banks in Ontario are experiencing dramatic increases. I've given you the report and I'm sure you've read it, or you can read it, but this is a tragedy beyond which I have had any personal experience up to this point.

I came to the Canadian Food Bank Association thinking that certainly Ontario can't have that severe a problem, but think about 300,000 people a month coming through the food bank to look for food. I invite you all to visit, if you haven't.

On page 16 there's a point that's made that this was supposed to be a temporary solution and that the voluntary sector, because of a withdrawal of services in a number of areas that are outlined by benchmarks, is being asked to do a job that it's not designed to do. It's not designed to feed and deal with the type of people who are coming in for help.

The final thing I'm going to say is, what we're asking for in supporting the benchmarks is really not money, because food banks in Ontario do not take money from the government. We're asking you to act on conditions that will reduce or take away the need for food banks. What was begun as a temporary solution has become institutionalized and it's growing. It is a terrible, terrible situation in a country like ours that the use of food banks is increasing. It's a totally unacceptable solution to a problem that needs to be addressed. I think the benchmarks offer a positive way to deal with it.

That's all I have to say. Thank you for the opportunity.

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Mr Vandezande: Those are our submissions at this point. We'll be glad to answer questions, Mr Chair.

The Chair: I'm afraid there won't be any time for questions because we've used the entire 20 minutes.

Mr Vandezande: Is there a chance for us to meet with the committee after—

The Chair: Well, I have another group and we have a number of groups this afternoon, so I have to maintain the committee on time. So, with that, I would like to thank you on behalf of the committee for your presentation this afternoon.

Mr Vandezande: Thank you.

READY MIXED CONCRETE ASSOCIATION OF ONTARIO

The Chair: Our next presentation will be from the Ready Mixed Concrete Association of Ontario. I would ask the presenters to please come forward, and if you could state your name for the record. On behalf of the committee, welcome.

Mr John Hull: Thank you, Mr Chair. My name is John Hull. I'm the president of the Ready Mixed Concrete Association of Ontario.

Mr Dennis Zuliani: Good afternoon. My name is Dennis Zuliani. I'm here representing the Ready Mixed Concrete Association of Ontario.

Mr Hull: Mr Chair and ladies and gentlemen of the committee, I appreciate the opportunity to sit here before you. My challenge is to make you all concrete experts in the next 20 minutes, and while it's not a terribly complicated industry, it's complicated enough.

To understand our plight, if you will—this is the only concrete truck I could get in here today—I'd like to start off with having you understand a little bit about the association. You have the report; it is the complete report in front of you. I will not read it word for word, but I'd like to give you just a few points.

The Ready Mixed Concrete Association was formed in 1959. We represent 97% of the industry. It's over a billion-dollar industry. Concrete is not cement. We don't have cement sidewalks; we have concrete sidewalks. The cement industry, which we are partnering with, obviously, is about a \$2.5-billion industry—so rather large—in just sales alone, never mind capital.

The premise of the concrete industry is this truck right here. It costs about \$160,000. It's ordered in two parts: the truck and chassis are ordered as one, and then on top of that the mixer and the power takeoff and the controls. Because it's licensed under the Highway Traffic Act, we pay provincial sales tax on the truck; the mixer, because it's deemed part of the manufacturing process, has no provincial sales tax applied to it.

Also important to understand is that when the truck is started at the beginning of the day, the process is that the power takeoff will take power from the engine and turn the mixer, and the mixer will never stop from the time the truck starts to the time the truck stops. It's simply a matter of the way we have to operate. We put water in the mixer at the beginning to make sure the dry materials or other materials don't stick to the mixer, because we'd never get them out. So it's in a continuous state of motion whether it's mixing, discharging, or just sitting there waiting for the next load.

There are approximately 300 concrete facilities and 3,000 concrete mixers in Ontario. We have producers in every municipality, and certainly in every riding.

I said I'm not going to read every line, and I'm certainly not going to, but in the middle of page 4 is the breakdown of the truck time:

The truck will be on call 6% of the time.

Materials, which are cement, sandstone and water, are weighed from a particular plant, all computerized and so on, and then fed into the back of the truck or the hopper. That takes 8% of the time.

It then mixes. This is the sole purpose of the mixer: to accept the material, mix it and then be able to discharge, and obviously transport as well.

The mixer delivers the concrete to the job; that's 12% of the time, on the road.

The truck unloads concrete; that's 34% of its time.

Return to the plant takes 18% of its time.

So, hopefully you have an understanding of what the truck goes through.

We did a study or we began to look at the study of provincial fuel tax based on the fuel that's used in the truck. The fuel that is used to run the engine is also the fuel that is used to run the power takeoff. So right now there's an allowance through a provincial fuel tax refund, and I've put that formula in here. The formula that is used—and it sounds very easy for us to say because we're so used to the concrete industry and the fuel tax rebates and so on—is 0.8 litres per cubic metre of concrete delivered over a year times the provincial fuel tax, which is 14.3 cents. I'd like to leave that, and I'll come back to it.

In 1996, the British Columbia Ready Mixed Concrete Association did a study of fuel to find out how much fuel was used in the concrete truck as far as transport and how much fuel was used relative to the manufacturing process of the mixer. In 1997, the BC Ministry of Finance put out a new policy that said that 50% of the fuel would be tax-exempt from provincial fuel tax, as allowed for the power takeoff unit.

In Quebec, in 1999 and 2000, they did quite an extensive study, a very large study, over 300 units. They found that about 65% of the fuel was used in the manufacturing, so that's to drive the mixer. They approached the Quebec Ministry of Finance, who at that point had nothing—no policy, no format for any fuel rebate. They immediately got 25% and they are sitting down with the ministry again—or still, should I say?—and they're asking for 50%. Now, as I said, their study showed 65%.

Last year, Ontario, to compare ourselves to the BC and Quebec studies, undertook a small study. We hired a third party engineer, or an independent engineer, and he was working with the people of Mack Trucks. Mack Trucks is a pretty common manufacturer of vehicles for our industry. They have computer software and so on, so they were able to pull information off that related to fuel use and load restrictions on the truck, or loads on the truck itself. We found about the same, actually: 51% was used in transit.

Page 6 will just give you a breakdown of what we've already talked about.

I'd like you to go, if I may direct you, to page 8. On page 8 we have two things to accomplish yet. One is to understand that the current method of fuel tax rebate is not fair.

The top box, if you will, "Industry comparisons": we represent producers, anybody who will make 1,000 cubic metres a year to over a million cubic metres a year. So there's a huge range in the size of companies. Some are corporately owned; some are publicly owned. Many are entrepreneurs. But the issue is, if you look at producer 1, where it's 10,000 cubic metres, the formula would then be applied and—I'm going to back up. The unfairness of the 0.8 litres per cubic metre comes out in the average load size. If you have an average load size of seven and you go over to producer 4 with an average load size of four, his tax rebate will be half of what producer 1 will get. Simply, the formula rests itself presently on the fact that everybody produces the same load size of concrete, but we don't. Some companies, because of the types of jobs they have, will have varying load sizes. Some will work on weekends and have smaller load sizes, depending on the geographic area perhaps. But there is no one load size in the province of Ontario for a producer. So some will be penalized because they have a smaller average load size, simply because of the nature of the business they're in.

Box 2, the middle box, is the current policy, which shows 0.8 litres per cubic metre of concrete delivered times 14.3 cents a litre. The net fuel cost per cubic metre is the bold third line from the bottom in the middle box. You can literally see the inadequacies or the unfairness. One producer's net fuel cost is $1.34, while the smaller, usually more entrepreneurial producer is paying more. So there's an absolute inequality.

What we would like to recommend is really what they found in BC, what they found in Quebec and what our small study in Ontario has verified and substantiated, where 50% of the fuel is used to drive the manufacturing portion of the business. We would request a 50% fuel tax rebate or refund on fuel purchased. This would allow an equal opportunity for all producers to have exactly the same refund. There are more charts—everybody loves charts and graphs. We have more charts on page 9.

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The last point I would like to make, and I don't know if Dennis would like to add anything to this, is that this is not an incentive tax refund we're after. This is simply a fairness tax, one to make it fair from producer to producer, no matter whether you're small or large. Some producers will have three trucks and some will have 300 trucks. The other is certainly to have a fuel tax rebate that reflects the true nature of the industry. Half of the fuel goes to manufacturing, and half of the fuel goes to drive the truck on the road.

Mr Zuliani: My only comment, if I could just step in—and I don't know if it's for clarification purposes, perhaps. On that first chart on page 8—again, sometimes it can be confusing with respect to volume and load sizes and all the rest of it. When John was referring to 7-, 6-, 5- or 4-metre load sizes, it really does equate to the number of trips required to deliver those loads of concrete. So you'll see that producer 4 needs to deliver 2,500 loads of concrete in order to ship 10,000 metres, and producer 1 only needs to ship 1,400 loads to get that 10,000 metres out. Obviously, shipping 2,500 loads is going to consume more fuel, yet the rebate is inequitable between the two producers.

The Chair: Does that complete your presentation?

Mr Hull: Yes.

The Chair: Then we have approximately two minutes per caucus, and I'll start with Mr Phillips.

Mr Phillips: Thank you very much for a little change of pace for us. On the surface, you've got a very strong case, although we've all learned that sometimes we hear one side of the story and we haven't heard the other side. But my question is, have you presented this to the government, and have they said no, or are you awaiting a response?

Mr Hull: The latter. We presented to the minister's office three or four weeks ago now, I think. We had senior policy advisers there, and so on, and we are waiting for a response. In the meantime, we had the phone call to appear here.

Mr Phillips: On the surface, it looks like it's simply that when the formula was determined some time ago, it was based on incorrect assumptions, and the formula doesn't reflect reality; it's simply a miscalculation. So I appreciate your being here. Three or four weeks is not an inordinate amount of time for government to get back to you. At least you've not heard that they've considered the case and the answer is no. Again, just on the basis of the presentation, you seem to have a logical case for fairness. I guess the committee could certainly consider it, but if it is as it appears in this brief, it seems like a fairly straightforward case.

The Chair: Mr Christopherson.

Mr Christopherson: Thank you for your presentation. It takes me back to a previous life, when I worked in the parts department for International Harvester trucks in Hamilton. Those rigs and PTOs and all that are very familiar to me. I was getting back into my old lingo. I'll start coming up with part numbers before you know it. Wrong ones probably; they were then.

I'm curious about two things. First, what is the total dollar value of the industry in terms of the rebates? I guess it would be the net dollar figure to the provincial government in terms of the rebates. Secondly, and you may have touched on this, how do we fare relative to all the other provinces? There are two other provinces you mentioned in terms of recent studies and changes they've made as a result, but what about the other provinces? How do we fare?

Mr Hull: To the last question, we're members of the Canadian Ready Mixed Concrete Association of Ontario, and all the provincial or regional associations are members. We just started to look at this a year and a half ago, so as far as the comparison versus BC—blame BC; BC started it all—all the other provinces are looking at it as we speak. They don't have the results yet. So it's Manitoba, Saskatchewan, Alberta and the Atlantic provinces. Actually, Manitoba has a system in place now, but I can't recall what it is. But I know they are looking at BC and Quebec and then what happens with our study here in Ontario.

To the first question, the only numbers I can give you are on page 9. The province-wide impact, based on our 2000 production year—we don't have final numbers in for the 2001—is nine million cubic metres of concrete. For purposes of this presentation, we did take an average load size. We had to use some number, so we took an average load size of six. With the current method, the resulting refund is just a little over a million dollars, and with the new method, $2.35 million or $2.4 million. So it's not a great deal of money relative to the kinds of dollars that are being talked about in the press these days, but it means a lot to the ready mixed industry. As I said, a lot of our members, most of our members, actually 90%, are small producers. They are the entrepreneurs, the mom-and-pops, the owner-operators. It's just to make everything fair across the board.

The Chair: Mr Hardeman.

Mr Hardeman: Thank you very much for the presentation. I was very interested. I spent a little over 30 years in the feed manufacturing business using exactly the same operation with the feed mill on the back of a truck, and also having to rebate the fuel tax based on the amount of tonnage of feed that was processed each year. I too would have much preferred just to have a percentage of the fuel being allocated toward the manufacture of feed.

But isn't there an inherent problem with doing that? I know that the two provinces you mentioned do that. When you're calculating the cost of production for a cubic metre of concrete, the cost of the fuel to do that is incorporated based on the operation.

Mr Hull: Based on the load size?

Mr Hardeman: Based on the process of doing that. So if you have a larger truck, isn't the cost of the fuel to mix nine cubic yards more than the cost to mix six cubic yards? Doesn't it take more fuel to do the larger?

Mr Hull: One of the surprising things that came out of the study was just that, a surprise. The amount of fuel it takes to load or to mix six metres versus nine, for example, really might go from 21 litres to 23 litres a load. The immediate use of fuel or how you use the fuel from the PTO is on instant load of the mixer. Once you have some concrete on there, it's almost irrelevant, which was a surprise to us. We thought that, yes, the nine-metre load would take substantially more than the six, but that's not the case. We used 22 litres per load. I think the range was probably 21 on a light load to 23 on a heavy load. But we have to try to use some averages here.

Mr Hardeman: Doesn't that create a problem with the other part of the cost of the fuel too? How is the operator of a small truck or mixer supposed to make money if the cost of the fuel for mixing is the same, whether he's mixing 12 yards or six yards?

Mr Hull: It's standard across the industry right now. So what would apply to me in the industry would also apply to you. But again, the unfairness of this is that if your average load size is larger through the month or through the year, then you could be refunded twice as much as I would, and there's the inequality of it. I hope I'm answering your question.

Mr Hardeman: Yes.

The Chair: With that, I have to bring it to an end. On behalf of the committee, gentlemen, thank you very much for your presentation. This committee will recess until 2 o'clock this afternoon.

The committee recessed from 1300 to 1401.

CITY OF OTTAWA

The Chair: Good afternoon, everyone. We'll bring the standing committee on finance and economic affairs back to order. Our first presentation this afternoon is from the city of Ottawa. I would ask the presenters to please come forward, and could you state your name for the record, please. On behalf of the committee, welcome.

Mr Rick Chiarelli: Good afternoon, Chair, and members of the committee. My name is Rick Chiarelli. I'm a councillor with the city of Ottawa and deputy mayor. Beside me is Dick Stewart, general manager of people services at the city of Ottawa. We're here today to participate on behalf of the city of Ottawa in your pre-budget consultations.

I'm a member of the health, recreation and social services committee of the city. We recently had a very impressive presentation from the city's own poverty issues advisory committee on serious issues facing low-income families. Ottawa city council feels that this issue is so disturbing and important for all levels of government, provincial and municipal, to address together that they passed a motion to direct us to make this presentation to you here today.

We all know that, as governments, we must invest differently in our economy in the 21st century to ensure our future prosperity. We used to focus our economic investments on hard infrastructure like roads and sewers, but now we need to make significant investments in our people to succeed in the knowledge-based economy. We are here today to ask you to make three strategic investments in low-income families in your upcoming budget to support healthy child development so that these children will be able to reach their full potential in their communities and in the future workforce.

I'll now ask Dick Stewart to outline for you the details behind our concerns and our specific request for investment.

Mr Dick Stewart: Thank you, councillor. Mr Chair and members of the committee, I want to begin by congratulating the government of Ontario on their Early Years initiative and the goal of supporting healthy development for all children in Ontario. That is a laudable achievement and goal, and the city of Ottawa supports the government wholeheartedly with that objective.

We're here to tell you, however, that low-income children are not able to truly benefit from that initiative due to their inadequate incomes and high housing costs. The children of low-income families are at much higher risk of not being successful in the Early Years initiative and of not becoming successful adults.

We are recommending, as Councillor Chiarelli has indicated, three strategic investments that we would like you to consider for your pre-budget considerations that support both families on social assistance and the working poor to give their children the best start they can and to mitigate that risk I've referred to. These three, very briefly, are: the elimination, over a period of time, of the clawback of the national child benefit from the Ontario Works and ODSP benefits; second, we would like the government to consider reinstating some of the previous rules with respect to the supports to employment program, aka STEP, which would result in more earned income staying in the pockets of working parents on social assistance; and third, we would like you to consider strategic investment in more funds for the rent supplement program and some structural changes to that program.

I want to give you a few examples of how severe this problem is in the city of Ottawa. There are 30,000 children under 12 years of age growing up in low-income families. That's 25% of all the children in the city of Ottawa from 0 to 12. The 1996 census shows that 15% of all families are living below the low-income cut-off. Just as disturbing and, in fact, the increasing trend, is that children of working parents are also living on low incomes. That number has increased from 1989 to 1997 by 142%. People are certainly out there working and doing their darndest to provide the wherewithal for their children to succeed, but because of the wage rates etc, they are unable to do that. These children, we submit to you, are at a high risk of not being successful, in spite of your Early Years initiative and in spite of all the efforts being made by your government, the provincial government, and the community partners, including the city of Ottawa.

In the city of Ottawa, we've done some interesting work in the last year and a half to determine what is a livable income, what would be required in terms of the finances for a family to actually support children properly. I'm not going to go further into that in our presentation. It's in the material that was distributed to members of committee, and we would encourage you to look at that.

What this does show, though, is that social assistance families and those families at minimum wage or slightly above are earning or receiving approximately one half of what would be considered a livable income in our city. These families cannot afford to pay the rent and still have enough money left over for proper nutrition, a nutritious food basket for themselves and their children; to enrol their children in any kind of extracurricular activities; or to ensure they have the educational aids and supplements that are so important to early childhood development and success in school. Seventy per cent of all the families on social assistance in our city who are in the private rental market are robbing their food budget to pay their rent.

We have a housing crisis in our city. It's a crisis that can be manifested by the fact that 22,000 children live in families where they pay 30% or more of their income toward the rent. Our vacancy rate today is 0.8%, and in the last four years we've had a 25% increase in rent costs, according to CMHC average rents.

We are urging the province of Ontario to make three strategic investments. Our council is of the opinion that the most strategic investment you could make would be to consider substantially increasing the social assistance rates. Notwithstanding that opinion and that point of view, we're bringing to you today three strategic investments we would like you to consider.

The first is the elimination of the national child benefit clawback. We're proposing you consider doing that over a three-year period. If that was to happen, at the end of that three-year period it would be transferring $190 million in total to families with children on social assistance in this province, of which $150 million would be a provincial expense and $40 million would be the expense of municipalities. This funding would be specifically targeted for families with children, resulting in better capacity for those families to pay rent, ensure a nutritious food basket, etc. To give you the optics of what that really would mean to a family of two children, it would mean that $192.50 a month would be retained by them when they receive the national child benefit cheque from the federal government and would not be considered income by the social assistance system.

As the second strategic investment, we would like you to consider reinstating a specific rule with respect to social assistance in the STEP program. About two years ago, MCSS announced that the 25% additional earnings exemption would be phased out over two years, to the point where at two years of continuous part-time employment, that 25% extra deduction is lost. This directly affects the disposable income of the poorest of poor families in our communities, not only in Ottawa but all over Ontario. We would like you to reconsider that exemption and reinstate the original rule.

Many of our families are only capable of finding part-time work, particularly single-led families. It's important that they stay working and it's important that they be reinforced and supported in that work. We believe that this would actually result in higher disposable income and have a positive effect on the outcome for poor children.

Third, we believe that the housing crisis in our city deserves some considerable attention. We need the province's help to do that, to address this issue. The objective is to increase affordability and availability.

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To do this, we are urging this government to consider an increase in the number of rent supplements available to private sector developers. We also want you to consider a change in the structure of this program. Currently, rent supplements are only funded for a five-year period. The government is transferring, through the Ministry of Municipal Affairs and Housing, federal money to municipalities for rent supplements. That transfer is only guaranteed for a five-year period. We are asking you to consider that when we are engaged in negotiations and discussions with the private sector to build affordable housing, when we say there's a limitation on rent supplements of five years, they are less interested in using that as an avenue to increase affordability. We want you to consider putting fresh provincial money into rent supplements and to consider a longer period of commitment, to make our ability to work with the private sector more beneficial.

I want to give you a brief statistic to show you how important stable, affordable housing is. There were 3,500 economic evictions in the city of Ottawa last year, and a growing number of homeless families. For each child whose parents lose their housing and move, there is a minimum of three school moves for that child. We have documented this fact. Moving from school to school, as you can appreciate, interrupts the education process and challenges children already challenged to be successful at school. We all want them to be successful.

In conclusion, then, we are facing a significant number of children in the city of Ottawa growing up in poverty. We believe the Early Years initiative, as introduced by the government of Ontario, is intended to support all children across the province. We laud that. For the Early Years initiative to be successful with low-income families, we must deal with income adequacy and the housing challenges facing those families. I'll remind you, there are 30,000 children in our city in that circumstance. Without the strategic investments that we've actually considered today, we believe the Early Years initiative of the provincial government will fail low-income children.

The Chair: Thank you very much. We have two minutes per caucus and I'll start with Mr Christopherson.

Mr Christopherson: Right off the top, given the area of expertise that you bring to the table, the finance minister has suggested that if he becomes Premier, he'll pass a law that makes it illegal to be homeless. Can you give us your thoughts on that?

Mr Stewart: My thoughts are that I would hope that the government, before they do that, would look seriously at the Mental Health Act as the first piece of remedy to one of the most profound social problems we have. That is when people in our society have the freedom of choice to enter into treatment and stay on the street or not, that they actually are harmful to themselves. I think the Mental Health Act would be the place to start, and not outlawing homelessness, as I understand the proposal is.

Mr Christopherson: When you talk about the national child benefit, I don't think there's anything that rankles more than that. The federal government, as part of their commitment to providing a minimum standard of living to all citizens, says, "If you qualify, here's a benefit for children, based on the number of children you have." That's given directly to individuals. It's a direct transfer from the federal government to individuals. Then this government comes along and takes it. I don't think there are too many provinces that do that. I don't know how many there are, but I don't think there are too many.

Mr Stewart: Actually, all provinces, with the exception of Newfoundland, Nova Scotia and now Manitoba, do claw back the NCB.

Mr Christopherson: I don't understand how any of them can justify that. I don't care which governments they are. You say some of them have actually gone to it? They didn't before and now they do?

Mr Stewart: No. At the outset of the agreement between the federal government and the provincial governments, all provinces initially indicated they would claw it back. At the 11th hour, Newfoundland and New Brunswick refused to do that. Now I understand that Manitoba has also reversed that decision and does not claw it back.

Mr Doug Galt (Northumberland): Thanks for your presentation. Looking at the realistic recommendations that you're making to the committee—some of the recommendations that we've had in the past were really far out and a little difficult to address. But everyone who comes forward, certainly their concerns have merit.

I'm not sure if you're the right people to help me on this, but I'm struggling with this rental. We've had others come forward. The rents are going up—and it seems to be in the major cities, because certainly in my riding I'm not seeing those kind of rent increases—but at the same time we're also hearing from the construction industry the numbers of new starts and the numbers of new houses that are being built. You would think logic would tell me that it should be draining some those apartments into these new homes; and our population isn't expanding that quickly. What's driving the rental rate up so much in centres such as Ottawa and why wouldn't some of those apartments be vacated and the vacancy rate going up when there are so many houses being built?

Mr Stewart: I think it's as simple as that our population is growing, and growing rapidly, in the city of Ottawa. In other large metropolitan areas in Ontario, I think it's the same thing. So you have a supply-and-demand issue. We've noticed a slight increase in the vacancy factor with the economic turndown. Our vacancy factor a year ago was 0.2%; it's now 0.8%. So it's gotten modestly better but it's simply supply and demand. There are a lot of new housing starts in the city of Ottawa and a lot of new condominium starts etc, but rental housing is as rare as hen's teeth, any sort of rental housing being built, and what is being built is high end and the trickle up isn't working because of over-demand.

Mr Galt: For the first time ever we have a net movement of people from the big centres, the cities, out into rural Ontario. So at the same time they're moving out, they're not moving in, which is what had been occurring since the turn of the century up until the last few years. Now the net movement is from the big cities out to the country. That's statistically there, which adds to my confusion why this should be occurring in the bigger centres.

Mr Stewart: I appreciate that in some places in Ontario there may be a migration to the rural areas. There's a net inward migration to the new amalgamated city of Ottawa. It is enormous and it is actually exacerbating what was already going to be a housing issue. We're in crisis.

Mr Phillips: There's so little time to ask questions. One quick question: do you have any idea of the cost of your second recommendation, the earning exemption on the STEP program?

Mr Stewart: No. I apologize, Mr Chair. I anticipated this question and tried to work on that issue. I don't have a clear answer for you. It's a difficult number to come up with because you would have to speculate about the number of people who are actually working. I have some data for the city of Ottawa in my head. We have between 5,000 and 6,000 of our social assistance clients per month, families per month, declaring earned income, but I don't know what it is across the province. In this case, I am data-poor and I apologize to you. Within MCSS when that rule was put in, that they were going reduce by the 25%, they did some economic impact of that in terms of savings. I would suggest that you could just reverse those.

Mr Phillips: On your point on rental accommodation, the number I have in my mind is that we need 15,000 units a year constructed and for the last five years I think it's been well less than 1,000 and at the upper level. Just while we have you here, you now have responsibility for housing and for social assistance administration and a large part of the cost. That's relatively new. How is it going? Was that the right move to make? What do you see in the next few years in that area?

Mr Stewart: Perhaps Councillor Chiarelli has a comment as well from his vantage point, but I'll make mine pretty brief. I think the transfer of the social housing program to municipalities, particularly those that had a housing crisis to begin with, has created a real challenge for us. We're just now beginning to contemplate what the city of Ottawa can do to increase the affordable housing supply by forgiving development charges and building permit costs etc. If everything came together perfectly in terms of our plan to increase the affordable housing supply, we could produce, with the assistance of the federal government and their proposed grant program, 240 units a year of affordable housing. Affordability is defined as the CMHC average rents, which actually are unaffordable for families on social assistance. We can't do this. We're going to be pressed to maintain existing housing stock, let alone deal with the absence of affordable housing.

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Mr Chiarelli: In the case of Ottawa, the question you raised has a larger impact because the excess demand on rental accommodation has meant that the economics involved in producing new housing mean that it is actually far cheaper to build and pay a mortgage on a new unit than it is to assume an existing one. So what we've been doing is working with the construction industry and developers, who are telling us that there are certain things that have to happen just to put them in a position to be able to help, and they're willing to do it. We have some of our most prominent developers as part of our housing advisory committee. They're willing to do it, but as long as the excess demand that you are leading me to exists, then they can't handle it under the current economic situation.

The Chair: With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION

The Chair: Our next presentation will be from the Ontario Secondary School Teachers' Federation. I would ask the presenters to please come forward and state your name for the record. On behalf of the committee, welcome. You have 20 minutes for your presentation.

Mr Earl Manners: Does that include questions, Chair?

The Chair: That's including questions; total time.

Mr Manners: My name is Earl Manners. I'm president of the Ontario Secondary School Teachers' Federation. On my right is Mark Ciavaglia, legislative liaison on our staff; on my left is Dale Leckie, again on our staff but with a particular interest in education finance. We're here to talk about the allocations in the budget for public education and we would like to make a couple of recommendations.

You have our document in front of you and, given the time, I certainly won't read it. Let me summarize the introduction very quickly by saying that if there is one thing about education funding where I think almost everyone agrees, it's that the current funding formula isn't working. It's not meeting the needs of all students in this province, and I think those closest to the public school system might even go to the statement that the cupboard is bare. I would say that people who are saying that include not only students, parents, school councils, organizations such as People for Education or the public school trustees' association, but also the majority of the Conservative leadership candidates, who have indicated in various promises that we need to put more money into public education, and it includes statements by the Minister of Education herself.

If you take a look at pages 3 and 4 of the report, we've tried to quickly summarize the leaked report to Conservative caucus about areas of the funding formula that need improvement. The Minister of Education indicated in the fall of 2001 that there had to be more resources going into the classroom, that smaller class sizes in the early years continue to be an issue, that textbooks and classroom supplies for the new curriculum are an issue that has to be dealt with, and extra help for students who are falling behind.

In that same report the minister also told caucus that many of our school buildings are in substandard condition; some schools are in urgent need of repair and simply need to be demolished. I believe that's a quote. She said transportation spending is now below 1991-92 levels, particularly in rural and remote areas. I think when it came to school buildings, she said that we needed a $6.8-billion investment over five years to try to bring them up to grade.

The alternative Ontario budget that was presented over the past year: their research suggests that in real dollars, the expenditures on public education have dropped since 1995 by $2.4 billion. That takes into consideration the inflation rate during those years and enrolment growth in our public school systems.

I would like to say as well that this whole situation is exacerbated by the announcement in last year's budget of $300 million for 100,000 students, I believe, in this province in tax credits for private schools. We believe that amount of money is a drop in the bucket of what it might be, that it's more likely in the neighbourhood of $700 million that's going to be required for this tax credit, and possibly more. All you have to do is base that on experience. When the extension of Catholic school funding was announced, it was only going to cost $80 million. The next year the projection became $130 million. By 1987, it was up to $150 million. In real terms, though, in 1987 the extension of funding cost this province $579 million, so there was a significant increase from projections. I would suggest that the $300-million price tag is probably of the same variety as the estimate in 1985 regarding the extension of separate school funding.

That $700 million for tax credits could buy an awful lot. On page 11 of our report, we try to highlight some of the things that it could provide that even the Minister of Education identified as problems. Six thousand new teacher positions would cost us $330 million. Support staff to ensure a safe, clean and healthy environment, support services for special-needs students and transportation to assist the learning of our students in our public schools would cost $150 million. Textbooks and curriculum resources for every student from kindergarten to grade 12 would require a $100-million investment; increased support for early childhood education, early identification and intervention for children with learning difficulties, $30 million; and the re-establishment of the highly successful adult education programs that have disappeared since that funding was eliminated in previous budgets for these kinds of day school programs would cost $90 million. That $700 million could go a long way to solving many of the issues that even the Minister of Education identified.

Those who are closest to the system know that the underfunding is real. There have been a number of reports lately about user fees. User fees have risen dramatically and there's an example in the appendices here of what's happening in one school board, and I think I'll leave it to you to look at it. We can't have user fees replacing investments in education. What good is a tax cut if you're just replacing it with other types of costs down the road? If there's one taxpayer, whether they take the money out of one pocket or the other pocket, they're still taking it out of their pocket, so let's be honest about it, where the money is necessary to provide basic services.

What needs to be fixed? I would ask you to take a look at that section. We have said that if everybody agrees that the funding formula isn't working, how can we make a positive contribution to fixing it? We believe that if you just look at some areas of the funding formula, we can find ways to find that $2.4 billion that's so necessary to our education system.

Take a look at page 7. The foundation grant should be increased immediately by at least 8.4%. This grant is based on 1997 data and figures, and it has not been adjusted for inflation since then. If you just adjust it for inflation, then you would be talking about the same dollars in 1997 as in 2002. At the same time, if it's a foundation grant, there also should be generation factors for other school staff, including professional student services that provide support for special-needs students, educational assistants, occasional teachers. All of those have been flat-lined or ignored in the foundation grant, and that has led to significant cuts to programs. They're not considered classroom, but trying to get by without an education assistant or an occasional teacher or a speech-language pathologist—ask the students whether they're classroom supplies or not.

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If you take a look at the table, that would generate a reinvestment of $624,740,845 just to match inflation, and another $72 million just to recognize that salaries and support staff are necessary in our schools and that they deserve a reasonable salary increase as well.

In the area of special education, the funding should be based on the requirements of each individual education plan. Right now, those plans are being developed; then they have to be screened through the ISA red tape commission, which reviews all applications. Most of the time of student-centred staff in our school boards now is spent filling out the forms for the government to allocate dollars to special education. Because this grant is capped, because the special education funds are not responding to the actual needs that are out there, I think you can see that we need to make a greater investment. The auditor says we need $95 million more, so in the chart we did, we added in that $95 million, just to meet the requirements of what the auditor suggests.

The learning opportunities grant is based on 1991 census data. We know that the finance branch of the Ministry of Education did try to update it based on 1996 information, but left in the cap. There are greater needs in 1996 than in 1991, so if it remained capped, the money would be spread over a larger number of people. Toronto and Ottawa would actually lose. There would be more money because poverty has extended beyond the city core, out into other parts of this province. So unless the cap is removed and the grant is based on current data, the learning opportunities grant isn't an opportunities grant at all; it's ignoring a large group of people. We're suggesting there that even if it's doubled, we have never been able to see the figures based on this study done by the Ministry of Education to see what 1996 data would really show us. But let's assume that it's doubled. That would mean a $279-million investment there would go a long way to meeting the needs of students and school boards across this province to provide the services.

On teacher compensation, this grant was underfunded from the beginning. It wasn't even based on 1997 data when it was introduced. It is designed to be an incentive for school boards to lay off staff, unfortunately. Boards don't get any benefit from the rollover savings. If you hire a younger teacher and there are some savings there, the province scoops it away rather than allowing the school board to use it to maybe hire more staff or use it for other programs. With a teacher shortage, the government actually has exacerbated the problem by extending the 95-day rule on pensions, asking school boards to rely on experienced teachers, after they retire, instead of new and younger teachers. The boards lose the money when they retire and then they've got to hire back experienced teachers at the upper end of the pay scale, so they lose on both ends. We're saying that if we're going to deal with the teacher shortage, the teachers' compensation grant has to at least meet inflation as well. I think you would agree that you want to make sure that spending power remains the same if people are going to be able to buy and contribute to the economy. So we've suggested in our chart that even if it was increased to what it would be in 1997 figures, that would cost $170 million.

We take the minister at her word that there's a $6.8-billion deficit in capital expenditure over five years. That would require a $1.3-billion investment in the infrastructure to repair and maintain our schools. That brings us to a total of $2,541,460,506 reinvestment in public education. This is how it could be done. This is how to make sure it gets to the classroom and to the people who are in the classroom providing services to students. We hope you'll take that into consideration. Anything less than that in the funding formula and you don't have stable funding; you actually have a further cut to investment in education because of inflation, enrolment growth and the fact that you are continuing to base the funding formula on outdated and outmoded statistics despite the fact that there is other data available for your use.

I'll stop there.

The Chair: We have a minute per caucus. Mr O'Toole.

Mr O'Toole: It's always important to listen to educators. We had a very excellent presentation yesterday from Phyllis Benedict and the Elementary Teachers' Federation of Ontario. She made some compelling arguments, I might say.

Would the $2.5 billion solve the secondary problem or would it—I want to be serious here for a moment. Is there anything new that we can hear, like—

Mr Manners: Only one minute to be serious?

Mr O'Toole: Yes, the serious part is like—

Mr Manners: I thought I was.

Mr O'Toole: We're trying to be serious too. If there's $7,000 per student and 500 students in a typical school, there's $3.5 million in a school. Do the numbers. You have difficulty spending the money. I've got a little model that I'd be happy to share with you—it's thinking from classroom up, as opposed to the top down. What we have now is often little resources in the classroom, but if you look at the numbers—$3.5 million in a typical footprint, is it in some way different? How about school-based funding?

Mr Manners: This funding model was developed by the current government. They called it student-focused funding and said it was funding based on the individual up. So I'm confused. Is the funding model top-down or is it bottom-up?

The Chair: Mr Phillips.

Mr Phillips: I think it's a very serious presentation and well thought out. Frankly, the challenge for you and us in opposition is to communicate it to the public. I said yesterday that we seem to talk funding formulas and budgets and all these things, but for the public it runs the risk of being just a bunch of numbers. Then it's, "The government has its numbers, and somebody else has their numbers." Have you any advice for us on how we can help articulate this for the public in a way they can more easily understand the issue?

Mr Manners: I think there are a number of ways. I think parents understand the problem: the funding formula is a one-size-fits-all formula and no community, no school, is exactly the same. The costs of transportation in northern Ontario are different from Grey and Bruce counties, where I come from, or from a metropolitan area like Toronto. Based on recognition that parents and taxpayers and school boards often have a much better understanding of the needs of students and schools and communities than someone here at Queen's Park who is a number cruncher, I think we have to restore some trust and faith and value in our local school boards and our local communities to make wise decisions.

I also think that parents understand that a funding formula is based on averages, and nobody is average. No one wants to be treated averagely; they want to be treated the best. When you look at education services, you've got to look at funding the best, not the average, across the province, because half the people are going to be losers and half the people are going to be winners in a funding formula that is based on averages. You just have to cut through the numbers and talk about some of the principles and values that underscore our public education system.

This funding formula purports to be student-focused. I really don't think it is, because it's not looking at the whole school as a classroom, as a learning environment. It's just looking at an individual student and saying, "Their value as a commodity is X, and that's all we need to fund," without looking at the total environment they have to learn in as well and the people and resources that are necessary not only to teach but to reach them when they're not learning as well as they might.

1440

Mr Christopherson: Earl, gentlemen, thank you for your presentation, again fuelling the argument that O'Toole doesn't know up from down. You mentioned $2.5 billion. It was interesting watching some of the government members sort of roll their eyes and shake a little bit at the thought of $2.5 billion, and yet the $2 billion-plus that is on the table for corporate and personal tax cuts doesn't even raise an eyebrow. That's fine. That's OK spending in their minds, and spending it is. When you have tax cuts, those are expenditures, no different than if you cut a cheque and transfer money to a local school board. Everything really is very relative with this government.

I'm assuming this may be the first opportunity for you to comment officially and on the record and permanently through Hansard. The current finance minister, who wants to be Premier, has suggested that one of the big solutions to the concerns you've raised here is just to declare all teachers an essential service and eliminate the right to strike. A lot of us think that's crazy, but I'd like to give you an opportunity to respond to it formally.

Mr Manners: I find it somewhat ironic that the finance minister believes we should be declared an essential service, but in his budget last year he said public education was so essential that it was worth spending $300 million on a bribe to parents to take their kids out of the essential service and send them to private schools that are totally unaccountable. I think the minister is probably talking out of both sides of his mouth in an attempt to get elected.

We believe public education and teaching are essential to a democratic society. Unfortunately, the finance minister doesn't believe so. I don't know how he can suggest that there's a simple magic-wand solution to the strife that has occurred in our province unfortunately for the last seven years. Again, he is not looking at the causes of the problem but only trying to attack the people who are faced with the problems the government created.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

CANADIAN LIFE AND HEALTH INSURANCE ASSOCIATION

The Chair: Our next presentation is from the Canadian Life and Health Insurance Association. I would ask the presenters to come forward and please state your names for the record. On behalf of the committee, welcome.

Mr Mark Daniels: Mr Chairman and members of the committee, my name is Mark Daniels. I'm president of the Canadian Life and Health Insurance Association. With me today is my colleague, Jim Witol, vice-president of taxation and research for the association.

I'd like to thank the committee for providing us with the opportunity to participate in these pre-budget consultations. We view this as an important opportunity to contribute to the budget development process and hope our submission and comments today will provide a constructive contribution to the committee's work in this regard.

This blue document that's before you is our submission. In the interest of time I'm going to cover only a few of the points. But before I address the main points in our submission, I thought it would be helpful to provide the committee with a brief overview of the life and health insurance industry in Ontario. It's important to the economy, and that importance is not always understood.

The head offices of 80 life and health insurers are located in Ontario. The industry directly employs 56,000 Ontarians. Life and health insurance products provide financial protection for more than 9.5 million Ontarians. The industry has $109 billion invested in the province's economy. I should say finally, as a measure of activity, that the industry currently pays out over $50 million a day to Ontarians. About $5 million of that is for life insurance payments; the balance is for dental, annuities and many other things.

I want to touch briefly on some of the key recommendations contained in our submission to the committee.

Talking first about the premium tax, Ontario currently imposes a 2% tax on life and health insurance premiums, a tax that dates back to the Victorian era, prior to the introduction of corporate income taxes. This tax directly adds $220 million to the final cost of supplementary insurance to consumers, $136 million on health insurance and $83 million on life.

Supplementary health insurance plays a major role in reducing cost pressures on Ontario's hard-pressed public health insurance system. For example, in 2000, supplementary health insurance plans paid almost $5 billion in health care expenses of Ontarians not covered by OHIP. One element of this was cash payments of $475 million to Ontario's hospitals.

In light of the escalating pressures on Ontario's public health insurance system, it makes no sense whatsoever for Ontario's tax system to put financial disincentives in place that raise the cost and discourage the use of supplementary health insurance. Australia, for example, provides 30% tax credits to encourage the use of supplementary insurance.

Similarly, life insurance products play an important role in enabling Ontarians to provide for their own financial security for retirement as well as in the event of premature death. Once again, this keeps the pressure off our hard-pressed social assistance and public retirement income programs. Again, in our view, it makes no public policy sense to have a premium tax that penalizes Ontarians who purchase these products.

We urge the committee to recommend that the premium tax on life and health insurance be eliminated. This measure would make life and health insurance plans more affordable for Ontarians.

Looking at the retail sales tax: in addition to the premium tax, Ontario imposes its 8% retail sales tax on group life and health insurance premiums. Ontario and Quebec are the only two jurisdictions in North America that impose such a tax. This tax resulted in a direct cost to Ontario employers of over $600 million in 2000, over $500 million of which relates to employer-provided health insurance plans and $100 million to group life insurance plans. On top of the $220 million in premium taxes, an extra burden of over $600 million in disincentives has been loaded on to Ontarians who purchase these socially desirable products. This is clearly inappropriate to the interests of Ontario and Ontarians.

In its 2000 budget, the government announced a phased elimination of the retail sales tax on auto insurance premiums. No corresponding action has yet been taken to eliminate the retail sales tax on life and health insurance products. We urge the committee to recommend that this step be taken now.

One final tax initiative we would like to draw to the committee's attention is the elimination of capital taxes. It's not a new subject around this table, I'm certain. Ontario, Quebec, Nova Scotia and Manitoba are the only four Canadian provinces to impose capital taxes on life and health insurers.

It is widely recognized that capital taxes are a tax on solvency that impairs the safety and soundness of our financial services sector. Indeed, the Ontario business tax review panel concluded last year that "the capital tax serves as a deterrent to attracting international investment" and recommended that Ontario eliminate the capital tax. We strongly urge that this committee recommend that the government take immediate action to eliminate the special additional capital tax on life and health insurers.

Finally, the elimination of these three taxes would strengthen Ontario's competitive advantage by (1) lowering operating costs for Ontario employers, (2) making life and health insurance more affordable for Ontarians and (3) reducing the pressures on our hard-pressed public health insurance system and public income security programs.

This concludes our opening remarks.

The Chair: Thank you very much. We have approximately three minutes per caucus, and I'll start with Mr Phillips.

Mr Phillips: Yesterday we heard from the Minister of Finance about the fiscal challenges facing Ontario. He indicated that $3-billion to $5-billion gap—to use his term—between revenues and expenditures in the fiscal year that starts in five weeks, I guess. The Bank of Nova Scotia, who were with us this morning, is suggesting that even though the economy looks like it's going to pick up shortly, the revenue pickup will be several years down the road, so the province of Ontario has a challenge financially. You are suggesting three moves that would have some price tag attached to them.

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Mr Daniels: Indeed they would.

Mr Phillips: At the same time, the government has announced that it is our plan in Ontario to take corporate income taxes to a level about 25% lower than our competitors in the US. Assuming we did have a choice, whether we moved with the corporate income tax or these other tax moves—that corporate move, by the way, costs $2.2 billion in Ontario, to have the corporate income tax 25% lower—where would your industry's priorities be?

Mr Daniels: A good question. I think the answer is that, to begin with, when we identify these three taxes, it is not that we're unmindful of the situation which is faced by the Ontario government at the moment, so this is not some blind call, without due regard to revenue or expenditure streams, to reduce taxes. But it is to say that these three taxes—and this isn't the first we've been before this committee—have in our view been long overdue to be focused on. Consequently, we need to get them on the table in a forum like this, because otherwise there's never a time to make an argument for putting on the table taxes like this, which are clearly distorting, as we see it, of three important priorities.

So my answer is, if you were you line up these proposals against a general income tax cut, I'd put these proposals at the top. I'm sure my company members would do that. I could well see that if they did it beside a general sampling of people in the province in the business sector, they might well argue otherwise. But I think what the government needs to focus on in considering this, if I may, is to say, "These taxes are distorting, period." They are simply distorting. They bear important consequences for Ontarians, and that's the point we need to make here.

Mr Christopherson: Thank you for your presentation. I don't see a total cost, but we're at $600 million for the one. Do you know what the total cost is for these three?

Mr Daniels: It would be a little over a billion. What is the capital tax?

Mr Jim Witol: The capital tax is a small number. It's probably only $10 million or so, because it is offsetable against corporate income taxes. So you've got $220 million for the premium, $600 million or so for the retail sales tax and a small number of $10 million for the capital tax.

Mr Christopherson: We're talking about a billion dollars, roughly, give or take, that's on the table.

Mr Witol: Yes.

Mr Christopherson: You can probably appreciate the fact that the government has already got about $2 billion worth of corporate and personal income taxes on the table, set against the context of a stream of organizations. If you stick around this afternoon, you'll hear a lot more talking about the deficits that exist in society, whether it's education, health care, social services, homelessness, transportation, environmental protection—pick your subject and there's a deficit of one sort or another that's exacerbated by the continuing cuts. The government tells us they don't have enough revenue this year. We would argue that's in part because of all the tax cuts that they said were going to prevent a recession from happening, which they clearly haven't, but at the end of the day they are about $3 billion to $5 billion short.

If you take all of that, you can probably appreciate how difficult it would be in that context—the $3-billion to $5-billion shortfall to reach a balanced budget, the social deficits that already exist, and the fact that there's $2 billion of corporate and personal income taxes already on the table, which I'm sure your companies will benefit from—for anyone to make a case that would have anywhere near a critical mass number of people agreeing that this is an absolute priority.

Mr Daniels: If I may, it's again a perfectly reasonable question and my response to you is twofold. These taxes, as I said, are distorting. One of the reasons I wanted the committee to have a profile of the number of jobs and what the industry does—remember we're talking here about life and health insurance premiums. That's an important piece of the health care system. These taxes clearly discourage the use of it. What we are saying is, "Look, be careful you don't kill the goose that lays the golden egg here. These are important instruments. They are being discouraged."

I'm not in here to say, "Take my taxes and put it on somebody else's back." We would never provide you with a list. I'm simply saying that it's important that these taxes get on a priority list. They are too easy to impose, way too easy to impose.

Mr Christopherson: But you appreciate—

The Chair: I have to go to the next member.

Mr O'Toole: Thank you very much, Mark. A pleasure to see you again.

I do hear your message. Mr Christopherson has clearly indicated that it's about a billion dollars. There are pressures, but at the same time our theory has been to reduce taxes, and to reduce taxes for the reasons you're suggesting, that it builds infrastructure. As you know, if it was more affordable for employers and other groups to have group plans, it would take some load off. Of course, you contribute almost $500 million to the health care system. I suspect that's kind of the investment.

When you look at the retail sales tax, that component is, as you say, $600 million. That's a payroll tax, essentially. Basically it's a tax that's paid by the employer on group plans, as I understand it. That would apply to all the sectors we're meeting with. The educational sector would pay that. So it's 8% of their payroll cost for employee benefits, some of the most lucrative benefits of all the sectors—not that they shouldn't have them. I wish we all had insurance. But the pressures are there from education and health. If you were to pick one of those, I suspect—you clearly know, in your report, that we've put the cap of $5 million on capital tax. We are working on that, on the capital tax component, which is infrastructure. Which one of these would you say was the top priority: the traditional 2%, which is about $200 million, roughly, or would it be the retail sales tax, for stimulus in the economy, like David said, to make group health insurance and other kinds of insurance more affordable?

Mr Christopherson: I didn't say that.

Mr O'Toole: I'm saying that.

Mr Daniels: I guess we'd have to say the premium tax, in the first instance.

Mr O'Toole: Very good. I appreciate it.

The Chair: Mr Spina, you've got less than a minute.

Mr Spina: A quick one, basically along the lines of what John was saying. If there was a reduction in any of those taxes and what we were trying to do was twofold—give you more flexibility, but also back off on the pressure on the publicly funded institutions and their health plans—would that be of some assistance at least to get the ball rolling?

Mr Daniels: Surely it would. It's a straight cost item. You see, between the premium tax and the retail sales tax, you add 10% to the cost of every employer-sponsored group health plan. The economics is not hard to do. That's a big number, 10%.

The Chair: With that, I have to bring it to an end. On behalf of the committee, thank you very much for your presentation this afternoon.

CHILDREN'S MENTAL HEALTH ONTARIO

The Chair: Our next presentation is from Children's Mental Health Ontario. I would ask the presenters to please come forward. If you could state your name for the record, please, and on behalf of the committee, welcome. You have 20 minutes for your presentation.

Mr Terry Brennan: Thank you. I'm Terry Brennan, president of Children's Mental Health Ontario. On my immediate left is Sheila Weinstock, the executive director of the association, and on my far left is Susan Hess, who is part of our organization and represents Parents for Children's Mental Health.

Children's Mental Health Ontario is a non-profit, independent organization. We represent 85 children's mental health centres across Ontario. Altogether we serve annually 150,000 children and families.

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Mental health services are important because good mental health allows all of us to think clearly, feel confident and act purposefully as we face the challenges of life. Like physical health, mental health is important at every stage of our life.

Mental health problems in children and youth can occur at any time, in any family, in any community. The problems can be devastating. They are costly both in personal cost and in financial cost to the health care system and the communities. They can lead to school failure, family conflict, substance abuse, violence, even suicide. The causes: usually biology or environment, or most likely some mix of the two. Fortunately, mental health problems in children and youth can be successfully treated. The advantage of this is personal gain, obviously—someone has a much better life—but it also saves money. It prevents more costly difficulties later on in life.

Early signs of mental health problems in children and youth include sudden changes in mood or behaviour, feelings of sadness or hopelessness that won't go away, avoidance of friends, constant anger and aggression, excessive crying, feelings of worthlessness, extreme and unrealistic fear or anxiety, and chronic inability to concentrate. Sometimes we look at that and say, "Every adolescent has that." They do, but this is over time and this is debilitating. It doesn't go away. It's not a sadness because you broke up with your boyfriend or your dog got hit by a car; this is a sadness that lasts and makes it difficult to function. More advanced symptoms might include depression, substance abuse, loss of touch with reality, suicidal behaviour, violence, attention deficits and defiance.

Studies have shown that in Ontario at any given time, at least one in five children and youth has a mental health problem. Children's mental health centres in Ontario support and treat children and youth who suffer from emotional, behavioural and mental health problems, and we work with their families. A critical component of the treatment we offer is the trusting relationship which develops between the mental health professionals and the children. This, together with a range of therapeutic techniques and interventions, enables the children to overcome their challenges and modify the way they think and behave.

We offer therapy for individuals, families and groups, training for parents, and intensive family-based treatment in the home and in the community. We have crisis outreach services. We offer a residential treatment option for some children and youth with severe problems. We provide day treatment programs for children so they can live at home but travel to our centres daily for specialized schooling and mental health support. We offer workshops and discussion groups to help people understand and recognize children's mental health problems and the impact on children's lives. We offer consultation services to schools, child care centres, family resource centres and other agencies. We work closely with hospitals and children's aid societies.

We know that mental health services work for children. Our evaluation results show that treatment at any age results in a 62% to 76% reduction in mental health problems.

We've been able to establish a good working relationship with Minister Baird and his office, and we've worked together to help our clients. In the year 2000, the government invested $20 million in a four-point plan targeted mainly at intensive services and crisis intervention. More recently there was an additional investment of $6.9 million for much-needed mental health services for children under the age of seven. These are excellent investments and they have resulted in more services for children.

These are tied programs. In other words, there was a quick turnaround. Our centres needed to offer these things very quickly, and in some ways this added to the already untenable pressure on the basic infrastructure that supports our services. When we look at infrastructure, we see that since 1993, the government's investment in core funding for children's mental health services has failed to keep pace with costs and has actually declined 8% in absolute value. This has created two problems for us: recruiting and keeping qualified staff is our manager's biggest challenge, and salaries in our sector are 35% lower than in hospitals and government services. In a typical children's mental health centre, a social worker with specialized training in children's mental health issues earns about $42,000. Comparable staff in children's aid societies, hospitals and boards of education earn between $10,000 and $15,000 more.

As a result of this, staff turnover has been as high as 40% in some centres and over 25% in many. So we're sort of like triple A baseball: we have some pretty good young people coming in, we train them and then they're off to the majors. It makes it really hard for us to recruit and keep skilled front-line staff and managers. The important thing is, it has reduced the services to our families and children and it has made it difficult for us to provide the quality that's necessary. There is an incredible waste here, a waste of valuable knowledge and experience, a waste of resources that we spend training and retraining new people who are going back into the same situation, to replace those who leave for better positions.

The biggest impact of all this is on the children and families we serve. At this time there are 8,000 children waiting an average of five months to get community mental health services. The high turnover rate means that children have two or three different workers during their treatment, and sometimes even more than that.

Because of the nature of their illness, children with mental health problems have difficulty forging and maintaining relationships. A trusting relationship with an adult, consistent over time, is often the key to recovery. The Premier's council on children found that, and there's lots of research to support it. For many of our children, that's their mental health worker. The lack of consistency caused by high turnover stresses the children and their families, impedes the progress of their treatment, and increases the risk of recurrence or escalation of mental health problems. We're stretched too thin.

We're proposing a revitalization program so that we can hire, train and retain competent staff to provide the essential support to children with mental health needs. We're asking for $50 million to stabilize and revitalize our treatment programs across Ontario for Ontario's children, those with mental health problems and their families. This funding will ensure that children's mental health agencies can continue to provide effective mental health services.

Sixty per cent of this request would be used to increase salary ranges to levels competitive with other sectors. Competitive salaries would allow us to manage more productively by reducing turnover rates and retaining experienced staff who can serve the children effectively. It would also reduce the stress associated with unmanageable workloads and enable agencies to deal with long-standing human resource issues related to pay equity and WSIB. The remaining 40% would be used to recruit additional staff.

The result of this overall revitalization plan would be reduced waiting time, more children and families being served, and new clients and existing ones being served in a more effective manner. This is an investment in the future of Ontario, as we see it, because our children are our future. We know that $1 spent on children's mental health saves anywhere from $7 to $10, depending on the study, in social services later on in their life.

At this time, I would like to turn the microphone over to Susan Hess from Parents for Children's Mental Health.

Ms Susan Hess: This is something new for me. I'm a parent of a child who has a mental illness and has been through the children's mental health agency service. I would really like to paint a picture for you of what it's like to live with a child who has a mental illness, what it's like for the family, and also what it's like once they get the treatment and support, because it really, truly made a difference.

A typical day in my daughter Leah's life and in our family's life: when Leah started school, she found that she wasn't accepted. She reacted initially in a non-compliant but very quiet way. She would turn her back to the blackboard. When the teacher would say, "If you don't do the work, you're not going to pass," Leah would just fold her arms, keep her back to the blackboard and refuse to do the work.

As the years progressed, her behaviour became more and more aggressive. She would throw chairs. She would swear. She would break windows.

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At home, the same type of thing was happening. She would be up every night, five nights a week, until four or five in the morning, swearing, threatening to kill me, threatening to kill herself, destroying her bedroom. Her sister, who shared a bedroom with her, was trying to sleep. The other children were also trying to sleep. I was trying to hold the door closed, so that she couldn't get out and destroy the rest of the house. You come to a point where you say, "She can destroy her bedroom, but not the rest of the house. What can I do to survive and keep the rest of my family safe?" So I would hold the door. My children would wake up in the middle of the night, come out and relieve me for half an hour, and hold the door so that Leah would be contained. Then they would have to go on and do their regular day's work.

At school, the situation got so bad that the school would call to ask me to retrieve Leah and bring her home. Sometimes Leah would go to school, would become very apprehensive and very, very frightened, and she would run home. Then I would take her back to school. By the time I got home—I'm two blocks away from the school, within 15 minutes—she was on the front porch screaming and yelling. I would start the whole process again. When the school would call to ask me to retrieve her and I would be bringing her home, she would be kicking me, biting me and trying to pull my hair. I had been taught how to hold her arms behind her back in a safe way, both for herself and for myself. She was trying in every way to do something to me, because she wanted to get away. She would be yelling and screaming. If any of you have ever been in a room where you know somebody's watching you but they're doing it so that you really can't tell, you have that feeling, that's how I felt when I would be walking along the neighbourhood streets. You would take a glance and you could just see the curtains ruffle in the windows because neighbours were watching you, but they weren't coming out to help you. They were very judgmental. They were pointing fingers. They were accusing. They were saying this was a child who was having a temper tantrum; this was a spoiled child. But this was a child with an illness, who needed help and treatment and supports, and she wasn't getting them.

As a family, her siblings—there are five in the family, she's the second-youngest—didn't want to bring their friends home any more, because we didn't know when something was going to happen. She could be sweet and joyful and a delight to be around, and then within minutes become this horrid, horrible person and be destroying things. We never knew when food was going to be thrown at us at the dinner table. One day, she went racing out into the backyard with lasagna. She was smashing it into the garden, yelling at the top of her lungs that she was being abused by us, which was not the case. Then we got her quieted down and brought her into the house. She broke the window of the door and then she crumpled into my lap crying, "Mummy, please get these voices out of my head." She held a butcher knife at my throat one day, and by the grace of God, the knife didn't go anywhere. But I could see in her eyes that for this child everything was out of her control and she needed help desperately. At that point in time, I didn't know where my daughter would end up or where our family would end up. I didn't know if my daughter would be dead the next month, if my daughter would be on the street, if our family would be injured in some way.

Very, very fortunately, my daughter was able to get treatment and support at a children's mental health agency. That turned our entire life around. It gave my daughter her life back. It gave my daughter her self-esteem and self-worth back. It gave our whole family our life back. She was on an 8-to-8 program that Terry mentioned. She went there at 8 in the morning, and she came home at 8 o'clock at night. So she was still with the family. The staff loved her for who she was. They respected her. They worked with her, with this love and respect and they taught her over a long period of time—because she was in this program for four years. They taught her how to cope. They taught her how to create support networks. They taught her to love herself for who she was and they integrated her very, very slowly back into a high school setting. Again, with the intensive work they did with the high school teachers—she was in a special school for general learning and basic adaptive learning—it set the steps for success in that school and, as I say, I can't say enough about the work that they did.

My daughter was nominated by the school principal for the Rotary volunteer of the year award and the Lieutenant Governor volunteer of the year award and she won both of them. She volunteers at a senior citizens' home on a daily basis and she is a valuable part of our community. If she hadn't had the supports and the treatments at a children's mental health agency, this would not be the case. I'm hearing this also from other parents, as president of the Ontario parents' association.

My story is not the exception. This is a story that is being heard around the province and it breaks my heart. It really breaks my heart when I hear that the same struggles are there that I had with my daughter, because there were long wait-lists and the longer the wait-list, the more complex is the problem. We need the treatments. I've been through cancer and I'm not minimizing cancer but if we had 8,000 children in this province who were on a wait-list for treatment for leukemia and they had to wait 18 months to two years, the service would come. We have 8,000 children in our province who are waiting for services and sometimes it's up to 18 to 24 months and these families are falling apart. If they can get the treatments and the supports like my daughter did, then we can save them and we can have valuable people in our communities.

I also want to share that when my daughter was in the mental health agency, one of her social workers left on sick leave, came back and then she left permanently. This just unravelled my daughter's world as well. They need constancy and consistency and they need the very, very best people working with them. Fortunately, she did have. But that one instance when this worker had to leave—I would say it took a good year for my daughter to gain trust of the next person that she was working with. So I really want you to understand the importance of our request.

The Chair: Does that complete your presentation?

Mr Brennan: Yes.

The Chair: I'm sorry that there won't be any time for questions, as we've used the entire 20 minutes. On behalf of the committee, thank you very much for your presentation this afternoon.

Mr Brennan: Thank you for listening.

ONTARIO ENGLISH CATHOLIC TEACHERS' ASSOCIATION

The Chair: Our next presentation will be from the Ontario English Catholic Teachers' Association. I would ask the presenters to come forward, please; if you could state your names for the record. On behalf of the committee, welcome. You have 20 minutes for your presentation.

Ms Kathy McVean: Good afternoon. My name is Kathy McVean and I'm the president of the Ontario English Catholic Teachers' Association. With me this afternoon is Greg Pollock, on my right. He is our general secretary. On my left is Mike Haugh, who is a member of our government relations department.

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"Our schools, whether we like it or not, are on the front lines of a fast-paced globally competitive economy. The only real way students can compete and win in a rapidly changing and competitive world is if we give them the tools to tackle the change." That's the message we want to bring to this committee this afternoon. Those are not my words, but they are the words of Mike Harris in a recent speech to the Empire Club. We want to endorse those words and to suggest this afternoon a number of ways in which this government could achieve that goal that has been established by the Premier.

The EIC, in its report of December 2000, stated, "We're extremely concerned about the corrosive climate that persists among the Ministry of Education, the district school boards, board staff and particularly teachers. This unhealthy atmosphere needs to be dispelled immediately—before our students' education is jeopardized further." The climate that the Education Improvement Commission noted as "corrosive" over a year ago has not improved. If anything, the atmosphere in public education has deteriorated as a result of funding practices.

OECTA believes that fundamental flaws exist in the current level and method of funding education. The mere maintenance of the status quo in reality means losses as a result of the impact of increased costs for goods and services necessary to maintain public education. The targeted amounts that we find in the envelopes for education have resulted in severe hardship in schools, as boards have been forced to close what programs or staffing were to either be stringently cut back or totally curtailed.

The decision to deny local school boards the authority to levy taxes means that the bulk of significant decisions about the extent and the type of public education to be provided by the local school board is in reality being imposed by the Ministry of Education in Toronto. The funding formula relegates concepts such as local autonomy and community schools to the status of historical anomalies incompatible with the present-day regime. Funding denied now will inevitably translate into increased costs to taxpayers for remedial measures in the form of social services.

We come this afternoon with recommendations in eight specific areas that I would like to highlight.

The first is in the area of class sizes. Despite the provincial dictate regarding class size targets, at the kindergarten to grade 3 level, grade 5 to grade 8 level and at the secondary level, those averages still translate into significant numbers of classes of 30 or more students in our schools. Thus, we are bringing a recommendation to you that, rather than the averages that we have enshrined in the legislation now, the provincial government set absolute maximums for class size at each level of the educational continuum through elementary and secondary education and to provide within the budget for school boards the funding necessary to ensure compliance with those maximums.

The second area we'd like address is resources for the implementation of curriculum, because the lack of resources for such things as personnel, for textbooks and for in-service training have hampered the degree to which successful implementation can be achieved in the schools. Thus, we are recommending that the government provide curriculum resources in the form of appropriate texts and materials and that be provided by provincial funding; and further that the government ensure adequate in-service training for educational personnel responsible for the implementation of that new curriculum. It can only be successful if the people who are implementing it and the people who are receiving that new curriculum are properly prepared and are properly equipped with the resources they need to do it.

The third area is special education. Over the past four years there has been a 41% decline in schools reporting access to the regularly scheduled visits of a board psychologist. I think we can understand the significance of that when we listen to the comments of the previous presenters. Thirty-seven thousand students are waiting for special education services in this province. To deal with that kind of crisis the parents are facing, they're paying anything from $1,000 to $1,700 to have their child assessed privately. Twenty-four per cent of our schools have reported losses of staff, time and programs in the area of special education. Our professional teachers are being replaced by assistants in order to save money.

Thus we are recommending to you that direct and significant funding enhancements be made to improvements in the provision of resources for the identification, the assessment and the placement of students in the area of special education.

We have a specific concern around staffing. The cutbacks dictated by the inadequacies of the educational funding formula have, by necessity, reduced staff. In the year 2000-01, educational assistants in kindergarten classes have dropped by 13%. Those assistants assigned to special education classes have dropped 9%.

Then we look at other areas of specialty. In 1997 and 1998, physical education teachers dropped in this province by 20%; itinerant music teachers by 26%; English-as-a-second-language teachers, down 9%; guidance teachers have dropped 6% despite a new grade 7 and grade 8 curriculum with emphasis on career planning and the production by students of an annual education plan. Indeed all of those areas that I have highlighted are required areas of the new curriculum, yet the staffing to deliver those curriculum areas are seeing those kinds of reductions.

Schools don't operate with just teachers. Other staff are vitally important in the schools. Our full-time secretaries there have dropped by 7% and our custodians by over 12%. In an era when we're stressing literacy, since 1997-98 there has been a 15% loss in our schools of our teacher librarians. Ten per cent of our schools are reporting that their libraries are open only 10 hours or less a week. What a loss for our students and what a waste of valuable resources in those rooms when they're not being used to the maximum.

Thus we are making this very significant recommendation in staffing: that the government funding mechanism provide funding to school boards under improved ratios governing the provision of the services of educational support workers and specialist teachers to deliver what the government rightly has identified as very important programs for our students.

Another area of concern that we have is the resource provisions for textbooks, materials and equipment. This year, 66% of our schools are reporting that students must share textbooks and 63% of those are reporting that those textbooks are worn or are out of date. How ever can we deliver that curriculum well when we don't have the basic resource of a textbook to do it?

Fundraising for textbooks, computers, classroom supplies and library books resulted in parents, teachers and students raising $33 million last year alone to ameliorate the shortfalls in provincial educational financing of the public education system.

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Inequities abound because the top 10% of the schools raise the same amount as the bottom 70% put together. This is hardly equality of educational opportunity, which is supposed to be achieved by this particular funding formula. Thus we are recommending to you that for textbooks, resource materials and equipment, there be increased funding to provide equality of educational opportunity to the students in Ontario by ensuring improved and adequate funding to the schools for those resources, and that that funding be available on an ongoing basis. In addition, funding must be provided as new courses and as government initiatives come on line.

Another very significant issue for us as teachers is the place where our students attend classes and our teachers work: our schools. In Ontario, portables form the learning environment for students at 45% of schools. The vast majority of our secondary schools are over 30 years old, one out of two was built in 1960 or earlier, and fully one in 20 was built two centuries ago, in the 19th century. Thus, we are recommending, for the health and safety of our students and our teachers, that there be immediately an increase in funding to provide permanent, safe and clean schools for all Ontario students, while making the best utilization of the existing physical infrastructure. Where that is not possible—and indeed that is the case now—there should be increased capital funding to replace the facilities that are beyond redemption.

In a province the size of Ontario, transportation is a very critical issue in many of our jurisdictions. Fully 92% of Ontario's elementary students are bused to school. A comparable number of our secondary students are bused to school. Nineteen per cent of those students are on those buses for over two hours every day. In many cases it's local transit that they have to rely on, but only 28% of the schools reporting that had any kind of subsidies available to those students. The cost for that transportation had to be picked up by the families.

Just as we are experiencing at home, the fuel costs for school boards have seen a significant increase. But the grants to boards for transportation costs have not increased at the same rate as the actual transportation costs themselves, so school boards have been forced to shortchange other areas of the educational system just to get the students to school.

We make the following recommendation with respect to transportation funding: that the government revise the funding for transportation based on board demographics coupled with indexing to acknowledge increasing costs as they occur and revise the regulations governing student eligibility for transportation to preclude the necessity of elementary pupils being put at risk by being forced to use public transportation. That is being contemplated in a number of areas around this province as we speak.

I'd like to speak to the issue of teacher supply and demand. Teachers have been and will be retiring in record numbers over the next few years. I've already spoken to the dearth of specialist teachers at both the elementary and secondary levels. There has been a marked increase, an alarming rate, in the utilization by school boards of unqualified or underqualified individuals as classroom teachers. so it's incumbent upon the government to provide additional funding to teacher training institutions and to identify specific funding to train specialist teachers according to the demographics about future demand. I might add that all the points that I've already made are really critical to teacher supply and demand as well because those are the things that are impacting on the decisions that our new teachers are making about whether they remain in Ontario to teach or consider going elsewhere.

I'd like to speak as well about collective bargaining. The funding made available to school boards for the maintenance and improvement of collective agreements governing wages and benefits is allocated by dictate under the funding formula. This is a total repudiation of free collective bargaining which has been imposed through the addition of direction to arbitrators in the province that the ability-to-pay argument must be adhered to in awarding settlements.

A further intrusion into free collective bargaining has occurred through the imposition of three-year collective agreements, despite the fact that employers are told on an annual basis what will be in the funding envelope for collective bargaining with employees. I know the government has said they can't possibly make that kind of prediction three years in advance. That wouldn't be sound fiscal policy. Yet they expect school boards to make those kinds of commitments in collective agreements without any knowledge of what the funding will be. The arguments seem to be very inconsistent.

This regime constitutes an odious imposition when it's coupled with the removal from school boards of their rights to levy taxation. It's a further example of the central control of education supplanting local autonomy and decision-making.

Ontario is not alone in facing a teacher shortage over the next few years. Already many jurisdictions worldwide have come to Ontario to recruit teachers and are offering many different inducements designed to lure Ontario's trained teachers elsewhere to better working conditions, to salaries and to respect for their professionalism. Those other jurisdictions are very successful in those attempts.

In conclusion, the Ontario English Catholic Teachers Association is committed to a healthy, well-funded public education system that serves the students of our province. Cutbacks in education are, in effect, withdrawals from the investment in the future of this province. It's a false economy to truncate the extent of curriculum and circumscribe the breadth of educational opportunity for our students by imposing funding provisions tied to a rigid and narrowly defined set of criteria eligible for funding.

Our students live in a world where the demands placed upon them are ever-increasing and subject to global competition. Educational improvement is a laudable aspiration when it is grounded in research that supports such reform and is not driven by an ideology that denies financial support in favour of the quest for ever-increasing deficiencies and bottom-line accountability. Penny-wise is pound foolish sometimes.

I thank you for the opportunity to make these comments. I would be happy to entertain any questions.

The Vice-Chair: Thank you very much for the presentation but, unfortunately, you've come out right exactly on the 20 minutes. I don't know if you were looking at the clock or not.

Ms McVean: I have no clock in front of me, no.

The Vice-Chair: We appreciate the presentation and the thoughtful recommendations that you've formulated.

Mr O'Toole: Mr Chair, could I just put a question on the record for them?

The Vice-Chair: While we're switching.

Mr O'Toole: The presentation earlier by OSSTF indicated merging the school boards. I'd like your response to that in writing.

Mr Christopherson: What would be your question?

Mr O'Toole: No, just a response.

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CANADIAN CHEMICAL PRODUCERS' ASSOCIATION

The Vice-Chair: If we can move on, the next delegation is the Canadian Chemical Producers' Association. Good afternoon. Twenty minutes have been set aside for you. Following your presentation, any time that's left will be divided equally among the three caucuses. As you begin, please state your name clearly for the record.

Mr Mike Hyde: Thank you, Mr Chairman. It's very good to be back again. Let me, first of all, introduce my colleagues: to my left is Mr Dave Goffin, who is vice-president of business development for the Canadian Chemical Producers' Association. To my right is Norm Huebel, director of the Ontario region for the Canadian Chemical Producers' Association. My name is Mike Hyde. I am the director of government affairs of Dow Chemical, Canada, and I chair the Ontario region's business and economics and government affairs committee for the CCPA. We are very pleased to be back. We've been back several times to talk to you and the committee members.

The information we've handed out to you is two pieces. The first one is the submission that we're going to talk a little bit about today. We're not going to cover the whole thing, we're just going to hit the highlights. The second one is our competitiveness scorecard that we've been able to give you for the last several years. You'll notice that it is the year 2001-02 scorecard. We are presently putting the 2002-03 scorecard together, and it will be ready shortly after the budget is announced and delivered here in the province of Ontario.

I just want to very briefly give an overview of who we are. The Canadian Chemical Producers' Association represents leading companies engaged in the business of chemistry. That particular business in Canada represents an $18-billion industry interest and contribution for the basic chemicals and the plastics resin materials, and we provide most of those materials to our downstream customers, representing a base of about $35 billion in Canada. Ontario encompasses a little bit more than half of that activity. We are very proud to say that we are the third-largest manufacturing entity in Ontario. We were the fourth until last year; we are now the third, so we're proud of that. We employ over 51,000 very highly skilled employees in the province.

I wanted to just mention that there are some very challenging times, as we're all aware, for the province of Ontario right now. In the current downturn, of course, two critical things are happening that we believe must continue: to balance the budget must remain a priority; we also believe that ensuring an orderly and timely restructuring of the electricity sector so that it will deliver real competition and real choice is extremely important.

We'd like to spend the next four or five minutes, before we get into questions, talking a little bit about three priorities for our sector. In one word, if can say our priorities simply, the word "investment" is extremely important to us. We like to work with the jurisdiction in question to ensure that the jurisdiction remains competitive so that I can compete against my colleagues around the world with my company colleagues around the world when there are investments to be made and Ontario is seen as a good place to put a new plant and create new jobs.

The word is "investment," but the three priority issues I wanted to talk about were, firstly, an issue that revolves around the retail sales tax; secondly, after that we'll talk a little bit about tax competitiveness; and thirdly, I want to address the issue of global climate change.

The first issue, the Ontario retail sales tax, is not a new issue to you. We addressed this last year with the committee, as well. We were not able to get this included in last year's budget. We're hoping that it could be considered for this year's budget—we'll never give up. One of the reasons why it's the Ontario retail sales tax issue is that a peculiar anomaly is taking place here. If you read the Retail Sales Tax Act, it essentially says that materials and equipment used integral to the manufacturing process are tax-exempt. However, you then go on to read the guide for the act, and the guide says that reinforced concrete is taxable.

In our particular sector, we use reinforced concrete that is integral to the manufacturing process, so you've got the anomaly. So what you can have is, we could put structural steel in place and have it tax-exempt, we then pour reinforced concrete in exactly the same application and it's taxable; or you could have a piece of reinforced concrete prefabricated off the job site, off the plant site, bring it in and it's tax-exempt, but if you pour it in place—exactly the same end use—then it's taxable. So we're just asking that this be addressed; it should be corrected. The anomaly is strange for investment people, to have it apply in one case, you think you have a rule, and all of a sudden the rule is not there. So that's the one issue we'd like to bring up again this year.

The second issue we'd like to talk about is on tax competitiveness. We heartily congratulate the Ontario government for the corporate income tax reductions announced in the 2000 budget. We encourage you to carry on with those, because when they are completed there will be a real delta between our competitive jurisdictions and Ontario, and that gives us the one-upmanship that we really need.

However, I would like to mention one other tax that is a punitive tax as well, and that is the profit-insensitive capital tax. We have been talking provincially across the country as well as with the federal government. We would encourage Ontario to start to talk to their federal colleagues about elimination of the capital taxes. Any substantial reduction in this area of course will be very interesting to investment dealers, people who are bringing money into the province, and we would encourage that. Both Quebec and British Columbia have recognized the need, and last year in fact the budget in Ontario did address a very small decrease in capital taxes. We would just encourage you that now is the time to put a good time schedule in place and to eliminate capital taxes. If we could deliver on that, that would help us a lot as well.

The third issue that I wanted to address was climate change. This is an issue that is very much in the news today. It is a federal government responsibility, of course, but they can only do it in partnership with the provinces and the territories. You hear more and more that Canada believes, the federal government believes they are in a position to ratify the Kyoto Protocol, and this is a major issue to our sector and to many other sectors in Ontario right now.

There is no argument in our minds at all that the world must address the environmental impacts of human activity on the global climate. We're not arguing about that fact at all. However, we are pointing out, and everybody must realize, that when we put new technologies in place in order to improve the human impact on global climate change, it's going to cost money, it's going to cost a lot of money, and it's going to develop into new technologies. That money, of course, is well spent if in fact your competitors are spending it as well. If Canada ratified the Kyoto Protocol and the United States did not and Mexico did not, it would mean that our major trading partners and our major competitors have a heads up and we don't have a level playing field any more.

So if I compare my operation in Ontario, where it has to put in a lot of dollars in order to mitigate its impact on global climate change, competing against my operation in Michigan, which does not, it would be very easy to bring the material in from Michigan as opposed to producing it in Ontario.

This is a long-term thing. It won't shut it down right away, but it's very serious. We need to ensure that we have a very clear implementation plan in place before we ratify the Kyoto Protocol. In order to achieve the Kyoto demands or the targets in the Kyoto Protocol, it's so large that you might think of it as a monetization of carbon, the use of carbon or the emissions of carbon, which in fact can turn into something just like a tax.

What we are encouraging is that we need a proper analysis of the economic, environmental and social impacts of ratifying, make sure that we have the United States and Mexico on board with us, and then we should move forward.

One other key thing in this is that today the consumer, society out there, does not realize that they too contribute to global climate change problems by heating their homes, travelling in their cars, travelling in their buses, trains and planes, and they too are going to have to change their behaviour. We need to start to tell them how to do that as well.

We urge you to partner with your provincial partners and encourage the federal government not to ratify until we have an implementation plan in place that is meaningful and includes the United States and Mexico.

That's it. I hope we've ended with a little bit of time so we can have some questions.

The Chair: We have approximately three minutes per caucus.

Mr Christopherson: Thank you for your presentation. I'll start with your last subject. I certainly don't have any qualms with your argument that it's going to cost money, and your statement is excellent, "The world must address the environmental impacts of human activity on global climate." But you can appreciate that at some point the leadership of society in this generation, and that includes virtually every one of us in this room playing one role or another, have to answer to future generations. Future generations eventually are going to look back and say, "I don't want to hear the details. I just want to know why you allowed a world to be created where my kids have to wear permanent aspirators because they can't breathe the air any more because it's toxic," and we're quickly getting there. If you think about where we've been just in our own lives, those who are middle-aged, if you think about where we started and where we are now—and if you do any travel in the world, if you've been to Japan, you walk around—it's not unusual. In fact, there are probably more people wearing masks than not. Nobody thinks anything of it. I think the same sort of thing is starting to happen in southern California. The day is coming.

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All of us were crushed to hear the US Republican President say he's getting out of Kyoto. It's just a shameful activity on the part of the President of the

United States. For us in any way to say we have to be linked to that, that we can't do anything until they do, virtually guarantees we do nothing.

I understand the specifics of what you're saying, but I'm arguing that all of us have an obligation to take at least one step back from that and say, "At some point we've all got to do something." The people who are affected the most are those who can't do anything about it. Again, it does tie into health care, because if you can afford the best health care going and you can afford to live somewhere out in the country, you can afford to buy your way out of these problems. Eventually that's going to disappear, though, and the very well-off aren't going to be able to buy their way out of the problem; we're all going to be into it.

Help me understand, given the key role that you and your organization play, how do we grapple with this without finding out good, very legitimate reasons in the minutiae to say "no." How do we get to "yes"?

Mr Hyde: David, there were many answers that came to my mind as you were going through the story. You're absolutely correct. I think what we need to do is make sure we de-link smog problems and people's breathing problems with the greenhouse gases. They're quite different. They can be quite different. Some of them are similar, but they are different issues.

Our point is that we've got to take action in order to improve our impact. There's no doubt about that. However, to take it by taking a quantum leap—and the Kyoto Protocol is a quantum leap, which could damage business, could damage the well-being of society—we can do that in a voluntary way. We can approach greenhouse gases—companies are today. The city of Toronto, you've heard what they've done in order to mitigate their impact by taking the methane, which is a greenhouse gas, out of landfill gases and burning it and creating electricity.

Things are happening voluntarily. What we're just suggesting is we need to carry on with those voluntary initiatives and some time in the future get a plan; then we're going to be able to do both of those things—

Mr Christopherson: You appreciate, though, that "some time in the future" will always mean "mañana." It will just always be tomorrow.

The Chair: Thank you very much. I have to go to Mr Hardeman.

Mr Hardeman: Thank you very much for your presentation. There are just two issues. The Kyoto agreement I think is one very important issue for all of us. I would agree in this case with Mr Christopherson, that we all have to get along with getting something done. I was driving down the 401 just this week and I actually saw someone—I'm sure it was for other reasons—wearing a mask. That's still unusual here in Ontario, but I think it's something that we need to protect ourselves from.

I also recognize the issue of your competitiveness argument here. It would seem to me that if we sign the deal, and because of the cost of doing it, we make the General Motors plant in Windsor uncompetitive to the General Motors plants in Detroit because they didn't sign it. The product going into our environment is the same for the number of cars produced, only they're produced on the other side of the border. I would totally agree with you that that doesn't make sense for our environment. It doesn't make sense for our economic stability here in Ontario. I very much appreciate you bringing that to our attention once again. That's the type of thing that we need to keep bringing to everyone's attention, that we support improving our environment, but at the same time we don't want to make improvements to our environment at the expense of investment in our province.

I just wanted a quick further explanation on the reinforced steel issue and the tax on that. If you could explain that a little bit more to me—which is taxable and which isn't, and why it changes?

Mr Hyde: The chemical manufacturing operation is quite specific, the way we manufacture our plants, Ernie. You can use structural steel, which is an integral part of the manufacturing operation and therefore it is tax-exempt according to the Retail Sales Tax Act. However, the guide of the act then reads that, "Reinforced concrete is taxable." It just reads like that. They think it's put in floors, sidewalks, roads, roofs, which should be taxable. They don't recognize the specificity of the chemical manufacturing plant. We use reinforced concrete as an integral part of the manufacturing operation. What we're trying to get the Ministry of Finance to understand, to change and to correct is that reinforced concrete also used as an integral part of manufacturing should be tax-exempt; if used as a dwelling, a building, a floor or a roof, then it's taxable. We understand that.

Mr Norm Huebel: A good example is if you have a process vessel and if it's sitting on steel, it's exempt. If it's sitting on concrete, doing the same thing in the plant, you pay tax on it.

Mr George Smitherman (Toronto Centre-Rosedale): I'm going to pass up the temptation to make a three-minute speech about Kyoto. I'll make mine only 15 seconds and say that, number one—

Interjection.

Mr Smitherman: I'll be longer if I'm heckled. All of your talk conjured up an image of Houston, Texas, for me and the lack of commitment that the then governor made, making that a community where the air is very breathable. But on the issue of Kyoto what I most look forward to is some capacity for all of us to get down to brass tacks and have a discussion about what's real, and not scaremonger. I think there's a lot of that going on maybe on both sides, but that debate obviously, as you mentioned, is getting going.

The thing I was interested in is focusing on the two priorities that you said right off the top, that more than anything else you wanted to ensure that Ontario's budget remains in balance and that the deregulation of hydro move forward.

On that first point, I'd ask you, then, given the fact that it has been widely stated in the press that Ontario is facing a deficit of something in the range of $2 billion to

$5 billion, and keeping in mind that you've stated this is your first priority, are you willing to forgo, then, the next instalment of planned corporate tax cuts to allow Ontario's budget to remain in balance?

Mr Hyde: The answer to the question is we don't believe that corporate tax reductions are linked directly to balancing the budget. You can collect monies in many ways. One of the ways is to get investment. The more investment you get, the more corporate tax you get, the more personal income tax you get from the new jobs. All of this rolls forward. For us just to say, "Let's not decrease corporate taxes and therefore we should forget about attracting investment in the province and that will allow us to balance our budget"—we prefer to say, "Let's get into an investment attraction mode and create jobs and create corporate taxes."

I didn't answer your question very well, George, but I'm just trying to say that there's another way to do it. You don't have to just say, "Oh, no, let's not decrease taxes already collected." Let's decrease them and get more investment and get more personal income tax and—

Mr Smitherman: So we'll put you down, then, as a disciple of Ronald-Reagan-style trickle-down economics.

The Chair: With that, I'll have to bring the discussion to an end. On behalf of the committee, gentlemen, thank you very much for your presentation this afternoon.

Mr O'Toole: Mr Chair, I want to straighten up one thing on the record. The only state in the United States with a sustainable energy policy is Texas. He should get his information straight.

Mr Smitherman: I talked about the quality of air there, but you're a bad listener.

The Chair: Thank you very much for your presentation this afternoon.

CANADIAN ASSOCIATION OF NOT-FOR-PROFIT RESP DEALERS

The Chair: Our next presentation this afternoon is from—

Interjection.

The Chair: Let's have a bit of order, please—the Canadian Association of Not-for-Profit RESP Dealers. I would ask the presenters to please come forward; if you could state your name—

Interjections.

The Chair: There's an echo coming into the room and I don't know where it's coming from, but when I've got the Chair, I've got the Chair, and I don't appreciate interference.

With that, gentlemen, on behalf of the committee, welcome. You have 20 minutes for your presentation today.

Mr Kevin Connolly: Last June, at the standing committee on general government a young lady by the name of Sasha Supersad, who was 21 years old at the time—from Whitby, Ontario, which I believe makes her a constituent of the Minister of Finance—presented a story. We thought we'd start very briefly with that story.

She's a single mother of a three-year-old daughter, Rianna. She was explaining to the committee that she started an RESP for Rianna when Rianna was seven months old, putting $50 from her child care tax credit into the plan every month.

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She took out a loan to enter Seneca College's business administration program in September, which was of course, I suppose from her viewpoint, a little bit unfortunate because she didn't have the benefit of some savings. But it kind of brings up the question, why an RESP? She said to the committee, "I want Rianna to go on to post-secondary education without having to carry a financial burden like I did." That really is in summary the definition of what our association encourages, to get stories like that out so that the public at large understands the importance not just of post-secondary education but of planning for it.

A little bit about who we are: the Canadian Association of Not-for-Profit RESP Dealers was founded in 1999, but I should mention that the founding members of the association, USC Education Savings Plans, the Canadian Scholarship Trust Foundation, and another foundation that is not in Ontario but is Quebec-based called the Fondation Universitas du Canada, have all been in the business of promoting saving for post-secondary education, in certain cases since 1960. So while the association was founded in 1999, the members of the association certainly have been around for a long time encouraging saving for post-secondary education. Tom O'Shaughnessy and myself are the co-chairs of that association.

Very quickly, the objectives: to increase post-secondary education savings by Ontario residents, especially—and I know Tom will speak to this a little bit more specifically—by low- and middle-income families; to lower student load debt, and therefore, hopefully, defaults; and to lower student dropout rates from post-secondary institutions that happen for financial reasons.

A little bit of background: in 1998, deregulation of all graduate and some professional programs led to drastic tuition hikes. In fact, recently the University of Toronto's law school announced plans to nearly double its tuition from $12,000 to $22,000 in the next five years. To give you a perspective on that, it was $3,800 in 1998. In addition, the Honourable Dianne Cunningham has said that undergraduate tuition fees will continue a controlled climb over the next five years. We must put programs in place to help Ontario families cope with tuition hikes. To that end, just for your information, in your packages we've enclosed the latest guide to university costs, which includes for most of the universities in Ontario what the current problem is and what it's projected to grow to.

Mr Tom O'Shaughnessy: There is a solution that has been tabled in the Legislature for this issue and this concern. Mr John Hastings, MPP, has introduced the Saving for Our Children's Future Act, a private member's bill, which has gone through second reading. It has also been received and reviewed by the standing committee on general government. That committee endorsed the private member's bill unanimously and actually increased the participation for individuals in that bill from a 10% tax credit to a 20% tax credit.

It recognizes that tuition fees are going to continue to rise. It recognizes that in Ontario the student loan program is deteriorating over time, and that individuals who are facing higher and higher tuition costs and as a result are requiring larger and larger student loans are facing situations where when they graduate or they leave school—I'll talk about that a little bit further later on—they are not in a position to be able to repay those loans. So student loans are becoming more and more defaulted and ultimately not being collected, creating a significant cost for the Ontario government.

I indicated individuals receiving student loans and leaving school as opposed to completing school becoming a bigger and bigger issue in Ontario and in other provinces. I also sit on the board of the Credit Counselling Service of Toronto. We are seeing many young individuals who have gotten access to student loans but have dropped out of school for many reasons, the primary one being that the cost of those loans and the potential impact for them to be able to repay are so daunting that they've said, "You know what? I'm going to drop out and go pursue other issues." That is a very significant concern.

We believe there are really three basic pillars to the funding of post-secondary education in the province. Two of them have been utilized by governments in the past. We encourage the third. The first two: direct funding to schools for operating costs, which keeps tuition fees lower for everyone across the board; the second obviously is a student loan program provided to those individuals who don't have the capital or the required savings to go to school. The third, which I think is probably the most important, is to provide some type of program to encourage parents to save for their children's education, starting with relatively small amounts at a very early age.

Why do we recommend the third approach as being the primary one? First of all, we've experienced over the last 40 years—our organizations have been around for that long offering these products—that the number of children who actually go on and complete post-secondary education if they have a registered education savings plan is double that of the general public. It's a program that is proven to work. Children do go to school and they complete school. The importance of that is that their ability to participate in the economy and add value to society grows significantly. So it's very important to have that third pillar in place.

The federal government has put a program in place to try to encourage savings for post-secondary education. It has been very successful. It is now stabilized, as I call it. The difficulty with that program is that although we recommended that it be tailored toward lower- and middle-income families, in effect it's a program that has attracted more upper-income families. It has still attracted a fair number of lower- and middle-income families; about 20% of families across Canada and I think about 22% in Ontario have set up RESPs. It is not the final solution. Ultimately we feel it's important that at least 40% of the children in Ontario have RESPs set up, for two reasons. One obviously is the financial reason. Second is what I would call the motivational reason.

I'm sure you'll get presentations from other groups about child poverty, about dysfunctional family situations and about families that are in lower-income situations who don't have money for anything and don't have an idea of how to break out of their cycle of poverty. Our experience has been that when families do participate, even at a very low level, the motivational aspect and impact on the child is quite dramatic. They feel they have options other than dropping out of school or going to some menial job, so it's very important from that perspective.

Our view is that this vehicle will be very successful for the province of Ontario. If you do at least what is on the table right now with the private member's bill, the participation level in Ontario will rise significantly for RESPs and in the long run will reduce the cost of student loans and reduce the demand from institutions directly for funding because there is more and more funding available from families who have put money aside for post-secondary education. It's not a cost program. It's an investment in the future for the children of Ontario that will be paid for by other programs that are in place right now.

Our recommendation is that at least the private member's bill that has gone through second reading be tabled for third reading in the Legislature with the support of the government; if not that, that the government take into their coffers the responsibility for this activity and make a proposal through their budget process, whether it be a tax credit, a grant or something, to encourage more and more people to save even relatively small amounts, and that whatever that program is, it be geared toward the participation of lower- and middle-income families in Ontario.

Thank you very much.

The Chair: We have approximately three minutes per caucus, and I'll start with Mr Spina.

Mr Spina: Thank you, gentlemen. As usual, a good, comprehensive presentation and also something that clearly somebody within government has chosen to act on. We're actually pretty proud of John's bill.

I have a couple of questions. I guess it really has to do with the logistics of the program. How flexible is it from the perspective, first of all, of the young lady who invested in Rianna? When 15 or 18 years down the road the child chooses an alternative option, rather than university, what happens to the funds?

The second question, just so that you can answer them both, and then I'll give the other guys an opportunity, is this: currently, does the amount of money in an RESP impact on the amount of OSAP? If it does, should there be some regulatory changes made to assist that?

Mr Connolly: The answer to the second question is no, it does not have any impact on OSAP. The answer to the first part of your question is that in the case of Sasha's youngster, if at the time that she requires the money for post-secondary education or, for whatever reason, she chooses not to pursue education, the RESP legislation allows now for that program to either be transferred to another child who would pursue post-secondary education or, in the event that it can't be transferred to another child, then it can be transferred, up to certain limits, to the parents' RRSP. There was a time when there was a great fear that if your child didn't go to university or a community college or a trade school, you would lose all of the investment income. That's not the case any more.

However, on the grant portions, the concept would be that if the money isn't used for post-secondary education, the grant would not be retained; the grant would then be returned, in the case of a federal grant, to the federal government, and in the proposed provincial grant it would be returned to the provincial government.

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Mr O'Shaughnessy: I'd just like to add, it's a very important point, because you mentioned university only. I think many people still believe that these programs are for university only. In fact, the tax rules have been changed dramatically so that training schools, community colleges, professional business schools that are qualified, as well as university—there are many, many options for individuals to be able to go and utilize the funds, improve their skills and ultimately add value to the economy.

Mr Phillips: Have you, in discussion with the government, had an indication of what they would like to do with it?

Mr O'Shaughnessy: We've had some discussions with the finance department, and they're evaluating the costs and benefits of the program, but we haven't had any detailed discussions about whether or not they will incorporate it in a budget or bring it back for third reading as a private member's bill.

Mr Phillips: Just in terms of what investment options you have, I gather the process is you need to set up an RESP, and you apply to the federal government for the $200 grant, is that correct?

Mr Connolly: You would apply for the grant up to $400 per year. The way the grant works, it's 20% on the first $2,000, so you can get up to $400. The RESP provider does apply for that grant on behalf of the investor, so it's not the investor who has to apply directly for it. It works from the provider of the RESP. They will send information to the federal government, and they will then send the money back to the RESP provider for investment purposes.

Mr Phillips: How much is that a year? I'm sorry; I didn't hear.

Mr Connolly: The federal government grant calls for up to 20% on the first $2,000 that you invest, so a total of $400 maximum per year per child.

Mr Phillips: Do I understand the bill properly, that it's limited to a $1,000-a-year investment? Is that correct?

Mr O'Shaughnessy: For the Ontario bill that was presented, yes. Again, that was to primarily focus on lower- and middle-income families. Our statistics indicate that most individuals in the income ranges that we're talking about save anywhere from $300 to $700 per year.

Mr Connolly: I should add too, Tom, that related to that, we have made a presentation to the federal finance committee that recommends that the grant be adjusted from 20% on the first $2,000 to 30% on the first $1,000, then 10% on the next $1,000, up to $2,000. Again, we're trying to send a message to the government that we really need to concentrate and focus on the lower- to middle-income group, because if you've got thousands and thousands of dollars to invest because you're wealthy—and I have nothing against wealth, by the way; wealth is good. But we're trying to balance the table here and see to it that those who have more moderate incomes can get a little bit more benefit because they require it more than those who would require it less.

Mr Christopherson: Thank you for your presentation; it's good to see you again. In point (f) you said, "Approximately 100,000 children entered into RESPs in 2000," but "by 2005, this number will have dropped to 50,000 per year if no new incentive is provided." Explain that a little bit for me. If nothing else happens, if things just stay the same, you're going to have 50% fewer children enrolled in 2005 than now for what reason?

Mr O'Shaughnessy: The primary reason for that is that the federal grant has run its course. Those who are interested have already signed up per se, so the number of people who don't have an RESP, the larger group there who aren't participating, are not attracted to that one incentive. You need to add another incentive to be able to enfranchise that group.

Mr Christopherson: I see. What happens, then, if I'm understanding that, is that there's a percentage of children who are born whose parents will enrol, but because you've already gone through the block of people whose kids might be a whole lot of different ages, they've already picked up on it and run with it. So without incentives, you're not going to capture the parents of those children. Is that the idea?

Mr O'Shaughnessy: No, the issue is that of the people who haven't signed up as of today, as each year goes by, there are fewer and fewer who are looking at the program and saying, "This is a viable one for us, based upon the way it sits right now." That's why we're saying, if you want to get that large group that isn't participating and will not participate in the future, you have to have an incentive that's added on top of this one.

Mr Christopherson: I see. You mentioned that you can transfer it to another child. Does it have to be a child within the family, or can it be any other child in the school system?

Mr Connolly: It can depend sometimes on the particular plan, but most plans allow for transfers even outside of the family. It is plan-specific, though, so that's explained to the client at the time of enrolment, what type of plan they want to go with. Obviously, the more flexible you make a plan, the less the potential payout in the traditional types of RESPs. So that's education at the time of enrolment.

Mr Christopherson: Now, when you say "not for profit," how are salespeople paid? Is it a commission there? How does that work inside the not-for-profit itself?

Mr O'Shaughnessy: Like any organization that is providing a service to the public, obviously individuals who are employed on a full-time basis have to be remunerated. However, the organizations themselves are structured so that there are no shareholders. It's somewhat like a mutual insurance company. We fund whatever the costs are to run the program and any additional funds that are taken from our subscribers to cover those costs are then returned to the subscribers in the form of increases in scholarships on an annual basis.

Mr Christopherson: So the benefit to someone signing up with you, as opposed to doing it on their own, is what?

Mr O'Shaughnessy: With any RESP it is that they would get access, obviously, to the federal grant and the tax sheltering. We're here as representatives of the not-for-profit group. There are other organizations out there offering RESPs that are for profit—banks and mutual fund companies do as well—but they primarily focus on middle- and upper-income individuals. That's why we're here. We feel that it's important that we have to get those lower- and middle-income families saving. We feel that for them, this is the best alternative because the costs are as low as possible.

Mr Christopherson: Do you get access to parents through school boards? Are there boards that are helpful in getting your message through?

Mr Connolly: Some more than others. School boards are very sensitive about the fact that they get constantly approached by organizations that want to move their products through there. We do work with some of the school boards, but on a fairly limited basis.

The Chair: With that, I have to bring it to an end. On behalf of the committee, thank you very much for your presentation this afternoon.

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TORONTO DISASTER RELIEF COMMITTEE

The Chair: Our next presentation will be from the Toronto Disaster Relief Committee. I would ask the presenter to please come forward. State your name for the record, please, and on behalf of the committee, welcome.

Ms Musonda Kidd: OK, thanks. My name is Musonda Kidd. I have submitted a briefing so my name is spelled out there. I'd like to thank this committee for giving me the opportunity of making a presentation today. I am presenting here on behalf of the Toronto Disaster Relief Committee.

The Toronto Disaster Relief Committee is a group of social policy, health care and housing advocates, academics, business people, community health care workers, social workers, AIDS activists, anti-poverty activists, people with homelessness experience and members of the faith community.

In the effort to end homelessness, we are active on numerous levels. We provide coordination services for the National Housing and Homelessness Network. We are a prominent and recognized voice on the city of Toronto's advisory committee for homeless and socially isolated persons. As well, we serve on many other committees and task forces. We work closely with Tent City residents planning a relocation into housing on non-polluted lands. We research the issues. We have produced numerous reports with our findings. We track the numbers of those who die on our city streets. We have bandaged the injuries caused by being homeless and have attended the funerals of many people. We watch the homeless disaster worsen daily.

We have a diverse steering committee with each member bringing their specific experience and expertise to the collective efforts of TDRC. Together we cover a wide range of related issues and speak for a large and broad community. This community includes people who are or have been homeless, front-line workers, activists and concerned citizens in Toronto and across the country.

We have asked ourselves these questions: why is the human crisis not treated in the same way as other crises or disasters where people lose their housing and have their family or community networks disrupted, like the ice storms in Quebec or like the floods in Manitoba? Why are governments not responding to the physical and mental harm, including death, caused by being homeless? Why are they ignoring the spread of disease such as tuberculosis, HIV and AIDS? Why is it our public officials fail to recognize that tens of thousands of people without housing and adequate food and health care constitutes one of the largest and most serious national disasters that Canada has ever faced?

Our call to declare homelessness a national disaster has been endorsed by over 500 organizations, including the city councils of Toronto, Ottawa, Nepean, the big city mayors' caucus of the Federation of Canadian Municipalities and many other organizations.

We are encouraging all people, organizations and levels of government to explicitly recognize homelessness as a national disaster and to immediately take appropriate action in all communities throughout the country. We urge the provincial government to declare homelessness a national disaster.

Disasters, natural or man-made, are not restricted to countries in the tropics but their consequences are very similar. The evidence that the crisis of homelessness has become a disaster in this city, this province and this country has started to accumulate.

In Toronto the disaster is flourishing. You will see it in a hundred ways every day, including the high number of homeless deaths. There are 243 confirmed deaths of homeless people in the city of Toronto alone. It's been very hard to track these numbers, but those are from reliable sources. There are as many as two to four deaths of homeless people each week. Death rates for young homeless men are 8.3 times higher than the average population of young men. There have been many clusters of freezing deaths. During the past Christmas holidays, there were two freezing deaths of homeless men within three days of each other.

There is a high number of evictions. More than 500 tenants face evictions each week. Many are evicted for as little as $100 in arrears.

There is a growing number of homeless children and families. In Toronto, this group represents the largest growing group of people suffering in the disaster.

In the Toronto Report Card on Homelessness 2001, there was an increase of about 130% in the number of children in shelters.

There is severe overcrowding in the emergency shelter system. The city reports that hostels are full, often well above their 90% capacity limit. It is dangerous and unhealthy to run any shelter under overcrowded conditions. Overcrowding affects peoples' high stress levels and causes some to be unable to use the shelter system, both because they cannot get in and, if they can get in, they are unable to tolerate crowded conditions which contribute to rampant infectious health problems such as cases of tuberculosis.

Right now, we are experiencing a TB epidemic in the shelter system. Last year, there were two outbreaks with 15 confirmed active cases, including two tuberculosis-related deaths.

There has been an explosive increase in people living outside. The most important reason for this is the lack of shelter beds in conjunction with the huge increase in homelessness generally. People living outside have made it clear that many of them fear the existing shelter system. For some people, living outside becomes a rational decision, the lesser of the two evils.

There is a long social housing waiting list. In November 2000, the list included a total of 63,000 households. Applicants are told that the wait for a unit could be from 12 to 19 years. The handful of new rental units that have been offered in recent years have had monthly rents ranging well above $1,000.

The Toronto Disaster Relief Committee has made many recommendations to the city of Toronto to respond to the crisis in the shelter system and on the streets. These recommendations have included the order of a moratorium on shelter courses, the opening of 1,000 new shelter beds, and ensuring that the existing shelters and the new facilities at least meet the United Nations standards for refugee camps. To immediately address the current shelter crisis, TDRC has asked for the use of Princess Margaret Hospital or the armouries as temporary emergency shelters.

The disaster is evident not only in Toronto but across the province. The vacancy rates across Ontario are dangerously low. In many parts of the province there simply isn't enough supply of housing to meet the local needs. At the same time, rents are rising while household incomes are falling. This has caused an affordability crisis. In Ontario, almost 64,000 tenant households are faced with eviction because they cannot pay the rent. Twice in the last two years CHMC has declared that the country's rental markets are the worst since they started the current records in 1987.

I included a snapshot of the state of the disaster across the province. In Parry Sound, for example, there have been reports that families sleep in cars and call it home. In Gravenhurst, the area's only shelter has been full every night since it opened last year. In Guelph, from January 1999 to August 2001, a total of 2,269 households applied for social housing units, and only 13 were placed. I have included many stats here for you. In Kingston, emergency shelter use rose by 210% from 1998 to 2000.

Despite Canada's reputation for providing relief to people made temporarily homeless by natural disasters, our governments are unwilling to help the scores of thousands of people in Canada condemned to homelessness. We urge you, the provincial government, to mobilize in the face of this homeless disaster and come to the aid of its victims before the next person dies.

We have recorded that homelessness is a serious human rights violation. All human rights violations are acts that disregard human dignity and the rule of law. The moral and ethical codes of the world's religions, international law, the Canadian Charter of Rights and Freedoms, and federal and provincial human rights legislation, oblige Canadians and Canadian governments to refrain from acts, omissions or other measures that result in violations of human rights. The very existence of people who do not have any housing is by itself a most serious human rights violation.

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From the crisis that I've outlined, it is evident that the most basic human rights of a group of people within our communities are being violated. We cannot sit idly by and let this misery and death continue. The time to act is now.

Declaring homelessness a national disaster and emergency allows all levels of government to immediately implement emergency humanitarian relief and prevention measures. The strategy must provide the homeless with immediate health protection and housing and it must institute measures that prevent further homelessness. In any disaster, people are provided with emergency assistance, then permanent measures are implemented.

The solutions to homelessness, its elimination and prevention, are (1) housing—all homeless people require adequate and appropriate housing they can afford; (2) income—all homeless people require enough money to live on; (3) support services—some homeless people require support services.

The first measure must be a massive reinvestment in the construction of affordable housing. We were very happy last November 30, 2001, when the Ontario Minister of Housing, Chris Hodgson, joined with federal, provincial and territorial colleagues in signing a new national housing framework. The agreement commits the federal government to spend $680 million over five years. It requires the provinces and territories to provide matching funding. As much as $244 million could come to Ontario from the federal government over five years. This could help fund more than 9,000 new housing units. This clearly isn't enough, from the disaster that I've described, but it's a good start and we welcome that.

We do have concerns, however, about Ontario's participation in the national program.

(1) Ontario has been slow to sign their bilateral agreement with the federal government. How much money will the province commit? Reports indicate that to date Ontario is offering an additional $20 million, thus leaving it about $225 million short in providing the matching funds for the federal dollars. Compare that contribution to the $105 million that Quebec has already committed.

(2) The federal government, along with the provinces and territories, agreed in London, Ontario, in August of last year, that new public housing funds would be directed to those in most need: low-, moderate- and middle-income renter households. The framework agreement signed in Quebec City was supposed to incorporate this general principle, yet it now appears that the new program may have the perverse result of subsidizing expensive rental units in many parts of the country at a time when the supply for the poorest households is desperately short. It appears that the definition of "affordability" in the bilateral agreements is "average market housing rents." Yet average rents are well above affordable rents that most renter households can pay. I've included a chart that highlights that difference. We are very concerned that the program be targeted to use the definition of affordability not based on average rents.

(3) The affordable housing framework agreement signed in Quebec City requires the provinces to match the $680 million in funding, but the agreement allows provinces to include in their share funding from municipalities, housing providers and other sources. Ontario is believed to be seeking a substantial equity contribution from housing providers that want to participate in the new program. A high equity barrier will effectively prohibit co-op and non-profit housing providers from joining the new program. We're very concerned about this.

The Toronto Disaster Relief Committee has indicated for years that the most important thing we can all do to end homelessness in Canada is to implement a national housing strategy. To fund this, we have recommended the 1% solution, which represents an additional $2 billion annually from the federal government and $2 billion combined from the provinces. Specifically in Ontario, this represents $900 million annually. How much are the lives of Ontarians worth?

In conclusion, the homeless and under-housed in Ontario do not constitute a special interest group. We are not asking for favours or charity. Adequate and affordable shelter is not a luxury; it is a basic human right that has been denied far too many people in the province right now. You, the Ontario government, have the means to change that. We urge you to act, and to do so immediately. It is your responsibility to address these problems and crises. We, the people of Ontario, through the government, have both the means and the responsibility to act now. For you to do anything else and for us to proceed in any other context is to misinterpret why we elect governments in the first place.

We ask you now to provide funding to improve conditions in the shelter system; to provide the necessary support services; to provide adequate income support measures; to participate fully in the national housing program—that is, to immediately sign the agreement with the federal government and commit your full share of $244 million; to ensure that the new housing built in Ontario is affordable over the long term; to ensure that the new program is accessible to co-op and non-profits; to work toward the implementation of the 1% solution; and finally, to end mass homelessness in Toronto now.

Thank you for allowing me this opportunity.

The Chair: Thank you very much. I'll allow for a very brief question from each caucus. I'll start with Mr Phillips. That would be a minute.

Mr Phillips: Thank you for a very good presentation. It puts a human face on this issue, because many of us don't face it on a day-to-day basis. We kind of drive by it periodically, but you see it on a day-to-day basis.

It's hard to know where to begin with such little time. One thing you mentioned—I thought the provincial government had signed this agreement with the federal government.

Ms Kidd: The government has signed the general framework agreement, but they haven't signed their individual bilateral agreement. Ontario and the federal government need to sign their own special bilateral agreement and, to my knowledge, they haven't done that yet.

Mr Christopherson: As you mentioned, it goes a long way to explaining why this government likes to do business with the Quebec government, mainly because they like to opt out of things. There are two different reasons for that, but at the end of the day they both want out. Quebec doesn't want to have anything to do with the feds because it promotes federalism, and Ontario doesn't want to have anything to do with the feds because they don't want to spend any money, is the bottom line.

I guess the best I could do is ask you how you feel about the proposal by the current finance minister, who wants to be Premier. When he bothers at all to talk about homelessness, his answer is that he would make it illegal. I wonder how you feel about that as a proposal from somebody who wants to be Premier.

Ms Kidd: We were very angry about that. We recognize that, in reality, homelessness already is illegal, that many homeless individuals are being jailed on a daily basis.

Mr O'Toole: I would only say in response, and somewhat in defence, that I think the way the Minister of

Finance, the candidate, put it was that if it was your brother or sister, would you walk around them or ignore it or avoid it, or would you stop and help? Some want to go immediately to call the police. What he said publicly was he wants to help. I would defy anyone to contradict that. That's actually what he said on the public record. I think we should be held accountable, and I would think you would agree that we shouldn't ignore it, we shouldn't walk around the person on the street, but we should commit to help. I think that's an important thing. If you want to run immediately and call the police—

Ms Kidd: I think that's what he suggested: to have special constables assigned to take the homeless to shelters or, if they refuse, to jails. There is a street help line that exists today that—

Mr O'Toole: Because of the province of Ontario.

The Chair: Mr O'Toole, let her finish, please.

Ms Kidd: That can be used, so I don't know that there is a need to have these special constables. We question that approach.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

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CANADIAN VEHICLE MANUFACTURERS' ASSOCIATION

The Chair: Our next presentation is from the Canadian Vehicle Manufacturers' Association. I would ask the presenters to please come forward, and if you could state your name for the record. On behalf of the committee, welcome.

Mr Mark Nantais: Good afternoon. Mr Chairman and members of the committee, I want to thank you for the opportunity to be here today. My name is Mark Nantais. I'm president of the Canadian Vehicle Manufacturers' Association. With me today on my right is Douglas Jure, special adviser to DaimlerChrysler Canada, and on my right is Tayce Wakefield, who is vice-president, environmental and corporate affairs, with General Motors of Canada. After we give our brief statement, we'd be very pleased to answer any questions you may have.

If you may not know, the CVMA is Canada's national association which represents Canada's largest automakers. Our membership includes Ford Motor Co of Canada, General Motors, DaimlerChrysler Canada and International Truck and Engine Corp. Together these long-established Ontario companies produce about 90% of all vehicles produced in Canada. I suspect many of the members are familiar with the products and certainly the facilities here in Ontario that produce those products.

Let me begin by alluding to a statement which is perhaps an overarching policy that we would like to see developed in Ontario as well as at the federal level as it relates to the automobile industry, and that is the strategic automotive investment policy. Such a policy would be designed to assist Canada in retaining and attracting high-skill, high-wage jobs in the automotive industry and parts manufacturing sector. It's important that this policy address many regulatory tax and policy dimensions affecting vehicle production and sales in Canada. We think it's critical that such a policy be competitor-neutral, that it provide equal advantage to any competitor undertaking activity in Canada, whether they are existing investors or new entrants into this province or country. It should also ensure that the long-term investors with more significant commitments to the country, and therefore higher cost structures, are not disadvantaged vis-à-vis newer entrants.

The automotive industry is a highly competitive one. It operates on very low margins and has many aggressive competitors. The US market is considered one of the few more profitable automotive markets in the world, but demand has shrunk for automotive products in Asia and, as a result, automotive exports to North America from Asia and Europe have risen dramatically over the past decade as assemblers in these economies seek to utilize excess capacity that exists in their countries.

At the same time, a number of assemblers have located production capacity in North America with much lower cost structures than traditional manufacturers because they have no legacy costs associated with retirees and a mature workforce. On the other hand, we have Mexico, which has emerged as a very formidable competitor for automotive manufacturing and investment. Just to give you an example, between 1989 and 2000, Mexican vehicle production increased from 600,000 units to 1.9 million units. Ontario needs to ensure that its tax and investment policies are competitive not only with the US, but with other significant auto-producing countries right around the world.

Let me turn briefly, if I could, to describe some of the recommendations we put forward in our submission to the committee.

The first issue we have identified is the border-crossing issue. Companies represented here today have been working closely with the Canada Customs and Revenue Agency to develop custom programs that will facilitate cross-border traffic. Going forward, however, we are concerned that the transportation infrastructure leading to these border crossings is insufficient to handle the levels of traffic and trade that are moving between Ontario and the United States. Border crossings such as Windsor, Sarnia and Fort Erie represent key trading links to the United States. The Ambassador Bridge in Windsor, for example, handles about 40% of all of Canada's trade, with about 25% of all that trade relating to automotive. However, there is no direct link between the Ambassador Bridge and Highway 401, nor is there a direct link between the bridge and any of Ontario's transportation arteries. We've asked the Ontario government to use its 2002 budget to dedicate funds to ensure that Ontario's infrastructure is able to support the projected increases in the level of trade.

Our submission relates to a number of fiscal policy matters that I would like to raise as well. In the 2001 budget, the Ontario government recognized the negative impact of capital taxes on Ontario's economy and the harm they do to jobs and the standard of living. The CVMA commends the government for this initiative and is equally pleased that the government took the first step toward eliminating the capital tax by introducing a deduction for the first $5 million of taxable capital. We recommend that the government of Ontario send a clear message that it continues to value investment by removing the capital tax entirely in this budget as further encouragement of new investment.

The CVMA has a similar concern with property taxes. We believe that a single property tax should apply to automotive assemblers regardless of their location within the province. Our recommendation is that the province establish a single property tax rate, at or below the lowest rate currently paid, for all automotive assembly plants in Ontario.

Our member companies are also large investors in research and development. We have a concern relating to the Ontario R&D superallowance fund. The 2001 budget announced that in lieu of providing the Ontario superallowance to those carrying out scientific research and experimental development in Ontario, the federal investment tax credit would not be subject to the Ontario corporate income tax. While this temporary measure allows taxpayers to gain back the majority of their pre-budget SR&ED position, it does not address the loss of the incentive for incremental R&D expenditures. Again, our member companies, which make significant investments in R&D, would like to see an interim measure to encourage incremental R&D spending in the province once again.

Before we move to take questions, I would like to bring three taxation issues to the committee's attention. These tax issues actually impact the sale of vehicles in Ontario. The first is personal income tax. In the 2001 budget, the government announced that the threshold above which the surtax becomes payable would be increased, effectively eliminating the first tier of the current two-tier tax system. The CVMA commends the government for taking the first step and encourages the government to proceed with complete elimination of the surtax for all income levels. We believe this action will go a long way toward easing the affordability challenge that continues to impact Ontarians in their ability to purchase large goods.

The second tax issue, which we also believe affects vehicle sales, is the tax for fuel conservation or the TFFC as it's commonly referred to. Our view is that the TFFC is seriously flawed and that ultimately the tax provides a disincentive to purchasing the cleanest and safest vehicles. It provides consumers with absolutely no incentive to replace their older, less fuel-efficient, higher-polluting vehicles. In the 2001 budget, the government of Ontario announced a process to reverse the TFFC. As yet, the review process has not been put in place. Rather than further protracting review of the issue, we are simply asking the government of Ontario to immediately repeal the TFFC simply because it is bad tax policy.

The third taxation issue is the rebate on alternative fuel technology vehicles. Currently, the rebate only applies to hybrid electric cars but does not apply to other hybrid electric vehicles such as light trucks, minivans and the expected new generation of sport-utility vehicles. This arrangement contributes to a preferential and limited marketplace, which in itself is a problem, but more importantly it falls short of the environmental benefit derived from hybrid electric technologies applied across a broader range of vehicle types.

In closing, I would simply like to reiterate what we have stated, particularly that Ontario requires the investment climate that will make our province attractive to investors. We would suggest that an automotive investment strategy, which we would be prepared to talk to you about, is one way to take us in that direction, as well as a fiscal policy that will help keep our economy moving.

That concludes our remarks.

The Chair: Thank you very much. We have three minutes per caucus, and I'll start with Mr Christopherson.

Mr Christopherson: The issue you led off with, the strategic automotive investment policy, is that strictly a bilateral relationship between your organization and the government, or are you looking at bringing in other players such as, perhaps, parts suppliers, unions that represent the workers, communities, things like that; so, narrow or broad membership?

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Mr Nantais: I think ultimately for a good automotive investment strategy to work in Canada we need not just the automobile assemblers themselves but our parts makers as well, and it has to be done at the federal and provincial levels. When you look at Ontario and the fact that the automotive industry accounts for roughly 20% of our GDP here, it absolutely has to be at the table. Ontario must be part of the automotive investment strategy.

Mr Christopherson: I'm sure you already know, surprising as it is, that two of the members on the government side who have automotive facilities in their backyards are part of a government that doesn't agree. They don't think there should be any kind of special attention paid to the auto industry, and the same for steel. I'm from Hamilton, so both of those industries affect us. For the life of me I can't understand why they wouldn't say there ought to be some kind of focus on these. They'll get a chance shortly. Maybe they can defend that position then.

The second thing is that Buzz Hargrove was here, and he said that he has yet to speak to someone on the manufacturing side, either publicly or privately, who is supportive of the current plans to deregulate and privatize hydro. Your thoughts on that, please.

Ms Tayce Wakefield: Conceptually we think that competition in the hydro market makes sense. Obviously, the devil is in the details. We have been working to some degree with the government to make sure that some of those details go right, as well as working with the IMO and others to prepare ourselves for the market. So I would say that conceptually our industry is supportive of competition in hydro supply in the province.

Mr Christopherson: Would it be your preference that the current plans are sort of shelved a bit until things are looked at further?

Ms Wakefield: No, we would not suggest that we delay it. We would like to continue to work with the government as the issues emerge, to make sure that it goes as smoothly as it possibly can.

Mr Christopherson: What are some of the things you're concerned about?

Ms Wakefield: One of the things we have worked with the government on is an emissions trading scheme, for example, that was originally conceived primarily for hydro producers but could be something that would be a viable set of options for the entire business community. So the government has rescoped, really, that plan to make it broader, and we are working with them to make sure that that works, not just for hydro suppliers but for business generally. Where we have identified issues, we have been able to work closely with the government.

Mr Christopherson: You're satisfied—

The Chair: Mr Christopherson, I have to go to the other side.

Mr Galt: Thank you for your presentation. As Mr Christopherson just mentioned, Mr Hargrove was here the other day with the Canadian Auto Workers talking about assistance being needed, and he was talking about corporate welfare, the term he used, looking for it, and felt that we should be competing with some of the southern states and putting out lump sums of money to attract the factories or plants or to even renew some of the existing ones. He was indicating how the production of cars was going to drop right off in Canada, had started and was going to continue. Scotiabank economists were here this morning, and their graph showed how the production of cars in Canada was going to increase in the future. Two different views.

Your presentation today is more consistent with the style of our government, getting rid of some of the taxes, some of the barriers in various areas. What's your opinion of the CAW and their request to our government looking for corporate welfare to maintain or increase the production of cars in Ontario?

Ms Wakefield: First of all, the CAW are great partners with us in the workplace. I think at a high level we certainly have the same message, which is that Canada and Ontario need a strategic auto policy. In terms of the specifics of that, the items that we've put before you today—first of all, we've said it's not a single thing. It is an array of items, some of which are tax and fiscal, some of which are regulatory. On the tax side, since this is a budget discussion, there are really two sets of issues. One set is removing barriers to general investment, and particularly capital-intensive investment, which auto assembly and auto parts manufacturing is. So that would be getting rid of the capital tax, the corporate minimum tax, those kinds of things, which are negative for any capital-intensive industry.

The second thing would then be to look at any special preference you might want to provide to the auto industry in particular, recognizing that it's a strategic industry. In that regard, we would be more inclined to look at investment tax credits for manufacturing investment rather than grants. It's not dissimilar in terms of intent, except that grants tend to benefit greenfield investors, where investment tax credits tend to benefit anyone who is making an investment. I'm not sure that we want to disadvantage GM, Ford and Chrysler, which have created tens of thousands of jobs in Canada for 80, 90 or 100 years, just to reward somebody who might be new coming to town. So that's why we prefer investment tax credits.

The other thing I would say, and Mark mentioned it earlier, is that I really think we need to strategically take a look at property tax in this province, and it relates to steel as well. What you find is that big, single-industry towns across the province have much higher tax rates for large industrial taxpayers than are prevalent in any other jurisdiction in North America, including many jurisdictions in Ontario. I think the last time I looked at it, Hamilton was the property tax capital for large industrial in North America, but Oshawa, St Catharines, Windsor, many of the big auto manufacturing locations, also are disproportionately high. To my friend from Brampton, for example, our rates in Oshawa are about twice what are paid in his locale, which strikes me as an unlevel playing field, and there's no strategic reason why that should be. So that's one issue that we'd certainly encourage the government to take a look at fairly quickly.

Mr Phillips: It's quite a list of recommendations. Yesterday there was a bit of cold water thrown, I think, with the minister indicating that we have a \$3-billion to \$5-billion shortfall and the Bank of Nova Scotia telling us today that it's not a short-term thing. So we are looking at scarce resources and fairly large demands.

On the property tax one, well over half your property tax, I think, goes to education, and that rate is set by the Premier. What has been their response when you tell them that the majority of property tax is going to the province and they're setting the rates? Have they indicated whether they're prepared to—

Ms Wakefield: The business education tax rate has gone down. The province has been on a track to reduce it. In fact, I think it was last year that they did a sort of double dip—they gave us two reductions in one year, which was positive. We'd like to see that again this year, guys.

Mr Phillips: Am I wrong? More than half your property tax does go to education.

Ms Wakefield: Yes, but we've seen positive progress on that half. Obviously we would like to see more quicker, but at least we have been making progress there, Gerry. The other side of the coin, working with municipalities, has been quite challenging. There's a decided reluctance—and with some of the tools, like capping, it makes it difficult for the regions, even the regions that want to—to get our rates down in an orderly fashion. We looked at some numbers in Oshawa, for example, that said if we continued at the rate we were going with clawbacks and capping, it would take us something like 100 years to get to what would be our fair assessment base.

The Chair: With that, I have to bring it to an end.

Mr Phillips: Really?

The Chair: Yes. Three minutes is really short. On behalf of the committee, thank you very much for your presentation this afternoon.

REGISTERED NURSES ASSOCIATION OF ONTARIO

The Chair: Our next presentation this afternoon will be from the Registered Nurses Association of Ontario. I would invite the presenters to please come forward, and if you could state your names for the record, please. On behalf of the committee, welcome. You have 20 minutes for your presentation.

Ms Doris Grinspun: My name is Doris Grinspun and I'm the executive director of the Registered Nurses Association of Ontario. RNAO is the professional association for registered nurses all across the health care sector. We have a long-standing history of promoting healthy public policy. We are very pleased to carry on this history by our presentation and submission to you today.

First of all, let me give you just a brief snapshot of our profession. There are 108,000 registered nurses in Ontario, who entered the profession to serve the health needs of the public. This is a profession that offers exquisite rewards, but I would be remiss not to mention that circumstances make it difficult at times to realize this potential.

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Despite all the talk about a nursing shortage, we still have only 53.1% of RNs who work full-time in this province, and that's a big problem. We have 35.8% working part-time and 11.1% working casual. We need to work together to remedy that situation if we want to serve the public.

This is a new phenomenon in nursing—this is not something that always existed—and was propelled first by the recession of the early 1990s and then by the health care restructuring from 1995 to 1998, where there was a purposeful move by employers to move people to part-time and casual positions under the thinking that we will save on benefits and other items. But of course we are paying it on sick time, overtime and agency time today.

Short-staffing has led, therefore, to excessive workloads in all sectors. This has combined with inadequate supports that make it ever more difficult to provide for client needs. The consequences, then, are not surprising when we are now confronted with very extreme rates of illness and injury among nurses. As a result of that, we also have the increased utilization of agency nursing, which is costing a bundle and not providing continuity of care. We have movement of many nurses out of the province, and we have early retirements that are directly attributed to workloads. Together, we could prevent that too.

Nurses realize and appreciate the steps that government has taken to undo some of the damage nursing has suffered over the past several years or decade. The Nursing Task Force was struck and its recommendations were accepted. These recommendations are well in progress and have created a positive momentum toward stabilizing the nursing profession. Nonetheless, the situation for nurses continues to remain difficult and many nurses are burning out.

This is a matter of concern not only to the nursing profession; this is and should be a matter of concern for Ontarians and also for our government. We believe that it is, and that we should jointly resolve the issues that are remaining. It has serious implications for the sustainability of the health care system. Regardless of any debate that is going on today, the issue of health human resources, if not resolved, will confront us and we will not be able to sustain the system.

What do we recommend as essential steps for the system? First and foremost, nurses want a sustained commitment by government to health care and to nursing. This means a strong, publicly funded, sustainable health care system. This is part of what defines Canada and it is also the most effective and cost-efficient system, offering a huge competitive advantage for business in Canada. Investing in our medicare system, therefore, is not only a commitment to decency but it is also a prudent business investment.

Our submission demonstrates that we can afford this investment. Health care spending, in our view, is not out of control, and the data show exactly that. Instead, it is the dramatic cuts in overall government spending that give the illusion of large health care spending. Government must be fiscally prudent and ensure that it has the revenues to pay for our cost-effective health care system and to maintain the positive momentum of the past few years.

Further tax cuts will seriously constrain government's ability to act. This is not what Ontarians are asking for. This is not what Ontarians need. We haven't heard or seen any public poll where Ontarians say they want further tax cuts. What they want is a better health care system, more access to it and equality in it.

Moving forward on primary health care reform is pivotal. We ask for a more transparent process and we ask for incentives that will result in greater interdisciplinary work. What we have now is yet again the reverse of incentives, where, for example, doctors are being paid to do work that nurses can do without any extra pay. An example of that is pap smears, and there are many other examples.

For the nursing profession, achieving adequate staffing levels is critical to efficiently maximize quality of care. This means continued earmarked funding, with clear accountability mechanisms to ensure Ontario's RN-per-population ratio is comparable to the rest of Canada.

We have made improvements. We need to continue together to make more improvements in this area.

This also means funding in a way that will facilitate long-term planning in health care delivery. We are already hearing the rumours of layoffs. It's done now in a quieter way than before, it's not in the media, but nurses are calling us. We can't afford any single layoff, because it will backfire and nurses will leave in masses to other provinces and other parts of the world.

We must create greater stability in employment and we must create many more full-time positions. Government and the nursing profession already agreed over a year ago that we need to move to at least 70% of nurses in full-time positions. We have made baby steps. We now need to make very big steps together.

We need to make better use of nurses, including nurse practitioners. I would be remiss again not to remind you that we have over 185 unemployed nurse practitioners in this province at a time when the public is crying that they do not have access to health care services. Nurse practitioners could be providing this access right here to Ontarians, but instead, some of them are leaving for Saskatchewan and some of them will begin to leave for the Northwest Territories.

Improving working conditions and access to fulfilling employment opportunities is a must to stabilize nursing human resources. To act to reduce the wage and benefit disparity between sectors is a must if we don't want an ongoing exodus of nurses in the home care sector in favour of the hospital sector, not because they prefer to work in the hospital sector but because they get a lot more money. We don't want to create a situation, not for Ontarians and not for the profession, where what will start to attract nurses from one place to another is only the money but not the clinical expertise they have.

We commend the government for its commitment to multi-year funding for very important initiatives that have begun to recover the nursing profession, for example, the clinical best practice guidelines project, which is providing not only provincial leadership but, you need to know, is also resulting in national and international recognition. We are just now entering into a consortium with the UK in relation to the best practice guidelines project you have funded. It's one of only four countries that has such a project.

The nursing education initiative is another excellent example, as well as advanced clinical fellowships and the many recruitment and retention initiatives that we are doing together. But in order to support a critical knowledge worker, we cannot stop here. We need to do some new initiatives that we believe will be to the advantage of the public, government and the nursing professions.

There are three initiatives I would like to mention. The first one is an orientation prototype for nurses in the hospital and home care sectors that will allow nurses to be not only welcome but begin to have a good orientation in a cost-effective way in both of those sectors.

We are also asking for an investment of $1 million in the development and pilot-testing of nursing teaching units. You have all probably heard in your areas that colleges and universities are having a great deal of difficulty finding clinical placement for students, and it's simply because nurses are exhausted and cannot provide the right mentorship for those students. We are offering to you, and we have the proposal ready, the piloting of nursing teaching units that will resolve or begin to resolve that situation.

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Lastly, and this is probably the most exciting of the initiatives, is a recruitment and placement agency. You all hear from employers, "We cannot find full-time nurses." We hear from nurses who cannot find full-time work. We want to offer to you to build on previous initiatives like the career line, like the initiative that we did with nurses back home with the US, and create this agency to be led by RNAO and RPNAO. It's not costly—it's $750,000 and it's one-time-only funding. We will not charge the nurses or the employers, and we will begin to close the gap.

Our recommendations are directed to enabling nurses to provide timely, high-quality care that Ontario residents expect and deserve. We know that the government understands and shares these objectives and if we act together we can, and we will, resolve the health system challenges, including the nursing shortage.

Thank you. I will be very glad to respond to your questions.

The Chair: Thank you very much. We have two minutes per caucus. I'll start with the government side.

Mr O'Toole: Yes, thank you. I'll share one question. I just have two points.

The agencies: I tend to agree with that, because 11% of the registered nurses are part-time and I know there's money over and above the hourly rate for the recruiter. If there's money to be saved there, I'm prepared to look at that one for sure.

The other one I have a problem with, and I don't want it to be seen as any kind of insult in any way, but I think if we categorize all the nurses with a BA—they have to have a bachelor of science degree—the first thing they'll want, as opposed to a stethoscope, is a briefcase, an office and a secretary to do the work. I have a problem with that. I'm very concerned that we have front-line, high-quality nurses more than any other practitioner in the hospital. So it's not against nursing, it's, how do we make sure that their principal function is nursing?

Ms Grinspun: John, let me respond to you. I think we have probably discussed this in the past. A couple of things: you and I will not be here to see all nurses having a baccalaureate. That will take a least 30 more years, OK? Some 84% of the nurses have diplomas today, not baccalaureates, so do not worry. I wish I would be here to see that; I regret I will not. The reason I say I wish I would be here to see it is because you wouldn't dare put your healthy child in a school with an unprepared person, but you're willing—and people are doing that not by choice—to put a sick child with a person who doesn't have the same level of preparation. So the level of preparation that people require even today, but certainly five, 10, 15, 20 years from now, is at the baccalaureate level from the point of view of the knowledge level that people require and even more so will require, so we are preparing the next generation and even two generations more. We are not preparing for what the situation is today.

Number two: if it's in relationship to, are we going to have the right numbers, we will and we responded about that to Mr Beaubien. We also responded today to the finance minister, who asked the question. The baccalaureate entry to practice not only will assure the knowledge base that people in this province and others require but actually the numbers that people will require. We have increased enrolment in nursing more than before and, more importantly than that, not only the numbers; we have increased significantly the number of nurses who are choosing nursing as their first career choice. So you will be saving on attrition—we used to have a lot of people starting in nursing and going somewhere else.

The Chair: Mr Phillips.

Mr Phillips: There's so little time and so many questions.

The issue of part-time is a huge issue and for many nurses I've talked to it that kind of leads to working conditions they're not that happy with. What is driving that? What has driven that? Has it been the employers believing they could operate more cheaply, or is there any part of this that is responding to nurses wanting the part-time flexibility? Or is it mainly the employers wanting—

Ms Grinspun: Let me give you that in a very brief and fast snapshot, because of time. For three decades, from 1965 to 1990, we had anywhere between 29% and 32% of nurses working in that category. That was the history. Even in the best-case scenario, where they worked it by choice, that was the percentage.

The recession of 1992 moved this country to 37% working part-time/casual and then the health care restructuring was a system-forced issue that absolutely moved nursing to 47.7%. Today we have 47% in Ontario. So it was not the nurses' choice.

Now, because of working conditions and because people get the sense of having a life, quite frankly, probably more than the 30% that we used to have will choose to remain in part-time/casual unless we improve those working conditions. But certainly, it's not the 47%. So there is a mismatch between employers that need full-time nurses, or at least they say they need them, and nurses who are saying, "We want full-time work," especially new graduates who cannot find full-time work. That's the gap we would like to close through this recruitment and placement agency, because there is a gap there.

The Chair: Mr Christopherson.

Mr Christopherson: Thank you for your presentation. It was informative and enlightening, as always.

I want to pick up where Gerry left off. It just seems so wonky that there's a demand for nurses—everyone's saying it, even the government admits that; if they don't admit they made a mistake, they've at least admitted they need more nurses in the system—and yet they can't find full-time work. Then you're also saying that there are rumours of layoffs, and 185 nurse practitioners who aren't working. Who's thinking of laying off nurses, first of all, and secondly, why are there so many nurse practitioners who aren't working at a time when demand is clearly increasing?

Ms Grinspun: Our solution for the issue of the nurse practitioners is that any new funding that is going to be allocated to nurse practitioners be set as a separate pot of money, not allocated to the family health networks. Because in our view, the family health networks, quite frankly, are not run by government or by Mrs Wilson; they're run by the OMA, who spoke today, and the OMA is not going to utilize nurse practitioners if we like it or if we don't like it. Set it up as a separate pot of money and let the OMA—all the others say we need nurse practitioners, community health centres say we need nurse practitioners, and other models, like home care and long-term care, say we need nurse practitioners. Unfortunately, that's the situation. So it's an issue of funding and it's an issue of who controls the use of that funding. That's in relationship to NPs.

Why are they laying off nurses? The good news is that the employers are doing to it quietly because they fear the reaction of the association, quite frankly. Most probably that's the reason. The bad news is that they think they can afford in their own organizations to lay off people and they don't understand it will backfire by all the other nurses in that organization. As it is, morale, as you all know, is not the greatest in the world, workloads are heavy, so just imagine what those rumours—and some of them are realities—are causing to those workplaces.

Mr Christopherson: Now, if the rumours are true, are they being driven by a lack of funding for hospital administration?

Ms Grinspun: You will need to speak with the specific organizations. In my view, it's a mixture of funding and of poor management decisions.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

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ONTARIO ASSOCIATION FOR COMMUNITY LIVING

The Acting Chair (Mr Ernie Hardeman): The next delegation is the Ontario Association for Community Living; if they wish to come forward to the table. We would ask each of you to introduce yourself for Hansard. Welcome to the committee this afternoon. You will have 20 minutes for the presentation. Any part of that 20 minutes which you do not require for your presentation will be split evenly among the two caucuses that are here and the one that is totally missing.

Mr Christopherson: That would be the government caucus.

The Acting Chair: I wouldn't suggest who that might be.

With that, we'll turn it over to you for your introductions and your presentation.

Mr David Barber: Thank you, Mr Chairman. I'm David Barber, and I'm president of the Ontario Association for Community Living.

Mr Keith Powell: I'm Keith Powell. I'm the executive director of the Ontario Association for Community Living.

Thank you for giving us the opportunity to make this presentation today. We have appeared before this committee in previous years and we understand there is a much increased awareness of the mandate and the purpose of the Ontario Association for Community Living. However, we'll take just a moment to ensure that who we are and what we do is clear.

Initially our organization was founded by parents of children with developmental or intellectual disabilities. Those parents recognized that they needed certain supports and certain services in order to ensure the well-being of their sons and daughters. Over the years they established schools; later they established residential and employment support programs for their sons and daughters.

The mandate of our organization has grown exponentially as we recognize that in order to ensure the safety and dignity of people with intellectual disabilities, we had not just to provide services or supports to people themselves, but we needed to develop a capacity in our communities to include people and to support families in natural ways so they could do the job of supporting their sons and daughters at home and in their schools and communities.

For almost 50 years we've worked together to bring people and communities together. At this point we would identify that we have two major focuses to our work. First, we support individuals as they develop their capacity to live, learn, work and participate in all aspects of living in the community. Second—and this is the critical piece about the future of this federation and the future, in fact, through which we contribute to the well-being of communities in Ontario—we help communities develop their capacity to welcome and support people who have not always had the same opportunities as the rest of us to participate in community life in meaningful and productive ways.

The direct support that is provided through our various member associations and organizations in the communities—your communities—throughout Ontario is critical to the individuals who are supported and to their families. It is an essential contribution to the service umbrella in communities in Ontario. However, group homes and employment programs, although appropriate for some people and perhaps appropriate in the past when other alternatives weren't as well known or developed, are not in the same demand as they were in the past. There is a growing demand by families for funding that allows them to design and implement individual support plans for their sons and daughters. We're finding there is a demand for individualized packages of funding support for individuals to make them not needing to be dependent on service structures with large administrative costs and infrastructures. So our work has focused on encouraging the development of social policy in Ontario, through the Ministry of Community and Social Services, which provides individualized funding as an option for people.

Other parts of our work focus on changing attitudinal barriers. We do this on behalf of the people with intellectual disabilities themselves who speak to us directly. There's a mechanism in our federation called our self advocates council. The members of this council have told us repeatedly for the last couple of years two things very clearly. They've said, "We need to be free from harm, and we need your help in achieving that," and they've said "We can't live on the dollars that are being provided to us. There has to be an increase in the money granted to us by the province of Ontario for us to be able to eat well and for us to be able to afford habitable apartments."

David will speak to that issue in relation to the ODSP.

Mr Barber: The Ontario disabilities support plan has not been adjusted since 1993. People have been receiving the same amount of money over that period. You can well imagine what the ravages of inflation have done to that purchasing power. It's been quite significant.

I think it's important to identify that ODSP is not welfare; it's not considered welfare. In 1998, the Ministry of Community and Social Services created ODSP, separating it from the general welfare program in recognition of its importance as an essential disability-related support, so it's quite separate from that. But the maximum amount of money that an individual would receive would be $11,160 a year. According to our estimates, that figure is about $1,500 to $6,500 below the Statistics Canada annual poverty line for a single person, depending on where the individual lives in the province.

Meanwhile, in addition to no increases having been experienced, the cost of living is continuing to increase in the province. Average single-bedroom apartment rents in central Ontario last year ranged from $606 to $760 per month, and it's expected to increase dramatically over the next few years, given a serious shortage in available rental units. I know in my area up in Barrie, it's not just a question of the increase in the cost; it's the question of availability for those individuals who want to live in supported independent-living environments. So we've got a really serious problem there.

We're also seeing, with individuals paying 65% of their monthly income on rent, that that leaves very, very little for food. The cost of purchasing food to maintain a healthy diet went up by 10% in 2001. There are many individual stories, and we've included one in particular in our report, indicating some of the challenges that individuals face when they're faced with that kind of limitation. So we really think it's time to review that matter and to look at increasing that and potentially putting in some sort of cost-of-living allowance that would allow them to at least keep pace with the cost of living.

Finally, we believe this particular matter impacts more than just people with an intellectual disability; it impacts all those individuals receiving income under the Ontario disability support program. So we believe that if the government is going to look at that particular matter, it should be looked at outside of the revitalization and funding for new service development that's already been committed.

Mr Powell: In the last year, the finance minister announced $197 million in new funding for revitalization in the developmental services sector and for creation of new services. We'd like the committee for the record to know how appreciative our federation and the developmental services sector are of that money. It was clearly seen as a response to a real need, and it was developed and allocated on the basis of a partnership with our federation and with our sector. That was very much appreciated.

Last year, MCSS provided $55 million of the promised funds. The government needs to continue to build on the momentum established by last year's funds by investing at a similar rate in the coming year and by ensuring that every region gets its fair share of the available funds. We would illustrate that despite this increase in funding, workers in our sector continue to be funded at a rate about 25% lower than those employed directly by government, for example, in its own facilities or institutions, or by other broader public sector agencies.

What's the problem with this? This means that we can't hire people. This means that students don't register to take developmental service worker programs in community colleges. This means that individuals who have quite considerable and unique support needs are not going to have committed, long-term friends and employees involved in their lives. This means that people are vulnerable and are abused and are neglected. This doesn't suit what we feel we're capable of in Ontario, and it certainly is unacceptable in terms of the rights of all people living in Canada. So it is a critical factor to be addressed and it's why the funding initiative that was begun last year has to continue.

It's becoming increasingly difficult to retain staff because of the degree of staff turnover. Our presentation paper here indicates that we continue to experience an average staff turnover rate of 22%. You can imagine, if you've invested in providing orientation and training to new staff, how much money is effectively wasted because they turn around and leave, looking for better employment because they do not see that in the long term they can make an adequate living by continuing to work in our sector. This is an inefficient use of resources. Maintenance of qualified staff is key to ensuring that people are supported in an efficient and effective way and that they are free from harm.

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Our paper also mentions a couple of other issues which we have made the Ministry of Community and Social Services very familiar with.

There are a large number of people waiting for service for whom no service or support is available. Currently, our local associations have identified over 8,800 people waiting for service. The shortfall in resources for these supports has the greatest impact upon people in the transition points in their lives: children leaving the early years to go to school, young people leaving school to become adults, and then those in their senior years and individuals whose families have cared for them all their lives, thus, we won't miss to mention, saving us as taxpayers millions of dollars by not having pursued the option of institutional placement. Of those families, many now are old and are no longer capable of providing the degree of support that they did to their sons and daughters before. Who's there for them?

So what needs to be done?

Mr Barber: Me?

Mr Powell: Go for it, David.

Mr Barber: We need to continue with funding promised to the developmental service sector over the next four years, ensuring that the investment is in the order of last year's investment, or at least $40 million, approximately one fifth of the five-year promised allocation.

We need to distribute the 2002 funding equally between new services and revitalization. We need to make certain that the mechanism for distributing funding is refined to ensure equity across the province. I can understand the exuberance of the government in wanting to get the money out there, and that was very much appreciated, because there was no time lost in actually getting out there and helping people. But certainly we heard from many areas saying that perhaps the distribution system didn't encompass as many different groups as it might have.

We need to establish a long-term plan for the sector that will continually review rising costs for providing services and supports and ensure that the additional funds are found to address these needs. Such a plan should also encourage the evolution of creative and efficient approaches to developing quality supports and services. We think that certainly we're well on the way to doing that with a number of committees that have been established within the bureaucracy, so we're moving forward on this.

In conclusion, the commitment of new funding for the developmental services sector in last year's provincial budget was a step in the right direction in addressing many of the issues facing people with intellectual disabilities, and we're extremely appreciative that the government took the steps they did. This momentum must be maintained and the government must follow through with its promised resources over the next four years. The investment of this new funding should be done according to a long-term plan for the sector that will encourage creativity and increased responsiveness to individuals and their families. The upcoming budget must also begin to rebuild the income support benefits paid through ODSP to ensure that people do not suffer in poverty.

Thank you.

The Acting Chair: Thank you very much. That leaves slightly over two minutes per caucus.

Mr Phillips: I think the parents who have been faced with the challenges of looking after their children have needed the increased support, and I was happy to see it come last year. Have you had any indication from the government that this is just a matter of course, that this is likely to flow and that we shouldn't really be worried about it?

Mr Barber: We're not certain. With the budgetary constraints that the government might be faced with this year, there might be a diminished allocation and then perhaps a subsequent larger one in ensuing years when it's a five-year program. What we're looking for is to maintain the momentum by having continuity and receiving at least the same amount of money as we did in the first year of the commitment.

Mr Phillips: There is a challenge, because yesterday the minister did indicate that there is a \$3-billion to \$5-billion shortfall that has to be found on the spending side because there's no more revenue to be had, and that he's not going to touch health and, I gather, education. So it's down, I think, to OPP and courts and community services.

On the one hand, I thought that was a five-year commitment they made. On the other hand, there is at the very least a significant short-term problem. Just help me along a little bit. It was the year 2001 that you got the first instalment? Is that true?

Mr Barber: Yes.

Mr Powell: That's correct.

Mr Phillips: We're now a couple of months into this calendar year, and you haven't heard anything about whether they are going to move on the second phase of it or not?

Mr Barber: No.

Mr Powell: It was a multi-year commitment. We have been given no signals that it would be cut. We've seen what's in the media, and that alarms us considerably since, as we indicate in our paper, there's a direct relationship between the well-being of people with intellectual disabilities and adequate funding in the sector.

Mr Phillips: I noticed today the government spent \$300,000 on this—

The Acting Chair: Thank you very much. Mr Christopherson.

Mr Christopherson: You make reference to families in Windsor and Essex county. We had representations from them. You may know that. There were moments during that presentation when you could hear a pin drop in the room as people talked about their own family situation.

My sense of this is that it's a ticking time bomb, this whole issue of elderly parents who have been taking care of baby boomers, who are now middle-aged. But their parents are not going to be around forever. We've been hearing it a little more each year; a little bit more and a little bit more. I would think some of these cases are situations where it hasn't cost the Ontario taxpayers a dime, where it has all been done by the family. I'm sure that's not all the cases, but a lot. So they don't appear on any lists. They don't show in any stats. They're not included in any of the existing pressures that are already on our community and social services and health services. None of those pressures are on there. That burden has been taken on by the parents.

I'm throwing something out and asking what your thoughts are about it. My sense is that this is a much bigger problem than most of us think, and than most of our stats will reflect, and that eventually it's going to hit us. When it does, it's probably going to hit us right around the same time as the rest of the demands that our generation is going to place on those very services. We're suddenly going to have this unexpected wave of people who need a lot of comprehensive care, where everything has been taken care of for them by mom or dad, and in many cases both, and they're gone. Am I over the top on this?

Mr Barber: I think you really identified it quite clearly. In point of fact, that wave is beginning now. The tsunami is on its way. It's building. It's starting to hit the shores now. It's beginning to hit.

Mr Christopherson: The bucks are going to be huge too. If you attempted to replace what has been provided in the home, immediately upon the passing away of the parents, and put that on the provincial bill—all those individuals—I've got to think that's going to be one hell of a huge amount of money. You're talking here about, lifelong, \$4 million, current dollars, per individual. So even if we're looking at probably 30% to 40% of that, because their health demands are greater, like the rest of us, as they get older, this is going to hit all at once and unexpectedly. Suddenly the curtains open and there they are, needing services.

Mr Powell: There's a fortunate coincidence between reduced cost and increased interest and willingness for people to live in the community with more natural supports. So to the degree that an investment is made in the capacity of families and communities to include and support people in less intrusive ways, there will be savings. There will be more money to go around for those who need it. The costs that are reflected here directly relate to individuals who would have been in full-care situations. That is not necessary in a majority of cases where there's adequate planning and where the individuals have had built around them a circle of support that assumes a major responsibility—

Mr Christopherson: But isn't that the whole key today? The message is: start planning for it, get ready for it, so it's not happening at once.

The Chair: I have to go to Mr Spina. Thank you.

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Mr Spina: I understand where David is coming from, but I have a lot more confidence, as I think you tried to display, in what's happening. Clearly the government and the minister identified this oncoming wave and took a substantial initial step, as you so clearly indicated, last year with the commitment.

I'm very proud of the fact that BCCL, Brampton Caledon Community Living, is probably one of the better and more active ones in the province. I know I'm not the only MPP who stepped forward to speak on behalf of the gap that was becoming recognized of challenged people who needed respite care and ongoing care as they left the high school system and as they became orphaned, in a manner of speaking, even though they're adults.

Mr Phillips indicates that if health care and education are the only ones that are not going to be cut, then you've got to be among the rest on the list. There are 21 ministries in government, and I suggest to you that elements like yours are likely to be very well protected. There are a number of us in this caucus who would certainly be defending the budget levels of the service you deliver.

So I'm not going to ask you a question; I'm going to thank you for the work you do and assure you that there are people in this government caucus who will be looking out for you.

The Chair: On behalf of the committee, thank you very much for your presentation this afternoon.

Mr Spina: You've got too many prisoners being coddled.

ONTARIO CHIROPRACTIC ASSOCIATION

The Chair: Our last presentation this afternoon will be from the Ontario Chiropractic Association. I would ask the presenters to please come forward.

Interjections.

The Chair: Let's have a bit of order. It's the last one, and I don't think you don't want to be here until 6:30.

If you would state your name for the record, please, on behalf of the committee, welcome.

Dr Dennis Mizel: My name is Dr Dennis Mizel, and I'm the president of the Ontario Chiropractic Association. With me today are Dr Jan Kempe, who's our past president; Dr Bob Haig, director of government affairs; and Mr David Chapman-Smith, our general counsel.

The chiropractic profession now comprises 2,600 registered chiropractors in the province of Ontario. The Ontario Chiropractic Association represents 2,300 of those individuals, which is 85% of the practising chiropractors in the province. Let me first say that the OCA would like to thank the standing committee for this opportunity to present this submission during the pre-budget consultation.

I'd now like to turn things over to Dr Jan Kempe.

Dr Jan Kempe: In terms of the Ontario budget, the single greatest area of expenditure for the government of Ontario is the health care system. It is known by all stakeholders that very large potential savings, coupled with more effective care, can be achieved from better coordination and substitution of services. For example, nurses are able to provide many services traditionally provided by physicians, and chiropractors can work with nurses, physicians and others to see a higher proportion of patients in areas of health care where chiropractic services have been established as effective and cost-effective, notably for low back pain and other neuro-musculoskeletal disorders.

With respect to chiropractic services, health economists predict direct savings of at least $380 million per annum, and indirect savings, that being from disability and lost productivity costs, of at least $1.25 billion per annum if barriers to access chiropractic services are reduced so that the number of Ontarians using chiropractic services for musculoskeletal pain doubles from approximately 10% to 20% annually. Reasons why such substantial savings are possible, according to health economists Manga and Angus from the University of Ottawa, include that approximately 95% of chiropractic practices in Ontario involve the management of patients with neuromusculoskeletal disorders and injuries.

Musculoskeletal disorders and injuries are the second and third most costly categories of health problems in economic-burden-of-illness studies. Musculoskeletal disorders are also among the most important reasons for activity limitations and short-term disability. They rank first in prevalence in chronic health problems and first as a cause of long-term disability.

Musculoskeletal disorders rank first as a reason for consultation with a health professional in Ontario and rank second as a reason for the use of prescription and non-prescription drugs.

The poor and lower-middle income groups and the elderly are low users of chiropractic, mainly due to the deterrent effect of the high copayment or user fees. Yet the prevalence of neuromusculoskeletal conditions is highest among this socio-economic group.

There's considerable empirical support for the cost-effectiveness and the safety of chiropractic management of musculoskeletal disorders. This means that chiropractic care can bring about improved health outcomes at a lower cost.

The OCA well appreciates that the government is aware of these facts and that there now needs to be better reorganization and use of Ontario's 26 regulated professions, each with its own specialized education, each with its own specialized clinical skills and competencies.

The problem has been that the current health care system, including its methods of funding, does not allow the government to take advantage and act upon this reorganization of health care services. The key issue for government is how to make the changes that will allow Ontario to take advantage of the savings which we all know are there to be made.

Presently, there is a new and important opportunity—primary health care reform. The Ontario Family Health Network and the Ministry of Health and Long-Term Care are now working on a fundamental reform of the way in which primary health care services are to be delivered throughout Ontario. The OCA recommends that the government use this reform process as the vehicle for achieving much more effective and cost-effective care through the incorporation into primary care teams and centres of regulated health professionals who have established and important roles to play. These would include, for example, chiropractors, midwives, nurses, optometrists, physiotherapists and psychologists.

With respect to chiropractic services, for the past year Dr Silvano Mior, dean of graduate studies and research at the Canadian Memorial Chiropractic College in Toronto, has been seconded to the ministry on the recommendation of the OCA. With the ministry and the OCA he is working on the development of models and protocols for pilot-testing the delivery of chiropractic services within the primary health care team.

Similar developments are currently found in the United States and European countries, such as Denmark, Norway, Switzerland and the United Kingdom. A major stated goal in each country has been the reduction of the large costs and burdens of back pain.

To achieve major savings in health care, disability and lost productivity costs in Ontario, through the better integration of chiropractic services in the health care system, the OCA respectfully recommends that the government of Ontario should now act on the recommendations of the ministry's 1994 Chiropractic Services Review Committee report: (1) by removing inappropriate barriers to access to chiropractic services; (2) with respect to health care system barriers, by encouraging the availability and use of chiropractic services within the Ontario Family Health Network, especially for patients with back pain and other neuromusculoskeletal disorders, and encouraging the availability and use of chiropractic services in all other primary and secondary health care settings as appropriate, including community health centres, health service organizations, long-term health care facilities, nursing homes and hospitals; (3) with respect to financial barriers, in order to allow for the appropriate primary care access and integration, restoring funding for chiropractic services to the level of funding in the 1970s, namely, 2% to 3% of the OHIP provider services budget.

Following an extensive review of chiropractic education and practice in Ontario, the central recommendation of the Wells report was, "That on the grounds of effectiveness, safety, patient satisfaction and public acceptance of chiropractic services, particularly in the management of neuromusculoskeletal disorders, chiropractic services should continue to be accepted and funded by the Ontario health insurance plan."

In conclusion, the OCA has titled this submission Making Ontario Competitive by Reducing the Cost Burden of Musculoskeletal Pain and Disability. Attached please find the executive summary of the Manga report, 1993, commissioned by the government of Ontario and reporting potential savings of "many hundreds of millions annually" through the better management of back pain, the leading health cause of disability and cost in Ontario.

Thank you once more for this opportunity to appear before the standing committee on finance and economic affairs. I and the other OCA representatives will be pleased to answer any questions you may have.

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The Chair: Thank you very much. We have three minutes per caucus and I'll start with Mr Christopherson.

Mr Christopherson: Thank you for your presentation. What do you suspect are—or know outright, if that's the case—the barriers? Why has this been such an incredible mountain for you to climb, do you think? In your opinion, what is it?

Dr Robert Haig: The cost is the obvious answer to that. I think that's the case, not just the cost but the cost in the structure. The fact that providers in Ontario are funded out of different budgets, silo funding that exists, and they're not integrated so that there's not an incentive for co-operation on behalf of the patient is the main problem. That's essentially what we're saying. There's no question but that there's the potential for very significant savings. There's all kinds of evidence that demonstrates the effectiveness and cost-effectiveness compared to other services. The problem is finding a way to capitalize on that. That requires structural changes in the way that services are delivered and the way they're funded as well.

Mr Christopherson: What about the involvement of other elements of the health care system—professionals, doctors, specialists and the like?

Dr Haig: The relationships between chiropractors and medical doctors and nurses and everybody else is very good on a practical basis. Twenty-five years ago, when I started practice, there was not nearly as much interaction. The majority of my patients are referred by physicians at this point. So on an individual practitioner level there's not a problem. One of the biggest problems that physicians have in sending patients to chiropractors is the financial barrier. The reality is that the amount of funding for the services has dropped, by any measure you want to use, very consistently, so that the patients are paying the vast majority of the cost now. I don't know if everyone would appreciate me saying this or not, but just adding more money isn't really the answer. The answer is finding a way to make the services work together and to get the people in the system working together.

Mr Christopherson: Other countries that have some form of universal health care, are there examples where they've included chiropractic services?

Mr David Chapman-Smith: My name is David Chapman-Smith and I'm the OCA counsel. I have been involved in the international scene quite a lot. Various countries in Europe are mentioned in the brief. The first one mentioned there is Denmark, where in fact chiropractic and medical students do their first three years of training together and then specialize. There's full integration within the system there, with back pain centres in the community and attached to hospitals where all the professions work together in a way that's working well and should be happening here. There's a much more competitive and piecemeal environment in the United States, south of the border, but just in the last two years, in the military health care system and in the veterans administration system following pilot studies, there's federal funding for chiropractic services, again delivered on a co-operative basis in the hospital system and in the communities.

Mr Hardeman: Thank you very much, gentlemen, for your presentation. While you're here, is there anything you can do for my back?

Interjections.

Mr Hardeman: I've heard this on a regular basis, that in fact there are disorders and problems that can be solved by my local chiropractor every bit as effectively and more efficiently than in a medical doctor's office. One of the problems we have is that we never seem to be able to relate the savings to the pot of money. It seems that we're doing it cheaper but we don't find anyplace where we're saving the money. That never comes out. The proposal that you're talking about here would have the ability to do that. In a lot of areas we have these great ways of saying, "A dollar spent here will save $5 there," but for some reason, when we go there to get our $4 savings, it's not there. Working with the medical profession is one of the biggest challenges. The first time I ever went to a chiropractor was not on the recommendation of my medical doctor; it was at the suggestion of someone else who had had their problem solved. I was wondering if you could address that, to make sure that there are savings.

Secondly, as we're talking about the provincial spending on chiropractic services, is that common in other provinces, or are we going to be beyond where other provinces are as far as bringing chiropractors in as an OHIP-covered service?

Dr Haig: We completely understand the problem of "Here's a saving. Where did it go?" I would expect you've had all kinds of people saying, "We do things better. You'll save money." It isn't a question of whether or not there's potential savings there, because there are. If you look at the science, you won't find people who argue about chiropractic services for the management of mechanical back pain, which is huge in terms of costs, dollars and societal costs. Chiropractors manage it very well and very cheaply.

But right now you can't achieve that saving, as long as all the funding is in different little silos. That's the point that we've trying to make. Somehow, you as a government need to find a way to integrate those things. It's a huge budget, the health budget, and if you can find a way to do that, then you can get out of the cycle of year-over-year looking at things.

If I can go on for just a second here, while this has been happening, while all this evidence has been accumulating that chiropractic services are in fact a very cost-effective way to handle this problem, the funding has been going down. It used to be almost 3% of the OHIP budget; it's less than 0.4% or 0.5% now. So relative to everything else, it has been going down, so the opposite has been happening. But that's because of the way that funding is looked at, in silos. Do we have to do this or not?

Mr Phillips: You have your finger on the problem, the silos. I think there are cases where, if we were to list a drug, it would be cost-effective and save money on a hospital, but there's no way to get the money from the hospital budget to the drug budget. It's a challenge for us.

Just so I understand the magnitude of the dollars that you're suggesting here, I think you said something like, "It's less than 1% of OHIP." Do you mean the fund that pays the doctors, which I think is about $6 billion?

Dr Haig: It's about that, yes.

Mr Phillips: So right now you get maybe—

Dr Haig: The total budget for chiropractic services?

Mr Phillips: Yes.

Dr Haig: It's about $100 million.

Mr Phillips: You're suggesting it should go to what?

Dr Haig: What the health economists say is that if it was double that, so that twice as many people could go to chiropractors, that has the potential for the $300 million in direct health cost savings and indirect savings. But the thrust of what we're saying is that you need to find a way to coordinate the services.

Mr Phillips: You're absolutely right. It's a fundamental challenge.

If I have another half-second here, I've noticed a couple of broadsides fired at you from the medical profession, or it at least it looked like it to me. Did you care to comment on that? Is that part and parcel of this silo issue?

Mr Chapman-Smith: Are you talking about neck manipulation and dangers, that sort of thing?

Interjection.

Mr Chapman-Smith: We could be here for a long time. I was part of a major press conference that the Canadian Chiropractic Association had 10 years ago, the last time this went around. The subtitle in the headline says, "A Turf War Again."

Mr Phillips: I appreciate that.

The Chair: With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

Before we adjourn, I need your direction. In the subcommittee minutes, we had asked that the draft report be submitted by April 1. April 1 is Easter Monday, so I'm asking if I can get unanimous consent to move it to April 2. Is that OK? Thank you very much.

With this, I hope everyone has a good weekend. This committee will adjourn until Monday at 10 o'clock in room 151.

The committee adjourned at 1800.

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